

THE PUNJAB PROVINCIAL COOPERATIVE BANK LTD.
BALANCE SHEET AS AT SEPTEMBER 30, 2010
UN-AUDITED

Sep. 30, 2010

June 30, 2010

ASSETS	Rupees in '000	
	(Un-audited)	(Audited)
Cash and balances with treasury banks	256,244	814,147
Balances with other banks	1,800,027	1,709,436
Investments	901,062	799,673
Advances	5,859,121	5,779,753
Other assets	716,125	2,441,992
Operating fixed assets	3,503,126	3,700,872
	13,035,705	15,245,873
LIABILITIES		
Bills payable	40,484	21,777
Borrowings from financial institutions	4,444,444	5,250,000
Deposits and other accounts	1,685,785	3,820,343
Other liabilities	222,701	263,270
	6,393,414	9,355,390
NET ASSETS	6,642,291	5,890,483
REPRESENTED BY		
Share capital	435,104	435,060
Reserves	3,603,339	2,797,793
Unappropriated (Loss)/Profit	(786,294)	(928,639)
	3,252,149	2,304,214
Fair value reserve - investments	109,741	121,868
Surplus on revaluation of assets	3,280,401	3,464,401
	6,642,291	5,890,483

CONTINGENCIES AND COMMITMENTS

SAMUEL JAMES
CHIEF FINANCIAL OFFICER

LIAQAT DURRANI
PRESIDENT/CEO

PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2010
UN-AUDITED

	For the quarter ended		For the three months	
	September 2010	September 2009	September 2010	September 2009
	Rupees in '000			
Mark-up/Return/Interest Earned	237,312	185,933	237,312	185,933
Mark-up/Return/Interest Expensed	113,572	490,568	113,572	490,568
Net Mark-up/ Interest Income	123,740	(304,635)	123,740	(304,635)
Less: provisions				
Against non-performing loans and advances	-	-	-	-
For diminution in the value of investments	-	-	-	-
Net Mark-up/ Interest Income after	123,740	(304,635)	123,740	(304,635)
NON MARK-UP/INTEREST INCOME				
Fee, Commission and Brokerage Income	6,024	8,069	6,024	8,069
Dividend Income	14,772	14,772	14,772	14,772
Other Income	192,409	5,484	192,409	5,484
	213,205	28,325	213,205	28,325
	336,945	(276,310)	336,945	(276,310)
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	194,600	177,124	194,600	177,124
Other charges	-	-	-	-
	194,600	177,124	194,600	177,124
PROFIT/(LOSS) BEFORE TAXATION	142,345	(453,434)	142,345	(453,434)
Taxation	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION	142,345	(453,434)	142,345	(453,434)
Unappropriated/unremitted profit/(loss) brought forward	(928,639)	(749,013)	(928,639)	(749,013)
Unappropriated/Unremitted	(786,294)	(1,202,447)	(786,294)	(1,202,447)
Basic/Diluted Earnings/(Loss) per share	33	(105)	33	(105)

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**STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2010
UN-AUDITED**

	Share capital Rupees in '000	Statutory reserve	General Reserve against Consumer Finance	Common Good Fund	Fair value Reserve	Unappropriated Profit / (Loss)	Total
Balance as on June 30, 2009	434,647	394,278	3,528	3,921	-	(749,013)	87,361
Profit for the period	-	-	-	-	-	(179,626)	(179,626)
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to Bad & Doubtful Advances	-	-	(3,528)	-	-	-	(3,528)
Transfer to other reserve - Funds from the Govt of Punjab	-	-	-	-	2,400,000	-	2,400,000
Issue of share capital	413	-	-	-	-	-	413
Medical aid to staff	-	-	-	(406)	-	-	(406)
Balance as on June 30, 2010	435,060	394,278	-	3,515	2,400,000	(928,639)	2,304,214
Profit for the period	-	-	-	-	-	142,345	142,345
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to reserve to consumer finance	-	-	-	-	-	-	-
Transfer to other reserve - Funds from the Govt of Punjab	-	-	-	-	805,556	-	805,556
Good Fund	-	-	-	-	-	-	-
Issue of share capital	44	-	-	-	-	-	44
Medical aid to staff	-	-	-	(10)	-	-	(10)
Balance as on September 30, 2010	435,104	394,278	-	3,505	3,205,556	(786,294)	3,252,149

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**CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010.
UN-AUDITED**

	Sep. 30, 2010	Sep. 30, 2009
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	142,345	(453,434)
Less: Dividend income	<u>(14,772)</u>	<u>(14,772)</u>
	127,573	(468,206)
Adjustments for non-cash charges:		
Depreciation	2,429	2,593
Provision Against Non-performing Advances	-	-
Provision for Diminution in the value of investments/ other assets	-	-
Gain on sale of fixed assets net of adjustments	<u>(186,140)</u>	<u>-</u>
	<u>(183,711)</u>	<u>2,593</u>
	(56,138)	(465,613)
(Increase)/ Decrease in operating assets		
Advances	<u>(79,368)</u>	<u>280,487</u>
Others assets (excluding advance taxation)	<u>1,725,846</u>	<u>(27,634)</u>
	<u>1,646,478</u>	<u>252,853</u>
	1,590,340	(212,760)
Increase/ (Decrease) in operating liabilities		
Bills Payable	<u>18,707</u>	<u>23,932</u>
Borrowings from financial institutions	<u>(805,556)</u>	<u>-</u>
Deposits	<u>(2,134,558)</u>	<u>515</u>
Other liabilities (excluding current taxation)	<u>(40,569)</u>	<u>292,450</u>
	<u>(2,961,976)</u>	<u>316,897</u>
	(1,371,636)	104,137
Income tax paid	<u>(551)</u>	<u>(534)</u>
Net cash flow from operating activities	<u>(1,372,187)</u>	<u>103,603</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend income	<u>14,772</u>	<u>14,772</u>
Investments in operating fixed assets	<u>(3,398)</u>	<u>(2,226)</u>
Purchase of Government Securities	<u>(200,000)</u>	<u>-</u>
Proceeds from encashment of certificates	<u>86,484</u>	<u>-</u>
Sale proceeds of property and equipment disposed-off	<u>201,427</u>	<u>-</u>
Net cash flow from investing activities	<u>99,285</u>	<u>12,546</u>
	(1,272,902)	116,149
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	<u>44</u>	<u>59</u>
Funds from the Government of Punjab	<u>805,556</u>	<u>-</u>
Medical aid to employees from Common Good Fund.	<u>(10)</u>	<u>(296)</u>
Net cash flow from financing activities	<u>805,590</u>	<u>(237)</u>
Increase/(Decrease) in cash and cash equivalents	<u>(467,312)</u>	<u>115,912</u>
Cash and cash equivalents at beginning of the period	<u>2,523,583</u>	<u>2,619,872</u>
Cash and cash equivalents at end of the period	<u>2,056,271</u>	<u>2,735,784</u>

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THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS FOR THE QUARTER ENDED SEPTEMBER 30, 2010
UN-AUDITED

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1. STATUS AND NATURE OF BUSINESS

The Punjab Provincial Cooperative Bank Limited (The Bank) was incorporated in Punjab in the year 1924 as a Cooperative Bank under the Cooperative Societies Act, 1912 (repealed) and commenced its operations from 1924. It was given status of a Scheduled Bank by the State Bank of Pakistan w.e.f. November 07, 1955. The Bank is operating under the supervision of Cooperative Department and State Bank of Pakistan. The objects for which the Bank is established are to carry out the business of agricultural credit and other activities as defined in the Cooperative Societies Act 1925 and its Rules. The Bank operates through its 159 branches in Punjab. Its Head Office is located at Bank Square, The Mall, Lahore.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Cooperative Societies Act 1925 and Cooperative Societies Rules 1927. Wherever the requirements of the directives issued by the State Bank of Pakistan differ with the requirements of these standards, the requirements of the said directives take precedence. The disclosures made in these financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan for interim financial statements vide BSD Circular Letter No.2 dated May 12, 2004, International Accounting Standard 34-Interim Financial Reporting and should be read in conjunction with the annual statements of the Bank for the year ended June 30, 2010.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements of the Bank for the year ended June 30, 2010.

4. INVESTMENTS

	30-09-2010			30.06.2010		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000						
4.1 INVESTMENTS BY TYPES:						
Available-for-sale securities						
Shares of Listed Companies	7,023	-	7,023	7,023	-	7,023
Shares of Cooperative Institutions	3,551	-	3,551	3,551	-	3,551
Held-to-maturity securities						
Pakistan Investment Bonds	300,000	-	300,000	300,000	-	300,000
Treasury Bills	200,000	-	200,000	-	-	-
Provincial Government Securities	-	-	-	-	-	-
Investment with NBFIs	284,298	-	284,298	370,782	-	370,782
	794,872	-	794,872	681,356	-	681,356
Less: Provision for diminution in value of Inve	(3,551)	-	(3,551)	(3,551)	-	(3,551)
Add: Surplus on revaluation	109,741	-	109,741	121,868	-	121,868
	<u>901,062</u>	<u>-</u>	<u>901,062</u>	<u>799,673</u>	<u>-</u>	<u>799,673</u>

5. ADVANCES

	30.09.2010	30.06.2010
Rupees in '000		
Loans, cash credits, running finances, etc. In Pakistan	7,464,831	7,385,463
Bills discounted and purchased (excluding treasury bills) Payable in Pakistan	<u>184</u> 7,465,015	<u>184</u> 7,385,647
Provision for non-performing advances		
Specific	(1,220,930)	(1,605,894)
General	<u>(384,964)</u>	<u>(384,964)</u>
	<u>5,859,121</u>	<u>5,779,753</u>

5.1 Advances include Rs. 3,393,476 (in thousand) as of 30.09.2010 (30.06.2010 : 3,430,614 thousand) which have been placed under non-performing status, however, the provision required has been calculated after taking benefit of collateral in agricultural loans only as per PRs on Agricultural Loans & Advances in terms of approval of Administrator/BOD

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
Rupees in '000					
Other Assets Especially Mentioned	146,887	-	146,887	-	-
Substandard	96,818	-	96,818	15,530	15,530
Doubtful	153,839	-	153,839	68,433	68,433
Loss	2,995,932	-	2,995,932	1,136,967	1,521,930
	<u>3,393,476</u>	<u>-</u>	<u>3,393,476</u>	<u>1,220,930</u>	<u>1,605,893</u>
				<u>30.09.2010</u>	<u>30-06-2010</u>

6 CONTINGENCIES AND COMMITMENTS

Guarantee Acceptances.	6.1	445	445
Show cause notices by sales tax-under appeal	6.2	5,041	5,041
Bank Alfalah Town Ship Fraud	6.3	101,413	101,413
		<u>106,899</u>	<u>106,899</u>

6.1 Mr. Fazal-ur-Rehman deposited Rs.100,000/- & Rs.200,000/- (Total Rs.300,000/-) on 12.07.1990 & 14.07.1990 through DDs at Head Office as bid money in auction of land measuring 187(A) - 02(K)-17(M) situated at Muza Nadha Teh. & Distt. Gujranwala. Mr. Fazal-ur-Rehman did not fulfil the conditions of Landed Committee, resultantly Bank confiscated Bid Money. He filed Civil Suit No.156/1 in 1993 titled as Fazal-ur-Rehman v/s PPCBL at Gujranwala, which was decreed in favour of plaintiff. Bank filed an appeal No.RFA 243/95 in Lahore High Court, which has also decided against Bank and Lahore High Court directed Bank to furnish a guarantee No.2096/92 dated 15.09.1995 amounting to Rs.444,939/- through Main Branch from NBP for the satisfaction of the Court. Now the case is pending adjudication in the Court of Civil Judge, Lahore.

6.2 The sales tax department has issued a show cause notice dated 14.07.2003 to the bank as to why the sales tax amounting to Rs. 5.041 millions has not been paid to the Government in regard to sale of machinery valuing Rs. 33.600 million of Rahwali Sugar Mills to Messers Ali Industrial and Engineering Works, Karachi without charging and depositing sales tax leviable thereon. Further the sales tax department reported that Messers 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 has 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 is still pending in Lahore High Court.

6.3 During November 2003, the bank opened a Royal Profit Account in Bank Alfalah Limited, Town ship Branch. In July 2010, it revealed that during the year under audit, some cheques were forged by the staff members of Bank Alfalah Limited who had routed the proceeds of these cheques through their associates and family members' accounts. The total misappropriated amount in these cases comes to Rs. 101.413 Million (i.e. Principal Rs. 97.250 Million and Mark up Rs.4.163 Million) as reported by the Bank to the FIA, which matter is under its investigation at the terminal date. A writ petition in this regard has also been filled with the Banking Mohtasib, the first hearing of which was fixed on 29th September 2010, whereas the next date of hearing has been fixed for November 12, 2010. The Management of the Bank is hopeful that the matter will be resolved in its favour and the whole amount fully recovered.

7 DATE OF AUTHORIZATION

These financial statements were authorised for issue on October 29, 2010 by the Administrator of the Bank.

8 GENERAL

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