Financial Statements of SBP-BSC

Audited Financial Statements of SBP-BSC are presented which comprise the balance sheet as at 30th June 2014, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

KPMG TASEER HADI & CO.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying financial statements of SBP Banking Services Corporation ("the Corporation") which comprise the balance sheet as at June 30, 2014, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as at June 30, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi

Mohammad Mahmood Hussain
Audit Engagement Partner

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Salman Hussain
Audit Engagement Partner

Date: October 30, 2014

SBP BANKING SERVICES CORPORATION
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	**2014**	2013	July 1, 2012
		------(Rupees in '000)------		
ASSETS				
Current account with the State Bank of Pakistan		**37,876,846**	25,984,493	22,259,608
Investments	*5*	**569,449**	926,641	937,420
Employee loans	*6*	**10,577,916**	11,024,650	10,971,563
Advances, deposits and prepayments	*7*	**32,283**	35,930	28,018
Medical and stationery consumables	*8*	**125,061**	119,592	117,128
Property and equipment	*9*	**237,867**	197,957	244,704
Total assets		**49,419,422**	38,289,263	34,558,441
LIABILITIES				
Deposits and other liabilities	*10*	**5,900,571**	4,540,140	4,388,078
Deferred liabilities - unfunded staff retirement benefits	*11*	**42,518,851**	32,749,123	29,170,363
Total liabilities		**48,419,422**	37,289,263	33,558,441
Net assets		**1,000,000**	1,000,000	1,000,000
REPRESENTED BY:				
Share capital	*12*	**1,000,000**	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, 2014

	Note	2014	2013
		------(Rupees in '000)------	
Discount and interest earned	*14*	**48,907**	58,031
Net operating expenses	*15*	**13,980,071**	12,091,341
Reimbursable from the State Bank of Pakistan		**(7,086,827)**	(6,213,009)
Allocated to the State Bank of Pakistan		**(6,893,244)**	(5,878,332)
		-	-
Operating profit		**48,907**	58,031
Gain / (loss) on disposal of property and equipment		**121**	(776)
Other income		**1,081**	1,911
Profit transferred to the State Bank of Pakistan		**50,109**	59,166

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
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Note	**2014**	2013
		------(Rupees in '000)------	
Profit for the year		**50,109**	59,166
Other comprehensive income			
Items that will not be reclassified subsequently to the profit and loss account:			
Remeasurements of defined benefit plan	*15.1.5*	**(12,972,476)**	(4,038,181)
Allocated to the State Bank of Pakistan		**12,972,476**	4,038,181
		-	-
Total comprehensive income for the year		**50,109**	59,166

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, 2014

	Share capital	Unappropriated profit	Total
	---------------- (Rupees in '000) ----------------		
Balance as at July 1, 2012	1,000,000	-	1,000,000
Total comprehensive income for the year	-	59,166	59,166
Transaction with the owner			
Profit transferred to the State Bank of Pakistan	-	(59,166)	(59,166)
Balance as at June 30, 2013	1,000,000	-	1,000,000
Total comprehensive income for the year	-	50,109	50,109
Transaction with the owner			
Profit transferred to the State Bank of Pakistan	-	(50,109)	(50,109)
Balance as at June 30, 2014	**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, 2014

	Note	**2014**	2013
		-------(Rupees in '000)-------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) after adjustment of non-cash items	*16*	**43,585**	40,630
Profit transferred to the State Bank of Pakistan		**(50,109)**	(59,166)
Retirement benefits and employees' compensated absences allocated to the State Bank of Pakistan		**11,329,509**	3,835,855
Depreciation allocated to the State Bank of Pakistan		**88,358**	95,036
Discount income on Government securities received		**34,390**	32,047
		11,445,733	3,944,402
(Increase) / decrease in assets			
Current account with the State Bank of Pakistan		**(11,892,353)**	(3,724,885)
Medical and stationery consumables		**(5,469)**	(2,464)
Employee loans		**446,734**	(53,087)
Advances, deposits and prepayments		**3,647**	(7,912)
Increase / (decrease) in liabilities			
Deposits and other liabilities		**(199,350)**	(105,033)
Net cash generated from operating activities		**(201,058)**	51,021
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net		**329,205**	(1,956)
Capital expenditure		**(130,964)**	(52,553)
Proceeds from disposal of property and equipment		**2,817**	3,488
Net cash used in investing activities		**201,058**	(51,021)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the year		**-**	-
Cash and cash equivalents at 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, 2014

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).

These financial statements represent the first annual financial statements of the Corporation prepared in accordance with IFRS. The Corporation has adopted IFRS as the reporting framework in accordance with 'IFRS-1 First time Adoption of International Financial Reporting Standards'. The first date at which IFRS was applied was July 1, 2012 (i.e. "Transition date").

The Corporation's financial statements were previously prepared in accordance with the approved accounting standards as adopted by the Board of Directors of the Corporation.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except that certain staff retirement benefits 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.

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 and recoverable value. 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

There are certain new and amended standards and interpretations that are mandatory for the Corporation's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any material effect on the Corporation's operations and are therefore not detailed in these financial statements.

3.5 Transition to IFRS

These financial statements represent the first annual financial statements of the Corporation prepared in accordance with IFRS, as issued by the IASB. The Corporation has adopted IFRS in accordance with 'IFRS-1, First-time adoption of IFRS. The first date at which IFRS was applied is July 1, 2012 (i.e. Transition date). In accordance with IFRS, the Corporation has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented; and
- retrospectively applied all effective IFRS standards as at June 30, 2014, as required.

The reconciliation of the transition to IFRS from previous financial reporting framework (i.e approved accounting standards as adopted by the Board of Directors of the Corporation) on the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows is given in notes 3.5.1 and 3.5.2 to these financial statements.

3.5.1 Reconciliation of balance sheet:

	June 30, 2013				July 1, 2012			
	-------------------(Rupees in '000)-------------------							
	Previous financial reporting framework	Adjustments: IAS - 19 (Note 15.1)	Adjustments: Other adjustment	IFRS	Previous financial reporting framework	Adjustments: IAS - 19 (Note 15.1)	Adjustments: Other adjustment	IFRS
ASSETS								
Current account with the State Bank of Pakistan	8,475,848	17,508,645	-	25,984,493	7,453,254	14,806,354	-	22,259,608
Investments	926,641	-	-	926,641	937,420	-	-	937,420
Employee loans	11,024,650	-	-	11,024,650	10,971,563	-	-	10,971,563
Advances, deposits and prepayments	35,930	-	-	35,930	28,018	-	-	28,018
Medical and stationery consumables	119,592	-	-	119,592	117,128	-	-	117,128
Property and equipment	197,957	-	-	197,957	244,704	-	-	244,704
Total assets	20,780,618	17,508,645	-	38,289,263	19,752,087	14,806,354	-	34,558,441
LIABILITIES								
Deposits and other liabilities	4,540,140	-	-	4,540,140	4,388,078	-	-	4,388,078
Deferred liabilities - unfunded staff retirement benefits	15,240,478	17,508,645	-	32,749,123	14,364,009	14,806,354	-	29,170,363
	19,780,618	17,508,645	-	37,289,263	18,752,087	14,806,354	-	33,558,441
Net assets	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000
REPRESENTED BY:								
Share capital	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000

3.5.2 Change in Accounting Policy

3.5.2.1 Employee future benefits

Under the previous financial reporting framework, the Corporation was also using IAS 19 for accounting of its employee benefits. This IAS has been revised and the revised standard became applicable during the year. As the Corporation, has applied IFRS as the financial reporting framework in the current year, the effects of this change in accounting policy are also required to be disclosed as part of transition to IFRS . The change in accounting policy and related impacts are summarised as follows:

Actuarial gains and losses

Previous Financial Reporting Framework: Actuarial gains and losses were recognised in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of the defined benefit obligation at the end of previous reporting period and 10% of the fair value of plan assets at the end of previous reporting period.

IFRS: The IFRS requires immediate recognition of past service cost and also requires recognition of net interest cost based on net defined benefit asset or liability by using the discount rate at the beginning of the year. Further, a term remeasurement has been used which is made up of actuarial gains and losses and the difference between the actual investment returns and the returns implied by the net interest cost. The "remeasurements" are required to be recognised in the "balance sheet" immediately with a charge or credit to "other comprehensive income" in the periods in which they occur.

The effects on the balance sheet, profit and loss account, statement of comprehensive income and statement of changes in equity are summarised below:

	2013	July 1, 2012
	---------(Rupees in '000)---------	
Impact on balance sheet		
Increase in deferred liabilities - unfunded staff retirement benefits	17,508,645	14,806,354
Increase in current account with the State Bank of Pakistan	17,508,645	14,806,354
	For the year ended June 30, 2013	For the year ended June 30, 2012
Impact on profit and loss account		
Decrease in net operating expense	1,335,890	-
Decrease in expenses allocated to the State Bank of Pakistan	1,335,890	-
Impact on statement of comprehensive income		
Remeasurement losses on defined benefit plan	(4,038,181)	-
Remeasurements losses on defined benefit plan allocated to the State Bank of Pakistan	4,038,181	-

3.5.2.2 Cash and cash equivalents

Until last year, current account with the State Bank of Pakistan was considered as cash and cash equivalent. This presentation in the statement of cash flows has been changed and the movement in current account with the State Bank of Pakistan is reflected as an operating activity in the statement of cash flows. In the opinion of the management, the revised presentation reflects more appropriately the substance of the account balance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financial assets with fixed or determinable payments and fixed maturity with the Corporation 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) financial assets 'at fair value through profit or loss', (b) loans and receivables and (c) held to maturity.

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.

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an 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 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 by the impairment amount 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.

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 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 exist, the cumulative loss is removed from equity 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 stated at cost less estimates made for any doubtful receivables based on a review of all outstanding amounts at the balance sheet date.

4.3 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.

4.4 Medical and stationery consumables

Medical and stationery consumables are valued at lower of weighted average cost and 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 prices in the ordinary course of business less the estimated cost necessary to make the sale.

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 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) 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 Bank 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

- an un-funded six months post retirement benefit scheme.

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, 2014. As more fully stated in note 3.5.2 the amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a change or credit to other comprehensive income in which they occur.

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.

5. INVESTMENTS

	Note	**2014**	2013	July 1, 2012
		------(Rupees in '000)------		
Held to maturity				
Market Treasury Bills	*5.1*	**522,837**	532,593	539,090
Pakistan Investment Bond	*5.2*	**46,612**	394,048	398,330
		569,449	926,641	937,420

5.1 Market Treasury Bills carry mark-up at the rate of 9.98% to 9.99% per annum (2013: 9.21% to 10.29% per annum) and are due to mature by June 2015 (2013: June 2014).

5.2 Pakistan Investment Bond carry mark-up at the rate of 9.60% per annum (2013: 8.00% to 9.60% per annum) and is due to mature by June 2016 (2013: June 2016).

6. EMPLOYEE LOANS

	Note	**2014**	2013	July 1, 2012
		------(Rupees in '000)------		
Considered good		**10,577,916**	11,024,650	10,971,563
Considered doubtful		**9,021**	9,706	12,010
	6.1	**10,586,937**	11,034,356	10,983,573
Provision against doubtful loans	*6.2*	**(9,021)**	(9,706)	(12,010)
		10,577,916	11,024,650	10,971,563

6.1 Represent 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. 70 million (2013: Rs. 110.790 million) that carry mark up at 10% per annum (2013: 10% per annum). Maximum maturity of loans is upto year 2051 (2013: year 2049).

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.

6.2 Provision held against employee loans

	Note	**2014**	2013	July 1, 2012
		------(Rupees in '000)------		
Opening balance		**9,706**	12,010	12,241
Charge for the year		-	-	-
Reversals		**(685)**	(2,304)	(231)
Closing balance		**9,021**	9,706	12,010

7. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances, deposits and prepayments		**26,472**	30,583	22,687
Others		**5,811**	5,347	5,331
		32,283	35,930	28,018

8. MEDICAL AND STATIONERY CONSUMABLES

Medical and stationery consumables	*8.1*	**126,166**	120,740	118,276
Provision against obsolete items		**(1,105)**	(1,148)	(1,148)
		125,061	119,592	117,128

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

9. PROPERTY AND EQUIPMENT

Operating fixed assets	*9.1*	**237,867**	197,957	244,704

9.1 Operating fixed assets

The following is a statement of operating fixed assets:

2014

	Cost			Accumulated Depreciation				
	As at July 01, 2013	**Additions/ (deletions)**	**As at June 30, 2014**	**As at July 01, 2013**	**Charge for the year / (deletions)**	**As at June 30, 2014**	**Net book value as at June 30, 2014**	**Annual rate of depreciation %**
	(Rupees in '000)							
Furniture and fixtures	**115,291**	**15,057 (1,410)**	**128,938**	**76,893**	**8,233 (1,410)**	**83,716**	**45,222**	**10**
Office equipment	**858,580**	**75,846 (1,086)**	**933,340**	**736,591**	**51,369 (848)**	**787,112**	**146,228**	**20**
EDP equipment	**328,729**	**25,712 (1,887)**	**352,554**	**322,099**	**9,122 (1,887)**	**329,334**	**23,220**	**33.33**
Motor vehicles	**99,777**	**14,349 (5,450)**	**108,676**	**68,837**	**19,634 (2,992)**	**85,479**	**23,197**	**20**
	1,402,377	**130,964 (9,833)**	**1,523,508**	**1,204,420**	**88,358 (7,137)**	**1,285,641**	**237,867**	

2013

	Cost			Accumulated Depreciation				
	As at July 01, 2012	Additions/ (deletions)	As at June 30, 2013	As at July 01, 2012	Charge for the year / (deletions)	As at June 30, 2013	Net book value as at June 30, 2013	Annual rate of depreciation %
	(Rupees in '000)							
Furniture and fixtures	113,312	5,759 (3,780)	115,291	71,090	8,355 (2,552)	76,893	38,398	10
Office equipment	823,012	37,729 (2,161)	858,580	685,246	53,213 (1,868)	736,591	121,989	20
EDP equipment	330,836	4,163 (6,270)	328,729	308,126	19,221 (5,248)	322,099	6,630	33.33
Motor vehicles	98,468	4,902 (3,593)	99,777	56,462	14,247 (1,872)	68,837	30,940	20
	1,365,628	52,553 (15,804)	1,402,377	1,120,924	95,036 (11,540)	1,204,420	197,957	

	2012							
	Cost			Accumulated Depreciation				
	As at July 01, 2011	Additions/ (deletions)/ transfers*	As at June 30, 2012	As at July 01, 2011	Charge for the year / (deletions) / transfers*	As at June 30, 2012	Net book value as at June 30, 2012	Annual rate of depreciation %
	--(Rupees in '000)--							
Furniture and fixtu	107,905	5,374	113,312	63,160	7,930	71,090	42,222	10
		-			-			
		33 *			- *			
Office equipment	763,161	59,639	823,012	633,651	52,262	685,246	137,766	20
		(5,049)			(4,913)			
		5,261 *			4,246 *			
EDP equipment	308,230	467	330,836	273,022	20,700	308,126	22,710	33.33
		(380)			(380)			
		22,519 *			14,784 *			
Motor vehicles	82,889	23,132	98,468	45,035	14,290	56,462	42,006	20
		(9,077)			(4,387)			
		1,524 *			1,524 *			
	1,262,185	88,612	1,365,628	1,014,868	95,182	1,120,924	244,704	
		(14,506)			(9,680)			
		29,337 *			20,554 *			

	Note	**2014**	2013	July 1, 2012
		----------**(Rupees in '000)**----------		
10. DEPOSITS AND OTHER LIABILITIES				
Provision for employees' compensated absences	*15.1.9*	**5,402,674**	3,842,893	3,585,798
Deposits		**362,725**	600,854	677,902
Others		**135,172**	96,393	124,378
		5,900,571	4,540,140	4,388,078
11. DEFERRED LIABILITIES - UNFUNDED STAFF RETIREMENT BENEFITS				
Gratuity		**1,277**	19,007	23,560
Pension		**30,676,912**	25,118,066	21,976,728
Benevolent fund scheme		**1,017,022**	1,788,602	1,619,375
Post retirement medical benefits		**9,882,770**	4,774,390	4,483,395
Six months post retirement benefits		**76,678**	59,263	-
	15.1.3	**41,654,659**	31,759,328	28,103,058
Provident fund scheme		**864,192**	989,795	1,067,305
		42,518,851	32,749,123	29,170,363

12. SHARE CAPITAL

2014	2013	July 1, 2012		Note	2014	2013	July 1, 2012
(Number of shares)					---------(Rupees in '000)---------		
			Authorised share capital				
1,000	1,000	1,000	Ordinary shares of Rs. 1,000,000 each		**1,000,000**	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	509	- issued for cash		**509,000**	509,000	509,000
491	491	491	- issued against consideration in kind		**491,000**	491,000	491,000
1,000	1,000	1,000			**1,000,000**	1,000,000	1,000,000

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The Corporation does not have any contingencies as at June 30, 2014 and June 30, 2013.

13.2 Commitments

	Note	2014	2013	July 1, 2012
Capital commitments	*13.2.1*	**77,390**	29,931	45,272

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

14. DISCOUNT AND INTEREST EARNED

	Note	2014	2013
		---------(Rupees in '000)---------	
Discount income on Government securities		**48,229**	55,641
Interest on employee loans		**678**	2,390
		48,907	58,031

15. NET OPERATING EXPENSES

	Note	2014	2013
Reimbursable from the State Bank of Pakistan			
Salaries, wages and other benefits		**5,955,069**	5,243,803
Rent and taxes		**17,142**	11,833
Insurance		**5,374**	5,404
Electricity, gas and water		**302,524**	244,753
Repair and maintenance		**124,422**	71,915
Auditors' remuneration	*15.2*	**5,950**	5,950
Legal and professional		**2,665**	4,122
Travelling		**15,791**	12,578
Daily expenses		**22,066**	18,704
Passages / rest and recreational allowance		**217,782**	189,249
Fuel		**3,843**	3,329
Conveyance		**14,057**	18,049
Postages and telephone		**18,650**	16,797
Training		**37,915**	42,152
Remittance of treasure		**69,190**	49,870
Stationery		**12,796**	13,629
Books and newspapers		**1,292**	1,402
Advertisement		**10,773**	12,018
Bank guards charges		**120,676**	121,944
Uniforms		**17,779**	23,725
Others		**111,071**	101,783
		7,086,827	6,213,009
Allocated to the State Bank of Pakistan			
Retirement benefits and employees' compensated absences	*15.1 to 15.1.10*	**6,804,886**	5,783,296
Depreciation	*9.1*	**88,358**	95,036
		6,893,244	5,878,332
		13,980,071	12,091,341

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:

	2014	2013
- Discount rate for year end obligation	13.25% - 13.50% p.a.*	11.5% p.a.
- Salary increase rate	13.25% p.a	11.5% p.a.
- Pension indexation rate	10.75% p.a.	9% p.a.
- Medical cost increase rate	13% p.a.	8% p.a.
- Personnel turnover	2.1% p.a.	3% p.a.
- Normal retirement age	60 Years	60 Years

* 13.50% has been used for post retirement medical benefits. For all other benefits rate of 13.25% 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 decrease in bond yields will increase plan liabilities

Salary increase / inflation risks

The risk that the actual salary increases are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service.

Mortality risks

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

Withdrawal risks

The risk of actual withdrawals experience is different from the assumed.

Medical inflation risks

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

15.1.3 Change in present value of defined benefit obligation

	2014					
	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, 2013	19,007	25,118,066	1,788,602	4,774,390	59,263	**31,759,328**
Current service cost	363	774,129	87,105	263,606	2,944	**1,128,147**
Interest cost on defined benefit obligation	471	2,512,004	116,958	523,251	6,778	**3,159,462**
Benefits paid	(29,823)	(6,549,109)	(336,408)	(448,770)	(644)	**(7,364,754)**
Remeasurements:						**-**
Actuarial (gains)/losses from changes in financial assumptions	-	-	(681,803)	-	-	**(681,803)**
Experience adjustments	11,259	8,821,822	42,568	4,770,293	8,337	**13,654,279**
Present value of defined benefit obligation as on June 30, 2014	**1,277**	**30,676,912**	**1,017,022**	**9,882,770**	**76,678**	**41,654,659**

	2013					
	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, 2012	23,560	21,976,728	1,619,375	4,483,395	-	28,103,058
Current service cost	648	821,951	81,000	138,868	-	1,042,467
Past service cost	-	-	-	-	59,263	59,263
Interest cost on defined benefit obligation	2,042	2,747,091	207,000	627,675	-	3,583,808
Benefits paid	(7,221)	(4,605,170)	(124,836)	(330,222)	-	(5,067,449)
Remeasurements:						-
Actuarial (gains)/losses from changes in financial assumptions	-	-	-	-	-	-
Experience adjustments	(22)	4,177,466	6,063	(145,326)	-	4,038,181
Present value of defined benefit obligation as on June 30, 2013	19,007	25,118,066	1,788,602	4,774,390	59,263	31,759,328

15.1.4 Amount recognised in the profit and loss account

	2014					
	Gratuity	**Pension**	**Benevolent fund scheme**	**Post retirement medical benefits**	**Six months post retirement benefits**	**Total**
	-----	**Rupees in '000**	-----	-----	-----	-----
Current service cost	363	774,129	87,105	263,606	2,944	**1,128,147**
Interest cost on defined benefit obligation	471	2,512,004	116,958	523,251	6,778	**3,159,462**
Contribution made by employees	-	-	(18,271)	-	-	**(18,271)**
	834	**3,286,133**	**185,792**	**786,857**	**9,722**	**4,269,338**

	2013					
	Gratuity	Pension	Benevolent fund scheme	Post retirement medical benefits	Six months post retirement benefits	Total
	-----	-----	-----	Rupees in '000	-----	-----
Current service cost	648	821,951	81,000	138,868	-	1,042,467
Past service cost	-	-	-	-	59,263	59,263
Interest cost on defined benefit obligation	2,042	2,747,091	207,000	627,675	-	3,583,808
Contribution made by employees	-	-	-	-	-	-
	2,690	3,569,042	288,000	766,543	59,263	4,685,538

15.1.5 Movement of present value of defined benefit obligation

	2014					
	Gratuity	**Pension**	**Benevolent fund scheme**	**Post retirement medical benefits**	**Six months post retirement benefits**	**Total**
	-----	**Rupees in '000**	-----	-----	-----	-----
Net recognised liabilities at July 1, 2013	19,007	25,118,066	1,788,602	4,774,390	59,263	**31,759,328**
Amount recognised in the profit and loss account	834	3,286,133	185,792	786,857	9,722	**4,269,338**
Remeasurements	11,259	8,821,822	(639,235)	4,770,293	8,337	**12,972,476**
Benefits paid during the year	(29,823)	(6,549,109)	(336,408)	(448,770)	(644)	**(7,364,754)**
Employees contribution / amount transferred	-	-	18,271	-	-	**18,271**
Net recognised liabilities at June 30, 2014	**1,277**	**30,676,912**	**1,017,022**	**9,882,770**	**76,678**	**41,654,659**

	2013					
	Gratuity	Pension	Benevolent fund scheme	Post retirement medical benefits	Six months post retirement benefits	Total
	-----	-----	-----	Rupees in '000	-----	-----
Net recognised liabilities at July 1, 2012	23,560	21,976,728	1,619,375	4,483,395	-	28,103,058
Amount recognised in the profit and loss account	2,690	3,569,042	288,000	766,543	59,263	4,685,538
Remeasurements	(22)	4,177,466	6,063	(145,326)	-	4,038,181
Benefits paid during the year	(7,221)	(4,605,170)	(124,836)	(330,222)	-	(5,067,449)
Employees contribution / amount transferred	-	-	-	-	-	-
Net recognised liabilities at June 30, 2013	19,007	25,118,066	1,788,602	4,774,390	59,263	31,759,328

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%	(100)	110
Future salary increase	1%	109	(101)
Pension			
Discount rate	1%	(2,361,960)	3,105,525
Future salary increase	1%	1,412,811	(1,315,807)
Future pension increase	1%	1,672,461	(1,419,319)
Expected mortality rates	1 Year	(314,533)	308,585
Benevolent fund scheme			
Discount rate	1%	(51,222)	55,972
Grant increase	1%	61,976	-
Expected mortality rates	1 Year	(1,611)	1,493
Post retirement medical benefits			
Discount rate	1%	(1,396,775)	1,767,722
Future medical cost increase	1%	1,763,326	(1,417,170)
Expected mortality rates	1 Year	(214,351)	216,628
Six months post retirement benefits			
Discount rate	1%	(4,425)	4,921
Salary increase	1%	4,875	(4,462)

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	8 Years	9 Years	5 Years	16 Years	6 Years

15.1.8 Estimated expenses to be charged to profit and loss account for the year ending June 30, 2015

Based on the actuarial advice, the management estimates that charge / (reversal) in respect of defined benefit plans for the year ending June 30, 2015 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	226	955,681	49,896	245,213	4,669	1,255,685
Interest cost on defined benefit obligation	169	4,065,000	134,755	1,334,000	10,160	5,544,084
Amount chargeable to profit and loss account	395	5,020,681	184,651	1,579,213	14,829	6,799,769

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. 5,402.674 million (2013: Rs. 3,842.893 million). An amount of Rs. 2,614.851 million (2013: Rs. 986.755 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, 2015 would be Rs. 939.673 million. The benefits paid during the year amounted to Rs. 1,055.070 million (2013: Rs. 729.659 million)

15.1.10 Charge for the year in respect of defined contribution plan amounted to Rs. 62.901 million (2013: Rs. 56.589 million)

15.2 Auditors' remuneration

	2014			2013		
	KPMG Taseer Hadi & Co.	**A.F. Ferguson & Co.**	**Total**	KPMG Taseer Hadi & Co.	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 / (LOSS) AFTER ADJUSTMENT OF NON-CASH ITEMS

	2014	2013
	-------- (Rupees in '000) --------	
Profit for the year	**50,109**	59,166
Adjustments for:		
Amortisation of discount on Government securities	**(13,839)**	(23,594)
Amortisation of premium on Government securities	**7,436**	4,282
(Gain) / loss on disposal of property and equipment	**(121)**	776
	(6,524)	(18,536)
	43,585	**40,630**

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).

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 18.4 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. 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

	2014			
	Sovereign	**Banks & Financial Institutions**	**Others**	**Grand Total**
	------------------------- (Rupees in '000)----------------------			
Financial assets				
Current account with the State Bank of Pakistan	-	37,876,846	-	**37,876,846**
Investments	569,449	-	-	**569,449**
Employee loans	-	-	10,577,916	**10,577,916**
Advances and deposits	-	-	7,743	**7,743**
	569,449	37,876,846	10,585,659	**49,031,954**

	2013			
	Sovereign	Banks & Financial Institutions	Others	Grand Total
	------------------------- (Rupees in '000)----------------------			
Financial assets				
Current account with the State Bank of Pakistan	-	25,984,493	-	25,984,493
Investments	926,641	-	-	926,641
Employee loans	-	-	11,024,650	11,024,650
Advances and deposits	-	-	9,013	9,013
	926,641	25,984,493	11,033,663	37,944,797

18.2.3 Credit exposure by credit rating:

Financial assets of the Corporation essentially represents 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:

	2014		
	Sovereign (18.2.3.1)	**Unrated**	**Grand Total**
	---------------- (Rupees in '000)-------------		
Financial Assets			
Current account with the State Bank of Pakistan	-	37,876,846	**37,876,846**
Investments	569,449	-	**569,449**
Employee loans	-	10,577,916	**10,577,916**
Advances and deposits	-	7,743	**7,743**
	569,449	48,462,505	**49,031,954**

	2013		
	Sovereign (18.2.3.1)	Unrated	Grand Total
	---------------- **(Rupees in '000)**-------------		
Financial Assets			
Current account with the State Bank of Pakistan	-	25,984,493	25,984,493
Investments	926,641	-	926,641
Employee loans	-	11,024,650	11,024,650
Advances and deposits	-	9,013	9,013
	926,641	37,018,156	37,944,797

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

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

	Gross amount		Impairment / Provision	
	2014	2013	**2014**	2013
	(Rupees in '000)			
Employee loans	10,586,937	11,034,356	9,021	9,706

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 minimise its exposure to this risk.

2014	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	
	(Rupees in '000)						
Financial assets							
Current account with the State Bank of Pakistan*	-	-	-	37,876,846	-	37,876,846	37,876,846
Investments	508,998	46,087	555,085	14,364	-	14,364	569,449
Employee loans	12,960	57,040	70,000	1,493,916	9,014,000	10,507,916	10,577,916
Advances and deposits	-	-	-	1,932	5,811	7,743	7,743
	521,958	103,127	625,085	39,387,058	9,019,811	48,406,869	49,031,954
Financial liabilities							
Deposits and other liabilities	-	-	-	497,897	-	497,897	497,897
On balance sheet gap	521,958	103,127	625,085	38,889,161	9,019,811	47,908,972	48,534,057

2013	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	
	(Rupees in '000)						
Financial assets							
Current account with the State Bank of Pakistan*	-	-	-	25,984,493	-	25,984,493	25,984,493
Investments	850,193	45,921	896,114	30,527	-	30,527	926,641
Employee loans	16,134	94,656	110,790	1,485,434	9,428,426	10,913,860	11,024,650
Advances and deposits	-	-	-	3,266	5,747	9,013	9,013
	866,327	140,577	1,006,904	27,503,720	9,434,173	36,937,893	37,944,797
Financial liabilities							
Deposits and other liabilities	-	-	-	697,247	-	697,247	697,247
On balance sheet gap	866,327	140,577	1,006,904	26,806,473	9,434,173	36,240,646	37,247,550

*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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following tables summarizes the carrying amounts and fair values of financial assets and liabilities.

	Carrying value		Fair value	
	2014	2013	**2014**	2013
	(Rupees in '000)			
Financial assets				
Current account with the State Bank of Pakistan	**37,876,846**	25,984,493	**37,876,846**	25,984,493
Investments	**569,449**	926,641	**569,449**	926,641
Employee loans	**10,577,916**	11,024,650	**10,577,916**	11,024,650
Advances and deposits	**7,743**	9,013	**7,743**	9,013
Financial Liability				
Deposits and other liabilities	**497,897**	697,247	**497,897**	697,247

20. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2014				
	Loans and receivables	**At fair value through profit or loss**	**Held to maturity**	**Available for sale**	**Total**
	(Rupees in '000)				
Financial assets					
Current account with the State Bank of Pakistan	37,876,846	-	-	-	**37,876,846**
Investments	-	-	569,449	-	**569,449**
Employee loans	10,577,916	-	-	-	**10,577,916**
Advances and deposits	7,743	-	-	-	**7,743**

	2013				
	Loans and receivables	At fair value through profit or loss	Held to maturity	Available for sale	Total
	(Rupees in '000)				
Financial assets					
Current account with the State Bank of Pakistan	25,984,493	-	-	-	25,984,493
Investments	-	-	926,641	-	926,641
Employee loans	11,024,650	-	-	-	11,024,650
Advances and deposits	9,013	-	-	-	9,013

	2014		
	Carried at amortised cost	**At fair value through profit or loss**	**Total**
	(Rupees in '000)		
Financial liabilities			
Deposits and other liabilities	497,897	-	**497,897**

	2013		
	Carried at amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial liabilities			
Deposits and other liabilities	697,247	-	697,247

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 25, 2014 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**