12 Financial Statements of NIBAF

A. F. FERGUSON & CO.
Chartered Accountants
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I. I. Chundrigar Road
P.O. Box 4716
Karachi-74000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Institute of Banking and Finance (Guarantee) Limited as at June 30, 2016 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 Company'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 arc 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 Company 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 arc in agreement with the books of account and arc further in accordance with accounting policies consistently applied;
   ii the expenditure incurred during the year was for the purpose of the Company's business; and
   iii the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

A. F. FERGUSON & CO.
Chartered Accountants

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 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 Company's affairs as at June 30, 2016 and of the surplus, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated September 2, 2016
Karachi.

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016	2015
		Rupees in '000	
NON CURRENT ASSETS			
Fixed assets	4	39,061	39,942
Long term deposits		1,632	1,632
CURRENT ASSETS			
Stock of stationery and consumables		951	972
Receivable against training programs	5	80,816	52,336
Advances, prepayments and other receivables	6	3,559	493
Short term investments	7	24,107	22,598
Assets relating to Endowment fund	8	94,207	89,391
Tax refunds due from government		2,312	1,078
Cash and bank balances	9	46	46
		205,998	166,914
		246,691	208,488
SHAREHOLDERS' EQUITY			
Authorized share capital		200,000	200,000
(20,000,000 Ordinary shares of Rs.10 each)			
Issued, subscribed and paid up capital	10	29,261	29,261
Accumulated surplus		116,251	24,367
		145,512	53,628
NON-CURRENT LIABILITIES			
Endowment Fund - Deferred Grant	11	94,207	89,391
CURRENT LIABILITIES			
Creditors, accrued expenses and other payables	12	6,972	9,089
Due to State Bank of Pakistan (Parent entity)	13	-	56,380
		6,972	65,469
		246,691	208,488
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 28 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, 2016

	Note	2016	2015
		Rupees in '000	
INCOME			
Hostel and training halls	15	31,803	74,851
Training and education fee	16	302,880	40,897
Other income	17	5,569	12,937
		340,252	128,685
EXPENDITURE			
Operating, administrative and general expenses	18	(249,973)	(196,735)
Less: Income transferred from endowment fund		1,605	-
Operating surplus / (deficit) for the year before taxation		(248,368)	(196,735)
Taxation	19	-	-
Surplus / (deficit) for the year after taxation		91,884	(68,050)
Other comprehensive income for the year		-	-
Total comprehensive surplus / (deficit) for the year		91,884	(68,050)

The annexed notes 1 to 28 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus / (deficit) for the year before taxation	91,884	(68,050)
Adjustments for non cash items		
Income from investments	(1,514)	(11,577)
Liabilities no longer required written back	-	(1,216)
Depreciation	14,319	15,242
Amortisation	54	141
Gain on disposal of fixed assets	(3,271)	-
	9,588	2,590
Operating income before working capital changes	101,472	(65,460)
Changes in working capital		
(Increase) / decrease in current assets		
Stock of stationery and consumables	21	(309)
Receivable against training programs	(28,480)	(41,100)
Advances, prepayments and other receivables	(3,066)	(200)
	(31,525)	(41,609)
Increase / (decrease) in current liabilities		
Creditors, accrued expenses and other payables	(2,117)	118
Due to State Bank of Pakistan (Parent entity)	(56,380)	(42,571)
	(58,497)	(42,453)
Net changes in working capital	(90,022)	(84,062)
Withholding tax deducted	(1,234)	(1,053)
Long term security deposits	-	(12)
Net cash generated from / (used in) operating activities	10,216	(150,587)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(13,492)	(16,459)
Investments-net	5	166,909
Sale proceeds from disposal of fixed assets	3,271	-
Net cash (used in) / generated from investing activities	(10,216)	150,450
Net decrease in cash and cash equivalents	-	(137)
Cash and cash equivalents at the beginning of the year	46	183
Cash and cash equivalents at the end of the year	46	46

The annexed notes 1 to 28 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, 2016

	Share Capital	Accumulated Surplus	Total
	-----	Rupees in '000	-----
Balance at July 01, 2014	29,261	24,367	53,628
Total comprehensive deficit for the year	-	(68,050)	(68,050)
Deficit allocated to the State Bank of Pakistan (Parent Entity)		68,050	68,050
Balance at June 30, 2015	29,261	24,367	53,628
Total comprehensive income for the year	-	91,884	91,884
Balance at June 30, 2016	29,261	116,251	145,512

The annexed notes 1 to 28 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 Pakistani 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. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, and the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

2.2 New and amended standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Institute's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any material effect on the Institute's financial statements and are therefore not detailed in these financial statements.

2.3 New and amended standards and interpretations to published approved accounting standards that are not yet effective in the current year

There are certain new and amended standards and interpretations to published approved accounting standards that are mandatory for the Institute's accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or do not have any material effect on the Institute's financial statements and are therefore not detailed in these financial statements.

2.4 Basis of measurement

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

2.5 Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Institute's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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 the current and future periods.

The areas where various assumptions and estimates are significant to the Institute's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Property, plant and equipment

The Institute reviews the residual values and useful lives of property, plant and equipment on a 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 effect on depreciation charge and impairment.

(b) Impairment

The Institute's assessment relating to impairment of assets is discussed in note 3.3.

(c) Provision for slow moving stocks and other receivables

The Institute exercises judgment and makes provision for slow moving stocks based on their future usability. Provision for other receivables is determined using judgment based on past business practices, probability of recovery and lapsed time period of due balance. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

(d) Provision for doubtful receivables

The Institute makes provisions for doubtful debts when the collection of full amount is not probable. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which is stated at cost less accumulated impairment losses, if any.

Depreciation is charged to income and expenditure account applying the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal. The rates of depreciation are stated in note 4.1 to these financial statements.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

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

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

3.2 Intangible - computer software

Computer software are stated at cost less accumulated amortisation. Software costs are capitalised only when it is probable that future economic benefits attributable to the software will flow to the Institute and these are amortised applying the straight line method at the rates stated in note 4.1 to these financial statements.

3.3 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 and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount and the differences are recognized as expense in the income and expenditure account.

3.4 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.

3.5 Stock

Stock 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. The valuation is done on moving average basis. Provision is made for stocks which are not used for a considerable period of time or stocks which are not expected to be used in future.

3.6 Receivable against training programs and other receivables

Receivable against training programs are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

3.7 Financial Instruments

Financial Assets

3.7.1 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 Institute 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 in 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 Institute's loans and receivables comprise of receivable against training programs, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Institute having positive intent and ability to hold till maturity.

d) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity and (c) financial assets 'at fair value through profit or loss'.

Currently, the financial assets of the Institute have been classified under "loans and receivables" and "held to maturity" categories.

3.7.1.1 Initial recognition and measurement

All financial assets are recognised at the time the Institute 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 Institute 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 income and expenditure account.

3.7.1.2 Subsequent measurement

Subsequent to initial recognition, financial assets categorised as "loans and receivables" and "held to maturity" are valued at amortised cost

3.7.1.3 Impairment

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

a) Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty or default in payments, the probability that they will enter bankruptcy, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Institute also evaluates impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income and expenditure account.

3.7.1.4 Offsetting of financial assets and 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 a intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.7.2 Financial liabilities

All financial liabilities are recognised at the time when the Institute becomes a party to the contractual provisions of the instrument.

3.7.3 Derecognition

Financial assets are derecognised at the time when the Institute loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the income and expenditure account.

3.8 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.

3.9 Cash and cash equivalents

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

3.10 Provisions

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

3.11 Revenue recognition

(i) Training, education and hostel services are recognised on an accrual basis.

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

3.12 Allocation of deficit to the State Bank of Pakistan (Parent Entity)

The Institute has an arrangement with the State Bank of Pakistan (SBP) whereby deficit incurred by the Institute is allocated to the SBP. This allocation is credited directly to the Statement of Changes in Equity as transactions with owners.

3.13 Taxation

The Institute is eligible for hundred percent (100%) tax credit on taxes payable by the Institute under clause (d) of sub-section 2 of section 100C of the Income Tax Ordinance, 2001, introduced under the Finance Act, 2015. Previously, the income of the institute was exempt under clauses (59) and (60) of Part I of Second Schedule to the Income Tax Ordinance, 2001 (which has now been omitted by the Finance Act 2015).

3.14 Endowment fund - Deferred Grant

The Institute has established an Endowment fund effective from July 1, 2011 for utilisation of the amount in line with the purpose of grant received from the SBP.' The terms of references / rules and regulations of the Endowment fund are being formulated.

3.15 Retirement benefits

The permanent employees of the Institute represent employees who are either deputed by the State Bank of Pakistan (Parent entity) or State Bank of Pakistan - Banking Service Corporation (related entity). All the employees of the Institute are entitled to retirement benefits in accordance with the rules and regulations of the retirement fund / schemes of the Parent entity. The respective expenses are borne by the Parent entity and is not charged to the Institute.

4 FIXED ASSETS	**Note**	**2016**	**2015**
		(Rupees in '000)	
Property, plant and equipment	4.1	39,061	39,888
Intangible assets		-	54
		39,061	39,942

4.1 The following is a statement of tangible operating assets and intangible assets:

	Property, plant and equipment					Intangible assets
	Furniture and fixtures	Electronic data processing equipment	Office equipment	Vehicles	Total	Computer software
	---Rupees in '000 ---					
Cost						
Balance as at July 01, 2014	13,196	18,402	51,821	31,782	115,201	-
Additions during the year	572	400	7,858	4,750	13,580	-
Transfer in during the year	-	2,220	464	-	2,684	195
Disposals during the year	-	-	-	-	-	-
Balance as at June 30, 2015	13,768	21,022	60,143	36,532	131,465	195
Balance as at July 01, 2015	13,768	21,022	60,143	36,532	131,465	195
Additions during the year	1,410	-	811	11,248	13,469	-
Transfer in during the year	-	279	-	981	1,260	-
Disposals during the year	(198)	-	(2,292)	(5,206)	(7,696)	-
Balance as at June 30, 2016	14,980	21,301	58,662	43,555	138,498	195
Allowance for depreciation						
Balance as at July 01, 2014	7,142	18,190	33,645	17,358	76,335	-
Depreciation charge for the year	920	281	6,127	5,307	12,635	141
Transfer in during the year	-	2,220	387	-	2,607	-
Disposals during the year	-	-	-	-	-	-
Balance as at June 30, 2015	8,062	20,691	40,159	22,665	91,577	141
Balance as at July 01, 2015	8,062	20,691	40,159	22,665	91,577	141
Depreciation charge for the year	974	330	7,083	5,932	14,319	54
Transfer in during the year	-	256	-	981	1,237	-
Disposals during the year	(198)	-	(2,292)	(5,206)	(7,696)	-
Balance as at June 30, 2016	8,838	21,277	44,950	24,372	99,437	195
Carrying amounts - 2016	**6,142**	**24**	**13,712**	**19,183**	**39,061**	**-**
Carrying amounts - 2015	**5,706**	**331**	**19,984**	**13,867**	**39,888**	**54**
Rate of depreciation	**10%**	**33%**	**20%**	**20 - 25%**		**33%**

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

4.3 The depreciation charge for the year has been allocated to operating, administrative and general expenses - (Refer note 18).

		Note	2016	2015
5	**RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED**		**Rupees in '000**	
	Associated undertaking			
	SBP Banking Services Corporation		51,760	34,658
	State Bank of Pakistan		22,818	6,954
			74,578	41,612
	Others			
	Considered good		6,238	10,724
	Considered doubtful		1,454	1,454
			7,692	12,178
	Provision for doubtful receivables	5.1	(1,454)	(1,454)
			6,238	10,724
			80,816	52,336
5.1	**Provision for doubtful receivables**			
	Opening balance		1,454	1,435
	Additions during the year		-	29
	Reversal during the year		-	(10)
			1,454	1,454
6	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to staff - unsecured, considered good		1,452	405
	Receivable from Endowment fund upon maturity of Investment		1,605	-
	Advances to supplier - unsecured, considered good		109	-
	Prepayments		393	88
			3,559	493
7	**SHORT TERM INVESTMENTS**			
	Held to maturity			
	Government Treasury Bills			
	Cost	7.1	24,080	22,577
	Accrued profits		27	21
			24,107	22,598

7.1 These investments are for a period 12 months or less and are carried at amortized cost using the effective rate of interest of 5.91% per annum (2015: 6.93% per annum).

		2016	2015
8	**ASSETS RELATING TO ENDOWMENT FUND**	**Rupees in '000**	
	Government Treasury Bills		
	Cost	94,562	87,709
	Accrued profits	1,250	1,682
	Less: income allocated to the Institute	(1,605)	-
		94,207	89,391

8.1 These are for a period 12 months or less and are carried at amortized cost using the effective rate of interest of 6.17% per annum (2015: 7.82% per annum).

		Note	2016	2015
9	**CASH AND BANK BALANCES**		**Rupees in '000**	
	Cash in hand		34	42
	Cash in bank		12	4
			46	46
10	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
	Issued, subscribed and paid-up capital			
	2,926,077 ordinary shares of Rs.10 each issued for cash	10.1	29,261	29,261

10.1 State Bank of Pakistan holds 2,926,076 (2015: 2,926,076) ordinary shares and the Governor of State Bank of Pakistan holds 1 (2015: 1) share of the Institute as at the balance sheet date.

11 ENDOWMENT FUND - DEFERRED GRANT

	2016	2015
	Rupees in '000	
Opening balance	89,391	81,711
Interest income on investments	6,421	7,680
Less: income allocated to the Institute	(1,605)	-
Closing balance	94,207	89,391

This represented capital grant amounting to US dollar one million received by the Institute in January 2005 from State Bank of Pakistan (Parent Entity) for establishment of a Rural Finance Resource Centre. The grant was disbursed by the State Bank of Pakistan out of the proceeds of loan received by the Government of Pakistan (GoP) from Asian Development Bank vide loan agreement No. 1987-PAK dated December 23, 2002. The Institute has established an Endowment fund effective from July 1, 2011 for utilisation of the amount in line with the purpose of grant received from SBP. The NIBAF Endowment Fund Rules, detailing the investment and utilisation of the grant, have been formulated and approved during the year by the Board of Directors in their meeting held on August 12, 2015.

12 CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES

	2016	2015
	Rupees in '000	
Creditors	3,058	3,697
Traveling and training cost	1,010	205
Accrued expenses	2,524	1,728
Retention money/deposits	380	3,459
	6,972	9,089

13 DUE TO STATE BANK OF PAKISTAN (PARENT ENTITY)

	2016	2015
State Bank of Pakistan (Parent entity)	-	56,380
Opening balance	56,380	167,001
(Payments) / Received during the year	(56,380)	(42,571)
Allocation of deficit	-	(68,050)
Closing balance	-	56,380

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

14 CONTINGENCIES AND COMMITMENTS

	2016	2015
	Rupees in '000	
14.1 Commitments in respect of capital expenditure	418	-

14.2 There were no contingencies outstanding as at June 30, 2016 and 2015.

15 HOSTEL AND TRAINING HALLS INCOME

	2016	2015
Rental income	21,206	48,824
Service charges	667	2,054
Food and beverages	9,930	23,973
	31,803	74,851

16 TRAINING AND EDUCATION FEE

	2016	2015
International courses	15,375	5,578
Domestic courses	263,652	22,243
Islamic banking courses	23,853	13,076
	302,880	40,897

16.1 During the current year with effect from July 1, 2015 training & allied services including hostel facility provided to trainee officers of State Bank of Pakistan (parent entity) are billed to State Bank of Pakistan. Previously these were provided free of cost.

17 OTHER INCOME

	2016	2015
	Rupees in '000	
Interest on investments	1,514	11,577
Liabilities no longer required written back	-	1,216
Reversal of provision against bad debts - net	-	10
Gain on disposal of fixed assets	3,271	-
Others - net	784	134
	5,569	12,937

18 OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2016	2015
		Rupees in '000	
Salaries, wages and other benefits		121,455	92,656
Training cost		34,611	16,488
Repairs and maintenance		17,768	13,781
Lodging, catering and allied services		21,473	16,372
Traveling and conveyance		6,477	6,460
Printing and stationery		3,381	2,493
Medical		417	385
Provision for bad debts		-	29
Electricity, gas and water		18,855	23,982
Telephone and fax		1,044	804
Vehicles running and maintenance		1,016	1,353
General consumables		961	467
Security charges		3,069	2,183
Insurance		1,836	1,642
Newspapers, books and periodicals		144	161
Postage and courier		379	365
Entertainment		779	613
Auditors' remuneration		397	264
Rent, rates and taxes		336	574
Legal and professional		53	38
Depreciation	4.1	14,319	15,242
Amortisation	4.1	54	141
Others		1,149	242
		249,973	196,735

19 TAXATION

The income of the Institute was exempt from tax under clause (92) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 uptil tax year 2013 and for the tax year 2014 under clauses (59) and (60) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Last year, the Finance Act 2014 (applicable for tax year 2015) deleted clauses (59) and (60) as mentioned above and introduced a new section 100C in the Income Tax Ordinance, 2001. As per Section 100C, non profit organisations, trusts or welfare organisations as mentioned in sub section 2 of section 100C are allowed a tax credit equal to one hundred percent of the tax payable, including minimum and final tax payable under any of the provisions of the Income Tax Ordinance, 2001, subject to the following conditions, namely-

(a) return has been filed;
(b) tax required to be deducted or collected has been deducted or collected and paid; and
(c) withholding tax statements for the immediately preceding tax year have been filed.

The operations of the Institute fall within the purview of clause (d) of sub-section 2 of section 100C of the Income Tax Ordinance, 2001 and the Institute intends to comply with the above-mentioned requirements. Hence, the Institute will be eligible to claim tax credit equal to 100 percent of the tax payable by the Institute. The Institute has recorded a net surplus of Rs 90.279 million during the year ended June 30, 2016. Tax credit of hundred percent is allowed under section 100C of the Income Tax Ordinance, 2001 in respect of tax charge on net surplus earned by the Institute and consequently no charge has been recognised in these financial statements for the year ended June 30, 2016.

20 REMUNERATION OF CHIEF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

	2016		2015	
	Chief Executive	Non-Executive Directors	Chief Executive	Non-Executive Directors
	(Rupees in '000)			
Managerial remuneration	20,120	470	17,974	60
Retirement benefits	-	-	-	-
Medical expenses	-	-	-	-
	20,120	470	17,974	60
Number of persons	1	3	1	3

20.1 The Chief Executive has been provided free use of the Institute's maintained car.

21 FINANCIAL RISK MANAGEMENT

The Institute is primarily subject to credit risk, liquidity risk and market risk. The policies and procedures for managing these risks are outlined below. The Institute has designed and implemented a framework of controls to identify, monitor and manage these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Institute's risk management framework. The Board has delegated the responsibility for developing and monitoring the Institute's risk management policies to its management. The management reports regularly to the Board of Directors on its activities. The Institute's risk management policies are established to identify and analyse the risks faced by the Institute, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Institute's activities. The Institute, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The management monitors compliance with the Institute's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Institute.

(a) Credit risk

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

(i) Receivable against training programs, advances, bank balances and other receivables

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

(ii) Investments

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

(b) Liquidity risk

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

(c) Market risk

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

(i) Currency risk

The Institute is not exposed to currency risk.

(ii) Interest rate risk

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

(iii) Other market price risk

The primary goal of the Institute's investment strategy is to maximize investment returns on surplus funds. The Institute adopts a policy of minimizing its price risk by investing in fixed rate investments like Government Treasury Bills. Currently, the Institute is not exposed to price risks as the investments are currently being carried at amortised cost.

21.1 Financial instruments by category

Assets	Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	Total
	As at June 30, 2016			
	Rupees in '000			
Long term deposits	1,632	-	-	1,632
Receivable against training programs	80,816	-	-	80,816
Advances to staff	1,452	-	-	1,452
Advances to suppliers	109	-	-	109
Receivable from Endowment fund upon maturity of investment	1,605	-	-	1,605
Short term investments	-	24,107	-	24,107
Assets relating to Endowment fund	-	94,207	-	94,207
Cash and bank balances	46	-	-	46
	85,660	118,314	-	203,974

Liabilities	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	As at June 30, 2016		
	Rupees in '000		
Creditors, accrued expenses and other payables	-	6,972	6,972
	-	6,972	6,972

Assets	Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	Total
	As at June 30, 2015			
	Rupees in '000			
Long term deposits	1,632	-	-	1,632
Receivable against training programs	52,336	-	-	52,336
Advances to staff	405	-	-	405
Short term investments	-	22,598	-	22,598
Assets relating to Endowment fund	-	89,391	-	89,391
Cash and bank balances	46	-	-	46
	54,419	111,989	-	166,408

Liabilities	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	As at June 30, 2015		
	Rupees in '000		
Creditors, accrued expenses and other payables	-	9,089	9,089
Due to State Bank of Pakistan (Parent entity)	-	56,380	56,380
	-	65,469	65,469

22 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

22.1 Credit risk

Exposure to credit risk

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

	2016	2015
	Rupees in '000	
Long term deposit	1,632	1,632
Receivable against training programs	80,816	52,336
Advances to staff	1,452	405
Advances to suppliers	109	-
Receivable from Endowment fund upon maturity of investment	1,605	-
Short term investments	24,107	22,598
Assets relating to Endowment fund	94,207	89,391
	203,928	166,362

22.1.1 The receivable against training programs includes Rs. 74.578 million (2015: Rs. 41.6 million) due from the Parent entity and its subsidiary which are not significantly exposed to credit risk.

22.1.2 Short term investments and assets relating to endowment fund represents investments in treasury bills (Refer notes 7 and 8) which carries insignificant credit risk.

22.2 Impairment losses

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

	2016	2015
	Rupees in '000	
Domestic	80,816	52,336
Other regions	-	-
	80,816	52,336

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

	2016		2015	
	Gross	Provision	Gross	Provision
	Rupees in '000			
Not past due	-	-	-	-
Past due 0-30 days	73,704	-	40,557	-
Past due 31-90 days	2,570	-	4,990	-
Past due 90-180 days	1,502	-	1,745	-
Past due 180-365 days	2,331	-	1,421	-
More than one year	2,163	1,454	5,077	1,454
	82,270	1,454	53,790	1,454

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

22.3 Liquidity risk

The following analysis details the Institute's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual cash flows				
	Carrying amount	Total	Upto three months	Over three months and upto one year	Over one year
	Rupees in '000				
June 30, 2016					
Creditors, accrued expenses and other payables	6,972	6,972	6,592	380	-
Due to State Bank of Pakistan (Parent entity)*	-	-	-	-	-
	6,972	6,972	6,592	380	-
June 30, 2015					
Creditors, accrued expenses and other payables	9,089	9,089	5,630	3,459	-
Due to State Bank of Pakistan (Parent entity)*	56,380	56,380	56,380	-	-
	65,469	65,469	62,010	3,459	-

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

22.4 Market risk

The Institute is not exposed to market risk.

22.5 Fair value of financial assets and liabilities

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. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Institute is a going concern without any intention or requirement to curtail materiality the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from carrying values as the items are either short term in nature or are periodically repriced.

As per the requirements of IFRS 7 (Financial Instruments Disclosure), the Institute shall classifies fair value instruments using a fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices within level 1 that are observable for the asset or liabilities, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The Institute does not have any investments which are carried at fair value.

23 CAPITAL MANAGEMENT

The Institute's objective when managing capital, is to safeguard the Institute's ability to continue as a going concern and maintain a strong capital base to support the sustained development of its business activities. The Institute is not subject to externally imposed capital requirements. Further, the parent's support is available to continue its operations.

24 TRANSACTIONS WITH RELATED PARTIES

The Institute is a wholly owned subsidiary of the 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.

Transactions and 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:

	2016	**2015**
State Bank of Pakistan (Parent Entity)	**Rupees in '000**	
Balances at the year end		
Receivable against training programs	22,818	6,954
Due to the Parent entity	-	56,380
Transactions during the year		
Revenue charged	153,335	10,273
Reimbursement of Operational deficit	-	68,050
(Payments) / Receipts	(56,380)	(42,571)
Associated undertaking - SBP - Banking Services Corporation (Subsidiary of Parent entity)		
Balances at the year end		
Receivable against training programs	51,760	34,658
Transactions during the year		
Revenue charged	114,845	67,561
Remuneration to chief executive officer and key management personnel		
Transactions during the year		
Salaries, wages and other benefits to:		
- Chief executive officer	20,120	17,974
- Key management personnel	55,935	39,601
- Number of key management personnel	15	10
Remuneration to non - executive directors for attending meetings	470	60

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

25 NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2016 were 25 (2015: 22) and number of employees as at June 30, 2016 were 27 (2015: 22).

26 CORRESPONDING FIGURES

26.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant re-arrangements or reclassifications during the current year except for following:

- taxation recoverable amounting to Rs 1.078 million appearing under the head "advances, prepayments and other receivables" has been reclassified and shown separately as "tax refunds due from government" on the balance sheet under the head current assets.

The balance sheet as at the beginning of the comparative period, as a result of above reclassification, has not been given as the amount of tax refund as at that date is insignificant.

27 GENERAL

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

28 DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

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

MANAGING DIRECTOR **DIRECTOR**