

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

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

CONTINGENCIES AND COMMITMENTS

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


President/CEO


Chief Financial Officer

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

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

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


President/CEO


Chief Financial Officer

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

	2019	2018
	Rupees in '000	
Profit after taxation for the year	262,356	119,853

Other comprehensive income

Items that may be reclassified to profit and loss account in subsequent periods:

Effect of translation of net investment in foreign branches	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-
Others	-	-

Items that will not be reclassified to profit and loss account in subsequent periods:

Remeasurement (loss) on defined benefit obligations - net of tax	(176,907)	(412,114)
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
Others	-	-
Total comprehensive income / (loss)	85,449	(292,261)

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


 President/CEO


 Chief Financial Officer

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

	Share capital/ Head office capital account	Statutory reserve	Sur.plus/(Deficit) on revaluation of			Common good fund	Unappropriated loss	Total
			Investments	Fixed / Non Banking Assets				
Opening Balance July 1, 2017	7,885,482	707,659	617,762	6,868,774	5,214	(1,486,922)	14,597,969	
Profit after taxation for the prior year	-	-	-	-	-	119,853	119,853	
Other comprehensive income - net of tax	-	-	-	-	-	(412,114)	(412,114)	
Transfer to statutory reserve	-	29,963	-	-	-	(29,963)	-	
Deficit on revaluation of assets	-	-	(101,058)	-	-	-	(101,058)	
Reissuance of shares	74	-	-	-	-	-	74	
Adjustment of defined benefit plan	-	-	-	-	-	28,526	28,526	
Medical aid to staff	-	-	-	-	(728)	-	(728)	
Opening Balance July 1, 2018	7,885,556	737,622	516,704	6,868,774	4,486	(1,780,620)	14,237,522	
Profit after taxation for the current year	-	-	-	-	-	262,356	262,356	
Other comprehensive income/(Loss) - net of tax	-	-	-	-	-	(176,907)	(176,907)	
Adjustment of Defined benefit plan	-	-	-	-	-	-	-	
Transfer to statutory reserve	-	65,589	-	-	-	(65,589)	-	
Transfer to common good fund	-	-	-	-	2,000	(2,000)	-	
Medical aid to staff	-	-	-	-	(550)	-	(550)	
Deficit on revaluation of assets	-	-	(119,276)	-	-	-	(119,276)	
Refund of shares	(66)	-	-	-	-	-	(66)	
Closing Balance June 30, 2019	7,885,490	803,211	397,428	6,868,774	5,936	(1,762,760)	14,198,079	

Rupees in '000

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


President/CEO


Chief Financial Officer

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

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

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


President/CEO


Chief Financial Officer

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

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

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

2.1 STATEMENT OF COMPLIANCE

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

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

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

-Directives issued by the SBP.

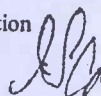
Whenever the requirements of the Ordinance, the Act, the Rules, and the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS, requirements of the Ordinance, the Act, the Rules, and the Companies Act, 2017 and the said directives shall prevail.

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

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

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

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



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

Impact of IFRS 15

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Critical accounting estimates and judgments

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

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

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

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

3. BASIS OF MEASUREMENT

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

4.1 Cash and cash equivalents

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

4.2 Deposits

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

4.3 Investments

The Bank classifies its investments as follows:

Held-to-maturity securities

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

Available-for-sale securities

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

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

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

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

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

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

4.4 Advances

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

4.5 Fixed assets and depreciation

a) Tangible assets

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