11 Financial Statements of SBP-BSC (Bank)

A. F. FERGUSON & CO.
Chartered Accountants
State Life Building No. 1-C
I. I. Chundrigar Road
P.O. Box 4716
Karachi-74000

EY FORD RHODES
Chartered Accountants
Progressive Plaza, Beaumont Road
P. O. Box 15541
Karachi

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STATE BANK OF PAKISTAN

We have audited the accompanying financial statements of SBP Banking Services Corporation ("the Corporation") which comprise the balance sheet as at June 30, 2016, and the profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (here-in-after referred to as the "financial statements").

Management's Responsibility for the Financial Statements

Management of the Corporation is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A. F. FERGUSON & CO.
Chartered Accountants

EY FORD RHODES
Chartered Accountants

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as at June 30, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Salman Hussain
Audit Engagement Partner

EY Ford Rhodes
Chartered Accountants
Karachi

Omer Chughtai
Audit Engagement Partner

SBP BANKING SERVICES CORPORATION
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016	2015
		------(Rupees in '000)------	
ASSETS			
Current account with the State Bank of Pakistan		**47,810,651**	40,635,754
Investments	*5*	**525,525**	571,720
Employee loans	*6*	**10,853,432**	10,577,857
Advances, deposits and prepayments	*7*	**64,601**	39,107
Medical and stationery consumables	*8*	**138,878**	132,479
Property and equipment	*9*	**486,205**	284,665
Total assets		**59,879,292**	52,241,582
LIABILITIES			
Deposits and other liabilities	*10*	**5,332,294**	5,752,762
Deferred liabilities - unfunded staff retirement benefits	*11*	**53,546,998**	45,488,820
Total liabilities		**58,879,292**	51,241,582
Net assets		**1,000,000**	1,000,000
REPRESENTED BY:			
Share capital	*12*	**1,000,000**	1,000,000
CONTINGENCIES AND COMMITMENTS	*13*		

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

Qasim Nawaz
Managing Director

Muhammad Habib Khan
Director Accounts

SBP BANKING SERVICES CORPORATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		------(Rupees in '000)------	
Discount and interest earned	14	**38,008**	48,573
Net operating expenses	15	**13,955,950**	14,179,759
Reimbursable from the State Bank of Pakistan		**(7,544,251)**	(6,873,983)
Allocated to the State Bank of Pakistan		**(6,411,699)**	(7,305,776)
		-	-
Operating profit		**38,008**	48,573
Gain on disposal of property and equipment		**1,123**	1,263
Other income		**896**	655
Profit for the year		**40,027**	50,491

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

Qasim Nawaz
Managing Director

Muhammad Habib Khan
Director Accounts

SBP BANKING SERVICES CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		------(Rupees in '000)------	
Profit for the year		**40,027**	50,491
Other comprehensive income			
Items that will not be reclassified subsequently to the profit and loss account:			
Loss on remeasurements of defined benefit plans	*15.1.5*	**(12,173,824)**	(2,073,949)
Allocated to the State Bank of Pakistan		**12,173,824**	2,073,949
		-	-
Total comprehensive income for the year		**40,027**	50,491

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

Qasim Nawaz
Managing Director

Muhammad Habib Khan
Director Accounts

SBP BANKING SERVICES CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	Unappropriated profit	Total
	----------------	(Rupees in '000)	----------------
Balance as at July 1, 2014	1,000,000	-	1,000,000
Total comprehensive income for the year	-	50,491	50,491
Transaction with the owner			
Profit transferred to the State Bank of Pakistan	-	(50,491)	(50,491)
Balance as at June 30, 2015	1,000,000	-	1,000,000
Total comprehensive income for the year	-	40,027	40,027
Transaction with the owner			
Profit transferred to the State Bank of Pakistan	-	(40,027)	(40,027)
Balance as at June 30, 2016	**1,000,000**	**-**	**1,000,000**

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

Qasim Nawaz
Managing Director

Muhammad Habib Khan
Director Accounts

SBP BANKING SERVICES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		-------(Rupees in '000)-------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after adjustment of non-cash items	*16*	**30,071**	33,116
Profit transferred to the State Bank of Pakistan		**(40,027)**	(50,491)
Income on Government securities received during the year		**28,577**	31,767
		18,621	14,392
(Increase) / decrease in assets			
Current account with the State Bank of Pakistan - excluding depreciation and expense in respect of staff retirement benefits and compensated absences		**575,665**	290,276
Medical and stationery consumables		**(6,399)**	(7,418)
Employee loans		**(275,575)**	59
Advances, deposits and prepayments		**(25,494)**	(6,824)
Increase / (decrease) in liabilities			
Deposits and other liabilities		**31,319**	(120,761)
Net cash generated from operating activities		**318,137**	169,724
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net		**26,451**	(17,926)
Capital expenditure		**(352,231)**	(154,608)
Proceeds from disposal of property and equipment		**7,643**	2,810
Net cash used in investing activities		**(318,137)**	(169,724)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the year		**-**	-
Cash and cash equivalents at the end of the year		**-**	-

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

Qasim Nawaz	**Muhammad Habib Khan**
Managing Director	Director Accounts

SBP BANKING SERVICES CORPORATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. STATUS AND NATURE OF OPERATIONS

1.1 SBP Banking Services Corporation (the Corporation) was constituted under the SBP Banking Services Corporation Ordinance, 2001 (the Ordinance) as a wholly owned subsidiary of the State Bank of Pakistan (SBP) and commenced its operations with effect from January 2, 2002. The Corporation is responsible for carrying out certain statutory and administrative functions and activities on behalf of SBP, as transferred or delegated by SBP under the provisions of the Ordinance mainly including:

- disbursing of loans and advances to the Governments, banks, financial institutions and local authorities and facilitating in inter-bank settlement system;
- collecting revenue and making payments for and on behalf of, and maintaining accounts of the Governments, local bodies, authorities, companies, banks and other financial institutions;
- receipt, supply and exchange of bank notes and coins;
- dealing in prize bonds and other savings instruments of the Government; and
- operational work relating to management of debt and foreign exchange.

Any assets, liabilities, income and expenditure directly relating to the above activities are accounted for in the books of SBP while the cost incurred by the Corporation in carrying out the above activities are either reimbursed from or allocated to SBP (including the portion charged to the statement of comprehensive income) and are accounted for as deduction from the expenditure while net profit / loss, if any, of the Corporation is transferred to / recovered from SBP.

1.2 The head office of the Corporation is situated at I.I. Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except that certain staff retirement benefits and provision for employees' compensated absences have been carried at present value of defined benefit obligations.

3.2 The financial statements are presented in Pakistani Rupees (PKR) which is the Corporation's functional and presentation currency.

3.3 Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs), requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of International Financial Reporting Standards (IFRSs) and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

3.3.1 Retirement benefits

The key actuarial assumptions concerning the valuation of defined benefit plans and sources of estimation are disclosed in note 15.1 to these financial statements.

3.3.2 Useful life and residual value of property and equipment

Estimates of useful life and residual value of property and equipment are based on the management's best estimate. Rates of depreciation are given in note 9.1.

3.3.3 Provision against obsolete medical and stationery consumables

The Corporation exercises judgment and makes provision for obsolete items based on their future usability. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

3.4 New and amended standards and interpretations that are not yet effective

The following standards, amendments and interpretations of IFRSs would be effective from the dates mentioned below against the respective standard or interpretation:

Standards, amendments and interpretations	Effective date (annual periods beginning on or after)
- IFRS 2: Share-based Payments - Classification and Measurement of Share-based Payments Transactions	January 1, 2018
- IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates - Investment Entities: Applying the Consolidation Exception - Amendment to IFRS 10, IFRS 12 and IAS 28	January 1, 2016
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Date yet to be finalised
- IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation - Amendments to IFRS 11	January 1, 2016
- IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
- IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
- IFRS 16 - Leases	January 1, 2019
- IAS 1 - Presentation of Financial Statements - Disclosure Initiative	January 1, 2016
- IAS 7 Financial Instruments: Disclosures - Disclosure Initiative	January 1, 2017
- IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses - Amendment to IAS 12	January 1, 2017
- IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization - Amendment to IAS 16 and IAS 38	January 1, 2016
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants - Amendments to IAS 16 and IAS 41	January 1, 2016
- IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements - Amendment to IAS 27	January 1, 2016
Improvements to Accounting Standards Issued by the IASB	
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal	January 1, 2016
- IFRS 7 Financial Instruments: Disclosures - Servicing contracts	January 1, 2016
- IFRS 7 Financial Instruments: Disclosures - Applicability of the off-setting disclosures to condensed interim financial statements	January 1, 2016
- IAS 19 Employee Benefits - Discount rate: regional market issue	January 1, 2016

The Corporation expects that the adoption of the above standards and amendments will not have any material impact on the Corporation's financial statements in the period of initial application other than the initial application of IFRS 9, 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers' as described below:

- IFRS 9, Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) sets out the principles of classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' except for the recognition requirements. The adoption of the standard introduces expanded disclosure requirements and changes in presentation of the financial instruments which are expected to change the nature and extent of the Corporation's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted (subject to local regulation requirements). The Corporation intends to adopt IFRS 9 on its mandatory date and the management is in the process of assessing the impacts of IFRS 9 on the financial statements of the Corporation.

- IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The management is in the process of assessing the impact of IFRS 15 on the financial statements of the Corporation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented.

4.1 Financial instruments

4.1.1 Financial assets

4.1.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Corporation are categorised as follows:

a) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise of current account with the State Bank of Pakistan, employee loans and other advances and deposits.

c) Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Corporation has a positive intent and ability to hold till maturity.

d) Available for sale financial assets

These are the non derivative financial assets which are either designated in this category or which do not fall in any of the other categories.

4.1.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Corporation becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Corporation commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the transaction costs associated with these financial assets are taken directly to the profit and loss account.

4.1.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) Financial asset 'at fair value through profit or loss' and 'available for sale'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income, except investments in those securities the fair value of which cannot be determined reliably and are stated at cost.

b) Financial assets classified as 'Loans and receivables' and 'held to maturity'

Loans and receivables and held to maturity financial assets are carried at amortised cost.

4.1.1.4 Impairment

The Corporation assesses at each balance sheet date whether there is an objective evidence that a financial asset is impaired.

a) Assets carried at amortised cost

For financial assets carried at amortised cost, the Corporation first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for individually assessed financial assets, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying value of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through profit and loss account.

b) Assets classified as 'available for sale'

In case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any evidence for impairment exists, the cumulative loss is removed from other comprehensive income and recognised in the profit and loss account. For investments, other than equity instruments, the increase in fair value in a subsequent period thereby resulting in reversal of impairment is reversed through profit and loss account. Impairment losses recognised in profit and loss account on equity instruments are not reversed through profit and loss account.

4.1.2 Financial liabilities

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate. These include deposits and other liabilities.

4.1.3 Derecognition of financial assets and financial liabilities

a) Financial assets

The Corporation derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit and loss account.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amount is recognised in the profit and loss account.

4.1.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.2 Employee loans

These are initially recognized at fair value and subsequently carried at amortised cost less estimates made for any doubtful receivables based on a review of all outstanding amounts at the balance sheet date.

4.3 Medical and stationery consumables

Medical and stationery consumables are valued at lower of weighted average cost and the net realisable value.

Provision for obsolete items is determined based on the management's assessment regarding their future usability.

Net realisable value represents estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4.4 Property and equipment

Property and equipment are stated at historical 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. Historical cost includes expenditure that are directly attributable to the acquisition of the items.

Depreciation on property and equipment is charged to profit and loss account by applying the straight-line method at the rates specified in note 9.1 to the financial statements, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation on additions is charged to the profit and loss account from the month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Estimates of useful life and residual value of property and equipment are based on the management’s best estimate. The assets' residual value, depreciation method and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property and equipment are recognised in the profit and loss account.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Corporation and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

4.5 Impairment of non-financial assets

The carrying amounts of the Corporation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated. The recoverable amount is higher of an asset fair value less cost to sell and value in use. In assessing the value in use, estimated future cash flows are discounted to present value using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount.

4.6 Compensated absences

The Corporation makes annual provision in respect of liability for employees' compensated absences based on actuarial estimates using Projected Unit Credit Method.

4.7 Staff retirement benefits

The Corporation operates the following staff retirement benefit schemes for employees transferred from SBP (transferred employees) and other employees:

a) an un-funded contributory provident fund (old scheme) for transferred employees who joined SBP prior to 1975 and opted to remain under the old scheme. The Corporation provided an option to employees covered under old scheme to join the funded Employer Contributory Provident Fund Scheme - ECPF (new scheme) effective from July 1, 2010. Under this scheme contribution is made by both the employer and employee at the rate of 6% of the monetized salary. Moreover, employees joining the Corporation service after July 1, 2010 are covered under the new scheme.

b) an un-funded general contributory provident fund (new scheme) for transferred employees who joined SBP after 1975 or who had joined SBP prior to 1975 but have opted for this new scheme. Under this scheme contribution is made by the employee only at the rate of 5% of the monetized salary.

c) the following other staff retirement benefit schemes:

- an un-funded gratuity scheme (old scheme) for all employees other than the employees who opted for the new general contributory provident fund scheme or transferred employees who joined SBP after 1975 and are entitled only to pension scheme benefits;

- a funded Employees Gratuity Fund (EGF) which was introduced by the Corporation effective from July 1, 2010 for all its employees other than those who opted for pension scheme or unfunded gratuity scheme (old scheme);

- an un-funded pension scheme for those employees who joined the SBP after 1975 and before the introduction of EGF which is effective from July 1, 2010;

- an un-funded contributory benevolent fund scheme;

- an un-funded post retirement medical benefit scheme; and

- six months post retirement benefit facility.

Obligations for contributions to defined contribution provident plans are recognised as an expense in the profit and loss account as and when incurred.

Annual provisions are made by the Corporation to cover the obligations arising under defined benefits schemes based on actuarial recommendations. The actuarial valuations are carried out under the "Projected Unit Credit Method". The most recent valuation in this regard is carried out as at June 30, 2016. The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the period in which they occur. The amount arising as a result of remeasurement is allocated to the State Bank of Pakistan however, the liability is retained in the balance sheet of the Corporation.

The key actuarial assumptions concerning the valuation of defined benefit plans and the sources of estimation are disclosed in note 15.1 to the financial statements.

4.8 Revenue recognition

Discount, interest / mark-up and / or return on loans and investments are recorded on a time proportion basis that takes into account the effective yield on the asset.

4.9 Taxation

The income of the Corporation is exempt from tax under section 25 of the SBP Banking Services Corporation Ordinance, 2001.

4.10 Provisions

Provisions are recognised when the Corporation 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 amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

	Note	2016	2015
5. INVESTMENTS		------(Rupees in '000)------	
Held to maturity			
Market Treasury Bills	*5.1*	**525,525**	524,942
Pakistan Investment Bond		**-**	46,778
		525,525	571,720

5.1 Market Treasury Bills carry mark-up at the rate of 6.00% to 6.26% per annum (2015: 6.79% to 9.48% per annum) and are due to mature by June 2017 (2015: March 2016).

	Note	2016	2015
6. EMPLOYEE LOANS		------(Rupees in '000)------	
Considered good		**10,853,432**	10,577,857
Considered doubtful		**7,610**	8,366
	6.1	**10,861,042**	10,586,223
Provision against doubtful loans	*6.2*	**(7,610)**	(8,366)
		10,853,432	10,577,857

6.1 This represents loans given to the permanent employees of the Corporation, which are recoverable in equal monthly installments till the retirement of an employee except that the personal loan are repayable in twenty four equal monthly installments. These include loans amounting to Rs. 13.487 million (2015: Rs. 43.178 million) that carry mark up at 10% per annum (2015: 10% per annum). Maximum maturity of loans is upto year 2056 (2015: year 2052).

These loans have been given in respect of:-

- Housing loans - Secured against equitable mortgage of the property.
- Motor vehicle loans - Secured against hypothecation of the vehicle.
- Computer and personal loans, given on personal guarantee of two employees of the Corporation.

	Note	2016	2015
6.2 Provision held against employee loans		------(Rupees in '000)------	
Opening balance		**8,366**	9,021
Charge for the year		**-**	-
Reversals		**(756)**	(655)
Closing balance		**7,610**	8,366
7. ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances, deposits and prepayments		**55,964**	30,483
Others		**8,637**	8,624
		64,601	39,107
8. MEDICAL AND STATIONERY CONSUMABLES			
Medical and stationery consumables	*8.1*	**139,845**	133,584
Provision against obsolete items		**(967)**	(1,105)
		138,878	132,479

8.1 These include stocks of medicine, stationery, engineering items and printing press.

	Note	2016	2015
9. PROPERTY AND EQUIPMENT		------(Rupees in '000)------	
Operating fixed assets	*9.1*	**440,381**	284,665
Capital work-in-progress		**45,824**	-
		486,205	**284,665**

9.1 Operating fixed assets

The following is a statement of operating fixed assets:

2016

	Cost			Accumulated Depreciation				
	As at July 01, 2015	**Additions / (deletions)**	**As at June 30, 2016**	**As at July 01, 2015**	**Charge for the year / (deletions)**	**As at June 30, 2016**	**Net book value as at June 30, 2016**	**Annual rate of depreciation %**
	--------(Rupees in '000)--------							
Furniture and fixtures	**137,562**	**10,965** **(1,071)**	**147,456**	**92,757**	**10,283** **(683)**	**102,357**	**45,099**	**10**
Office equipment	**989,159**	**116,443** **(9,029)**	**1,096,573**	**844,132**	**62,097** **(4,921)**	**901,308**	**195,265**	**20**
EDP equipment	**420,849**	**137,517** **(7,779)**	**550,587**	**373,466**	**52,196** **(5,755)**	**419,907**	**130,680**	**33.33**
Motor vehicles	**127,546**	**41,482** **(809)**	**168,219**	**80,096**	**19,595** **(809)**	**98,882**	**69,337**	**20**
	1,675,116	**306,407** **(18,688)**	**1,962,835**	**1,390,451**	**144,171** **(12,168)**	**1,522,454**	**440,381**	

2015

	Cost			Accumulated Depreciation				
	As at July 01, 2014	Additions / (deletions) / adjustment*	As at June 30, 2015	As at July 01, 2014	Charge for the year / (deletions) / adjustment*	As at June 30, 2015	Net book value as at June 30, 2015	Annual rate of depreciation %
	--------(Rupees in '000)--------							
Furniture and fixtures	128,938	10,022 (1,323) (75) *	137,562	83,716	9,669 (1,306) 678 *	92,757	44,805	10
Office equipment	933,340	60,231 (4,723) 311 *	989,159	787,112	56,357 (3,740) 4,403 *	844,132	145,027	20
EDP equipment	352,554	52,516 (94) 15,873 *	420,849	329,334	26,856 (91) 17,367 *	373,466	47,383	33.33
Motor vehicles	108,676	31,839 (13,214) 245 *	127,546	85,479	13,381 (12,670) (6,094) *	80,096	47,450	20
	1,523,508	154,608 (19,354) 16,354	1,675,116	1,285,641	106,263 (17,807) 16,354	1,390,451	284,665	

* Adjustments represents reclassifications within different categories of assets incorporated as a result of reconciliation exercise.

	Note	2016	2015
		----------(Rupees in '000)----------	

10. DEPOSITS AND OTHER LIABILITIES

	Note	2016	2015
Provision for employees' compensated absences	15.1.9	**4,923,839**	5,375,626
Deposits		**92,804**	200,070
Others		**315,651**	177,066
		5,332,294	5,752,762

11. DEFERRED LIABILITIES - UNFUNDED STAFF RETIREMENT BENEFITS

	Note	2016	2015
Gratuity		**2,327**	1,580
Pension		**37,457,883**	30,780,494
Benevolent fund scheme		**1,308,845**	1,108,267
Post retirement medical benefits		**13,911,141**	12,628,628
Six months post retirement benefits		**100,956**	87,976
	15.1.3	**52,781,152**	44,606,945
Provident fund scheme		**765,846**	881,875
		53,546,998	45,488,820

12. SHARE CAPITAL

2016	2015		**2016**	2015
(Number of shares)			---------(Rupees in '000)---------	
		Authorised share capital		
1,000	1,000	Ordinary shares of Rs. 1,000,000 each	**1,000,000**	1,000,000
		Issued, subscribed and paid-up capital		
		Fully paid-up ordinary shares of Rs. 1,000,000 each		
509	509	- issued for cash	**509,000**	509,000
491	491	- issued against consideration in kind	**491,000**	491,000
1,000	1,000		**1,000,000**	1,000,000

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

	Note	2016	2015
Claims against the Corporation not acknowledged as debts	13.1.1	**2,962**	2,962

13.1.1 These mainly represent various cases filed by ex-employees of the Corporation on account of computational differences in settlement of their retirement benefit amounts. The management believes that these cases will be decided in favour of the Corporation and hence no provision has been recognised in these financial statements.

13.2 Commitments

	Note	2016	2015
		----------(Rupees in '000)----------	
Capital commitments	13.2.1	**548,624**	47,508

13.2.1 This represent amounts committed by the Corporation to purchase assets from successful bidders.

14. DISCOUNT AND INTEREST EARNED

	2016	2015
	---------(Rupees in '000)---------	
Discount income on Government securities	**37,410**	47,713
Interest on employee loans	**598**	860
	38,008	48,573

15. NET OPERATING EXPENSES

	Note	2016	2015
		----------(Rupees in '000)----------	
Reimbursable from the State Bank of Pakistan			
Salaries, wages and other benefits		**6,153,682**	5,686,410
Rent and taxes		**25,550**	20,952
Insurance		**7,309**	6,197
Electricity, gas and water		**304,736**	288,219
Repair and maintenance		**189,716**	149,793
Auditors' remuneration	*15.2*	**5,950**	5,950
Legal and professional		**11,078**	6,266
Travelling		**21,725**	16,918
Daily expenses		**26,897**	29,397
Passages / rest and recreational allowance		**198,127**	192,225
Fuel		**3,002**	2,949
Conveyance		**16,818**	12,913
Postages and telephone		**12,898**	24,590
Training		**146,112**	70,270
Remittance of treasure		**92,744**	67,043
Stationery		**9,444**	10,542
Books and newspapers		**1,626**	1,504
Advertisement		**32,011**	17,607
Bank guards charges		**117,499**	124,618
Uniforms		**28,493**	23,451
Others		**138,834**	116,169
		7,544,251	6,873,983
Allocated to the State Bank of Pakistan			
Retirement benefits and employees' compensated absences	*15.1 to 15.1.9*	**6,267,528**	7,199,513
Depreciation	*9.1*	**144,171**	106,263
		6,411,699	7,305,776
		13,955,950	14,179,759

15.1 Staff retirement benefits

15.1.1 During the year the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using following significant assumptions:

	2016	2015
- Discount rate for year end obligation	7.25% p.a.	9.75% - 11.00% p.a.*
- Salary increase rate (where applicable)	8.25% p.a.	9.75% p.a.
- Pension indexation rate (where applicable)	4.75% p.a.	7.25% p.a.
- Medical cost increase rate	7.25% p.a.	11% p.a.
- Personnel turnover	18.1% p.a.	10% p.a.
- Normal retirement age	60 Years	60 Years

* 11.00% has been used for post retirement medical benefits. For all other benefits rate of 9.75% is used.

Assumptions regarding future mortality are based on actuarial advice in accordance with the published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with 1 year setback.

15.1.2 Through its defined benefit plan, the Corporation is exposed to a number of risks, the most significant of which are detailed below:

Discount rate risks

The risk of changes in discount rate since discount rate is based on corporate / government bonds. Any change in bond yields will impact plan liabilities.

Salary increase / inflation risks

The risk that the actual salary increase is higher / lower than the expected where benefits are linked with final salary at the time of cessation of employment.

Mortality risks

The risk that the actual mortality experience is different than that of expected i.e. the actual life expectancy is different from assumed.

Withdrawal risks

The risk of actual withdrawals experience is different from assumed.

Medical inflation risks

The risk of actual medical inflation experience is different from assumed.

15.1.3 Change in present value of defined benefit obligation

	2016					
	Gratuity	**Pension**	**Benevolent fund scheme**	**Post retirement medical benefits**	**Six months post retirement benefits**	**Total**
	Rupees in '000					
Present value of defined benefit obligation as on July 1, 2015	1,580	30,780,494	1,108,267	12,628,628	87,976	**44,606,945**
Current service cost	241	949,876	53,236	285,440	5,465	**1,294,258**
Interest cost on defined benefit obligation	154	2,580,604	91,062	1,358,758	8,216	**4,038,794**
Benefits paid	-	(8,625,521)	(348,601)	(552,570)	(7,415)	**(9,534,107)**
Liability Transferred from SBP	-	136,419	5,028	52,610	7,381	**201,438**
Remeasurements:						
Actuarial (gains)/losses from changes in demographic assumption	-	4,592,822	186,113	776,061	(13,076)	**5,541,920**
Actuarial (gains)/losses from changes in financial assumptions	82	886,201	153,061	100,134	3,660	**1,143,138**
Experience adjustments	270	6,156,988	60,679	(737,920)	8,749	**5,488,766**
Present value of defined benefit obligation as on June 30, 2016	**2,327**	**37,457,883**	**1,308,845**	**13,911,141**	**100,956**	**52,781,152**

	2015					
	Gratuity	Pension	Benevolent fund scheme	Post retirement medical benefits	Six months post retirement benefits	Total
	Rupees in '000					
Present value of defined benefit obligation as on July 1, 2014	1,277	30,676,912	1,017,022	9,882,770	76,678	41,654,659
Current service cost	226	955,681	49,896	245,213	4,669	1,255,685
Interest cost on defined benefit obligation	169	3,735,000	119,962	1,310,180	9,863	5,175,174
Benefits paid	-	(4,969,278)	(223,301)	(355,465)	(4,478)	(5,552,522)
Remeasurements:						
Actuarial (gains)/losses from changes in financial assumptions	-	-	-	-	-	-
Experience adjustments	(92)	382,179	144,688	1,545,930	1,244	2,073,949
Present value of defined benefit obligation as on June 30, 2015	1,580	30,780,494	1,108,267	12,628,628	87,976	44,606,945

15.1.4 Amount recognised in the profit and loss account

	2016					
	Gratuity	**Pension**	**Benevolent fund scheme**	**Post retirement medical benefits**	**Six months post retirement benefits**	**Total**
	Rupees in '000					
Current service cost	241	949,876	53,236	285,440	5,465	**1,294,258**
Interest cost on defined benefit obligation	154	2,580,604	91,062	1,358,758	8,216	**4,038,794**
Contribution made by employees	-	-	(8,471)	-	-	**(8,471)**
	395	**3,530,480**	**135,827**	**1,644,198**	**13,681**	**5,324,581**

	2015					
	Gratuity	Pension	Benevolent fund scheme	Post retirement medical benefits	Six months post retirement benefits	Total
	Rupees in '000					
Current service cost	226	955,681	49,896	245,213	4,669	1,255,685
Interest cost on defined benefit obligation	169	3,735,000	119,962	1,310,180	9,863	5,175,174
Contribution made by employees	-	-	(9,042)	-	-	(9,042)
	395	4,690,681	160,816	1,555,393	14,532	6,421,817

15.1.5 Movement of present value of defined benefit obligation

	2016					
	Gratuity	**Pension**	**Benevolent fund scheme**	**Post retirement medical benefits**	**Six months post retirement benefits**	**Total**
	----------Rupees in '000----------					
Net recognised liabilities at July 1, 2015	1,580	30,780,494	1,108,267	12,628,628	87,976	**44,606,945**
Amount recognised in the profit and loss account	395	3,530,480	135,827	1,644,198	13,681	**5,324,581**
Remeasurements	352	11,636,011	399,853	138,275	(667)	**12,173,824**
Benefits paid during the year	-	(8,625,521)	(348,601)	(552,570)	(7,415)	**(9,534,107)**
Employees contribution	-	-	8,471	-	-	**8,471**
Liability Transferred from SBP	-	136,419	5,028	52,610	7,381	**201,438**
Net recognised liabilities at June 30, 2016	**2,327**	**37,457,883**	**1,308,845**	**13,911,141**	**100,956**	**52,781,152**

	2015					
	Gratuity	Pension	Benevolent fund scheme	Post retirement medical benefits	Six months post retirement benefits	Total
	----------Rupees in '000----------					
Net recognised liabilities at July 1, 2014	1,277	30,676,912	1,017,022	9,882,770	76,678	41,654,659
Amount recognised in the profit and loss account	395	4,690,681	160,816	1,555,393	14,532	6,421,817
Remeasurements	(92)	382,179	144,688	1,545,930	1,244	2,073,949
Benefits paid during the year	-	(4,969,278)	(223,301)	(355,465)	(4,478)	(5,552,522)
Employees contribution / amount transferred	-	-	9,042	-	-	9,042
Net recognised liabilities at June 30, 2015	1,580	30,780,494	1,108,267	12,628,628	87,976	44,606,945

15.1.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in Assumption	Increase in assumption	Decrease in assumption
		---------(Rupees in '000)---------	
Gratuity			
Discount rate	1%	(160)	172
Future salary increase	1%	171	(161)
Pension			
Discount rate	1%	(2,536,800)	2,995,962
Future salary increase	1%	1,092,411	(1,032,914)
Future pension increase	1%	1,855,312	(1,561,164)
Expected mortality rates	1 Year	422,241	(419,446)
Benevolent fund scheme			
Discount rate	1%	(90,075)	75,385
Post retirement medical benefits			
Discount rate	1%	(2,005,025)	2,577,051
Future Post-Retirement medical cost increase	1%	2,554,017	(2,014,794)
Future salary increase	1%	55,227	(51,274)
Expected mortality rates	1 Year	(354,543)	358,336
Six months post retirement benefits			
Discount rate	1%	(5,106)	5,676
Future salary increase	1%	5,922	(5,429)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognised within the balance sheet.

15.1.7 Duration of defined benefit obligation

	Gratuity	**Pension**	**Benevolent fund scheme**	**Post retirement medical benefits**	**Six months post retirement benefits**
The weighted average duration of the defined benefit obligation is	7 Years	7 Years	6 Years	16 Years	5 Years

15.1.8 Estimated expenses to be charged to profit and loss account for the year ending June 30, 2017

Based on the actuarial advice, the management estimates that charge / (reversal) in respect of defined benefit plans for the year ending June 30, 2017 would be as follows:

	Gratuity	Pension	Benevolent fund scheme	Post retirement medical benefits	Six months post retirement benefits	Total
	Rupees in '000					
Current service cost	298	807,936	2,599	244,963	6,529	1,062,325
Interest cost on defined benefit obligation	180	2,715,697	94,891	1,008,558	7,319	3,826,645
Amount chargeable to profit and loss account	478	3,523,633	97,490	1,253,521	13,848	4,888,970

15.1.9 Employees' compensated absences

The Corporation's liability for employees' compensated absences determined through an actuarial valuation carried out under the Projected Unit Credit Method amounted to Rs. 4,923.839 million (2015: Rs. 5,375.626 million). An amount of Rs. 942.947 million (2015: Rs. 747.326 million) has been charged to the profit and loss account in the current period based on the actuarial advice. Expected charge in respect of the scheme for the year ending June 30, 2017 would be Rs. 578.367 million. The benefits paid during the year amounted to Rs. 1,464.415 million (2015: Rs. 774.374 million). In case of 1% increase / decrease in discount rate the net charge for the year would decrease / increase by Rs. 182.239 million and Rs. 200.617 million respectively and the net laibility would also be affected by the same amount. In case of 1% increase / decrease in salary rate the net charge for the year would increase / decrease by Rs. 217.301 million and Rs. 201.515 million respectively and the net laibility would also be affected by the same amount.

15.1.10 Charge for the year in respect of defined contribution plan amounted to Rs. 33.403 million (2015: Rs. 30.370 million).

15.2 Auditors' remuneration

	2016			2015		
	EY Ford Rhodes	**A.F.Ferguson & Co.**	**Total**	EY Ford Rhodes	A.F.Ferguson & Co.	Total
	(Rupees in '000)					
Audit fee	**2,090**	**2,090**	**4,180**	2,090	2,090	4,180
Out of pocket expenses	**885**	**885**	**1,770**	885	885	1,770
	2,975	**2,975**	**5,950**	2,975	2,975	5,950

16. PROFIT AFTER ADJUSTMENT OF NON-CASH ITEMS

	2016	2015
	(Rupees in '000)	
Profit for the year	**40,027**	50,491
Adjustments for:		
Amortisation of discount on Government securities	**(8,833)**	(16,112)
Gain on disposal of property and equipment	**(1,123)**	(1,263)
	(9,956)	**(17,375)**
	30,071	**33,116**

17. RELATED PARTY TRANSACTIONS

The Corporation is a wholly owned subsidiary of the State Bank of Pakistan (parent entity), therefore all subsidiaries and associated undertakings of the Parent entity are the related parties of the Corporation. Other related parties comprise of key management personnel of the Corporation which include members of the Board of Directors, Managing Director and other executives of the Corporation who have responsibilities for planning, directing and controlling the activities of the Corporation.

The Corporation is responsible for carrying out certain statutory and administrative functions and activities on behalf of SBP, as transferred or delegated by SBP under the provisions of the Ordinance. The accounting treatment of assets, liabilities, income and expenditure relating to such activities are detailed in note 1.1 to these financial statements (also refer note 15).

Transaction and balances with related parties are as follows:

	2016	2015
Associated undertaking - National Institute of Banking and Finance (Guarantee) Limited - Subsidiary of Parent entity	------ (Rupees in '000) ------	
Balances at the year end - transferred to State Bank of Pakistan		
Payable against training programs	**51,760**	34,658
Transactions during the year - reimburseable from State Bank of Pakistan		
Training expense charged during the year	**114,845**	67,561

18. RISK MANAGEMENT POLICIES

The Corporation is primarily subject to interest / mark-up rate and credit risks. The policies and procedures for managing these risks are outlined in notes 18.1 to 18.7 to these financial statements. The Corporation has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Managing Director on the monitoring and management of these risks.

18.1 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management of the Corporation believes that it is not exposed to any significant level of credit risk. Loans to employees are secured by deposit of title documents with the Corporation and by insurance policies covering any loss arising from the death of the employees. Advances to employees are made in the normal course of business for various business expenses and security deposit held with entities for ensuring future services and there is low chance of default on suspension of services. The remaining balances are recorded as recoverable from the State Bank of Pakistan and accordingly are not subject to any significant level of credit risk.

18.2 Concentrations of risk

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Corporation's significant concentration arising from financial instruments at the balance sheet date without taking any collateral held or other credit enhancements is shown below:

18.2.1 Geographical analysis

All the financial instruments of the Corporation at the balance sheet date are present in Pakistan only.

18.2.2 Industrial analysis

	2016			
	Sovereign	**Banks & Financial Institutions**	**Others**	**Grand Total**
Financial assets	------------------------- (Rupees in '000)----------------------			
Current account with the State Bank of Pakistan	-	47,810,651	-	**47,810,651**
Investments	525,525	-	-	**525,525**
Employee loans	-	-	10,853,432	**10,853,432**
Advances and deposits	-	-	13,049	**13,049**
	525,525	47,810,651	10,866,481	**59,202,657**

	2015			
	Sovereign	Banks & Financial Institutions	Others	Grand Total
Financial assets	------------------------ (Rupees in '000)---------------------			
Current account with the State Bank of Pakistan	-	40,635,754	-	40,635,754
Investments	571,720	-	-	571,720
Employee loans	-	-	10,577,857	10,577,857
Advances and deposits	-	-	15,399	15,399
	571,720	40,635,754	10,593,256	51,800,730

18.2.3 Credit exposure by credit rating:

Financial assets of the Corporation essentially represent amounts due from the State Bank of Pakistan (central bank of the country), sovereign investments and amounts due from Corporation's own employees as detailed below:

	2016		
	Sovereign (18.2.3.1)	**Unrated**	**Grand Total**
Financial Assets	(Rupees in '000)		
Current account with the State Bank of Pakistan	-	47,810,651	**47,810,651**
Investments	525,525	-	**525,525**
Employee loans	-	10,853,432	**10,853,432**
Advances and deposits	-	13,049	**13,049**
	525,525	58,677,132	**59,202,657**

	2015		
	Sovereign (18.2.3.1)	Unrated	Grand Total
Financial Assets	(Rupees in '000)		
Current account with the State Bank of Pakistan	-	40,635,754	40,635,754
Investments	571,720	-	571,720
Employee loans	-	10,577,857	10,577,857
Advances and deposits	-	15,399	15,399
	571,720	51,229,010	51,800,730

18.2.3.1 Government securities and balances are rated as sovereign. The international rating of Pakistan is B- (as per Standards and Poor's).

18.3 Details of financial assets impaired and provision recorded there against:

	Gross amount		Impairment / Provision	
	2016	2015	**2016**	2015
	(Rupees in '000)			
Employee loans	**10,861,042**	10,586,223	**7,610**	8,366

18.4 Liquidity analysis with interest rate risk

Interest rate risk is the risk that the value of a financial instrument or its cash flow will fluctuate due to changes in the market interest rates. The Corporation has adopted appropriate policies to minimize its exposure to this risk.

	2016						
	Interest / mark-up bearing			**Non interest / mark-up bearing**			**Total**
	Maturity upto one year	**Maturity after one year**	**Sub total**	**Maturity upto one year**	**Maturity after one year**	**Sub total**	
Financial assets	(Rupees in '000)						
Current account with the State Bank of Pakistan*	-	-	-	47,810,651	-	47,810,651	**47,810,651**
Investments	516,692	-	516,692	8,833	-	8,833	**525,525**
Employee loans	1,036	12,451	13,487	1,739,077	9,100,868	10,839,945	**10,853,432**
Advances and deposits	-	-	-	4,412	8,637	13,049	**13,049**
	517,728	12,451	530,179	49,562,973	9,109,505	58,672,478	**59,202,657**
Financial liabilities							
Deposits and other liabilities	-	-	-	408,455	-	408,455	**408,455**
On balance sheet gap	517,728	12,451	530,179	49,154,518	9,109,505	58,264,023	**58,794,202**

	2015						
	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Financial assets	(Rupees in '000)						
Current account with the State Bank of Pakistan*	-	-	-	40,635,754	-	40,635,754	40,635,754
Investments	571,195	-	571,195	525	-	525	571,720
Employee loans	12,543	30,635	43,178	1,729,358	8,805,321	10,534,679	10,577,857
Advances and deposits	-	-	-	6,775	8,624	15,399	15,399
	583,738	30,635	614,373	42,372,412	8,813,945	51,186,357	51,800,730
Financial liabilities							
Deposits and other liabilities	-	-	-	377,136	-	377,136	377,136
On balance sheet gap	583,738	30,635	614,373	41,995,276	8,813,945	50,809,221	51,423,594

*All cash settlements of the Corporation are routed through the current account maintained with the State Bank of Pakistan as the Corporation functions and acts on behalf of the SBP.

18.5 The interest / mark-up for the financial assets and liabilities are mentioned in their respective notes to and forming part of the financial statements.

18.6 Currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. However, at balance sheet date all of the Corporation's financial instruments are denominated in local currency.

18.7 Liquidity risk management

Liquidity risk is the risk that the Corporation will encounter difficulties in raising funds to meet commitments associated with the financial instruments. The Corporation believes that it is not exposed to any significant level of liquidity risk as all its settlements are routed through the State Bank of Pakistan.

19. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	Carrying value		**Fair value**	
	2016	2015	**2016**	2015
	-----------------------------(Rupees in '000)-----------------------------			
Financial assets				
Current account with the State Bank of Pakistan	**47,810,651**	40,635,754	**47,810,651**	40,635,754
Investments	**525,525**	571,720	**525,970**	575,472
Employee loans	**10,853,432**	10,577,857	**10,853,432**	10,577,857
Advances and deposits	**13,049**	15,399	**13,049**	15,399
Financial Liability				
Deposits and other liabilities	**408,455**	377,136	**408,455**	377,136

20. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2016		
	Loans and receivables	**Held to maturity**	**Total**
	----------------(Rupees in '000)---------------------		
Financial assets			
Current account with the State Bank of Pakistan	47,810,651	-	**47,810,651**
Investments	-	525,525	**525,525**
Employee loans	10,853,432	-	**10,853,432**
Advances and deposits	13,049	-	**13,049**
	58,677,132	525,525	**59,202,657**

	2015		
	Loans and receivables	Held to maturity	Total
	---------------(Rupees in '000)--------------------		
Financial assets			
Current account with the State Bank of Pakistan	40,635,754	-	40,635,754
Investments	-	571,720	571,720
Employee loans	10,577,857	-	10,577,857
Advances and deposits	15,399	-	15,399
	51,229,010	571,720	51,800,730

	2016	
	Carried at amortised cost	**Total**
	---------(Rupees in '000)-----------	
Financial liabilities		
Deposits and other liabilities	408,455	**408,455**

	2015	
	Carried at amortised cost	Total
	--------(Rupees in '000)---------	
Financial liabilities		
Deposits and other liabilities	377,136	377,136

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 29, 2016 by the Board of Directors of the Corporation.

22. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison.

23. GENERAL

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

Qasim Nawaz
Managing Director

Muhammad Habib Khan
Director Accounts