16 Financial Statement of NIBAF

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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, 2010 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, except for the change as described in note 2.2 with which we concur;

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M. Yousuf Adil Saleem & Co
Chartered Accountants

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, and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2010 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.

The financial statements of the Institute for the year ended June 30, 2009 were audited by another firm of chartered accountants, who expressed an unqualified opinion thereon vide their report dated September 30, 2009.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Dated: September 27, 2010

Member of
Deloitte Touche Tohmatsu

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
NON CURRENT ASSETS			
Property plant and equipment	5	19,541,577	6,119,069
Long term deposits		401,400	401,400
CURRENT ASSETS			
Stock of stationery and consumables		892,250	911,960
Receivable against training programs	6	13,942,062	61,115,171
Advances, prepayments and other receivables	7	309,555	1,500,700
Short term investments	8	167,607,602	155,170,846
Cash in hand		150,066	19,053
		182,901,535	218,717,730
		202,844,512	225,238,199
SHAREHOLDERS' EQUITY			
Authorized share capital		200,000,000	200,000,000
(20,000,000 Ordinary shares of Rs.10 each)			
Issued, subscribed and paid up capital	9	29,260,840	70
Accumulated surplus		24,367,267	24,367,267
		53,628,107	24,367,337
NON CURRENT LIABILITIES			
Capital grant	10	59,429,900	59,429,900
Advance against issue of shares	11	-	29,260,770
		59,429,900	88,690,670
CURRENT LIABILITIES			
Creditors, accrued expenses and other payables	12	12,672,214	4,239,812
Due to associated undertaking	13	74,558,091	107,917,880
Advance against training programs		2,556,200	22,500
		89,786,505	112,180,192
		202,844,512	225,238,199

The annexed notes 1 to 24 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, 2010

	Note	2010 Rupees	2009 Rupees
INCOME			
Hostel and training halls	14	26,481,499	68,888,017
Training and education fee	15	29,523,260	29,495,056
Other income	16	19,961,796	17,876,004
		75,966,555	116,259,077
EXPENDITURE			
Operating, administrative and general expenses	17	(129,846,026)	(93,055,998)
Operating (deficit) / surplus for the year		(53,879,471)	23,203,079
Receivable from State Bank of Pakistan - written off	18	(40,695,323)	(1,219,175)
(Deficit) / surplus for the year		(94,574,794)	21,983,904
Other comprehensive income for the year		-	-
Total Comprehensive (deficit) / surplus for the year		(94,574,794)	21,983,904

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

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit) / surplus for the year	(94,574,794)	21,983,904
Adjustments for non cash items:		
Depreciation	3,035,267	2,619,676
Receivable from State Bank of Pakistan - written off	40,695,323	1,219,175
Assets written off	10	440,217
Income from investments	(19,723,843)	(17,065,512)
	24,006,757	(12,786,444)
Operating (deficit) / surplus before working capital changes	(70,568,037)	9,197,460
Changes in working capital		
Increase / (decrease) in current liabilities:		
Due to associated undertaking excluding profit allocation	14,156,684	34,130,516
Advance against training programs	2,533,700	22,500
Trade and other payables	8,432,402	693,185
	25,122,786	34,846,201
(Increase) / decrease in current assets:		
Stock of stationery and consumables	19,710	(16,201)
Receivable against training programs	47,173,109	(54,892,540)
Advances, prepayments and other receivables	1,191,145	(716,881)
	48,383,964	(55,625,622)
Net changes in working capital	73,506,750	(20,779,421)
Net cash generated from / (used in) operating activities	2,938,713	(11,581,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(10,094,787)	(1,111,888)
Investments redeemed during the year	7,287,087	12,712,902
Net cash (used in) / generated from investing activities	(2,807,700)	11,601,014
Net increase in cash and cash equivalents	131,013	19,053
Cash and cash equivalents at beginning of the year	19,053	-
Cash and cash equivalents at end of the year	150,066	19,053

The annexed notes 1 to 24 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, 2010

	Share Capital	Accumulated Surplus	Total
	Rupees	Rupees	Rupees
Balance as on July 01, 2008	70	24,367,267	24,367,337
Surplus for the year	-	21,983,904	21,983,904
Surplus allocated to State Bank of Pakistan ("Parent	-	(21,983,904)	(21,983,904)
Balance as at June 30, 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	-	94,574,794	94,574,794
Balance as at June 30, 2010	29,260,840	24,367,267	53,628,107

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

MANAGING DIRECTOR **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting July 1, 2009, the Institute has changed its accounting policies in the following areas:

IAS 1 (revised), ‘Presentation of Financial Statements’ (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of surplus or deficit either as part of a single statement of comprehensive income or in a separate income and expenditure account. The Institute has opted to present the components of surplus or deficit as part of a single statement of comprehensive income as permitted under revised IAS 1.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the adoption only impacts presentation aspects, there is no impact on (deficit) surplus for the year.

2.3 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also 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	January 1, 2009
IFRS 3 - Business Combinations (Revised) and IAS 27 - Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39	July 1, 2009

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	July 1, 2009
IFRS 8 - Operating Segments	January 1, 2009
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	January 1, 2009
Amendments to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2009
Amendments to IAS 23 - Borrowing Costs	January 1, 2009
IAS 32 - Financial Instruments : Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation	January 1, 2009
IAS 38 - Intangible Assets	January 1, 2009
IAS 39 - Financial Instruments : Recognition and Measurement - Eligible Hedged	July 1, 2009
Amendments to IAS 40 - Investment Property	January 1, 2009
IFRIC 9 - Remeasurement of Embedded derivatives and IAS 39 Financial Instruments Recognition and Measurement	July 1, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 17 - Distribution of Non-cash Assets to Owners	
IFRIC 18 - Transfers of Assets from Customers	July 1, 2009

2.4 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, 2013

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.

Amendments to IFRS 2 - Share based Payment	January 1, 2010

The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The adoption of this amendment will have no effect on the financial statements as the entity is not part of a corporate group.

Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued January 01, 2010

The IASB clarified (as part of Improvements to IFRSs (2009)) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations. The adoption of this amendment would only affect the disclosures and would have no impact on earnings per share.

Amendments to IAS 7 - Statement of Cash Flows January 01, 2010

The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, any cash flows in respect of items that do not qualify for recognition as an asset (and, therefore, are recognized in profit or loss as incurred) would be reclassified from investing to operating activities in the statement of cash flows and prior year amounts restated for consistent presentation.

Amendments to IAS 17 - Leases January 01, 2010

As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general

Amendments to IAS 24 - Related Party Disclosures January 01, 2010

The amendments modify the definition of a related party and simplify related party disclosures for government-related entities. The directors anticipate that these amendments will be adopted in the Institute's financial statements for the period beginning 1 January 2010. The Institute is not government-related, therefore the disclosure exemptions will not affect its financial statements. However, some disclosures may be affected by the changes in the detailed definition of a related party. This may result in amendments to the relevant related party disclosures in the financial statements.

The above standards or interpretations of approved accounting standards effective for accounting period beginning on or after July 01, 2010 are either not relevant to the Institute's operations or are not expected to have significant impact on the Institute's financial statements other than certain increased disclosures in

2.5 Basis of measurement

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

2.6 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 and education fee is recognized on completion of relevant courses.

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

(iii) Profit on bank accounts and interest 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, being a subsidiary of State Bank of Pakistan is exempted from income tax under section 49 of the State Bank of Pakistan Act, 1956. Further, income of the Institute is also 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 Institute 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	Office equipment	Vehicles	Total
	---- Rupees ----				
Cost					
Balance as at 01 July 2008	16,819,223	5,481,401	31,505,166	6,572,504	60,378,294
Additions during the year	283,883	404,865	423,140	-	1,111,888
Transfer in during the year	-	122,067	-	518,000	640,067
Write-offs	(4,912,996)	(15,180)	(739,156)	-	(5,667,332)
Balance as at 30 June 2009	12,190,110	5,993,153	31,189,150	7,090,504	56,462,917
Balance as 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 as at 30 June 2010	17,399,900	9,189,340	33,954,387	12,905,504	73,449,131
Allowance for depreciation					
Balance as on 01 July 2008	14,046,127	4,367,275	30,626,201	3,854,954	52,894,557
Depreciation charge for the year	661,822	656,069	357,852	943,933	2,619,676
Transfer in during the year	-	56,730	-	-	56,730
Write-offs	(4,522,004)	(11,467)	(693,644)	-	(5,227,115)
Balance as at 30 June 2009	10,185,945	5,068,607	30,290,409	4,798,887	50,343,848
Balance as 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 as at 30 June 2010	10,807,787	6,032,599	30,646,681	6,420,487	53,907,554
Carrying amounts - 2009	2,004,165	924,546	898,741	2,291,617	6,119,069
Carrying amounts - 2010	**6,592,113**	**3,156,741**	**3,307,706**	**6,485,017**	**19,541,577**
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 there use has been charged by State Bank of Pakistan to the Institute.

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

	Note	2010 Rupees	2009 Rupees
6. RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED			
Associated undertaking			
SBP Banking Services Corporation		5,351,331	8,957,436
State Bank of Pakistan		-	40,695,323
		5,351,331	49,652,759
Others			
Considered good		8,590,731	11,462,412
		13,942,062	61,115,171
7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to staff - unsecured, considered good		135,978	1,162,465
Advances to suppliers		-	30,000
Prepayments		173,577	305,370
Other receivables		-	2,865
		309,555	1,500,700
8. SHORT TERM INVESTMENTS			
Investment held to maturity			
Government Treasury Bills	8.1	167,607,602	155,170,846

8.1 These investments is for a period of 12 months. This investment is shown at amortized cost using effective rate of interest ranges from 11.4703% to 12.3050% per annum (2009: 9.1593% to 14.2529% per annum). The investment is in Subsidiary General Ledger Account maintained by the State Bank of Pakistan-Banking Services Corporation, Karachi.

	Note	2010 Rupees	2009 Rupees
9 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
Issued, subscribed and paid-up capital			
7 ordinary shares of Rs.10 each issued for cash		70	70
2,926,077 ordinary shares of Rs.10 each issued during the year	9.1	29,260,770	-
	9.2	29,260,840	70

9.1 During the year, Institute issued 2,926,077 ordinary shares of Rs. 10 each to State Bank of Pakistan against advance received for issuance of shares.

9.2 State Bank of Pakistan hold 2,926,083 (2009 : 6) ordinary shares and Deputy Governor of State Bank of Pakistan holds 1 (2009 : 1) share of the Institute as at the balance sheet date.

10. CAPITAL GRANT

This represents capital grant amounting to US $ 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	2010 Rupees	2009 Rupees
11. ADVANCE AGAINST ISSUE OF SHARES			
State Bank of Pakistan	9.1	-	29,260,770

12. CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES

	2010	2009
Creditors	9,227,819	1,506,798
Traveling and training cost payable	380,073	149,535
Accrued expenses	2,775,978	2,295,135
Security deposits	288,344	288,344
	12,672,214	4,239,812

13. DUE TO ASSOCIATED UNDERTAKING

	2010	2009
State Bank of Pakistan	74,558,091	107,917,880

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

	Note	2010 Rupees	2009 Rupees

14. HOSTEL AND TRAINING HALLS INCOME

	Note	2010 Rupees	2009 Rupees
Rental income		17,331,122	51,118,346
Service charges		952,858	1,340,892
Food and beverages		8,197,519	16,428,779
		26,481,499	68,888,017

15. TRAINING AND EDUCATION FEE

	Note	2010 Rupees	2009 Rupees
International courses		9,537,579	6,571,803
Domestic courses		16,835,681	17,368,253
Islamic banking courses		3,150,000	5,555,000
		29,523,260	29,495,056

16. OTHER INCOME

	Note	2010 Rupees	2009 Rupees
Interest on investment		19,723,843	17,065,512
Miscellaneous income		189,159	810,065
Exchange gain		48,794	427
		19,961,796	17,876,004

17. OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries, wages and other benefits		55,886,004	33,559,853
Training costs		12,442,066	8,059,507
Repairs and maintenance		10,245,674	6,754,085
Lodging, catering and allied services		17,555,491	12,917,082
Traveling and conveyance		4,934,220	3,136,438
Printing and stationery		2,944,905	1,915,229
Medical		1,892,366	1,903,775
Electricity, gas and water		14,865,081	16,686,967
Telephone and fax		907,755	781,154
Vehicle running		1,883,558	1,198,506
General consumables		193,409	322,631
Security charges		1,072,150	1,035,500
Insurance		431,893	210,231
Newspapers, books and periodicals		243,730	240,896
Postage and courier		117,324	65,541
Entertainment		367,929	227,382
Auditors' remuneration		123,400	134,000
Rent, rates and taxes		504,000	505,600
Assets written off	5	10	440,217
Legal and professional		60,000	165,000
Depreciation	5.2	3,035,267	2,619,676
Other		139,794	176,728
		129,846,026	93,055,998

18. RECEIVABLE FROM STATE BANK OF PAKISTAN - WRITTEN OFF

As decided by the State Bank of Pakistan (the Parent) no revenue will be charged for services provided to them. Accordingly it has been decided to write-off the amount of Rs. 40. 7 million charged to State Bank of Pakistan in the income and expenditure account of the current year.

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.

	2010 Rupees	2009 Rupees
Deposit	401,400	401,400
Receivable against training programs	13,942,062	61,115,171
Advances, short term deposits and other receivables	135,978	1,195,330
Short term investments	167,607,602	155,170,846
	182,087,042	217,882,747

19.2 Impairment losses

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

Domestic	13,935,930	58,685,114
Other regions	6,132	2,430,057
	13,942,062	61,115,171

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

	2010 Rupees Gross	2010 Rupees Impairment	2009 Rupees Gross	2009 Rupees Impairment
Not past due	11,246,358	-	26,604,688	-
Past due 0-30 days	183,310	-	2,434,260	-
Past due 31-365 days	407,579	-	31,055,110	-
More than one year	2,104,815	-	1,021,113	-
	13,942,062	-	61,115,171	-

Based on historical record, the Institute believes that no impairment allowances is necessary in respect of receivable against training programs not past due more than one year.

19.3 Liquidity risk

The following analysis shows the Company'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.

30 June 2010	Carrying amount Rupees	Total Rupees	----------------- Contractual cash flows 6 months or less Rupees	6 to 12 months Rupees	1 to 5 years Rupees	More than 5 years Rupees
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	-	-
30 June 2009						
Trade and other payables	4,239,812	4,239,812	4,239,812	-	-	-
Due to associated undertaking	107,917,880	107,917,880	53,958,940	53,958,940	-	-
	112,157,692	112,157,692	58,198,752	53,958,940	-	-

19.4 Market risk

The Institute is not exposed 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 alue. 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

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 operation.

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:

	2010 Rupees	2009 Rupees (Restated)
Parent Entity - State Bank of Pakistan		
Balances at the year end		
Short term Investments	167,607,602	155,170,846
Due to Parent Entity	74,558,091	107,917,880
Receivable against training Programs	-	40,695,323
Advance against issue of shares	-	29,260,770
Transactions during the year		
Investments purchased / matured and re-invested	157,571,812	144,599,699
Value of assets transferred at net book value	6,362,998	583,337
Allocation of (deficit) / surplus	(94,574,794)	21,983,904
Associated undertaking - SBP - Banking Services Corporation		
Balances at the year end		
Receivable against training Programs	5,351,331	8,957,436
Transactions during the year		
Revenue charged to SBP Banking Services Corporation	10,345,145	12,486,776
Receipts from SBP Banking Services Corporation	13,951,250	6,716,305
Remuneration to Chief Executive Officer, Director and Key Management Personnel		
Transactions during the year		
Salaries, wages and other benefits to:		
- Chief Executive Officer	6,320,730	3,998,411
- Key Management Personnel	40,186,417	19,460,665
- No. of persons	25	19

22 RECLASSIFICATION

There are no reclassification or rearrangement of figures in these financial statements, other than disclosed hereunder;

	2009 Rupees
Current Classification	
Lodging, catering and allied services	10,491,747
Previous Classification	
Food and beverage	10,491,747

23 GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.

24 DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on September 27, 2010.

MANAGING DIRECTOR **DIRECTOR**