

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Administrator of the Punjab Provincial Cooperative Bank Limited Report on the Audit of the Financial Statements**

#### **Qualified Opinion**

We have audited the annexed financial statements of The Punjab Provincial Cooperative Bank Limited (the Bank), which comprise the statement of financial position as at June 30, 2019, and the profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended (based on audited certified returns received from the branches component auditors) and notes to the financial statements, including a summary of significant accounting policies and other explanatory information 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 the audit.

Except for the matters described in the basis of qualified opinion section of our report, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), and the BPRD Circular No. 2 dated January 25, 2018 of the State Bank of Pakistan (SBP) in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at June 30, 2019, and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Qualified Opinion**

1. Provision held against non-performing loans amounting to Rs. 1,606.271 million (2018: 1,606.271 million) as required by the Prudential Regulations issued by the SBP and accrued mark-up on advances amounting to Rs. 650.743 million (2018: Rs. 681.018 million) remained unverified in the absence of reliable analysis of advances extended by the Bank. The amounts of non-performing advances, required provision against such loans and accrued mark-up on advances could not be determined accordingly.
2. We were unable to verify the accuracy of depreciation on vehicles amounting to Rs. 6.143 million (2018: 6.570 million) due to non-availability of dates of purchases.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Emphasis of Matters**

Without further qualifying our report, we draw attention to the following matters:

1. As referred in note 8.4 to the accompanying financial statements, the Bank has not adjusted its non-performing loans amounting to Rs. 678.680 million (2018: Rs. 673.468 million) including mark-up thereon against properties decreed in favor of the Bank due to pending possession disputes.
2. As referred in note 9.2.4 to the accompanying financial statements, the ultimate outcome of disputed properties amounting to Rs. 175.687 million (2018: Rs. 101.183 million) cannot be presently determined, and hence no impairment in this context has been made in these financial statements.
3. As referred in note 16.3 to the accompanying financial statements regarding the status of compliance to the terms and conditions of SBP's letter relaxing Minimum Capital Requirements (MCR) to Rs. 6 billion, these terms and conditions are stated to be in process of implementation although compliance date has passed.
4. As referred in note 36.1 to the accompanying financial statements regarding compliance status of CAR reporting under BASEL I for the time being instead of BASEL III.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Refer to Bye Law 32 of the Punjab Provincial Cooperative Bank Limited Bye Laws 2010:  <i>“The BOD shall consist of:</i>  <i>a) Registrar, who shall be its Chairman;</i>  <i>b) President;</i>  <i>c) Two non-official professionals nominated by the Registrar under Bye-law 6(b); and</i>  <i>d) Three elected members, who are qualified to be elected as Director under the election rules.”</i></p> <p>Whereas, the Bank has no BOD since 2005. In view of the difficulties being faced from time to time in the performance of day to day affairs, we consider this a key audit matter.</p>	<p>We reviewed and understood the requirements of the Punjab Provincial Cooperative Bank Limited Bye-Laws 2010. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• considered the management’s response over the absence of BOD;</li> <li>• obtained relevant underlying supports for appointment of the Administrator by the Govt. of Punjab and ensured their appropriateness for the sufficient audit evidence;</li> <li>• determined the powers and duties of the Administrator and ensured appropriateness of the requirements as to the management of the Bank;</li> <li>• verified the appropriateness of the disclosures provided regarding the formation of BOD in the financial statements.</li> </ul>

### **Information Other than the Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and the BPRD Circular No. 2 dated January 25, 2018 of the SBP 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Administrator is responsible for overseeing the Bank's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Administrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Administrator with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Administrator, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank/branches as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit or loss account and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and the BPRD

Circular No. 2 dated January 25, 2018 of the SBP and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank/ branches and the transactions of the Bank/ branches which have come to our notice have been within the powers of the Bank/ branches; and
  - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit, we have covered more than sixty per cent of the total loans and advances of the Bank.

#### **Other Matters**

1. The annual financial statements of the Bank for the year ended June 30, 2018 were audited by another firm of chartered accountants whose audit report dated November 29, 2018, expressed a qualified opinion and matter of emphasis.
2. The audit of financial statements for the year ended June 30, 2019 comprising 134 branches had been allotted by the Registrar, Co-operative Societies, Punjab, to eight different component auditors.

Thus, for purpose of consolidation, the audited certified financial statements furnished by the component auditors have been relied upon.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Ilyas**.

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**ILYAS SAEED & CO.**  
**Chartered Accountants**  
**LAHORE**  
**DATE: 18.10.2019**

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	Note	2019	2018
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	5	742,268	1,218,756
Balances with other banks	6	959,517	805,565
Lendings to financial institutions		-	-
Investments	7	2,876,398	2,911,628
Advances	8	9,861,768	10,207,775
Fixed assets	9	7,179,735	7,176,161
Intangible assets	10	1,778	3,935
Deferred tax assets	11	-	-
Other assets	12	833,784	857,475
		<b>22,455,248</b>	<b>23,181,295</b>
<b>LIABILITIES</b>			
Bills payable	13	52,635	55,502
Borrowings		-	-
Deposits and other accounts	14	4,579,982	5,324,183
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	3,624,550	3,569,088
		<b>8,257,167</b>	<b>8,948,773</b>
<b>NET ASSETS</b>		<b>14,198,081</b>	<b>14,232,522</b>
<b>REPRESENTED BY</b>			
Share capital/ Head office capital account - net	16	7,885,490	7,885,556
Reserves		809,147	742,108
Surplus on revaluation of assets	17	7,266,202	7,385,478
Unappropriated (loss)		<b>(1,762,758)</b>	<b>(1,780,620)</b>
		<b>14,198,081</b>	<b>14,232,522</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	18	-	-

The annexed notes 1 to 41 form an integral part of these financial statements.

**President/ CEO**

**Chief Financial Officer**

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
Rupees in '000			
Mark-up/Return/Interest Earned	19	1,910,233	1,845,307
Mark-up/Return/Interest Expensed	20	(207,511)	(150,119)
Net Mark-up/ Interest Income		<u>1,702,722</u>	<u>1,695,188</u>
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee and Commission Income	21	19,645	18,295
Dividend Income		38,801	34,130
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain / (Loss) on securities		-	-
Other Income	22	102,279	103,239
Total Non-Markup/Interest Income		<u>160,725</u>	<u>155,664</u>
Total Income		<u>1,863,447</u>	<u>1,850,852</u>
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Operating expenses	23	(1,432,082)	(1,565,416)
Workers Welfare Fund		-	-
Other charges	24	(651)	(13)
Total non-markup/interest expenses		<u>(1,432,733)</u>	<u>(1,565,429)</u>
Profit Before Provisions		<u>430,714</u>	285,423
Provisions and write offs - net	25	(100,000)	(120,000)
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		<u>330,714</u>	<u>165,423</u>
Taxation	26	(68,358)	(45,570)
<b>PROFIT AFTER TAXATION</b>		<u>262,356</u>	<u>119,853</u>
<b>Rupees</b>			
<b>Basic Earnings per share</b>	27	<u>3.33</u>	<u>1.52</u>
<b>Diluted Earnings per share</b>		<u>-</u>	<u>-</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

**President/ CEO**

**Chief Financial Officer**



**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
	Rupees in '000	
Profit after taxation for the year	262,356	119,853
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-
Others	-	-
	-	-
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement (loss) on defined benefit obligations - net of tax	(176,907)	(412,114)
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
Others	-	-
	(176,907)	(412,114)
<b>Total comprehensive income / (loss)</b>	<b>85,449</b>	<b>(292,261)</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

**President/ CEO**

**Chief Financial Officer**

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Share capital / Head office capital account	Statutory reserve	Surplus/(Deficit) on revaluation of		Common good fund	Unappropriated loss	Total
			Investments	Fixed / Non Banking Assets			
----- Rupees in '000 -----							
Opening Balance July 1, 2017	7,885,482	707,659	617,762	6,868,774	5,214	(1,486,922)	14,597,969
Profit after taxation for the prior year	-	-	-	-	-	119,853	119,853
Other comprehensive income - net of tax	-	-	-	-	-	(412,114)	(412,114)
Transfer to statutory reserve	-	29,963	-	-	-	(29,963)	-
Deficit on revaluation of assets	-	-	(101,058)	-	-	-	(101,058)
Reissuance of shares	74	-	-	-	-	-	74
Adjustment of defined benefit plan	-	-	-	-	-	28,526	28,526
Medical aid to staff	-	-	-	-	(728)	-	(728)
<b>Opening Balance July 1, 2018</b>	<b>7,885,556</b>	<b>737,622</b>	<b>516,704</b>	<b>6,868,774</b>	<b>4,486</b>	<b>(1,780,620)</b>	<b>14,232,522</b>
Profit after taxation for the current year	-	-	-	-	-	262,356	262,356
Other comprehensive income/(Loss) - net of tax	-	-	-	-	-	(176,907)	(176,907)
Adjustment of Defined benefit plan	-	-	-	-	-	-	-
Transfer to statutory reserve	-	65,589	-	-	-	(65,589)	-
Transfer to common good fund	-	-	-	-	2,000	(2,000)	-
Medical aid to staff	-	-	-	-	(550)	-	(550)
Deficit on revaluation of assets	-	-	(119,276)	-	-	-	(119,276)
Refund of shares	(66)	-	-	-	-	-	(66)
<b>Closing Balance June 30, 2019</b>	<b>7,885,490</b>	<b>803,211</b>	<b>397,428</b>	<b>6,868,774</b>	<b>5,936</b>	<b>(1,762,760)</b>	<b>14,198,079</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

President/ CEO

Chief Financial Officer

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
Rupees in '000			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		330,714	165,423
Less: Dividend income		(38,801)	(34,130)
		291,913	131,293
Adjustments:			
Depreciation		20,116	18,442
Amortization		2,157	2,157
Provision for employees retirement benefits	23.1	242,121	451,393
Loss/ (Gain) on sale of fixed assets		-	(2,506)
		264,394	469,486
		556,307	600,779
(Increase)/ Decrease in operating assets			
Advances		346,007	(529,377)
Others assets (excluding advance taxation)		23,691	(37,408)
		369,698	(566,785)
Increase/ (Decrease) in operating liabilities			
Bills Payable		(2,867)	2,918
Deposits		(744,201)	266,193
Other liabilities (excluding current taxation)		137,525	(82,792)
		(609,543)	186,319
Income tax paid		(23,588)	(21,085)
Contribution to pension fund		(540,027)	(417,668)
Medical aid to employees from common good fund		(550)	(728)
<i>Net cash flow (used in) operating activities</i>		(247,703)	(219,168)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in held-to-maturity securities		(84,046)	(379,274)
Dividends received		38,801	34,130
Investments in operating fixed assets		(29,522)	(25,575)
Proceeds from sale of fixed assets		-	3,597
Effect of translation of net investment in foreign branches		-	-
<i>Net cash flow (used in) investing activities</i>		(74,767)	(367,122)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Refund) / Reissue of share capital		(66)	74
<i>Net cash flow (used in) / from financing activities</i>		(66)	74
Effects of exchange rate changes on cash and cash equivalents		-	-
<b>(Decrease) in cash and cash equivalents</b>		(322,536)	(586,216)
Cash and cash equivalents at beginning of the year	28	2,024,321	2,610,537
Cash and cash equivalents at end of the year	28	1,701,785	2,024,321

The annexed notes 1 to 41 form an integral part of these financial statements.

President/ CEO

Chief Financial Officer

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. STATUS AND NATURE OF BUSINESS**

The Punjab Provincial Cooperative Bank Limited (the Bank) was incorporated in 1924 as a Cooperative Bank under the Cooperative Societies Act, 1912 (repealed) (now the Cooperative Societies Act, 1925). It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) with effect from November 07, 1955. The Bank is operating under the supervision of the Cooperative Department, Government of Punjab and the State Bank of Pakistan (SBP). The objects for which the Bank is established are to carry out the business of agriculture credit and other activities as defined in the Cooperative Societies Act, 1925 and its Rules. The Bank operates through its 151 (2018: 151) branches in the whole province of Punjab. The registered office of the Bank is located at the Bank Square, The Mall, Lahore, Pakistan.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 2 dated January 25, 2018.

**2.1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. Approved accounting standards comprise of:

-International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

-Provisions of and directives issued under the Banking Companies Ordinance, 1962 ("the Ordinance"), the Cooperative Societies Act, 1925 ("the Act"), and the Cooperative Societies Rules, 1927 ("the Rules"), the Companies Act, 2017 and;

-Directives issued by the SBP.

Whenever the requirements of the Ordinance, the Act, the Rules, and the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS, requirements of the Ordinance, the Act, the Rules, and the Companies Act, 2017 and the said directives shall prevail.

The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

**2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.**

The Bank has adopted the following revised standards, amendments in accounting standards and interpretations of IFRS which became effective for the current year:

IAS 28	Investments in Associates and Joint Ventures – Annual Improvements to IFRS 2014–2016 Cycle
IAS 40	Investment Property – Transfers of Investment Property (Amendments) 2
IFRS 2	Share-based Payment – Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

## Impact of IFRS 15

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Bank's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Bank.

The adoption of the above standards, amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

State Bank of Pakistan prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these financial statements include:

- Inclusion of surplus on revaluation of assets as part of equity (previously shown below equity). **(Note 17)**
- Intangible assets are now being shown separately on the statement of financial position (previously shown as part of the operating fixed assets). **(Note 10)**
- Other provisions / write offs have now been combined under provisions and write offs - net **(Note 25)**

In addition, the Companies Act, 2017 also became effective for the financial statements for the year ended December 31, 2017. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the financial statements.

### 2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan become effective during current year:

Standards, amendments or interpretation	Effective date (annual periods beginning on or after)
IAS 1 Presentation of Financial Statements Amendments	01 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendments	01 January 2020
IAS 12 Income Taxes – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 Borrowing Costs – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures	01 January 2019
IFRS 3 Business Combinations – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IFRS 3 Business Combinations Amendments	01 January 2020
IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 16 Leases	01 January 2019
IFRS 11 Joint Arrangements – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
Conceptual Framework for Financial Reporting	01 January 2020

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS - 1 First - Adoption of International Financial Reporting Standards	
IFRS - 14 Regulatory Deferral Accounts	01 January 2016
IFRS - 17 Insurance Contracts	01 January 2021

IFRS - 9 - Financial Instruments - The Bank is currently awaiting instructions from the SBP as applicability of IFRS - 9 was deferred by the SBP till further instructions.

The Bank expects that the adoption of the above standards will have no significant material effect on the Bank's financial statements, in the period of initial application.

#### **2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized prospectively in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements are as follows:-

- i) Classification and provisioning against investment
- ii) Impairment of 'available for sale' equity investments
- iii) Income taxes
- iv) Classification and provisioning against advances
- v) Depreciation, amortization and revaluation of operating fixed assets
- vi) Obligation under defined benefit plan
- vii) Fair value of derivatives
- viii) Fair value hierarchy of assets and liabilities

### **3. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except that free hold land and securities (available for sale) have been recognized in these financial statements at revalued amounts. In addition, obligation in respect of staff retirement benefits is carried at present value.

### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these unconsolidated financial statements have been applied consistently to all periods presented in these unconsolidated financial statements of the Bank, except for the following:

#### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash and balances with treasury banks and balances with other banks in current and deposit accounts.

#### **4.2 Deposits**

Deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which it is incurred.

#### **4.3 Investments**

The Bank classifies its investments as follows:

##### **Held-to-maturity securities**

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

##### **Available-for-sale securities**

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

Investments in quoted securities other than held to maturity are valued at market prices prevailing at the terminal date except investments in government securities, and the difference between the carrying value and the revalued amount of available for sale is recognized in the surplus / (deficit). Gain or loss on disposal is charged to current year's profit and loss account.

Investments in unquoted securities are carried out at lower of cost and breakup value less impairment loss, if any.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity.

Impairment loss in respect of investments classified as available for sale (except for quoted securities) and held to maturity is recognized based on management's assessment of objective evidence of significant and prolonged decline in the estimated future cash flows of such securities, and charged to profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale is taken to a separate account which is shown in the statement of financial position below equity.

#### **4.4 Advances**

Advances are stated net of general and specific provisions. Specific provision is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses includes general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Advances are written off when there are no realistic prospect of recovery.

#### **4.5 Fixed assets and depreciation**

##### **a) Tangible assets**

Property and equipment owned by the Bank, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

Depreciation is carried over the estimated useful lives of the related fixed assets at the rates specified in note 9.2 on monthly diminishing balance method, except vehicles which are being depreciated on straight line method. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditures connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to relevant asset as and when assets become available for use.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings is transferred directly to unappropriated profit.

Gain / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

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

#### **b) Intangible assets**

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 10. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

#### **4.6 Crop insurance and Live Stock insurance recoverable**

Crop insurance and Live Stock insurance recoverable are receivables from State Bank of Pakistan (SBP) which are paid after verification of documentation by SBP. The Bank recognizes its receivables on the basis of claims lodged by the Bank with SBP.

#### **4.7 Taxation**

##### **a) Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year.

##### **b) Prior**

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments/changes in laws and changes in estimates made during the current year.

##### **c) Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses.



Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities / fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

#### **4.8 Revenue recognition and other items**

Mark-up income / interest on advances and returns on investments are recognized on a time proportion basis except that mark-up income / interest / returns on non-performing advances and investments are recognized on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / returns / mark-up on rescheduled / restructured advances and investments are recognized as permitted by the SBP, except where, in the opinion of the management, it would not be prudent to do so.

Fees, commission, brokerage, and other income are recognized on receipt basis, whereas mark up on advances, rental income, markup on deposits & on investment in government securities , mark up on customer's deposits are recognized on accrual basis.

Dividend income from investments is recognized when the Bank's right to receive the dividend is established.

Gain / loss on sale of investments is credited / charged to profit and loss account currently.

#### **4.9 Staff retirement benefits**

The Bank operates the following staff retirement benefit schemes for its eligible employees:

##### **Defined benefit plans**

The Bank operates an approved funded pension scheme, an un-funded gratuity scheme and an un-funded employee compensated absences for its eligible employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation is based on the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs (if any) are recognized immediately in profit and loss account when the plan amendment occurs.

##### **Defined contribution plan**

The Bank operates an approved provident fund scheme for its regular permanent employees, administered by the Trustees.

##### **Gratuity opted employees**

Equal monthly contributions are made by both employees and the Bank to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

## **Pension opted employees**

Monthly contribution is made by the Bank to the fund at the rate of 15% of the basic salary in accordance with the terms of the scheme.

### **4.10 Impairment of assets**

The carrying amount of the Bank's assets are reviewed at each date of statement of financial position for impairment. If such indication exists, and whenever events or changes in circumstances indicate that the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

### **4.11 Financial instruments**

#### **4.11.1 Financial assets and financial liabilities**

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss assets and financial liabilities are disclosed in the individual policy statements associated with them.

#### **4.11.2 Offsetting**

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is legally enforceable right to set off the recognized amounts and the Bank intends to either settle on net basis or to realize the assets and settle the liability simultaneously.

#### **4.11.3 Regular way purchases and sales of financial assets**

Regular way' purchases and sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market. 'Regular way' purchases and sales of financial assets are recognized and derecognized on trade dates.

### **4.12 Provision**

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### **4.13 Contingencies & commitments**

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the accounts.

Contingent liabilities are disclosed when:

There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events wholly within the control of the Bank.

There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### **4.14 Business Segment reporting**

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Bank's primary segment reporting is based on following business

##### **a. Retail financing**

Retail financing deals with the retail customers. It mainly includes services of savings and current accounts to the retail customers.

##### **b. Commercial banking**

Commercial banking provides services to commercial customers including agriculture sector. It includes loans, deposits and other transactions with commercial customers.

#### **4.15 Geographical segment reporting**

Geographically, the Bank operates only in the province of Punjab, Pakistan.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
Rupees in '000			
<b>5 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		294,797	790,952
With State Bank of Pakistan in			
Local currency current account	5.1	302,599	340,681
With National Bank of Pakistan in			
Local currency current account		72,419	66,132
Local currency deposit account (NIDA)	5.2	72,453	20,991
		144,872	87,123
		742,268	1,218,756

**5.1** Deposits with SBP are maintained to comply with the statutory requirements issued from time to time.

**5.2** Rate of profit on NIDA account is at 10.25% per annum (2018 : 3.75% per annum).

**6 BALANCES WITH OTHER BANKS**

In Pakistan			
In current account		7,321	8,529
In deposit account	6.1	952,196	797,036
		959,517	805,565

**6.1** These accounts carry profit rates ranging from 8.75% to 10.25% per annum (2018 : 2.75% to 5.9%) per annum.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7 INVESTMENTS**

**7.1 Investments by type:**

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
<b>Available-for-sale securities</b>								
Shares - Listed companies	7,023	-	397,428	404,451	7,023	-	516,704	523,727
Shares - Cooperative Institutions	3,551	(1,589)	-	1,962	3,551	(1,589)	-	1,962
	<b>10,574</b>	<b>(1,589)</b>	<b>397,428</b>	<b>406,413</b>	<b>10,574</b>	<b>(1,589)</b>	<b>516,704</b>	<b>525,689</b>
<b>Held-to-maturity securities</b>								
Market Treasury Bills	2,469,985	-	-	2,469,985	2,385,939	-	-	2,385,939
Pakistan Investment Bonds	-	-	-	-	-	-	-	-
Non-Banking Finance Company	88,059	(88,059)	-	-	88,059	(88,059)	-	-
	<b>2,558,044</b>	<b>(88,059)</b>	<b>-</b>	<b>2,469,985</b>	<b>2,473,998</b>	<b>(88,059)</b>	<b>-</b>	<b>2,385,939</b>
<b>Total Investments</b>	<b>2,568,618</b>	<b>(89,648)</b>	<b>397,428</b>	<b>2,876,398</b>	<b>2,484,572</b>	<b>(89,648)</b>	<b>516,704</b>	<b>2,911,628</b>

**7.2 Investments by segments:**

	2019				2018			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
<b>Federal Government Securities:</b>								
Market Treasury Bills	2,469,985	-	-	2,469,985	2,385,939	-	-	2,385,939
<b>Investment with other financial institutions</b>								
Non-Banking Finance Company	88,059	(88,059)	-	-	88,059	(88,059)	-	-
<b>Shares:</b>								
Listed Companies	7,023	-	397,428	404,451	7,023	-	516,704	523,727
Cooperative institutions	3,551	(1,589)	-	1,962	3,551	(1,589)	-	1,962
	<b>10,574</b>	<b>(1,589)</b>	<b>397,428</b>	<b>406,413</b>	<b>10,574</b>	<b>(1,589)</b>	<b>516,704</b>	<b>525,689</b>
<b>Total Investments</b>	<b>2,568,618</b>	<b>(89,648)</b>	<b>397,428</b>	<b>2,876,398</b>	<b>2,484,572</b>	<b>(89,648)</b>	<b>516,704</b>	<b>2,911,628</b>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>7.3 Provision for diminution in value of investments</b>	<b>2019</b>	<b>2018</b>
	<b>Rupees in '000</b>	
<b>7.3.1</b> Opening balance	<b>89,648</b>	89,648
Exchange adjustments	-	-
Charge / reversals	-	-
Closing Balance	<b>89,648</b>	<b>89,648</b>

<b>7.3.2 Particulars of provision against debt securities</b>	<b>2019</b>		<b>2018</b>	
<b>Category of classification</b>	<b>NPI</b>	<b>Provision</b>	<b>NPI</b>	<b>Provision</b>
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<b>1,589</b>	<b>1,589</b>	1,589	1,589
	<b>1,589</b>	<b>1,589</b>	1,589	1,589
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	<b>1,589</b>	<b>1,589</b>	1,589	1,589

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7.4 Quality of Available for Sale Securities**

Details regarding quality of Available for Sale (AFS) securities are as follows

	2019	2018
	Cost	
	Rupees in '000	
<b>Shares</b>		
<b>Listed Companies</b>		
Paper Manufacturing	6,708	6,708
Textile	315	315
	<b>7,023</b>	<b>7,023</b>

	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	----- Rupees in '000 -----			
<b>Unlisted Companies</b>				
Coop: Insurance Society of Pakistan	1,919	10	1,919	10
National Coop. Supply Corporation	43	100	43	100
Coop: Investment & Management Agency	341	100	341	100
Oberoi Coop: Society Sialkot	71	1,000	71	1,000
Shahdara Pioneer Coop: M.P. Society	300	100	300	100
Lahore Central Coop: Store	536	100	536	100
Jhelum Distt. Coop: Society	1	100	1	100
All Pakistan Coop: Multi Purpose Society	11	1,000	11	1,000
Punjab Prov. Coop: Cotton Corp.	65	500	65	500
Pakistan Product Coop: Marketing	-	100	-	100
Anjuman Imdad-e-Bahami M.P. Society	12	100	12	100
Pioneer Coop: Leather & Rubber Society	30	1,000	30	1,000
Punjab Prov. Coop: Marketing	2	500	2	500
West Pakistan Coop: Consumer Society	1	100	1	100
Sargodha Distt. Coop: Society	18	500	18	500
Sialkot Central Coop: Multi Purpose Society	-	100	-	100
Multan Distt. Coop: Multi Purpose Society	8	50	8	50
Lyalpur Distt. Coop: Multi Purpose Society	10	100	10	100
Lyalpur Distt. Coop: Store	1	100	1	100
Montgomery Coop: Society	102	100	102	100
Bahawalpur Coop: Society	25	100	25	100
Arifwala Mills Society	45	100	45	100
Jhang Coop: Supervising	-	10	-	10
Rawalpindi Multi Purpose Union	10	50	10	50
	<b>3,551</b>		<b>3,551</b>	

**7.4.1** These securities have a maturity period of six months with yield ranging from 11.16% to 12.66% (2018 : 5.60% to 6.00%) per annum.

**7.4.2** The Bank has filed a petition against TIBL in Honorable Lahore High Court, Lahore for recovery of Rs. 88.059 million plus markup (not incorporated in accounts being doubtful of recovery) as on September 15, 2015. However, based on financial health of TIBL, a provision for diminution of Rs. 88.059 million has already been made in the financial statements.

**7.5 Particulars relating to held to maturity securities are as follows:**

	2019	2018
	Cost	
	Rupees in '000	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	2,469,985	2,385,939

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8 ADVANCES**

	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	9,089,123	9,524,894	2,378,732	2,288,968	11,467,855	11,813,862
Islamic financing and related assets	-	-	-	-	-	-
Bills discounted and purchased	-	-	184	184	184	184
Advances - gross	9,089,123	9,524,894	2,378,916	2,289,152	11,468,039	11,814,046
Provision against advances						
- Specific	-	-	1,605,893	1,605,893	1,605,893	1,605,893
- General	-	-	378	378	378	378
	-	-	1,606,271	1,606,271	1,606,271	1,606,271
Advances - net of provision	9,089,123	9,524,894	772,645	682,881	9,861,768	10,207,775

**8.1 Particulars of advances (Gross)**

	2019	2018
	Rupees in '000	
In local currency	11,468,039	11,814,046
In foreign currencies	-	-
	<u>11,468,039</u>	<u>11,814,046</u>

**8.2** Advances include Rs.2,378,732 thousands (2018: Rs.2,288,968 thousands) which have been placed under non-performing status as detailed below:-

Category of Classification	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
<b>Domestic</b>				
Other Assets Especially Mentioned	391,316	92	389,235	124
Substandard	304,444	4,070	229,901	2,604
Doubtful	168,928	14,330	173,751	14,803
Loss	1,514,044	1,473,235	1,496,081	1,447,417
	<u>2,378,732</u>	<u>1,491,727</u>	<u>2,288,968</u>	<u>1,464,948</u>
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	<u>2,378,732</u>	<u>1,491,727</u>	<u>2,288,968</u>	<u>1,464,948</u>

**8.3 Particulars of provision against advances**

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	1,605,893	378	1,606,271	1,605,893	378	1,606,271
Exchange adjustments	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
	1,605,893	378	1,606,271	1,605,893	378	1,606,271
Amounts written off	-	-	-	-	-	-
Amounts charged off - agriculture financing	-	-	-	-	-	-
Closing balance	1,605,893	378	1,606,271	1,605,893	378	1,606,271



**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8.3.1 Particulars of provision against advances**

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	<b>1,605,893</b>	<b>378</b>	<b>1,606,271</b>	1,605,893	378	1,606,271
In foreign currencies	-	-	-	-	-	-
	<b>1,605,893</b>	<b>378</b>	<b>1,606,271</b>	1,605,893	378	1,606,271

**8.4** The bank has not adjusted its non-performing loans amounting to Rs. 678.680/- million (2018: 673.468/- million including mark-up thereon, against properties decreed in favor of Bank due to pending possession disputes.

9 FIXED ASSETS		2019	2018
		Rupees in '000	
Capital work-in-progress	<b>9.1</b>	<b>37,351</b>	33,984
Property and equipment	<b>9.2</b>	<b>7,142,384</b>	7,142,177
Intangible assets	<b>10</b>	<b>1,778</b>	3,935
		<b>7,181,513</b>	7,180,096

**9.1 Capital work-in-progress**

Civil works	<b>23,762</b>	23,762
Equipment	-	-
Advances to suppliers intangible assets)	<b>13,589</b>	10,222
Others (ATM Machines)	-	-
	<b>37,351</b>	33,984

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**9.2 Property and Equipment**

2019										
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Telephone exchange & conference system	Arms & ammunitions	Total	
----- Rupees '000 -----										
<b>At July 1, 2018</b>										
Cost / Revalued amount	6,402,535	576,719	151,344	5,336	49,499	69,493	71,271	1,197	275	7,327,669
Accumulated depreciation	-	-	(56,101)	(2,401)	(33,940)	(38,324)	(53,472)	(1,032)	(222)	(185,492)
Net book value	6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177
<b>Year ended June 2019</b>										
Opening net book value	6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177
Additions	-	-	3,257	188	3,136	6,284	7,432	24	2	20,323
Disposals	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(2,457)	(78)	(5,199)	(6,182)	(6,143)	(47)	(10)	(20,116)
Closing net book value	6,402,535	576,719	96,043	3,045	13,496	31,271	19,088	142	45	7,142,384
<b>At June 30, 2019</b>										
Cost / Revalued amount	6,402,535	576,719	154,601	5,524	52,635	75,777	78,703	1,221	277	7,347,992
Accumulated depreciation	-	-	(58,558)	(2,479)	(39,139)	(44,506)	(59,615)	(1,079)	(232)	(205,608)
Net book value	6,402,535	576,719	96,043	3,045	13,496	31,271	19,088	142	45	7,142,384
Rate of depreciation (percentage)	-	-	2.5%	2.5%	20%	20%	20%	20%	20%	

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

2018										
Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Telephone exchange & conference system	Arms & ammunitions	Total	
----- Rupees '000 -----										
<b>At July 1, 2017</b>										
Cost / Revalued amount	6,402,535	576,719	142,971	4,286	43,423	60,666	72,909	1,108	270	7,304,887
Accumulated depreciation	-	-	(53,902)	(2,325)	(30,974)	(31,967)	(51,982)	(1,008)	(209)	(172,367)
Net book value	6,402,535	576,719	196,873	6,611	74,397	92,633	124,891	2,116	479	7,477,254
<b>Year ended June 2018</b>										
Opening net book value	6,402,535	576,719	89,069	1,961	12,449	28,699	20,927	100	61	7,132,520
Additions	-	-	9,701	1,050	6,076	8,827	3,442	89	5	29,190
Disposals	-	-	(1,328)	-	-	-	(5,080)	-	-	(6,408)
Depreciation charge	-	-	(2,436)	(76)	(2,966)	(6,357)	(6,570)	(24)	(13)	(18,442)
Other adjustments / transfers	-	-	237	-	-	-	5,080	-	-	5,317
Closing net book value	6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177
<b>At June 30, 2018</b>										
Cost / Revalued amount	6,402,535	576,719	151,344	5,336	49,499	69,493	71,271	1,197	275	7,327,669
Accumulated depreciation	-	-	(56,101)	(2,401)	(33,940)	(38,324)	(53,472)	(1,032)	(222)	(185,492)
Net book value	6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177
Rate of depreciation (percentage)	-	-	2.5%	2.5%	20%	20%	20%	20%	20%	

- 9.2.1** Included in cost of property and equipment are fully depreciated assets that are still in use of the Bank. Moreover, the Bank has policy to report fully depreciated asset at nominal value for identification purposes.
- 9.2.2** Freehold land was revalued on Feb 10, 2017 by Star Tech Consultants, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 1,941,268 thousand in respect of freehold land. However, without the effect of revaluation, the carrying amount of the land would have been Rs.110.479 million (2018: Rs.110.479 million). Fair value has been assessed under 'fair value hierarchy: level 3'.
- 9.2.3** Leasehold land was revalued on Feb 10, 2017 by Star Tech Consultants, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 576,719 thousand in respect of leasehold land. However, without the effect of revaluation, the carrying amount of the land would have been Rs. Nil (2018:Rs. Nil). Fair value has been assessed under 'fair value hierarchy: level 3'.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**9.2.4** The value of land and buildings include properties under litigation / disputes amounts to Rs. 175.687 million (2018: Rs. 101.183 million) for which legal title has been acquired but the physical possession is under dispute. The ultimate outcome of disputes cannot be determined properly and management is of the view that no impairment is required to be recognised in these financial statements.

**9.2.5** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	2019	2018
<b>10 INTANGIBLE ASSETS</b>	<b>Computer software</b>	
	<b>Rupees in '000</b>	
<b>At July 01, 2018</b>		
Cost	10,787	10,787
Accumulated amortisation	(6,852)	(4,695)
Net book value	<u>3,935</u>	<u>6,092</u>
<b>Year ended June 2019</b>		
Opening net book value	3,935	6,092
Additions	-	-
Impairment loss recognised in the profit and loss account - net	-	-
Disposals	-	-
Amortisation charge	(2,157)	(2,157)
Closing net book value	<u>1,778</u>	<u>3,935</u>
<b>At June 30, 2019</b>		
Cost	10,787	10,787
Accumulated amortisation and impairment	(9,009)	(6,852)
Net book value	<u>1,778</u>	<u>3,935</u>
Rate of amortisation (percentage)	<u>20%</u>	<u>20%</u>

**10.1** The balance of the intangible assets solely relates to the Bank Smart Software system used by the Bank.

	2019	2018
<b>11 DEFERRED TAX ASSETS</b>	<b>Rupees in '000</b>	
<b>Deductible Temporary Differences on</b>		
- Provision for gratuity	80,392	89,161
- Provision for compensated leave absence	189,975	245,946
- Provision for employees pension fund	2,693,863	2,755,956
- Provision for other assets	66,479	66,479
- Provision for salary payable	264,285	44,285
- Provision against non-performing advances	1,606,271	1,606,271
	<u>4,901,265</u>	<u>4,808,098</u>
<b>Taxable Temporary Differences on</b>		
- Operating fixed assets	612,912	40,191
- Investment	395,839	427,056
- Accelerated tax depreciation	-	-
	<u>1,008,751</u>	<u>467,247</u>
<b>Temporary differences for which no deferred tax is recognized</b>	<u>3,892,514</u>	<u>4,340,851</u>

In the absence of future taxable profit projections due to unanticipated circumstances, amount of Rs. 1,362,380 thousands (2018: 1,519,298 thousands) has not been recognized as deferred tax asset.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
<b>12 OTHER ASSETS</b>		<b>Rupees in '000</b>	
Income/ Mark-up accrued in local currency - net of provision		650,743	681,018
Advances, deposits, advance rent and other prepayments		3,326	14,953
Sundry debtors		2,361	2,440
Profit recoverable from banks		5,673	4,658
Crop insurance recoverable		139,003	107,338
Live stock insurance recoverable		12,732	20,429
Others		86,425	93,118
		<u>900,263</u>	<u>923,954</u>
Less: Provision held against other assets	12.1	<u>(66,479)</u>	<u>(66,479)</u>
Other Assets (Net of Provision)		<u>833,784</u>	<u>857,475</u>
Other Assets - total		<u><u>833,784</u></u>	<u><u>857,475</u></u>
<b>12.1 Provision held against other assets</b>			
Advances, deposits, advance rent & other prepayments		-	-
Non banking assets acquired in satisfaction of claims		-	-
Others		(66,479)	(66,479)
		<u>(66,479)</u>	<u>(66,479)</u>
		<b>2019</b>	<b>2018</b>
<b>12.1.1 Movement in provision held against other assets</b>		<b>Rupees in '000</b>	
Opening balance		(66,479)	(66,479)
Charge for the year		-	-
Reversals		-	-
Amount Written off		-	-
Closing balance		<u>(66,479)</u>	<u>(66,479)</u>
<b>13 BILLS PAYABLE</b>		<u><u>52,635</u></u>	<u><u>55,502</u></u>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**14 DEPOSITS AND OTHER ACCOUNTS**

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Fixed deposits	246,447	-	246,447	773,606	-	773,606
Savings deposits	3,043,218	-	3,043,218	3,124,543	-	3,124,543
Current accounts - non remunerative	1,232,982	-	1,232,982	1,364,272	-	1,364,272
Call deposits	3,339	-	3,339	10,010	-	10,010
Other deposits	53,996	-	53,996	51,752	-	51,752
	<b>4,579,982</b>	<b>-</b>	<b>4,579,982</b>	<b>5,324,183</b>	<b>-</b>	<b>5,324,183</b>
<b>Financial Institutions</b>						
Fixed deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Current accounts - non remunerative	-	-	-	-	-	-
Call deposits	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-
	<b>4,579,982</b>	<b>-</b>	<b>4,579,982</b>	<b>5,324,183</b>	<b>-</b>	<b>5,324,183</b>

14.1 Others deposits include staff security deposits and employees' provident fund deposits.

	2019	2018
	<b>Rupees in '000</b>	
<b>14.2 Composition of deposits</b>		
- Individuals	4,191,363	4,890,682
- Government (Federal and Provincial)	2,404	1,274
- Private Sector	386,215	432,161
	<b>4,579,982</b>	<b>5,324,117</b>

The above deposits includes eligible deposits amounting to Rs. 4,452.396 million (2018: Rs. 5,041.880 million) vide DPC Circular No. 04 of 2018 dated 22 June 2018.

	2019	2018
	<b>Rupees in '000</b>	
<b>15 OTHER LIABILITIES</b>		
Mark-up/ Return/ Interest payable in local currency	58,329	45,490
Accrued expenses	8,745	6,593
Provision for salary payable / VSS Package	264,285	164,285
Sundry creditors	15.1 66,357	66,845
Advance taxation (payments less provisions)	88,587	43,817
Dissolved bank payable	37,427	37,427
Provision for employees' gratuity	80,392	89,161
Provision for employees' pension fund	2,693,886	2,755,956
Provision for employees' compensated absences	189,952	245,946
Withholding tax payable	10,456	10,710
Branch adjustment	102,322	17,895
Others	23,812	84,963
	<b>3,624,550</b>	<b>3,569,088</b>

15.1 This includes amounts of Rs. 6,274 thousands payable on account of Rahwali Sugar Mills and Bid Money of Rs. 12,300 thousand for sale of land at Thokar Niaz Baig. The bid money was forfeited by the Bank as per settled agreement with respect to auction of the land in 1999 on failure of the purchaser to deposit the remaining purchase money. However, the purchaser has filed a suit in the court against the Bank for recovery of the above said amounts that is pending for adjudication.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**16 SHARE CAPITAL**

**16.1 Authorized Capital**

The authorized share capital consist of an unlimited number of shares of the value of one hundred rupees, as per Section 4 of the Punjab Provincial Cooperative Bank Limited Bye-laws 2010.

**16.2 Issued, subscribed and paid up Capital**

2019	2018		2019	2018
Number of Shares			Rupees in '000	
		<b>Ordinary shares of Rs. 100 each</b>		
78,492,691	78,492,691	Fully paid in cash	7,849,269	7,849,269
375,730	375,730	Issued as bonus shares	37,573	37,573
-	-	Issued for consideration other than cash	-	-
<u>78,868,421</u>	<u>78,868,421</u>		<u>7,886,842</u>	<u>7,886,842</u>
(13,519)	(12,859)	Shares refunded	(1,352)	(1,286)
<u>78,854,902</u>	<u>78,855,562</u>		<u>7,885,490</u>	<u>7,885,556</u>

**16.2.1 Shares Refunded**

12,859	13,604	As at July, 1	1,286	1,360
1,442	-	Refunded during the year	144	-
(781)	(745)	Reissued during the year	(78)	(74)
<u>13,520</u>	<u>12,859</u>	As at June, 30	<u>1,352</u>	<u>1,286</u>

This represents the amount against shares refunded to societies in the event of cessation of membership of a member society as per bye-law 13 of the Punjab Provincial Cooperative Bank Limited Bye-Laws 2010.

**16.3 State Bank of Pakistan (SBP) vide letter No. BPRD/BACPD/629/023472/15 dated October 26, 2015 relaxed the Minimum Capital Requirement (MCR) for the Bank to Rs. 6 Billion (net of losses) subject to the conditions given below:**

1 - Increase the bank's paid up capital (net of losses) to Rs. 6 billion by December 31, 2015.

2 - Appointment of bank's full time / regular president and constitution of its Board of Directors in line with the SBP's Fit and Proper Test (FPT) criteria and other applicable laws, rules and regulations by November 30, 2015.

3 - The bank will submit a strategic plan to function in a self sustainable manner duly meeting applicable regulatory requirements in the areas of risk management, capital, corporate governance etc. The strategic plan should further outline bank business model, proposed commercial banking products / practices and competitive policies, duly supporting the future viability of PPCBL. The plan should be submitted by December 31, 2015.

4 - With the exception of expenses towards banks, sovereigns and PSEs, per party exposure limits for all other customers will be 50% of the PRs limit.

The bank due to circumstances beyond its control could not fully comply with the requirements at serial # 2 regarding constitution of Board and serial #3 regarding strategic plan due to non-existence of Board within the prescribed date, whereas serial # 4 is not applicable to the bank. However management of the bank is in process to comply with these conditions fully when the circumstances would allow.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

2019                      2018  
Rupees in '000

**17 SURPLUS ON REVALUATION OF ASSETS**

Surplus on revaluation of

- Available for sale securities
- Fixed Assets

<b>7.1</b>	<b>397,428</b>	516,704
<b>17.1</b>	<b>6,868,774</b>	6,868,774
	<b>7,266,202</b>	7,385,478

**17.1 Surplus on revaluation of fixed assets**

Surplus on revaluation of fixed assets as at July 1

Recognised during the year

Realised on disposal during the year - net of deferred tax

Transferred to unappropriated profit in respect of incremental  
depreciation charged during the year - net of deferred tax

Related deferred tax liability on incremental

depreciation charged during the year

Related deferred tax liability on surplus realised on disposal

Surplus on revaluation of fixed assets as at June 30

	<b>6,868,774</b>	6,868,774
	-	-
	-	-
	-	-
	-	-
	<b>6,868,774</b>	6,868,774

**18 CONTINGENCIES AND COMMITMENTS**

- Commitments

**18.1                      10,464                      10,896**

- Contingencies

**18.2                      259,043                      248,971**

	<b>269,507</b>	259,867
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**18.1 Commitments:**

- Civil work

**3,530                      3,530**

- Intangible assets

**6,934                      7,366**

	<b>10,464</b>	10,896
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**18.2 Contingencies**

The Bank has total of 120 (2018: 119) cases under litigation in  
different courts.

**259,043                      248,971**



**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**18.2.1 Show cause notice by sales tax-under appeal**

The sales tax department had issued a show cause notice dated: 14-07-2003 to the bank stating as to why the sales tax amounting to Rs. 5.041 million had not been paid to the Government in regard to sale of machinery valuing Rs. 33.600 million of Rahwali Sugar Mills to M/s Ali Industrial and Engineering Works, Karachi without charging and depositing sales tax leviable thereon. Further the sales tax department reported that M/s Ali Industrial and Engineering Works filed written statement before Deputy Collector Audit-I, that they had paid sales tax on purchase of such machinery. The bank filed petition against the above show cause notice on the ground that bank had sold debris, scrap and non-operative machinery which were not sales tax leviable items, on which Lahore High Court has suspended the show cause notice vide order dated: 06-08-2003. The case has been remanded to Sales tax department by the Lahore High Court on 18-06-2010, now pending adjudication

**18.2.2 Income tax status / exposure:**

The Income Tax Returns up to the tax year 2018 has been filed under Self Assessment Scheme with the Income Tax Department of Federal Board of Revenue (FBR) which are "deemed assessment orders" unless selected for Audit or revised under respective sections of Income Tax Ordinance by the FBR Authorities.

**18.2.3** Further, tax return for the year 2008 was selected for total audit under section 177(4) of Income Tax Ordinance, 2001 and Department of Income Tax raised a demand of 435.226 million vide order dated September 29, 2009. CIR (Appeals) vide its order dated January 20, 2010 annulled such assessed amount. Later on, Department went into appeal against the order of CIR (Appeals). ITAT has remanded back the case to Department. The management of the Bank as well as its tax advisor is of the view that the Bank has fair chance to get the decision of these appeals in its favor.

**18.2.4** The Bank is in litigation with the Income Tax Department where by appeals and cross appeals for the assessment years 1999-2000 to 2002-2003 on account of orders passed under Section 62 of the Income Tax Ordinance, 1979 (Repealed Ordinance), for tax years 2003 to 2007 on account of 122(1) / 122(5A) of the Income Tax Ordinance, 2001, for tax year 2010 on account of Section 161/ 205/ 221(1) of the Income Tax Ordinance, 2001 where PPCBL and FBR, both are in crossed appeal before Appellate Tribunal Inland Revenue with the involvement of Rs.29 thousand and 1,597 thousand respectively, as well as for years 2008 and 2010 and months of June-July 2013 on account of Section 34 of the Federal Excise Act, were pending adjudication before the Appellate Tribunal Inland Revenue, however in case of Tax Year 2003,2008 & 2010 in a combined appeal, Appellate Tribunal has passed an order dated 25.04.2018 wherein Tribunal disallowed the expenses of Rs.63 million and Rs. 22 million in Tax Year 2003 and 2010 respectively whereas PPCBL has filed appeal before LHC in terms of Tax Year 2003 & 2010 and in case of 2008 ATIR has remanded back it to the ACIR . The management of the Bank as well as its tax advisor is of the view that the Bank has fair chance to get the decision of these appeals in its favor.

**18.2.5** CIR raised demand under section 161/205 of Income Tax Ordinance, 2001, for the tax year 2011, to the sum of Rs. 32 million vide order dated October 31, 2014. Appellate Tribunal Inland Revenue vide its order dated February 10, 2015 granted stay order on advance payment of 4.831 million. Later on Commissioner (Appeals) vide its order dated 21.06.2017 has deleted all the demand except 0.194 million. Bank has filled appeal before the appellate Tribunal against major demand of Rs.0.194

**18.2.6** The bank is contingently liable to super tax demand for the tax years 2015 and 2016 in the sum of Rs. 4,423 thousand and 7,740 thousand respectively, as also claimed by the department for the tax year 2015. However management of the bank and its tax advisor are of the view that since the bank is registered under the Cooperative Societies Act, 1925 therefore the provisions of section 4B of Income Tax Ordinance, 2001 are not applicable to it. Accordingly the provision for super tax for these tax years have not been recorded in the financial statements.

**18.2.7** In case of Assessment Years 2012, 2013 and 2014, Additional CIR passed an order u/s 122(5A) dated 30.05.2018 and created liability of Rs.544,285/-, 16,854,582/- and 724,551 respectively. Appeal has been filed before CIR and stay order has been obtained against the notice u/s 138(2) in all respective years.

**18.2.8** In case of Tax Year 2014, an appeal against an order passed by CIR u/s 182(1) amounting Rs.463,120/- on account of filing of late return of Tax Year 2014, PPCBL has filed appeal before Appellate Tribunal Inland Revenue. Further, another appeal has been filed before Appellate Tribunal Inland Revenue against an order passed by CIR (Appeal) u/s 129(1)(b) dated 08.01.2018 against order passed by ACIR u/s 161/205, revenue involve in this case is Rs. 3,190,709/-.

**18.2.9** In case of Assessment Years 2016, Additional CIR passed an order u/s 122(5A) dated 30.11.2017 and created liability of Rs.17,121,660/- Appeal has been filed before CIR(Appeal) and stay order has been obtained against the notice u/s 138(2).

**18.2.10** PRA had conducted the audit of PST, resultantly liability of Rs.684,682/- was created and Bank filed appeal before Punjab Revenue Appellate Authority, but not heard. In parallel PPCBL has obtained stay order against recovery of the said amount from Honorable Lahore High Court Lahore till the decision of the case.

**18.2.11** In cases of Assessment Years 2016 & 2017, ACIR-FBR raised demand u/s 161/205 of Income Tax Ordinance 2001, for Rs.8,165,051/- and Rs.8,563,736/- respectively. DCIR-FBR has rectified the demand for the Tax Year 2017 to Rs.3,957,862/- on 30.04.2019. Appeals have been filed before CIR (Appeals-I) against both the order passed by ACIR/DCIR. Further, stay has been granted by Lahore High Court, Lahore against both the demand raised by ACIR/DCIR.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

		2019	2018
		Rupees in '000	
<b>19 MARK-UP/RETURN/INTEREST EARNED</b>			
On:			
a) Loans and advances		1,589,896	1,650,043
b) Investments		209,547	136,981
c) Balances with banks		110,790	58,283
		<u>1,910,233</u>	<u>1,845,307</u>
<b>20 MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		<u>207,511</u>	<u>150,119</u>
<b>21 FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		6	-
Commission on utility bills		10,729	10,807
Commission on guarantees		706	-
Commission on remittances including home remittances		3,860	2,789
Commission received on deposit category		1,624	-
Commission received on cheque book issuance		-	2,065
Others		2,720	2,634
		<u>19,645</u>	<u>18,295</u>
<b>22 OTHER INCOME</b>			
Rent on property		60,195	52,567
Profit on Books for Sale.		7,327	8,187
Gain on sale of fixed assets-net		-	2,506
Bank and service charges		3,165	8,147
Loan processing fee		30,562	30,787
Rent on lockers		1,030	1,045
		<u>102,279</u>	<u>103,239</u>
<b>23 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	<b>23.1</b>	<b>1,210,309</b>	<b>1,366,375</b>
<b>Property expense</b>			
Rent & taxes		40,104	33,433
Insurance		8,543	2,145
Utilities cost		27,882	24,777
Security (including guards)		24	17
Repair & maintenance (including janitorial charges)		4,316	5,738
Depreciation		2,535	2,512
		<u>83,404</u>	<u>68,622</u>
<b>Information technology expenses</b>			
Amortisation		2,157	2,157
<b>Other operating expenses</b>			
Legal & professional charges		8,017	6,419
Depreciation		17,581	15,930
Postage & courier charges		5,574	6,093
Communication		16,779	16,829
Stationery & printing		3,911	4,008
Marketing, advertisement & publicity		1,481	3,691
Donations		-	6
Auditors Remuneration	23.2	4,710	4,045
Others		78,159	71,241
		<u>136,212</u>	<u>128,262</u>
		<u>1,432,082</u>	<u>1,565,416</u>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

2019                      2018  
**Rupees in '000**

**23.1 Total compensation expense**

Salary & Allowances	939,118	889,081
Fees and Allowances etc	1,585	2,414
Charge for defined benefit plan	242,121	451,393
Conveyance	26,867	21,365
Others	618	2,122
<b>Grand Total</b>	<b>1,210,309</b>	<b>1,366,375</b>

**23.2 Auditors' remuneration**

	Ilyas Saced & Co	M/s Hasnain Ali & Co.	M/s Akbar & Co.	M/s Kamran & Co.	M/s Fateh & Co.	M/s Abdul Waheed & Co.	M/s S. Mubeen & Co.	M/s S Suleman Arshad & Co.	M/s IECNET SKSS & Co.	Total	Total
	----- Rupees in '000 -----										
Audit fee	645	540	510	510	510	450	540	540	420	4,665	3,950
Half yearly review fee	45	-	-	-	-	-	-	-	-	45	-
Fee for other statutory certifications	-	-	-	-	-	-	-	-	-	-	95
Fee for audit of employee funds	-	-	-	-	-	-	-	-	-	-	-
Special certifications and sundry advisory services	-	-	-	-	-	-	-	-	-	-	-
Tax services	-	-	-	-	-	-	-	-	-	-	-
Out-of-pocket expenses	-	-	-	-	-	-	-	-	-	-	-
	<b>690</b>	<b>540</b>	<b>510</b>	<b>510</b>	<b>510</b>	<b>450</b>	<b>540</b>	<b>540</b>	<b>420</b>	<b>4,710</b>	<b>4,045</b>

**24 OTHER CHARGES**

Penalties imposed by State Bank of Pakistan	<b>651</b>	<b>13</b>
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**25 PROVISIONS & WRITE OFFS - NET**

Provisions against lending to financial institutions	-	-
Provisions for diminution in value of investments	7.3.1	-
Provisions against loans & advances	8.3	-
Provisions for salary payable	100,000	120,000
Bad debts written off directly	-	-
Recovery of written off / charged off bad debts	-	-
	<b>100,000</b>	<b>120,000</b>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
	Rupees in '000	
<b>26 TAXATION</b>		
Current	68,358	45,570
Prior years	-	-
Deferred	-	-
	<u>68,358</u>	<u>45,570</u>
<b>26.1 Relationship between tax expense and accounting profit</b>		
Total revenue for the year	<u>1,863,447</u>	<u>1,850,852</u>
Tax on turnover @ 35% (2018: 35%)	41,109	22,052
Tax on separate block of income	27,249	23,518
Tax for prior years	-	-
	<u>68,358</u>	<u>45,570</u>
<b>27 BASIC EARNINGS PER SHARE</b>		
Profit for the year	<u>262,356</u>	<u>119,854</u>
Weighted average number of ordinary shares	<u>78,854,902</u>	<u>78,855,562</u>
Basic earnings per share	<u>3.33</u>	<u>1.52</u>
There is no dilutive effect on basic earnings per share during the year.		
<b>28 CASH AND CASH EQUIVALENTS</b>		
Cash and Balance with Treasury Banks	742,268	1,218,756
Balance with other banks	959,517	805,565
	<u>1,701,785</u>	<u>2,024,321</u>
<b>29 STAFF STRENGTH</b>	2019	2018
	----- (Number) -----	
Permanent	1,038	1,024
On Bank contract	631	606
Others (Daily wages)	158	156
Bank's own staff strength at the end of the year	<u>1,827</u>	<u>1,786</u>
<b>30 DEFINED BENEFIT PLAN</b>		
<b>30.1 General description</b>		
The Bank operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the bank pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the bank under the supervision and directions of the administrator of the bank. The amount recognized on statement of financial position represents present value of defined benefit obligation.		
<b>30.2 Number of Employees under the scheme</b>		
The number of employees covered under the following defined benefit schemes are:		
	2019	2018
	----- (Number) -----	
- Pension fund	1,108	1,086
- Gratuity fund	266	217
- Leave encashment scheme	751	806

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**30.3 Principal actuarial assumptions**

The actuarial valuations were carried out for June 30, 2019 based on the Projected Unit Credit Method, using the following significant assumptions:

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
Discount rate	14.50%	9.00%	14.25%	9.00%	14.25%	9.00%
Short term salary increase rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Long term salary increase rate	12.50%	8.25%	12.25%	8.25%	12.25%	8.25%
Pension indexation rate	6.75%	1.25%	-	-	-	-
Expected return on plan asset	3.00%	9.00%	-	-	-	-

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

**30.4 Reconciliation of (receivable from) / payable to defined benefit plans**

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
-----Rupees in '000-----						
Present value of obligations	4,407,072	3,956,273	80,393	89,161	189,975	245,946
Fair value of plan assets	(1,713,209)	(1,200,317)	-	-	-	-
(Receivable) / payable	-	-	-	-	-	-
Net payable / (receivable) at the year end	<b>2,693,863</b>	<b>2,755,956</b>	<b>80,393</b>	<b>89,161</b>	<b>189,975</b>	<b>245,946</b>

**30.5 Movement in defined benefit obligations**

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
-----Rupees in '000-----						
Obligations at the beginning of the year	3,956,273	3,295,662	89,161	67,085	245,946	234,510
Current service cost	60,611	71,266	3,210	4,467	496	351
Interest cost	346,940	297,657	8,091	6,137	22,025	21,676
Benefits paid by the Bank	(202,776)	(155,491)	(3,388)	(19,474)	(2,446)	(8,017)
Re-measurement loss / (gain)	246,024	315,159	(16,681)	12,955	(76,046)	(10,231)
Impact of Pension increase/past payments	-	132,020	-	17,991	-	7,657
Obligations at the end of the year	<b>4,407,072</b>	<b>3,956,273</b>	<b>80,393</b>	<b>89,161</b>	<b>189,975</b>	<b>245,946</b>

**30.6 Movement in (receivable) / payable under defined benefit schemes**

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
-----Rupees in '000-----						
Present value of defined benefit obligation as at July 01	2,755,956	2,372,155	89,161	67,085	245,946	234,510
Charge for the year	284,346	403,345	11,300	28,595	(53,525)	19,453
Contributions paid	(540,027)	(418,703)	-	-	-	-
Benefits paid	-	-	(3,388)	(19,474)	(2,446)	(8,017)
Other comprehensive (income) / loss	193,588	399,159	(16,681)	12,955	-	-
Present value as at June 30	<b>2,693,863</b>	<b>2,755,956</b>	<b>80,392</b>	<b>89,161</b>	<b>189,975</b>	<b>245,946</b>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**30.7 Movement in fair value of plan assets**

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Fair value at the beginning of the year	1,200,317	923,507	-	-	-	-
Interest income on plan assets	123,205	97,598	-	-	-	-
Contribution by the Bank - net	540,027	418,703	-	-	-	-
Benefit payments from plan	(202,776)	(155,491)	-	-	-	-
Re-measurements: Net return on plan assets (excluding interest income)	52,437	(84,000)	-	-	-	-
Fair value at the end of the year	1,713,209	1,200,317	-	-	-	-

**30.8 Charge for defined benefit plans**

**30.8.1 Cost recognised in profit and loss**

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Current service cost	60,611	71,266	3,210	4,467	496	351
Net interest on defined benefit asset / liability	223,735	200,059	8,091	6,137	22,025	21,676
Contributions - employees	-	-	-	-	-	-
Past service cost	-	-	-	17,991	-	7,657
Amount transferred	-	132,020	-	-	-	-
Actuarial (gain) / loss	-	-	-	-	(76,046)	(10,231)
	284,346	403,345	11,301	28,595	(53,525)	19,453

**30.8.2 Re-measurements recognised in OCI during the year**

Loss / (gain) on obligation						
- Experience adjustment	246,024	315,159	(16,681)	12,955	-	-
Return on plan assets over interest income	(52,437)	84,000	-	-	-	-
Total re-measurements recognised in OCI	193,588	399,159	(16,681)	12,955	-	-

**30.9 Components of plan assets**

Cash and cash equivalents - net	66,299
Government Securities	1,646,910
	1,713,209

**2019**  
**Pension fund**  
**Rupees in '000**

**30.9.1** Investment in Government securities are subject to credit risk and interest rate risks. These risks are regularly monitored by Trustees of the employee funds.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**30.10 Sensitivity analysis**

Sensitivity analysis should be disclosed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as illustrated below:

	2019		
	Pension fund	Gratuity fund	Compensated absence
	----- Rupees in '000 -----		
Defined benefit obligation	4,407,072	80,392	189,975
1% increase in discount rate	3,992,351	74,656	178,438
1% decrease in discount rate	4,899,570	87,162	202,648
1 % increase in expected rate of salary increase	4,584,920	87,426	202,863
1 % decrease in expected rate of salary increase	4,242,157	74,311	178,052
1% increase in expected rate of pension increase	4,761,170	-	
1% decrease in expected rate of pension increase	4,102,436	-	
1% increase in expected rate of mortality set back	4,463,922	-	
1% decrease in expected rate of mortality set forward	4,349,307	-	

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

**30.11 Expected contributions to be paid to the funds in the next financial year**

The Bank contributes to the pension and gratuity funds as per actuarial expected charge for the next financial year. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending June 30, 2020 would be as follows:

	2020		
	Pension fund	Gratuity fund	Compensated absence
	----- Rupees in '000 -----		
Expected charge/(reversal for the year)	458,542	15,059	27,638

**30.12 Maturity profile**

	Year 1	Year 2	Year 3	Year 4	Year 5
	----- Rupees in '000 -----				
<b>Pension fund</b>	195,867	224,283	306,738	350,656	410,492
<b>Gratuity fund</b>	2,273	2,259	2,260	2,148	7,656

**30.13 Funding Policy**

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**30.14 Risks associated with defined benefit plans**

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

**Longevity Risk**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

**Investment Risk**

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

**Salary Increase Risk**

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

**Withdrawal Rate**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

**31 DEFINED CONTRIBUTION PLAN**

The Bank operates a contributory provident fund scheme for 266 (2018: 217) employees who opted Gratuity. The employer and employee each contribute 10.00% of the basic salary to the scheme every month.

**32 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

**32.1 Total Compensation Expense**

Items	2019						
	Chairman	Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
Fees and Allowances etc.	-	-	-	-	3,289	16,707	-
Managerial Remuneration							
i) Fixed	-	-	-	-	-	-	-
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	-	-	-
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution pl	-	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	352	2,994	-
Utilities	-	-	-	-	18	269	-
Medical	-	-	-	-	137	1,375	-
Conveyance	-	-	-	-	-	94	-
Others	-	-	-	-	2,528	9,856	-
Total	-	-	-	-	6,324	31,295	-
Number of Persons		-	-	-	-	1	17



**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

32.2 During the year, the former President of the Bank retired and new President took charge on November 7, 2018.

Items	2018						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
Fees and Allowances etc.	-	-	-	-	4,355	12,452	-
Managerial Remuneration							
i) Fixed	-	-	-	-	-	-	-
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	-	-	-
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution pla	-	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	485	2,900	-
Utilities	-	-	-	-	24	370	-
Medical	-	-	-	-	138	1,279	-
Conveyance	-	-	-	-	-	-	-
Others	-	-	-	-	4,680	8,112	-
Total	-	-	-	-	9,682	25,113	-
Number of Persons	-	-	-	-	1	11	-

**33 FAIR VALUE MEASUREMENTS**

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

**33.1 Fair value of financial assets**

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).



**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

June 30, 2018										
Carrying Value							Fair Value			
Held to maturity	Held for trading	Available for sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

**On balance sheet financial instruments**

----- Rupees in '000 -----

**Financial assets - measured at fair value**

Investments

Shares	-	-	525,689	-	-	-	525,689	523,727	1,962	-	525,689
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**Financial assets - disclosed but not measured at fair value**

Cash and balances with treasury banks	-	-	-	-	1,218,756	-	1,218,756	-	-	-	-
Balances with other banks	-	-	-	-	805,565	-	805,565	-	-	-	-
Investments in Treasury bills and NBFCs	2,385,939	-	-	-	-	-	2,385,939	-	-	-	-
Advances	-	-	-	10,207,775	-	-	10,207,775	-	-	-	-
Other Assets	-	-	-	-	857,475	-	857,475	-	-	-	-

**Financial liabilities - measured at fair value**

	-	-	-	-	-	-	-	-	-	-	-
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**Financial liabilities - disclosed but not measured at fair value**

Bills payable	-	-	-	-	55,502	55,502	-	-	-	-	-
Deposits and other accounts	-	-	-	-	5,324,183	5,324,183	-	-	-	-	-
Other liabilities	-	-	-	-	3,569,088	3,569,088	-	-	-	-	-

**Off-balance sheet financial instruments - measured at fair value**

Forward purchase of foreign exchange	-	-	-	-	-	-	-	-	-	-	-
Forward sale of foreign exchange	-	-	-	-	-	-	-	-	-	-	-
Forward agreements for lending	-	-	-	-	-	-	-	-	-	-	-
Forward agreements for borrowing	-	-	-	-	-	-	-	-	-	-	-
Derivatives purchases	-	-	-	-	-	-	-	-	-	-	-
Derivatives sales	-	-	-	-	-	-	-	-	-	-	-

33.2 Fair valuation of financial instrument within level 2 is determined on the basis of market value as at the reporting date.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**34 SEGMENT INFORMATION**

**34.1 Segment Details with respect to Business Activities**

	<b>2019</b>		
	<b>Retail financing</b>	<b>Commercial banking</b>	<b>Total</b>
	----- Rupees in '000 -----		
<b>Profit &amp; Loss</b>			
Net mark-up/return/profit	1,589,896	481,062	2,070,958
Inter segment revenue - net	-	-	-
Non mark-up / return / interest income	-	-	-
<b>Total Income</b>	<b>1,589,896</b>	<b>481,062</b>	<b>2,070,958</b>
Segment direct expenses	(1,432,733)	(207,511)	(1,640,244)
Inter segment expense allocation	-	-	-
<b>Total expenses</b>	<b>(1,432,733)</b>	<b>(207,511)</b>	<b>(1,640,244)</b>
Provisions	-	-	-
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Retail financing</b>	<b>Commercial banking</b>	<b>Total</b>
	----- Rupees in '000 -----		
<b>Balance Sheet</b>			
Cash & Bank balances	-	1,701,785	1,701,785
Investments	-	2,876,398	2,876,398
Net inter segment lending	-	-	-
Lendings to financial institutions	-	-	-
Advances - performing	9,089,123	-	9,089,123
Advances - non-performing	772,645	-	772,645
Others	8,009,624	5,673	8,015,297
<b>Total Assets</b>	<b>17,871,392</b>	<b>4,583,856</b>	<b>22,455,248</b>
Bills payable	52,635	-	52,635
Deposits & other accounts	4,579,982	-	4,579,982
Net inter segment borrowing	-	-	-
Others	3,566,221	58,329	3,624,550
<b>Total liabilities</b>	<b>8,198,838</b>	<b>58,329</b>	<b>8,257,167</b>
Equity	14,198,081	-	14,198,081
<b>Total Equity &amp; liabilities</b>	<b>22,396,919</b>	<b>58,329</b>	<b>22,455,248</b>
<b>Contingencies &amp; Commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

2018		
Retail financing	Commercial banking	Total

----- Rupees in '000 -----

<b>Profit &amp; Loss</b>			
Net mark-up/return/profit	1,650,043	350,928	2,000,971
Inter segment revenue - net	-	-	-
Non mark-up / return / interest income	-	-	-
<b>Total Income</b>	<b>1,650,043</b>	<b>350,928</b>	<b>2,000,971</b>
Segment direct expenses	1,565,429	150,119	1,715,548
Inter segment expense allocation	-	-	-
<b>Total expenses</b>	<b>1,565,429</b>	<b>150,119</b>	<b>1,715,548</b>
Provisions	-	-	-
<b>Profit before tax</b>	<b>3,215,472</b>	<b>501,047</b>	<b>3,716,519</b>

Retail financing	Commercial banking	Total
------------------	--------------------	-------

----- Rupees in '000 -----

<b>Balance Sheet</b>			
Cash & Bank balances	-	2,024,321	2,024,321
Investments	-	2,911,628	2,911,628
Net inter segment lending	-	-	-
Lendings to financial institutions	-	-	-
Advances - performing	9,524,894	-	9,524,894
Advances - non-performing	772,645	-	772,645
Others	8,010,639	4,658	8,015,297
<b>Total Assets</b>	<b>18,308,178</b>	<b>4,940,607</b>	<b>23,248,785</b>
Bills payable	55,502	-	55,502
Deposits & other accounts	5,324,183	-	5,324,183
Net inter segment borrowing	-	-	-
Others	3,523,598	45,490	3,569,088
<b>Total liabilities</b>	<b>8,903,283</b>	<b>45,490</b>	<b>8,948,773</b>
Equity	14,232,522	-	17,897,546
<b>Total Equity &amp; liabilities</b>	<b>23,135,805</b>	<b>45,490</b>	<b>26,846,319</b>

<b>Contingencies &amp; Commitments</b>	-	-	-
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**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**35 RELATED PARTY TRANSACTIONS**

Related parties comprise of key bank executives, President of the Bank, provident fund trust, pension fund trust, member societies, Registrar Co-operative Societies and the Government of Punjab.

The Banks enters into transacitons with related paties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019			2018		
	Key manage- ment personnel	Provident fund trust	Pension fund trust	Key manage-ment personnel	Provident fund trust	Pension fund trust
----- (Rupees in '000) -----						
<b>Advances</b>						
Opening balance	7,059	-	-	3,486	-	-
Addition during the year	6,734	-	-	4,754	-	-
Recovered during the year	(7,699)	-	-	(1,181)	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	<u>6,094</u>	-	-	<u>7,059</u>	-	-
<b>Other Liabilities</b>						
Payable to staff retirement fund	-	-	2,693,886	-	-	2,755,956
	-	-	<u>2,693,886</u>	-	-	<u>2,755,956</u>
<b>Income</b>						
Mark-up / return / interest earned	1,096	-	-	834	-	-
	<u>1,096</u>	-	-	<u>834</u>	-	-
<b>Expense</b>						
Short term employees benecits	37,211	-	-	34,794	-	-
Contribution for the year	-	11,519	540,027	-	12,123	417,668
	<u>37,211</u>	<u>11,519</u>	<u>540,027</u>	<u>34,794</u>	<u>12,123</u>	<u>417,668</u>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

2019                      2018  
**Rupees in '000**

**36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses)	<b>6,000,000</b>	6,000,000
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**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital	<b>6,931,879</b>	7,471,406
Eligible Additional Tier 1 (ADT 1) Capital	<b>2,966,008</b>	3,094,998
Total Eligible Tier 1 Capital	<b>3,965,871</b>	4,376,408
Eligible Tier 2 Capital	<b>1,440,325</b>	1,659,280
Total Eligible Capital (Tier 1 + Tier 2)	<b>5,406,196</b>	6,035,688

**Risk Weighted Assets (RWAs):**

Credit Risk	<b>16,540,725</b>	16,849,870
Market Risk	<b>808,902</b>	1,047,454
Operational Risk	<b>3,014,004</b>	2,846,708
Total	<b>20,363,631</b>	20,744,032

Common Equity Tier 1 Capital Adequacy ratio	<b>19.48</b>	21.10
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Tier 1 Capital Adequacy Ratio	<b>7.07</b>	8.00
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Total Capital Adequacy Ratio	<b>26.55</b>	29.10
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- 36.1** State Bank of Pakistan (SBP) vide Letter No. BPRD/BACPD/629/023472/15 dated 26.10.2015 required from Bank to have a minimum paid up capital (net of losses) of Rs. 6 billion. Further, the bank is required to maintain a Capital Adequacy Ratio of 16% at all times. As of June 30, 2019, the paid up capital of the Bank net of losses amounts to Rs. 6,931,879 thousands which is in agreement with regulatory requirements (refer to note 16.3). The management is in the process of implementation of Basel III and in the meanwhile have applied for obtaining further extension in this regard. For the time being CAR is being reported under Basel I as per instructions issued under circular No. 12 of 2004 as allowed by SBP.

Standardized Approach is used for calculating the Credit and Market risk, whereas, Basic Indicator Approach is used for Operational Risk in the Capital Adequacy Calculation.

**Leverage Ratio (LR):**

Eligible Tier-1 Capital	<b>4,043,603</b>	4,829,314
Total Exposures	<b>22,402,490</b>	23,173,493
Leverage Ratio	<b>18.05</b>	20.84

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets	<b>3,384,442</b>	3,849,656
Total Net Cash Outflow	<b>484,583</b>	539,490
Liquidity Coverage Ratio	<b>6.98</b>	7.14

**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding	<b>12,488,584</b>	13,081,487
Total Required Stable Funding	<b>6,589,914</b>	6,857,727
Net Stable Funding Ratio	<b>190</b>	191

**37 RISK MANAGEMENT**

The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk. The banks/DFIs should have comprehensive risk management framework in place for managing these risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. The risk management should be guided by number of factors and principles including the formal definition of risk management, governance, risk appetite, independent risk management and assessment and measurement by tools like Earning at Risk (EaR), Value-at-Risk (VaR) methodologies with stress testing under different economic scenarios and with diversification of risks.

All banks/DFIs are required to disclose all the steps taken to ensure identification of risks and compliance with guiding factors and principles mentioned above. For this, the banks/DFIs are also required to refer to the instructions given to them by SBP from time to time.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**37.1 Credit Risk**

**37.1.1 Advances**

**Credit risk by industry sector**

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Agriculture, Forestry, Hunting and Fishing	11,102,742	11,440,587	2,268,272	2,179,133	1,509,762	1,509,762
Mining and Quarrying	-	-	-	-	-	-
Textile	-	-	-	-	-	-
Chemical and Pharmaceuticals	-	-	-	-	-	-
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Exports/Imports	-	-	-	-	-	-
Transport, Storage and Communication	-	-	-	-	-	-
Financial	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	266,243	262,996	18,607	18,759	20,685	20,685
Others	99,054	110,463	91,853	91,076	75,446	75,446
	<b>11,468,039</b>	<b>11,814,046</b>	<b>2,378,732</b>	<b>2,288,968</b>	<b>1,605,893</b>	<b>1,605,893</b>

**Credit risk by public / private sector**

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
Public/ Government	1,000,000	1,000,000	-	-	-	-
Private	10,468,039	10,814,046	2,378,732	2,288,968	1,605,893	1,605,893
	<b>11,468,039</b>	<b>11,814,046</b>	<b>2,378,732</b>	<b>2,288,968</b>	<b>1,605,893</b>	<b>1,605,893</b>

**37.1.2 Contingencies and Commitments**

**Credit risk by industry sector**

	2019	2018
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	-	-
Mining and Quarrying	-	-
Textile	-	-
Chemical and Pharmaceuticals	-	-
Cement	-	-
Sugar	-	-
Footwear and Leather garments	-	-
Automobile and transportation equipment	-	-
Electronics and electrical appliances	-	-
Construction	-	-
Power (electricity), Gas, Water, Sanitary	-	-
Wholesale and Retail Trade	-	-
Exports/Imports	-	-
Transport, Storage and Communication	-	-
Financial	-	-
Insurance	-	-
Services	-	-
Individuals	-	-
Others	259,043	248,971
	<b>259,043</b>	<b>248,971</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	-	-
Private	259,043	248,971
	<b>259,043</b>	<b>248,971</b>



**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**37.1.3 Advances - Province/Region-wise Disbursement & Utilization**

		2019					
Province/Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		----- Rupees in '000 -----					
Punjab	11,468,039	11,468,039	-	-	-	-	-
Sindh	-	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltista	-	-	-	-	-	-	-
<b>Total</b>	<b>11,468,039</b>	<b>11,468,039</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

		2018					
Province/Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		----- Rupees in '000 -----					
Punjab	11,814,046	11,814,046	-	-	-	-	-
Sindh	-	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-	-
AJK including Gilgit-Baltista	-	-	-	-	-	-	-
<b>Total</b>	<b>11,814,046</b>	<b>11,814,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**37.2 Market Risk**

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions.

**37.2.1 Foreign Exchange Risk**

Foreign exchange is the risk that the earnings and share capital will fluctuate due to changes in foreign exchange rates. The Bank only deals in Pakistan Rupees and does not deal in foreign currency, therefore the Bank does not have any exposure which is liable to foreign exchange risk.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2019

37.2.2 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield / Interest rate risk is the risk of decline in earnings due to adverse movement of yield curve. It arises from the possibility that changes in yield / interest rates will affect the value of financial instruments. The bank is exposed to yield / interest rate risk as a result of mismatch or gaps in the amounts of assets and liabilities that mature or re-price in a given period. Sensitivity of the bank's financial assets and financial liabilities to yield / interest rate can be evaluated from the following:

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in interest rates on				
- Profit and loss account				
+1% change	-	17,027	-	16,952
-1% change	-	(17,027)	-	(16,952)
- Other comprehensive income				
+1% change	-	-	-	-
-1% change	-	-	-	-

37.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	Total	2019										Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk										
		Over 1 Upto 1 Month	Over 3 to 3 Months	Over 6 to 6 Months	Over 1 to 1 Year	Over 2 to 2 Years	Over 3 to 3 Years	Over 5 to 5 Years	Over 10 to 10 Years	Above 10 Years		
----- Rupees in '000 -----												
<b>On-balance sheet financial instruments</b>												
<u>Assets</u>												
Cash and balances with treasury banks	10.25%	742,268	72,453	-	-	-	-	-	-	-	-	669,815
Balances with other banks	8.75% to 11.25%	959,517	954,450	-	-	-	-	-	-	-	-	5,067
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	11.16% to 12.66%	2,876,398	406,413	2,469,985	-	-	-	-	-	-	-	-
Advances	9% to 18%	9,861,768	466,524	91,922	1,426,114	2,936,741	3,198,418	672,031	305,379	654,290	110,349	-
Other assets		833,784	-	-	-	-	-	-	-	-	-	833,784
		15,273,735	1,899,840	2,561,907	1,426,114	2,936,741	3,198,418	672,031	305,379	654,290	110,349	1,508,666
<u>Liabilities</u>												
Bills payable		52,635	-	-	-	-	-	-	-	-	-	52,635
Borrowings		-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	4.50% to 8.00%	4,579,982	2,108,107	171,808	163,468	428,691	109,713	15,796	279,668	20,002	49,747	1,232,982
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		3,624,550	-	-	-	-	-	-	-	-	-	3,624,550
		8,257,167	2,108,107	171,808	163,468	428,691	109,713	15,796	279,668	20,002	49,747	4,910,167
<b>On-balance sheet gap</b>		<b>7,016,568</b>	<b>(208,267)</b>	<b>2,390,099</b>	<b>1,262,646</b>	<b>2,508,050</b>	<b>3,088,705</b>	<b>656,235</b>	<b>25,711</b>	<b>634,288</b>	<b>60,602</b>	<b>(3,401,501)</b>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Off-balance sheet financial instruments**

Documentary credits and short-term trade-related transactions	-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of:											
- forward foreign exchange contracts	-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
Other commitments (to be specified)	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>	<b>7,016,568</b>	<b>(208,267)</b>	<b>2,390,099</b>	<b>1,262,646</b>	<b>2,508,050</b>	<b>3,088,705</b>	<b>656,235</b>	<b>25,711</b>	<b>634,288</b>	<b>60,602</b>	<b>(3,401,501)</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	<b>7,016,568</b>	<b>(208,267)</b>	<b>2,181,832</b>	<b>3,444,478</b>	<b>5,952,528</b>	<b>9,041,233</b>	<b>9,697,468</b>	<b>9,723,179</b>	<b>10,357,467</b>	<b>10,418,069</b>	<b>7,016,568</b>

Effective Yield/Interest rate	Total	2018									Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	

**On-balance sheet financial instruments**

Assets

		----- Rupees in '000 -----										
Cash and balances with treasury banks	3.75%	1,218,756	17,784	-	-	-	-	-	-	-	-	1,200,972
Balances with other banks	3.5% to 5.65%	805,565	797,036	-	-	-	-	-	-	-	-	8,529
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	6.20% to 11.25%	2,911,628	515,138	2,385,939	-	-	-	10,551	-	-	-	-
Advances	9% to 18%	10,207,775	614,560	125,027	1,352,191	2,623,440	4,029,884	648,300	159,543	543,886	110,944	-
Other assets		857,475	-	-	-	-	-	-	-	-	-	857,475
		16,001,199	1,944,518	2,510,966	1,352,191	2,623,440	4,029,884	658,851	159,543	543,886	110,944	2,066,976

Liabilities

Bills payable		55,502	-	-	-	-	-	-	-	-	-	55,502
Borrowings		-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	3.50% to 5.25%	5,324,183	1,865,822	178,898	812,606	271,196	75,342	6,726	682,603	12,627	54,091	1,364,272
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		3,624,550	-	-	-	-	-	-	-	-	-	3,624,550
		9,004,235	1,865,822	178,898	812,606	271,196	75,342	6,726	682,603	12,627	54,091	5,044,324
<b>On-balance sheet gap</b>		<b>6,996,964</b>	<b>78,696</b>	<b>2,332,068</b>	<b>539,585</b>	<b>2,352,244</b>	<b>3,954,542</b>	<b>652,125</b>	<b>(523,060)</b>	<b>531,259</b>	<b>56,853</b>	<b>(2,977,348)</b>

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Off-balance sheet financial instruments**

Commitments in respect of:

- forward foreign exchange contracts	-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
Other commitments (to be specified)	-	-	-	-	-	-	-	-	-	-	-

**Off-balance sheet gap**

**Total Yield/Interest Risk Sensitivity Gap** 6,996,964 78,696 2,332,068 539,585 2,352,244 3,954,542 652,125 (523,060) 531,259 56,853 (2,977,348)

**Cumulative Yield/Interest Risk Sensitivity Gap** 6,996,964 78,696 2,410,764 2,950,349 5,302,593 9,257,135 9,909,260 9,386,200 9,917,459 9,974,312 6,996,964

Reconciliation of total assets	June 30, 2019		June 30, 2018		Reconciliation of total liabilities	June 30, 2019		June 30, 2018	
	----- Rupees in '000 -----		----- Rupees in '000 -----			----- Rupees in '000 -----		----- Rupees in '000 -----	
<b>Balance as per balance sheet</b>	<b>22,455,248</b>		23,177,360		<b>Balance as per balance sheet</b>	<b>8,139,044</b>		8,948,773	
<b>Less: Non-financial assets</b>					<b>Less: Non-financial liabilities</b>				
Fixed assets	7,179,735		7,176,161		Other liabilities	3,506,427		3,569,088	
Other assets	833,784		857,475						
	<b>8,013,519</b>		8,033,636						
<b>Total financial assets</b>	<b>14,441,729</b>		<b>15,143,724</b>		<b>Total financial liabilities</b>	<b>4,632,617</b>		<b>5,379,685</b>	

**37.3 Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the senior management's approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

Further, detailed data of operational losses is being maintained, in conformance with regulatory guidelines. Major Operational Risk events are also analysed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management.







**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2018									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
	----- Rupees in '000 -----									
<b>Assets</b>										
Cash and balances with treasury banks	1,218,756	1,218,756	-	-	-	-	-	-	-	-
Balances with other banks	805,565	805,565	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	2,911,628	515,138	2,396,490	-	-	-	-	-	-	-
Advances	10,207,775	614,560	125,027	1,352,191	2,623,440	4,029,884	648,300	159,543	543,886	110,944
Fixed assets	7,176,161	57,256	456	1,612	953	1,764	248	40,779	1,373	7,071,720
Intangible assets	3,935	-	-	-	-	-	-	-	3,935	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	857,475	105,864	675,681	5,097	40,867	3,437	9,058	16,919	322	230
	23,181,295	3,317,139	3,197,654	1,358,900	2,665,260	4,035,085	657,606	217,241	549,516	7,182,894
<b>Liabilities</b>										
Bills payable	55,502	55,502	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5,324,183	3,230,094	178,898	812,606	271,196	75,342	6,726	682,603	12,627	54,091
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,569,088	235,340	46,204	197	631	338	165,132	2,925	714	3,117,607
	8,948,773	3,520,936	225,102	812,803	271,827	75,680	171,858	685,528	13,341	3,171,698
<b>Net assets</b>	14,232,522	(203,797)	2,972,552	546,097	2,393,433	3,959,405	485,748	(468,287)	536,175	4,011,196
Share capital/ Head office capital account	7,885,556									
Reserves	742,108									
Unappropriated/ Unremitted profit	(1,780,620)									
Surplus/(Deficit) on revaluation of assets	7,385,478									
	<u>14,232,522</u>									

**37.4.3** Some assets / liabilities of the bank do not have a contractual maturity date. The period in which these assets / liabilities are assumed to mature is taken as the expected date on which the assets / liabilities be realized / settled. The above maturity analysis is based on the remaining period at the balance sheet date to the contractual maturity date.



**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**38 EVENTS AFTER THE REPORTING DATE**

There are no significant events after the reporting period that may require adjustment of and/or disclosure in these financial statements.

**39 CORRESPONDING FIGURES**

The corresponding figures have been rearranged wherever necessary to facilitate comparison. Changes made in corresponding figures to conform to current year presentation are mentioned in Note 2.2 to these financial statements.

**40 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 18.10.2019 by the Administrator of the Bank.

**41 GENERAL**

Figures in the financial statements have been rounded-off to the nearest Rupees in thousands except where stated otherwise.

**President/ CEO**

**Chief Financial Officer**