

THE PUNJAB PROVINCIAL
COOPERATIVE BANK LIMITED.
Statements of Accounts for The
Year Ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

TO THE ADMINISTRATOR OF THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

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 30 June 2018, and profit or loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for eighty six branches which have been audited by us 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 for 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, profit or loss account and the statement of comprehensive income, statement of changes in equity and cash flow statement 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 BSD Circular No. 4 dated 17 February 2006 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 30 June 2018 and of the profit and other comprehensive loss, 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 as required by Prudential Regulations issued by the SBP and accrued mark-up on advances amounting to 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. An amount of Rs. 28.526 million on account of defined benefit plan has been charged in excess erroneously to profit or loss account since year ended 30 June 2013. This has resulted in overstatement of other liabilities and accumulated losses by Rs. 28.526 million.
3. We were unable to verify the accuracy of depreciation on vehicles amounting to Rs.6.570 million due to non-availability of dates of purchase. Further, additions and deletions amounting to Rs. 4.924 million and Rs.1.328 million relating to previous years were recorded during the current year. The account affected by corresponding credit is also not known. The error has not been corrected in accordance with the requirements of IAS – 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

4. Direct balance confirmations from 38 banks having aggregate ledger balance amounting to Rs. 94.382 million were not received by us and therefore were unable to verify these balances.
5. The financial statements do not include mandatory disclosures pertaining to the employees provident fund trust maintained by the bank due to non-availability of financial statements of the fund.

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 9.7 to the accompanying financial statements, the bank has not adjusted its non-performing loans amounting to Rs. 673.468 million including markup thereon against properties decreed in favor of the Bank due to pending possession disputes. 19
2. As referred in note 10.2.4 to the accompanying financial statements, the ultimate outcome of disputed properties amounting to Rs. 101.183 million cannot be presently determined, and hence no impairment in this context has been made in these financial statements. 12
3. As referred in note 17.3 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. 6.0 billion - These terms and conditions are stated to be in process of implementation although compliance date has passed.
4. As referred in note 35.1 to the accompanying financial statements regarding compliance status of CAR reporting under Basel I for the time being instead of Basel III.

Responsibilities of Management / Administrator for the Financial Statements

Management / Administrator (as no board has been constituted) 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 BSD Circular No. 4 dated 17 February 2006 of 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 Management (as no board has been constituted) 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 competent authority (as no board has been constituted) 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.



Based on our audit, we further report that, except for the matters described in the basis for qualified opinion section of our report, in our opinion:

- a) proper books of account have been kept by the Bank/branches as required by the Cooperative Societies Act, 1925 and the Cooperative Societies rules, 1927 and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, profit or loss account and the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and BSD Circular No. 4 dated 17 February 2006 of 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 Matter

The annual financial statements of the bank for the year ended 30 June 2017 were audited by another Chartered Accountant's firm whose audit report dated 15 September 2017 expressed a qualified opinion and matter of emphasis.

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS



Engagement Partner: Rashid Rahman Mir
LAHORE:


29 NOV 2018

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018 Rupees '000'	2017 Rupees '000'
ASSETS			
Cash and balances with treasury banks	6	1,218,756	1,127,957
Balances with other banks	7	805,565	1,482,580
Investments	8	2,911,628	2,633,412
Advances	9	10,207,775	9,678,398
Operating fixed assets	10	7,180,096	7,176,211
Deferred tax assets	11	-	-
Other assets	12	857,475	820,067
TOTAL ASSETS		23,181,295	22,918,625
LIABILITIES			
Bills payable	14	55,502	52,584
Deposits and other accounts	15	5,324,183	5,057,990
Other liabilities	16	3,569,088	3,210,082
TOTAL LIABILITIES		8,948,773	8,320,656
NET ASSETS		14,232,522	14,597,969
REPRESENTED BY			
Share capital	17	7,885,556	7,885,482
Reserves	18	742,108	712,873
Accumulated loss		(1,780,620)	(1,486,922)
TOTAL EQUITY		6,847,044	7,111,433
Surplus on revaluation of assets	19	7,385,478	7,486,536
		14,232,522	14,597,969
Contingencies and commitments	20		

The annexed notes from 1 to 43 form an integral part of these financial statements.


MUNIR AHMED
Acting President/CEO


ZAHID MANSOOR
Chief Financial Officer



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2018

	<i>Note</i>	2018 <i>Rupees '000</i>	2017 <i>Rupees '000</i>
Mark-up / return / interest earned	21	1,845,307	1,721,149
Mark-up / return / interest expensed	22	(150,119)	(110,447)
Net mark-up / interest income		1,695,188	1,610,702
Provisions		-	-
Net mark-up / interest income after provisions		1,695,188	1,610,702
NON INTEREST / MARK-UP INCOME			
Fee, commission and brokerage income		18,295	17,628
Dividend income		34,130	32,158
Other income	23	103,239	92,763
TOTAL NON INTEREST / MARK-UP INCOME		155,664	142,549
NON INTEREST / MARK-UP EXPENSES			
Administrative expenses	24	(1,565,429)	(1,448,374)
Other provisions / write - offs	25	(120,000)	(160,000)
TOTAL NON INTEREST / MARK-UP EXPENSES		(1,685,429)	(1,608,374)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		165,423	144,877
TAXATION			
Current year	26	(45,570)	(30,944)
Prior years		-	-
Deferred		-	-
		(45,570)	(30,944)
PROFIT AFTER TAXATION		119,853	113,933
Accumulated Loss brought forward		(1,486,922)	(1,580,623)
Accumulated Loss carried forward		(1,780,620)	(1,486,922)
Earnings per share - basic and diluted (Rupees) *(restated)	27	1.52	1.44*

The annexed notes from 1 to 43 form an integral part of these financial statements.


MUNIR AHMED
 Acting President/CEO


ZAHID MANSOOR
 Chief Financial Officer



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees '000	2017 Rupees '000
Profit after taxation		119,853	113,933
Other comprehensive (loss) / income			
Items that will not be reclassified to profit and loss account			
Re-measurement of post employment obligations		(412,114)	10,251
Comprehensive income transferred to equity		(412,114)	10,251
Total comprehensive (loss)/ income		<u>(292,261)</u>	<u>124,184</u>

Surplus / (deficit) on revaluation of 'available for sale' securities is presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets in accordance with the requirements specified by State Bank of Pakistan vide its BSD Circular No. 20 dated August 04, 2000 and BSD Circular No. 10 dated July 13, 2004 respectively.

The annexed notes from 1 to 43 form an integral part of these financial statements.



MUNIR AHMED
Acting President/CEO



ZAHID MANSOOR
Chief Financial Officer




THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees '000'	2017 Rupees '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		165,423	144,877
Less: Dividend income		(34,130)	(32,158)
		131,293	112,719
Adjustments for non-cash items			
Depreciation		18,442	19,709
Amortization		2,157	2,157
Provision for employees retirement benefits		451,393	315,317
Gain on sale of fixed assets		(2,506)	(92)
		469,486	337,091
(Increase) / decrease in operating assets			
Advances		(529,377)	(243,859)
Other Assets (excluding advance taxation)		(37,408)	90,298
		(566,785)	(153,561)
Increase/ (decrease) in operating liabilities			
Bills payable		2,918	37,777
Deposits		266,193	871,373
Other liabilities		(82,792)	159,011
		186,319	1,068,161
Income tax paid		(21,085)	(10,573)
Defined benefits paid		-	(2,058)
Contributions to pension fund		(417,668)	(476,498)
Medical aid to employees from common good fund		(728)	(426)
		(219,168)	874,854
Net cash (used in) / generated from operating activities		(219,168)	874,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(25,575)	(20,035)
Cost incurred on capital work in progress		-	(10,223)
Net investment in of 'Held-to-maturity' securities		(379,274)	76,194
Dividend received		34,130	32,158
Sale proceeds from property and equipment disposed-off		3,597	969
		(367,122)	79,063
Net cash (used in) / generated from investing activities		(367,122)	79,063
CASH FLOWS FROM FINANCING ACTIVITIES			
Reissuance of shares		74	303
Refund of share money		-	(42)
		74	261
Net cash generated from financing activities		74	261
(Decrease) / Increase in cash and cash equivalents during the period		(586,216)	954,178
Cash and cash equivalents at beginning of the period		2,610,537	1,656,359
Cash and cash equivalents at end of the period	28	2,024,321	2,610,537

The annexed notes from 1 to 43 form an integral part of these financial statements.


MUNIR AHMED
 Acting President/CEO


ZAHID MANSOOR
 Chief Financial Officer




THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Reserves			Accumulated profit / (loss)	Total
		Statutory reserve	Common good fund	Total reserves		
		Rupees '000'	Rupees '000'	Rupees '000'		
Balance as at July 01, 2016	7,885,221	679,176	3,640	682,816	(1,580,623)	6,987,414
Total comprehensive income for the year	-	-	-	-	124,184	124,184
Transfer to statutory reserve	-	28,483	-	28,483	(28,483)	-
Transfer to common good fund	-	-	2,000	2,000	(2,000)	-
Share money refunded	(42)	-	-	-	-	(42)
Reissuance of shares	303	-	-	-	-	303
Medical aid to staff	-	-	(426)	(426)	-	(426)
Balance as at June 30, 2017	7,885,482	707,659	5,214	712,873	(1,486,922)	7,111,433
Balance as at July 01, 2017	7,885,482	707,659	5,214	712,873	(1,486,922)	7,111,433
Total comprehensive loss for the year	-	-	-	-	(292,261)	(292,261)
Adjustment of Defined benefit plan	-	-	-	-	28,526	28,526
Transfer to statutory reserve	-	29,963	-	29,963	(29,963)	-
Transfer to common good fund	-	-	-	-	-	-
Reissuance of shares	74	-	-	-	-	74
Medical aid to staff	-	-	(728)	(728)	-	(728)
Balance as at June 30, 2018	7,885,556	737,622	4,486	742,108	(1,780,620)	6,847,044

The annexed notes from 1 to 43 form an integral part of these financial statements.


MUNIR AHMED
 Acting President/CEO


ZAHID MANSOOR
 Chief Financial Officer



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 REPORTING ENTITY

The Punjab Provincial Cooperative Bank Limited ('the Bank') was incorporated in 1924 as a Cooperative Bank under the Cooperative Societies Act, 1912 (repealed). It was given the status of a Scheduled Bank by the State Bank of Pakistan ('the SBP') with effect from November 07, 1955. The Bank is operating under the supervision of the Cooperative Department, Government of Punjab and the SBP. 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 151 (June 30, 2017 : 151) branches in the province of Punjab. The Registered Office of the Bank is located at Bank Square, The Mall, Lahore, Pakistan.

2 BASIS OF PREPARATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BSD Circular No. 04 dated February 17, 2006.

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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'); and
- Directives issued by the State Bank of Pakistan (SBP).

Whenever the requirements of the ordinance, the Act, and the Rules, or the directives issued by the SBP differ with the requirements of IFRS or IFAS the requirements of the Ordinance, the Act, the rules and the said directives, shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Accordingly investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banks in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS - 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

2.2 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.

2.3 Judgments, estimates and assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise judgments in application of its accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

- i) Classification and provisioning against investments
- 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

2.3.1 Classification and provisions against Investments

Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.

The investments which are not classified held to maturity are classified as 'available for sale'.

2.3.2 Impairment of 'available for sale' equity investments

The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational / financial cash flows.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

2.3.3 Income taxes

The Bank takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provisions for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.4 Classification and provisioning against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this, the requirements of the Prudential Regulations are considered complied with.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment.

2.3.5 Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors. Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

2.3.6 Obligation under defined benefit plan

The bank's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Bank's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the bank or their application does not have any material impact on the financial statements of the bank other than presentation and disclosures.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)

IAS 7 - Statement of Cash Flows have been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvements to IFRS Standards 2014-2016 Cycle (IFRS 12 - Disclosure of Interests in Other Entities)

IFRS 12 - Disclosure of Interests in Other Entities have been amended to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the bank.

	Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments (2014)	July 01, 2018
IFRS 15 - Revenue from Contracts with Customers (2014)	July 01, 2018
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures)	Deferred Indefinitely



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)	January 01, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4 - Insurance Contracts)	July 01, 2018
Transfers of Investment Property (Amendments to IAS 40 - Investment Property)	January 01, 2018
Annual Improvements to IFRS 2014-2016 Cycle	January 01, 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2018
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Banking Companies Ordinance, 1962 (Amendments to Second Schedule)	January 01, 2018

* Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which had not been notified by the Securities and Exchange Commission of Pakistan [SECP]:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 14 - Regulatory Deferral Accounts

The Bank intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by the SBP. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Bank's financial statements other than in presentation/disclosures.

IFRS 9 - Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments. *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 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.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

5.2 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.

5.3 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include 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 is no realistic prospect of recovery.

5.4 Investments

The Bank classifies its investments as follows:

5.4.1 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.

5.4.2 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.

5.5 Operating fixed assets

These are stated at cost less accumulated depreciation except freehold land which is stated at revalued amount and capital work in progress, that is stated at cost.

Depreciation is computed over the estimated useful lives of the related fixed assets at the rates specified in note 10.2 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 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.

Gains / 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.

5.6 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.

5.7 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity.

5.7.1 Current taxation

Provision for current taxation is based on taxable income for the year. Tax charge for the current year is determined in accordance with the prevailing laws for taxation. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. The charge for the current tax also includes adjustments relating to prior years, if necessary, arising from assessments finalized during the year.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

5.7.2 Deferred taxation

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.

5.8 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.

5.9 Staff retirement benefits

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

5.9.1 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.

5.9.2 Defined contribution plan

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

5.9.2.1 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.

5.9.2.2 Pension opted employees

Monthly contributions are made by both employees and the Bank to the fund at the rate of 10% and 15% respectively of the basic salary in accordance with the terms of the scheme.

5.10 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.

5.11 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible asset and stated at cost less accumulated amortization and any identified impairment loss. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortized using straight-line method over a period of five years. Amortization on additions to intangible assets is charged from the month in which an asset is put to use and on disposal up to the month of disposal.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

5.12 Financial Instruments

5.12.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lending to financial institutions, investments (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.12.2 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.

5.12.3 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.

5.13 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.

5.14 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.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<i>Note</i>	June 30, 2018 <i>Rupees '000'</i>	June 30, 2017 <i>Rupees '000'</i>
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		790,952	661,025
With State Bank of Pakistan In			
Local currency current account	6.1	340,681	352,367
With National Bank of Pakistan In			
Local currency current account		66,132	96,781
Local currency deposit account (NIDA)	6.2	20,991	17,784
		1,218,756	1,127,957

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

6.2 Rate of profit on NIDA account is at 3.75% per annum (2017 : 3.75% per annum).

7 BALANCES WITH OTHER BANKS

In Pakistan			
On current account		8,529	13,741
On deposit account	7.1	797,036	1,468,839
		805,565	1,482,580

7.1 These accounts carry profit rates ranging from 3.75% to 5.90% per annum (2017 : 3.75% to 5.65%) per annum.

8 INVESTMENTS

8.1 Investments by types

	June 30, 2018		
	Held by bank <i>Rupees '000'</i>	Given as collateral <i>Rupees '000'</i>	Total <i>Rupees '000'</i>
Available-for-sale securities			
Shares of listed companies	7,023	-	7,023
Shares of cooperative institutions	3,551	-	3,551
	10,574	-	10,574
Held-to-maturity securities			
Treasury bills	2,385,939	-	2,385,939
Pakistan Investment Bonds	-	-	-
Investment with NBFC	88,059	-	88,059
	2,473,998	-	2,473,998
	2,484,572	-	2,484,572
Provision for diminution in value of investments	(89,648)	-	(89,648)
Investments (net of provisions)	2,394,924	-	2,394,924
Surplus on revaluation of available-for-sale securities	516,704	-	516,704
	2,911,628	-	2,911,628
	June 30, 2017		
	Held by bank <i>Rupees '000'</i>	Given as collateral <i>Rupees '000'</i>	Total <i>Rupees '000'</i>
Available-for-sale securities			
Shares of listed companies	7,023	-	7,023
Shares of cooperative institutions	3,551	-	3,551
	10,574	-	10,574
Held-to-maturity securities			
Treasury bills	1,996,114	-	1,996,114
Pakistan Investment Bonds	10,551	-	10,551
Investment with NBFC	88,059	-	88,059
	2,094,724	-	2,094,724
	2,105,298	-	2,105,298
Provision for diminution in value of Investments	(89,648)	-	(89,648)
Investments (net of provisions)	2,015,650	-	2,015,650
Surplus on revaluation of available-for-sale securities	617,762	-	617,762
	2,633,412	-	2,633,412



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NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

8.2 Investment by segments

	Note	June 30, 2018 Rupees '000	June 30, 2017 Rupees '000
Federal Government securities			
Market treasury bills	8.6	2,385,939	1,996,114
Pakistan Investment Bonds	8.7	-	10,551
Investment with other financial institutions			
Non-banking finance company	8.8	88,059	88,059
Fully Paid up Ordinary Shares:			
Listed companies	8.9	7,023	7,023
Cooperative institutions	8.9	3,551	3,551
Total investment at cost		<u>2,484,572</u>	<u>2,105,298</u>
Provision for diminution in value of investments	8.3	(89,648)	(89,648)
Investments (net of provisions)		<u>2,394,924</u>	<u>2,015,650</u>
Surplus on revaluation of available-for-sale securities		516,704	617,762
Total investments at market value		<u><u>2,911,628</u></u>	<u><u>2,633,412</u></u>

8.3 Particulars of Provision

Opening balance	8.3	89,648	89,648
Charge for the year		-	-
Reversals		-	-
Closing Balance		<u>89,648</u>	<u>89,648</u>

8.4 Particulars of provision in respect of type and segment

Available-for-sale securities			
Fully paid up ordinary shares			
Cooperative institutions		1,589	1,589
Held-to-maturity securities			
Investments with other banks			
Non-banking financial institutions		88,059	88,059
		<u>89,648</u>	<u>89,648</u>

8.5 Quality of available for sale securities

	Note	June 30, 2018 Rupees '000	June 30, 2018 Rating	June 30, 2017 Rupees '000	June 30, 2017 Rating
Shares of listed companies - Fair value					
Security Papers Limited		514,853	Unrated	613,935	Unrated
MCB Bank Limited / NIB Bank Limited	8.5.1	308	AAA & A1+	321	AA-
Dawood Lawrencepur Limited		8,560	Unrated	10,521	Unrated
PICIC Insurance Limited		5	Unrated	8	BBB+

8.5.1 MCB Bank Limited ("MCB") allotted shares to shareholders of MCB in accordance with the Scheme of Amalgamation with NIB Bank Limited as sanctioned by the State Bank of Pakistan through order under section 48 of Banking Companies Ordinance 1962.

8.6 These securities have a maturity period of six months with yield ranging from 5.60% to 6.00% (2017 : 5.80% to 6.00%) per annum.

8.7 These securities matured during the year and carried profit rate of 11.25% (2017: 11.25%) per annum.

8.8 This represents investment made in the Certificates of Investment / Deposit of Trust Investment Bank Limited (TIBL) for a period of six months, commencing from 01-03-2010, carrying profit rate of 12.55% per annum. During the year ended 2012, the Bank accepted a swap proposal of loans amounting to Rs. 140 million granted to M/s Vital Enterprises (Pvt.) Limited by TIBL. This was a funded facility against mortgage of urban property. 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.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

8.9 Investment in Listed Ordinary Shares and Cooperative Institutions

2018	2017	Face Value of Shares Rupees	Name of company / cooperative institution	Note	2018	2017
Number of Shares	Number of Shares				At Cost	
					Rupees '000	Rupees '000
Investment in Listed Companies						
4,254,280	4,254,280	10	Security Papers Limited		6,708	6,708
218,287	218,287	10	MCB/NIB Bank Limited	8.9.1	-	-
48,710	48,710	10	Dawood Lawrencepur Limited		315	315
2,314	2,314	10	PICIC Insurance Limited	8.9.2	-	-
4,523,591	4,523,591				7,023	7,023
Shares of Cooperative Institutions						
36,318,949	36,318,949	10	Coop: Insurance Society of Pakistan	8.9.3	1,919	1,919
460	460	100	National Coop. Supply Corporation		43	43
3,410	3,410	100	Coop: Investment & Management Agency		341	341
71	71	1000	Oberoi Coop: Society Sialkot		71	71
3,041	3,041	100	Shahdara Pioneer Coop: M.P. Society		300	300
7,360	7,360	100	Lahore Central Coop: Store		536	536
10	10	100	Jhelum Distt. Coop: Society		1	1
12	12	1000	All Pakistan Coop: Multi Purpose Society		11	11
129	129	500	Punjab Prov. Coop: Cotton Corp.		65	65
1	1	100	Pakistan Product Coop: Marketing		-	-
250	250	100	Anjuman Imdad-e-Bahami M.P. Society		12	12
30	30	1000	Pioneer Coop: Leather & Rubber Society		30	30
4	4	500	Punjab Prov. Coop: Marketing		2	2
10	10	100	West Pakistan Coop: Consumer Society		1	1
52	52	500	Sargodha Distt. Coop: Society		18	18
4	4	100	Sialkot Central Coop: Multi Purpose Society		-	-
200	200	50	Multan Distt. Coop: Multi Purpose Society		8	8
100	100	100	Lyalpur Distt. Coop: Multi Purpose Society		10	10
20	20	100	Lyalpur Distt. Coop: Store		1	1
1,020	1,020	100	Montgomery Coop: Society		102	102
250	250	100	Bahawalpur Coop: Society		25	25
500	500	100	Arifwala Mills Society		45	45
1	1	10	Jhang Coop: Supervising		-	-
200	200	50	Rawalpindi Multi Purpose Union		10	10
36,336,084	36,336,084				3,551	3,551
40,859,675	40,859,675				10,574	10,574
Impairment in available for sale listed shares / units					(1,589)	(1,589)
Investment in available for sale shares / units (net of impairment)					8,985	8,985
Surplus on revaluation of shares / units - net					516,704	617,762
Market value as on June 30, 2018					525,689	626,747

8.9.1 Listed companies shares recorded in past years at nil value represent bonus shares received.

8.9.2 The shares of Cooperative institutions showing Rs. Nil value is due to amounts rounded off to the nearest thousand rupees.

8.9.3 The Bank has 72.63% share holding (i.e. 36.3 million shares out of total 50 million shares) in Cooperative Insurance Society of Pakistan. Name of Chief Executive Officer of the society is Mr. Fateh Khan Niazi. The break up value of these shares as per audited financial statements for the year ended 31 December 2017 is Rs. 10.34 per share which is higher than the carrying amount of investments.



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NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017
	Rupees '000'	Rupees '000'
9 ADVANCES		
Loans, cash credits, running finances, etc. in Pakistan	11,813,862	11,284,485
Bills discounted and purchased (excluding treasury bills) payable in Pakistan	184	184
	11,814,046	11,284,669
Provisions against non-performing advances		
Specific	(1,605,893)	(1,605,893)
General	(378)	(378)
Advances - net of provision	10,207,775	9,678,398
9.1 Particulars of advances (Gross)		
9.1.1 In local currency	11,814,046	11,284,669
In foreign currencies	-	-
	11,814,046	11,284,669
9.1.2 Short Term (for upto one year)	9,298,863	9,343,939
Long Term (for over one year)	2,515,183	1,940,730
	11,814,046	11,284,669

9.2 Advances include Rs. 2,288,896 thousand (June 30, 2017: Rs. 2,246,337 thousand) which have been placed under non-performing status as detailed below.

	June 30, 2018				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Other Assets Especially Mentioned	389,235	-	389,235	124	-
Substandard	229,901	-	229,901	2,604	3,788
Doubtful	173,751	-	173,751	14,803	9,702
Loss	1,496,081	-	1,496,081	1,447,417	1,592,403
	2,288,968	-	2,288,968	1,464,948	1,605,893
	June 30, 2017				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Other Assets Especially Mentioned	316,231	-	316,231	-	-
Substandard	245,332	-	245,332	1,865	1,865
Doubtful	152,345	-	152,345	13,266	13,266
Loss	1,532,429	-	1,532,429	1,506,261	1,590,762
	2,246,337	-	2,246,337	1,521,392	1,605,893

9.3 Provision is computed as on June 30, 2018 after taking benefit of collaterals of non-performing loans.

9.4 Particulars of provision against non-performing advances

	June 30, 2018			June 30, 2017		
	Specific	General	Total	Specific	General	Total
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Opening balance	1,605,893	378	1,606,271	1,605,893	378	1,606,271
Charged for the year	-	-	-	-	-	-
	1,605,893	378	1,606,271	1,605,893	378	1,606,271

9.5 Particulars of provisions against non-performing advances

	June 30, 2018			June 30, 2017		
	Specific	General	Total	Specific	General	Total
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
In local currency	1,605,893	378	1,606,271	1,605,893	378	1,606,271
In foreign currency	-	-	-	-	-	-
	1,605,893	378	1,606,271	1,605,893	378	1,606,271

9.6 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended June 30, 2018 is Rs. Nil (2017: Rs. Nil).

9.7 The Bank has not adjusted its non-performing loans amounting to Rs. 673,468 thousands including mark-up thereon, against properties decreed in favor of Bank due to pending possession disputes.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

9.8 Particulars of loans and advances to directors (Key Executives), associated companies etc.

Debts due by directors, executives or officers	June 30, 2018	June 30, 2017
	<i>Rupees '000'</i>	<i>Rupees '000'</i>
Debits due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons:		
Balance at the beginning of the year	3,487	8,583
Loans granted during the year	4,754	6,741
Repayments	(1,181)	(11,837)
Balance as at end of the year	<u>7,060</u>	<u>3,487</u>
	<i>Note</i>	
	June 30, 2018	June 30, 2017
	<i>Rupees '000'</i>	<i>Rupees '000'</i>

10 OPERATING FIXED ASSETS

Capital work in progress	10.1	33,984	37,599
Property and equipment	10.2	7,142,177	7,132,520
Intangible assets	10.3	3,935	6,092
		<u>7,180,096</u>	<u>7,176,211</u>

10.1 Capital work in progress

	<i>Note</i>	As at July 01	Additions	Transfers	As at June 30
Civil works	10.1.1	23,762	-	-	23,762
ATM Machines		3,615	-	(3,615)	-
Advances to suppliers (Intangible Assets)	10.1.1	10,222	-	-	10,222
		<u>37,599</u>	<u>-</u>	<u>(3,615)</u>	<u>33,984</u>
2018		<u>27,376</u>	<u>10,223</u>	<u>-</u>	<u>37,599</u>
2017					

10.1.1 Amount reclassified from advances to suppliers to civil works Rs. 12,479 thousands for fair presentation.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

10.2 PROPERTY AND EQUIPMENT

	2018					2018					
	As at July 01 Rupees '000	Additions / Revaluations Rupees '000	Disposals Rupees '000	Transfers Rupees '000	As at June 30 Rupees '000	Rate %	As at July 01 Rupees '000	For the year Rupees '000	Adjustment Rupees '000	As at June 30 Rupees '000	Net book value as at June 30 Rupees '000
Leasehold land	-	-	-	-	-	-	-	-	-	-	-
Freehold land	110,479	-	-	-	110,479	-	-	-	-	-	110,479
Revaluation Surplus on Lease hold land	576,719	-	-	-	576,719	-	-	-	-	-	576,719
Revaluation Surplus on free hold land	6,292,056	-	-	-	6,292,056	-	-	-	-	-	6,292,056
Total	6,979,254	-	-	-	6,979,254	2.5	-	-	-	-	6,979,254
Building on leasehold land	4,286	1,050	-	-	5,336	2.5	2,325	76	-	2,401	2,935
Cultivating on freehold land	142,971	9,701	(1,328)	-	151,344	2.5	53,902	2,436	(237)	56,101	95,243
Furniture and fixtures	43,423	6,076	-	-	49,499	20	30,374	2,966	-	33,940	15,559
Electrical, office and computer equipment	60,666	8,827	-	-	69,493	20	31,967	6,357	-	38,324	31,169
Vehicles	72,909	3,442	(5,080)	-	71,271	20	51,982	6,570	(5,080)	53,472	17,799
Telephone exchange & conference system	1,108	89	-	-	1,197	20	1,008	24	-	1,032	165
Arms & ammunitions	270	5	-	-	275	20	209	13	-	222	53
	7,304,887	29,190	(6,408)	-	7,327,669		172,367	18,442	(5,317)	185,492	7,142,177



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2017					2017					Net book value as at
	As at	As at	As at	As at	As at	As at	As at	As at	As at		
	July 01	July 01	July 01	June 30	July 01	For the year	Adjustment	June 30	June 30		
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000		
Leasehold land	-	-	-	-	-	-	-	-	-		
Freehold land	110,479	-	-	110,479	-	-	-	-	110,479		
Revaluation Surplus on Lease hold land	-	576,719	-	576,719	-	-	-	-	576,719		
Revaluation Surplus on free hold land	4,350,798	1,941,268	-	6,292,056	-	-	-	-	6,292,056		
Total	4,461,267	2,517,987	-	6,979,254	-	-	-	-	6,979,254		
Building on leasehold land	4,286	-	-	4,286	2,275	50	-	2,325	1,961		
Building on freehold land	141,028	2,849	(906)	142,971	51,618	2,284	-	53,902	89,069		
Furniture and fixtures	41,227	2,196	-	43,423	27,498	3,476	-	30,974	12,449		
Electrical, office and computer equipment	50,208	10,458	-	60,666	23,634	8,303	-	31,967	28,699		
Vehicles	67,523	8,582	(3,196)	72,909	48,726	5,547	(2,291)	51,982	20,927		
Telephone exchange & conference system	1,058	50	-	1,108	975	33	-	1,008	100		
Arms & ammunitions	268	2	-	270	193	16	-	209	61		
	4,769,865	2,542,124	(4,102)	7,304,867	154,949	19,709	(2,291)	172,367	7,132,500		

10.2.1 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.

10.2.2 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 (2017: Rs. 110,479 million). Fair value has been assessed under 'Fair value hierarchy' level 3.

10.2.3 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 (2017: Rs. Nil). Fair value has been assessed under 'Fair value hierarchy' level 3.

10.2.4 The value of land and buildings include properties under litigation / disputes amounts to Rs. 101,183 million (2017: 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 property and management is of the view that no impairment is required to be recognised in these financial statements.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

10.2.5 Disposal of operating fixed assets

Items having cost of more than Rs. 1,000,000 or net book value of more than Rs. 250,000

Particulars	2018					Mode of disposal	Particulars of buyer
	Cost Rupees '000	Accumulated depreciation Rupees '000	Net book value Rupees '000	Disposal proceeds Rupees '000	Gain/(loss) on disposal Rupees '000		
Vehicle							
Toyota Corolla LEE-12-2328	1,555	1,555	-	-	-		As Per Company Policy
	1,555	1,555	-	-	-		Mr. Muhammad Mahmood (Employee)
Aggregate of other items having cost of less than Rs. 1,000,000 or net book value of less than Rs. 250,000	3,525	3,525	-	2,506	2,506		
	<u>5,080</u>	<u>5,080</u>	<u>-</u>	<u>2,506</u>	<u>2,506</u>		



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 Rupees '000'	June 30, 2017 Rupees '000'
11 DEFERRED TAX ASSETS - NET			
Deductible temporary differences on:			
Provision for gratuity		89,161	67,085
Provision for compensated leave absences		245,946	234,510
Provision for employees' pension fund		2,755,956	-
Provision against other assets		66,479	66,479
Provision for salary payable		44,285	340,000
Provisions against non-performing advances		1,606,271	-
Un-used tax losses		-	1,288,986
		<u>4,808,098</u>	<u>1,997,060</u>
Taxable temporary differences on:			
Operating fixed assets		40,191	38,026
Investments		427,056	528,114
		<u>467,247</u>	<u>566,140</u>
		<u>4,340,851</u>	<u>1,430,920</u>
Temporary differences for which no deferred tax is recognized			
In absence of future taxable profits projections, amount of Rs. 1,519,298 thousands (2017: Rs. 500,822 thousands) has not been recognized as deferred tax asset.			

	Note	June 30, 2018 Rupees '000'	June 30, 2017 Rupees '000'
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12 OTHER ASSETS

Income / markup accrued on loans and advances in local currency		681,018	626,929
Advances, deposits, advance rent and other prepayments		14,953	9,551
Sundry debtors		2,440	2,038
Profit receivable from banks		4,658	695
Crop insurance recoverable from SBP / Borrowers	12.1	107,338	125,725
Live stock insurance recoverable from SBP / Borrowers	12.1	20,429	16,894
Branch adjustment account		-	11,357
Others	12.2	26,639	26,978
		<u>857,475</u>	<u>820,067</u>

12.1 These include claims related to crops Rs. 76,230,421 and related to livestock Rs. 9,478,755 submitted with SBP after due process. Remaining amounts are in process and would be either claimed from SBP or would be recovered from borrowers.

12.2 Others

Other assets		93,118	93,457
Provision against other assets	12.2.1	(66,479)	(66,479)
Others (Net of provision)		<u>26,639</u>	<u>26,978</u>

12.2.1 Provision against other assets

Opening balance		66,479	66,479
Charge for the year		-	-
Reversals		-	-
Amount Written off		-	-
Closing balance		<u>66,479</u>	<u>66,479</u>

13 CONTINGENT ASSETS

There were no contingent assets of the Bank as at June 30, 2018 and June 30, 2017.

14 BILLS PAYABLE

In Pakistan	55,502	52,584
Outside Pakistan	-	-
	<u>55,502</u>	<u>52,584</u>

15 DEPOSIT AND OTHER ACCOUNTS

Fixed deposits		773,606	563,927
Savings deposits		3,124,543	2,826,634
Current accounts - non-remunerative		1,364,272	1,544,158
Call deposits		10,010	3,566
Other deposits	15.1	51,752	119,705
		<u>5,324,183</u>	<u>5,057,990</u>

The above deposits includes eligible deposits amounting to Rupees 5,041,880 thousands vide DPC Circular No. 04 of 2018 dated 22 June 2018.

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



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

15.2 Particulars of deposits

In local currency	5,324,183	5,057,990
In foreign currencies	-	-
	<u>5,324,183</u>	<u>5,057,990</u>

	Note	June 30, 2018 Rupees '000'	June 30, 2017 Rupees '000'
16 OTHER LIABILITIES			
Mark-up/ Return/ Interest payable in local currency		45,490	38,981
Accrued expenses		6,593	4,708
Provision for salary payable / VSS package		164,285	340,000
Sundry creditors	16.1	66,845	41,691
Advance taxation (payments less provisions)		43,817	19,332
Dissolved bank payable		37,427	37,427
Provision for employees' gratuity	30	89,161	67,085
Provision for employees' pension fund	30	2,755,956	2,372,155
Provision for employees' compensated absences	30	245,946	234,510
Withholding tax payable		10,710	12,900
Branch adjustment account		17,895	-
Others		84,963	41,293
		<u>3,569,088</u>	<u>3,210,082</u>

16.1 This includes amounts of Rs. 6,274 thousand 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 AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

17 SHARE CAPITAL

17.1 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.

17.2 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018		2017		Note	2018		2017	
No. of shares	No. of shares	No. of shares	No. of shares		Rupees '000	Rupees '000	Rupees '000	Rupees '000
Ordinary shares of Rs. 100 each								
78,492,691	78,492,691	Issued for cash			7,849,269		7,849,269	
Issued for other than cash:								
375,730	375,730	- as fully paid bonus shares			37,573		37,573	
<u>78,868,421</u>	<u>78,868,421</u>				<u>7,886,842</u>		<u>7,886,842</u>	
(12,859)	(13,604)	Refunded		17.2.1	(1,286)		(1,360)	
<u>78,855,562</u>	<u>78,854,817</u>				<u>7,885,556</u>		<u>7,885,482</u>	

17.2.1 Shares Refunded

13,604	16,213	As at July, 1			1,360		1,621	
-	417	Refunded during the year			-		42	
(745)	(3,026)	Reissued during the year			(74)		(303)	
<u>12,859</u>	<u>13,604</u>	As at June, 30			<u>1,286</u>		<u>1,360</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 of the Punjab Provincial Cooperative Bank Limited Bye-Laws 2010.

17.3 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 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.

18 RESERVES

	Note	2018		2017	
		Rupees '000	Rupees '000	Rupees '000	Rupees '000
Statutory reserve			737,622		707,659
Common good fund	18.1		4,486		5,214
As at end of the year			<u>742,108</u>		<u>712,873</u>

18.1 This reserve is created to provide for medical treatment to employees of the Bank with respect to any unforeseen accidents / injuries.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees '000	2017 Rupees '000
19	SURPLUS ON REVALUATION OF ASSETS		
	Surplus arising on revaluation of:		
	Fixed Assets	19.1 6,868,774	6,868,774
	Available-for-sale securities	19.2 516,704	617,762
	As at end of the year	<u>7,385,478</u>	<u>7,486,536</u>
19.1	Surplus on revaluation of fixed assets		
	As at July 01,	6,868,774	4,350,787
	Recognized during the year	-	2,517,987
	Reversal of deficit on account of properties written off	-	-
	Transfer to unappropriated profit on disposal	-	-
	As at June, 30	<u>6,868,774</u>	<u>6,868,774</u>
	Also refer to note 10.2		
19.2	Surplus on revaluation of available for sale securities		
	As at July 01,	617,762	433,157
	Recognized during the year	(101,058)	184,605
	As at June, 30	<u>516,704</u>	<u>617,762</u>
20	CONTINGENCIES AND COMMITMENTS		
20.1	Contingencies		
20.1.1	The Bank has total of 119 (2017: 118) cases under litigation in different courts. The total amount involved in such outstanding cases aggregate to;	<u>248,971</u>	<u>193,571</u>
20.1.2	Show cause notice by sales tax-under appeal	<u>5,041</u>	<u>5,041</u>
	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 before the Department.		
20.1.3	Income tax status / exposure:		
20.1.3.1	The Income Tax Returns up to the tax year 2017 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.		
20.1.3.2	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). Case is still pending in Appellate Tribunal Inland Revenue. 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.		
20.1.3.3	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.		



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 20.1.3.4 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 filed appeal before the appellate Tribunal against meager demand of Rs.0.194 million.
- 20.1.3.5 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.
- 20.1.3.6 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.
- 20.1.3.7 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/-.
- 20.1.3.8 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).
- 20.1.3.9 PRA had conducted the audit of PST, resultant 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.

	2018	2017
	Rupees '000	Rupees '000
20.2 Commitments		
20.2.1 - Civil work	<u>3,530</u>	<u>5,120</u>
20.2.2 - Intangible assets	<u>7,366</u>	<u>17,608</u>
21 MARK-UP/ RETURN / INTEREST EARNED		
On loans and advances		
to customers	1,611,394	1,513,681
to employees of the bank	38,649	31,911
On investments in held to maturity securities		
Treasury Bills / PIBs	136,981	119,528
On deposits with financial institutions	68,283	56,029
	<u>1,845,307</u>	<u>1,721,149</u>
22 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	150,119	110,447
	<u>150,119</u>	<u>110,447</u>
23 OTHER INCOME		
Rent on property	52,567	45,581
Net profit on sale of fixed assets	2,506	92
Profit on sale of books	8,187	7,104
Bank and service charges	8,147	7,158
Loan processing fee	30,787	31,845
Rent on lockers	1,045	983
	<u>103,239</u>	<u>92,763</u>



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<i>Note</i>	2018	2017
		<i>Rupees '000</i>	<i>Rupees '000</i>
24	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and benefits	891,203	941,457
	Charge for defined benefit plan	451,393	315,317
	Contribution to defined contribution plan	12,123	12,564
	Rent, taxes, insurance, electricity, etc.	60,342	51,372
	Legal and professional charges	6,419	6,308
	Communications	22,922	22,686
	Repairs and maintenance	5,738	3,602
	Stationery and printing	4,008	4,041
	Advertisement and publicity	3,691	1,684
	Subscription	1,000	1,000
	Auditors' remuneration	4,045	2,045
	Depreciation on property and equipment	18,442	19,709
	Amortization of intangible assets	2,157	2,157
	General bank charges	22,677	19,072
	Vehicles expenses	21,365	19,017
	Fuel for generator	4,518	6,078
	IT License fee	2,400	1,937
	Incentive paid to staff	12,985	2,927
	Others	18,001	15,401
		1,565,429	1,448,374
24.1	Auditors' remuneration		
	Statutory audit fee	2,000	2,000
	Other certifications	95	45
	Branches audit fee - Sadul Mubeen & Company	1,080	-
	Branches audit fee - Junaidy Shoaib Asad & Co.	870	-
		4,045	2,045
25	OTHER PROVISIONS / WRITE OFFS		
	Provision for salary payable	120,000	160,000
		120,000	160,000
26	TAXATION		
	Provision for taxation		
	for current year	45,570	30,944
	for prior years	-	-
		45,570	30,944



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
		<i>Rupees '000</i>	<i>Rupees '000</i>
26.1	Relationship between tax expense and total revenue		
	Total revenue for the year	<u>1,850,852</u>	<u>1,818,092</u>
	Tax on turnover	22,052	18,181
	Tax on separate block of income	23,518	12,763
	Tax for prior years	<u>-</u>	<u>-</u>
		<u>45,570</u>	<u>30,944</u>
26.2	Income from business has been charged under minimum tax regime at 1.25 % of total turnover due to brought forward accumulated tax losses.		
27	EARNINGS PER SHARE - BASIC		
	The calculation is given as under:		
		<u>2018</u>	<u>2017</u>
	Profit for the year (Rupees in Thousands)	<u>119,853</u>	<u>113,933</u>
	Weighted average number of ordinary shares (Numbers)	<u>78,855,562</u>	<u>78,854,817</u>
	Basic earnings per share (Rupees)	<u>1.52</u>	<u>1.44*</u>
	There is no dilutive effect on basic earnings per share during the year.		
	*Earning per share of last year is restated to correct calculations as per IAS 33.		
28	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	1,218,756	1,127,957
	Balance with other banks	805,565	1,482,580
		<u>2,024,321</u>	<u>2,610,537</u>
29	STAFF STRENGTH		
	Permanent	1,024	1,126
	Temporary / on contractual basis	606	575
	Daily wages / Others	156	155
		<u>1,786</u>	<u>1,856</u>



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

30 EMPLOYEES RETIREMENT BENEFITS

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.

Total number of employees covered under these benefits are

- Pension Fund 1,086 (2017: 1,048)
- Gratuity Fund 217 (2017: 232)
- Leave Encashment Scheme 806 (2017: 894)

30.1 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' gratuity scheme and employee's compensated absences were carried out at June 30, 2018. The principal actuarial assumptions used are as follows:

	Pension Fund		Gratuity Scheme		Compensated Absence	
	2018	2017	2018	2017	2018	2017
Valuation discount rate	9.00%	9.25%	9.00%	9.25%	9.00%	9.25%
Short term salary increase rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Long term salary increase rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Pension indexation rate	1.25%	1.25%	-	-	-	-
Expected return on plan asset	9.00%	9.25%	-	-	-	-
Leave accumulation factor (days)	-	-	-	-	15	15

30.2 Reconciliation of payable to defined benefit plan

	Pension Fund		Gratuity Scheme		Compensated Absence	
	2018	2017	2018	2017	2018	2017
Present value of defined benefit obligation	3,956,273	3,295,662	89,161	67,085	245,946	234,510
Fair value of plan asset	(1,200,317)	(919,146)	-	-	-	-
Net payable at the year end	<u>2,755,956</u>	<u>2,376,516</u>	<u>89,161</u>	<u>67,085</u>	<u>245,946</u>	<u>234,510</u>

30.3 Reconciliation of the net defined benefit obligation

	Pension Fund		Gratuity Scheme		Compensated Absence	
	2018	2017	2018	2017	2018	2017
Present value of defined benefit obligation as at July 01	2,372,155	2,559,948	67,085	60,292	234,510	220,959
Charge for the year	403,345	291,839	28,595	8,851	19,453	14,627
Contributions paid	(418,703)	(469,351)	-	-	-	-
Benefits paid	-	-	(19,474)	(2,089)	(8,017)	(1,076)
Other comprehensive (income) / loss	399,159	(10,281)	12,955	31	-	-
Present value as at June 30	<u>2,755,956</u>	<u>2,372,155</u>	<u>89,161</u>	<u>67,085</u>	<u>245,946</u>	<u>234,510</u>

30.4 Reconciliation of the present value of defined benefit obligation

	Pension Fund		Gratuity Scheme		Compensated Absence	
	2018	2017	2018	2017	2018	2017
Present value of defined benefit obligation as at July 01	3,295,662	3,117,490	67,085	60,292	234,510	220,959
Current service cost	71,266	68,473	4,467	3,519	351	1,825
Interest cost	297,657	273,546	6,137	5,332	21,676	19,838
Benefits paid	(155,491)	(156,200)	(19,474)	(2,089)	(8,017)	(1,076)
Actuarial (gain) / loss on obligation	315,159	(7,647)	12,955	31	(10,231)	(7,036)
Impact of Pension increase/Past Payments	132,020	-	17,991	-	7,657	-
Present value as at June 30	<u>3,956,273</u>	<u>3,295,662</u>	<u>89,161</u>	<u>67,085</u>	<u>245,946</u>	<u>234,510</u>

30.5 Movement in fair value of plan asset

	2018	2017
	Rupees '000	Rupees '000
Balance as at July 01	923,507	557,542
Expected return on plan asset	97,598	50,179
Contributions - bank	418,703	464,990
Amounts transferred / Donations / Other receipts	-	-
Contributions - employees	-	-
Benefits paid	(155,491)	(156,200)
Gain / (loss) on plan asset	(84,000)	2,635
	<u>1,200,317</u>	<u>919,146</u>
	13,598	52,814

30.6 Actual Return on Plan assets - Pension Fund

30.7 Net Cost for the year

The following amounts have been charged to the profit and loss account in respect of defined benefit plans:

	Pension Fund		Gratuity Scheme		Compensated Absence	
	2018	2017	2018	2017	2018	2017
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Current service cost	71,266	68,473	4,467	3,519	351	1,825
Net interest	200,059	223,366	6,137	5,332	21,676	19,838
Impact of Past Payments	-	-	17,991	-	7,657	-
Impact of Pension Increase	132,020	-	-	-	-	-
Amount transferred	-	-	-	-	(10,231)	(7,036)
Actuarial (gain) / loss	-	-	-	-	-	-
	<u>403,345</u>	<u>291,839</u>	<u>28,595</u>	<u>8,851</u>	<u>19,453</u>	<u>14,627</u>



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

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31 COMPENSATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Fees	4,355	3,084	-	-	12,452	11,125
Rent and house maintenance	485	482	-	-	2,900	2,771
Utilities	24	24	-	-	370	340
Medical	138	137	-	-	1,279	1,224
Conveyance	-	-	-	-	-	2
Others	4,680	4,411	-	-	8,112	8,101
	9,682	8,138	-	-	25,113	23,563
Number of persons	1	1	-	-	11	11

31.1 At present, the Secretary Co-operatives, Government of the Punjab is the Administrator of the Bank, having powers and duties of the Board of Directors.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 On-balance sheet financial instruments

	2018		2017	
	Book value	Fair Value	Book value	Fair Value
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Assets				
Cash balances with treasury banks	1,218,756	1,218,756	1,127,957	1,127,957
Balances with other banks	805,565	805,565	1,482,580	1,482,580
Investments	2,911,628	2,911,628	2,633,412	2,633,412
Advances	10,207,775	10,207,775	9,678,398	9,678,398
Other assets	857,475	857,475	820,067	820,067
Total	16,001,199	16,001,199	15,742,414	15,742,414
Liabilities				
Bills payable	55,502	55,502	52,584	52,584
Deposits and other accounts	5,324,183	5,324,183	5,057,990	5,057,990
Other liabilities	3,569,088	3,569,088	3,210,082	3,210,082
Total	8,948,773	8,948,773	8,320,656	8,320,656

32.2 The fair value of investments is based on quoted market price with the exception of unlisted securities and held to maturity securities.

32.3 In opinion of the management, fair value of the remaining financial assets are not significantly different from their carrying values since such assets are either short term in nature or in the case of customer loans and deposits which are frequently re-priced.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

33 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. Transactions with related parties, other than those disclosed in Note 31, are as follows:

		2018	2017
		Rupees '000	Rupees '000
Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term employee benefits	34,794	31,702
	Advances disbursed	4,754	6,741
	Advances recovered	(1,181)	(11,837)
	Markup earned	834	5,193
Provident fund trust	Contribution for the year	12,123	12,564
Pension fund trust	Contribution for the year	417,668	479,632
Balances with related parties			
Nature of relationship	Nature of transaction		
Key executives	Advances recoverable	5,784	3,486
Pension fund trust	Payable to pension fund trust	2,755,956	2,372,155

34 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Retail financing	Commercial banking	Total
	Rupees '000	Rupees '000	Rupees '000
2018			
Total income	1,650,043	350,928	2,000,971
Total expenses	(1,565,429)	(150,119)	(1,715,548)
Net income	84,614	200,809	285,423
Segment assets (gross)	19,913,438	5,030,255	24,943,693
Segment non performing loans	2,288,968	89,648	2,378,616
Segment provision required	1,464,948	-	1,464,948
Segment liabilities	8,783,283	45,490	8,828,773
Segment Return on net Assets (ROA) (%)	0.96%	4.10%	2.08%
Segment cost of funds (%)	2.82%	2.82%	2.82%
2017			
Total income	1,545,592	318,106	1,863,698
Total expenses	(1,608,374)	(110,447)	(1,718,821)
Net income	(62,782)	207,659	144,877
Segment assets (gross)	19,346,831	5,334,192	24,681,023
Segment non performing loans	2,246,337	89,648	2,335,985
Segment provision required	1,521,392	-	1,521,392
Segment liabilities	8,281,675	38,981	8,320,656
Segment Return on net Assets (ROA) (%)	-0.71%	3.99%	1.03%
Segment cost of funds (%)	2.18%	2.18%	2.18%



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

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35

CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan guidelines on capital adequacy is as follows:

Regulatory Capital Base

Tier I Capital

	2018 Rupees '000	2017 Rupees '000
Shareholders capital / assigned capital	7,885,556	7,885,482
Reserves	742,108	712,873
Unappropriated losses	(1,780,620)	(1,486,922)

Total Tier I Capital

	<u>6,847,044</u>	<u>7,111,433</u>
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Tier II Capital

Subordinated debt (up to 50% of total Tier I Capital)	-	-
General provisions subject to 1.25% of total risk weighted assets	378	378
Revaluation reserve (up to 50%)	3,692,739	3,743,268

Total Tier II Capital (restricted up to the amount of total tier I capital)

	<u>3,693,117</u>	<u>3,743,646</u>
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Eligible Tier III Capital

	-	-
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Total Regulatory Capital

(a)	<u>10,540,161</u>	<u>10,855,079</u>
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Risk-Weighted Exposures

	2018		2017	
	Book Value	Risk Adjusted	Book Value	Risk Adjusted
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Credit Risk				
Balance sheet items:-				
Cash and balances with treasury banks	1,218,756	-	1,127,957	-
Balances with other banks	805,565	161,113	1,482,580	296,516
Investments	2,911,628	525,689	2,633,412	626,747
Loans & advances	10,207,775	8,958,883	9,678,398	8,480,744
Operating fixed assets	7,180,096	7,180,096	7,176,211	7,176,211
Other assets	857,475	852,817	820,067	676,972
Sub-total	<u>23,181,295</u>	<u>17,678,598</u>	<u>22,918,625</u>	<u>17,257,190</u>
Off balance sheet items				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Guarantee acceptance	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
-Purchase	-	-	-	-
-Sale	-	-	-	-
Credit risk-weighted exposures	<u>-</u>	<u>17,678,598</u>	<u>-</u>	<u>17,257,190</u>
Market Risk				
General market risk	-	-	-	-
Specific market risk	-	-	-	-
Market risk-weighted exposures	<u>-</u>	<u>1,131,671</u>	<u>-</u>	<u>1,307,321</u>
Total risk-weighted exposures	<u>-</u>	<u>18,810,269</u>	<u>-</u>	<u>18,564,511</u>
Capital Adequacy Ratio [(a) / (b) x 100] (%age)		56.03		58.47

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, 2018, the paid up capital of the Bank net of losses amounts to Rs. 6,967,044 thousands which is in agreement with regulatory requirements (refer to note 17.3). The State Bank of Pakistan vide its Letter No. BPRD/BA&CPD/629/00343/15 dated 5 January 2015 and BPRD/BA&CPD/629/001346/16 dated 15 January 2016 allowed exemption with respect to CAR returns under Basel III till June 30, 2016. Although the period of exemption has expired but the bank could not so far implement Basel III capital instructions. 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.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

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36 RISK MANAGEMENT

36.1 Credit Risk

The Bank's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits Bank's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for doubtful receivable and through the prudent use of collateral for major amounts of credit. The management is of the view that the Bank is exposed to significant concentration of credit risk as its financial assets mostly relate to agriculture sector. Detail is given below:

36.1.1 Segmental Information

Segments by class of business	2018					
	Advances (gross)		Deposits		Contingencies	
	Rupees '000	%age	Rupees '000	%age	Rupees '000	%age
Agriculture, forestry, hunting and fishing	11,440,587	96.84	537,342	10.09	-	-
Mining and quarrying	-	-	-	-	-	-
Textile	-	-	35	-	-	-
Chemical and pharmaceuticals	-	-	-	-	-	-
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Power (electricity), gas, water, sanitary	-	-	-	-	-	-
Financial	-	-	-	-	-	-
Insurance	-	-	1,542	0.03	-	-
Services	-	-	-	-	-	-
Individuals	262,996	2.23	3,896,949	73.19	-	-
Others	110,463	0.94	888,418	16.69	248,971	100
	11,814,046	100	5,324,286	100	248,971	100

Segmental Information

Public / Government	1,000,000	8.46	-	-	248,971	100
Private	10,814,046	91.54	5,324,286	100	-	-
	11,814,046	100	5,324,286	100	248,971	100

36.1.2 Details of non-performing advances and specific provisions by class of business segment

	2018		2017	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Agriculture, forestry, hunting and fishing	2,179,133	1,509,762	2,115,118	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	18,759	20,685	17,686	20,685
Others	91,076	75,446	113,533	75,446
Total	2,288,968	1,605,893	2,246,337	1,605,893



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Details of non-performing advances and specific provisions by sector

Public / Government	2,288,968	1,605,893	2,246,337	1,605,893
Private	2,288,968	1,605,893	2,246,337	1,605,893

36.1.3 Geographical segment analysis

	2018			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Pakistan	286,423	23,181,295	14,362,522	248,971
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
Total	286,423	23,181,295	14,362,522	248,971



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FOR THE YEAR ENDED JUNE 30, 2018

36.2 Market risk

36.2.1 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 Pakistani Rupees and does not deal in foreign currency, therefore the Bank does not have any exposure which is liable to foreign exchange risk.

36.2.2 Yield / markup rate risk

Yield / markup 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 / markup rates will affect the value of financial instruments. The bank is exposed to yield / markup 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 / markup rate can be evaluated from the following:

	2018										Non-interest bearing financial	
	Effective yield / interest rate	Total	Up to 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
Assets												
Cash and balances with treasury banks	3.50% - 5.65%	1,218,766	1,178,4	-	-	-	-	-	-	-	-	1,200,872
Balances with other banks	8.20% - 11.25%	803,585	797,036	-	-	-	-	-	-	-	-	8,529
Investments	9% - 16%	2,911,628	515,138	2,385,639	1,352,191	2,623,440	4,029,884	159,543	543,886	110,944	857,475	
Advances		10,207,773	614,560	125,027	-	-	-	-	-	-	-	
Other assets		857,475	-	-	-	-	-	-	-	-	-	
Liabilities												
Bills payable		16,001,189	1,944,518	2,510,966	1,352,191	2,623,440	4,029,884	659,851	159,543	543,886	110,944	2,068,875
Deposits and other accounts	3.50% - 5.25%	55,502	-	-	-	-	-	-	-	-	-	55,502
Other liabilities		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
		3,569,088	-	-	-	-	-	-	-	-	-	3,569,088
On-balance sheet gap		6,948,773	1,865,822	178,898	812,606	271,196	75,342	6,726	682,603	12,627	54,091	4,988,882
Total Yield/Interest Risk Sensitivity Gap		7,032,426	78,696	2,332,068	538,585	2,332,244	3,954,542	682,125	(523,060)	531,259	56,853	(2,921,886)
Cumulative Yield/Interest Risk Sensitivity Gap		7,032,426	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	7,032,426



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	2011										Non-interest bearing	
	Effective yield / interest rate	Total	Up to 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												
Cash and balances with treasury banks	3.75%	1,127,957	17,794	-	-	-	-	-	-	-	-	1,110,173
Balances with other banks	3.50% - 5.65%	1,482,580	1,468,839	-	-	-	-	10,551	-	-	-	13,741
Investments	6.20% - 11.25%	2,633,412	626,747	1,996,114	-	-	-	-	-	-	-	-
Advances	9% - 15%	9,678,398	347,890	123,690	1,556,948	3,075,454	3,175,882	485,740	392,971	413,209	105,614	820,067
Other assets		820,067	-	-	-	-	-	-	-	-	-	-
		15,742,414	2,461,260	2,119,804	1,556,948	3,075,454	3,175,882	486,291	392,971	413,209	106,614	1,963,981
Liabilities												
Bills payable		52,584	-	-	-	-	-	-	-	-	-	52,584
Deposits and other accounts	3.50% - 5.25%	5,057,990	2,224,274	235,835	84,157	356,623	72,392	11,896	388,707	25,625	114,123	1,544,158
Other liabilities		3,210,082	-	-	-	-	-	-	-	-	-	3,210,082
		8,320,656	2,224,274	235,835	84,157	356,623	72,392	11,896	388,707	25,625	114,123	4,806,824
On-balance sheet gap		7,421,758	236,986	1,883,969	1,472,791	2,718,831	3,103,490	484,395	4,264	387,584	(7,509)	(2,862,843)
Total Yield/Interest Risk Sensitivity Gap		7,421,758	236,986	1,883,969	1,472,791	2,718,831	3,103,490	484,395	4,264	387,584	(7,509)	(2,862,843)
Cumulative Yield/Interest Risk Sensitivity Gap		7,421,758	236,986	2,120,955	3,593,746	6,312,577	9,416,067	9,900,262	9,904,526	10,292,110	10,284,601	7,421,758



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36.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Bank has diversified its funding sources and managed its assets with liquidity in mind thereby maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored on regular basis to ensure that the adequate liquidity is maintained. The maturity profile of the Bank's assets and liabilities is summarized below:

36.3.1 Maturities of assets and liabilities

	2018									
	Total	Up to 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
Assets										
Cash and balances with treasury banks	1,218,756	1,218,756	-	-	-	-	-	-	-	-
Balances with other banks	805,565	805,565	-	-	-	-	-	-	-	-
Investments	2,911,628	515,138	2,396,490	-	-	-	-	-	-	-
Advances	10,207,775	614,560	125,027	1,352,191	2,823,440	4,029,894	648,300	159,543	543,866	110,944
Other assets	857,475	105,864	675,681	5,097	40,867	3,437	9,056	15,919	322	230
Operating fixed assets	7,180,096	57,256	456	1,612	953	1,764	248	40,779	1,373	7,075,555
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Sub total	23,181,295	3,317,139	3,197,654	1,358,900	2,665,260	4,035,085	657,606	217,241	545,581	7,186,829
Liabilities										
Bills payable	55,502	55,502	-	-	-	-	-	-	-	-
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
Other liabilities	3,569,088	235,340	46,204	197	631	338	165,132	2,925	714	3,117,607
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub total	8,948,773	3,520,936	225,102	812,803	271,827	75,680	171,858	685,528	13,341	3,171,598
Net assets	14,232,522	(203,797)	2,972,552	546,097	2,393,433	3,959,405	485,748	(468,287)	532,240	4,015,131
Share capital	7,885,556									
Reserves	742,108									
Accumulated loss	(1,780,620)									
Surplus on revaluation of assets	6,847,044									
	7,385,478									
	14,232,522									

36.3.2 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 AND FORMING PART OF FINANCIAL STATEMENTS

36.3.3 Maturities of assets and liabilities

	2017									
	Total	Up to 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
Assets										
Cash and balances with treasury banks	1,127,957	1,127,957	-	-	-	-	-	-	-	-
Balances with other banks	1,482,580	1,482,580	-	-	-	-	-	-	-	-
Investments	2,633,412	626,747	2,006,665	-	-	-	-	-	-	-
Advances	9,678,398	347,890	123,680	1,596,948	3,075,454	3,175,882	485,740	392,971	413,209	106,614
Other assets	820,067	216,931	480,158	5,498	79,982	2,771	15,171	18,621	650	405
Operating fixed assets	7,176,211	20,006	345	814	1,342	3,023	261	44,107	1,505	7,104,808
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Sub total	22,918,625	3,822,111	2,610,958	1,563,260	3,156,658	3,181,676	501,172	455,699	415,364	7,211,827
Liabilities										
Bills payable	52,584	52,584	-	-	-	-	-	-	-	-
Deposits and other accounts	5,057,990	3,788,432	235,835	84,157	856,823	72,392	11,896	388,707	25,625	114,123
Other liabilities	3,210,082	278,020	22,460	197	163,920	338	371	3,533	-	2,741,243
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub total	8,320,656	4,099,036	298,295	84,354	1,020,743	72,730	12,267	392,240	25,625	2,865,966
Net assets	14,597,969	(276,925)	2,352,563	1,478,906	2,535,915	3,108,946	488,905	63,459	389,739	4,356,461
Share capital	7,885,482	-	-	-	-	-	-	-	-	-
Reserves	712,873	-	-	-	-	-	-	-	-	-
Accumulated loss	(1,486,922)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	7,111,433	-	-	-	-	-	-	-	-	-
	7,486,536	-	-	-	-	-	-	-	-	-
	14,597,969	-	-	-	-	-	-	-	-	-

36.3.4 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 AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

37 CREDIT RATING

SBP has exempted the Bank from credit rating requirements under Prudential Regulation G-4, till the completion of restructuring process vide letter no. BPRD/LRD-02/RATING/2009/1856 dated March 17, 2009.

38 Complaint Handling Mechanism

The Bank has established a separate Legal Department which deals with all type of complaints. During the year, 10 customer complaints and 8 banking Mohtasib complaints have been received directly. Time taken to resolve a complaint is on average 35 days for customer and 9 days for banking Mohtasib respectively, after confirmation by Legal Division of the bank.

39 EVENTS AFTER THE REPORTING PERIOD

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

40 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

41 CORRESPONDING FIGURES

The corresponding figures have been rearranged wherever necessary to facilitate comparison. Further, the following changes has been made in corresponding figures to conform to current year presentation:

Statement of Financial Position

Amount reclassified to "share capital" from "other assets - others" amounting to Rs.1,360 thousands.

Amount reclassified to "Other liabilities" from "other assets - Advance taxation " amounting to Rs.19,332 thousands.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 28-11-2018 by the Administrator of the Bank.

43 GENERAL

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


MUNIR AHMED

ACTING PRESIDENT/ CEO



ZAHID MANSOOR

CHIEF FINANCIAL OFFICER

