

THE BANK OF AZAD JAMMU AND KASHMIR
FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2019

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE BANK OF AZAD JAMMU AND KASHMIR**

Opinion

We have audited the financial statements of the Bank of Azad Jammu and Kashmir (the Bank), which comprise statement of financial position as at December 31, 2019, and profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and its Bye-Laws 2007 (the Bye-Laws).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 ethical requirements that are relevant to our audit of financial statements in Pakistan and we have fulfilled our other responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's report thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is

a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Act and the Bye-Laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are 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 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, 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 those charged with governance 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.

The engagement partner on the audit resulting in this independent auditor's report is Shahzad Ali.


Chartered Accountants

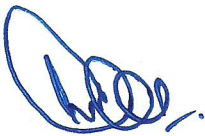
Islamabad

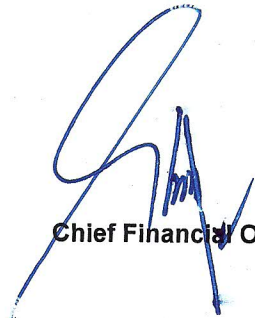
Date: 29 JUL 2020

**THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

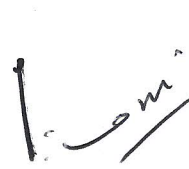
	2019	2018
	----- Rupees in '000-----	
ASSETS		
Cash and balances with treasury banks	5 3,005,671	2,305,587
Balances with other banks	6 7,308,507	7,101,072
Lendings to financial institutions	-	-
Investments	7 178,401	175,869
Advances	8 2,036,826	2,028,938
Fixed assets	9 238,881	130,195
Intangible assets	-	-
Deferred tax assets	10 22,426	20,930
Other assets	11 775,623	648,751
	13,566,335	12,411,342
LIABILITIES		
Bills payable	12 21,148	19,582
Borrowings	-	-
Deposits and other accounts	13 11,873,535	11,063,203
Liabilities against right of use assets	14 122,388	-
Subordinated debt	-	-
Deferred tax liabilities	-	-
Other liabilities	15 322,201	174,969
	12,339,272	11,257,754
NET ASSETS	1,227,063	1,153,588
REPRESENTED BY		
Share capital	16 1,027,192	933,811
Reserves	-	-
Deficit on revaluation of assets	17 (17,289)	(18,935)
Unappropriated profit	217,161	238,712
	1,227,063	1,153,588
CONTINGENCIES AND COMMITMENTS	18	


The annexed notes 1 to 39 form an integral part of these financial statements.


President


Chief Financial Officer


Director



Director



Director

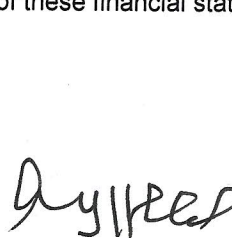
**THE BANK OF AZAD JAMMU AND KASHMIR
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2019**


	2019	2018
Note	-----Rupees in '000-----	
Mark-up / return / interest earned	19 1,279,455	935,967
Mark-up / return / interest expensed	20 <u>702,719</u>	<u>385,101</u>
Net mark-up / interest income	<u>576,736</u>	<u>550,866</u>
NON MARK-UP / INTEREST INCOME		
Fee and commission income	21 <u>16,234</u>	14,999
Dividend income	<u>8,107</u>	3,939
Foreign exchange income	-	-
Income from derivatives	-	-
Gain on securities	-	-
Other income	22 <u>3,051</u>	<u>2,751</u>
Total non-markup/ interest income	<u>27,392</u>	<u>21,689</u>
Total income	<u>604,128</u>	<u>572,555</u>
NON MARK-UP / INTEREST EXPENSES		
Operating expenses	23 <u>470,061</u>	421,995
Workers welfare fund	-	-
Other charges	-	-
Total non-markup / interest expenses	<u>470,061</u>	<u>421,995</u>
Profit before provisions	<u>134,066</u>	150,560
Provisions and write offs - net	24 <u>8,665</u>	<u>(22,053)</u>
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	<u>125,401</u>	<u>172,613</u>
Taxation	25 <u>(53,572)</u>	<u>(72,720)</u>
PROFIT AFTER TAXATION	<u>71,830</u>	<u>99,893</u>
	Rupees Restated	
Basic and diluted earnings per share	26 <u>0.70</u>	<u>0.97</u>

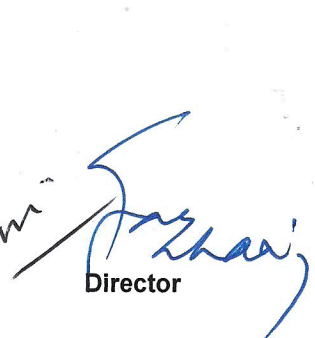
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President


Chief Financial Officer


Director





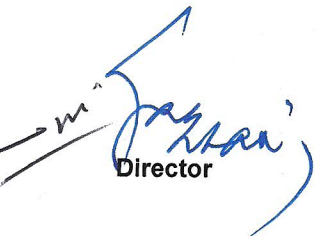

Director


Director

**THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	-----Rupees in '000-----	
Profit after taxation for the year	71,830	99,893
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus/ (deficit) on revaluation of investments - net	2,532	(14,675)
Related deferred tax (expense)/credit	(886)	5,136
	1,646	(9,539)
Total comprehensive income	73,475	90,354

The annexed notes 1 to 39 form an integral part of these financial statements.

 President	 Chief Financial Officer	 Director	 Director	 Director
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**THE BANK OF AZAD JAMMU AND KASHMIR
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

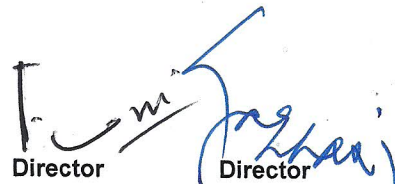
	Share capital	Surplus / (deficit) on revaluation	Unappropriated Profit	Total
----- Rupees in '000-----				
Balance as at Januray 01, 2018	848,919	(9,396)	223,711	1,063,234
Profit after taxation for the year ended December 31, 2018	-	-	99,893	99,893
Other comprehensive income				
Deficit on revaluation of available-for-sale securities - net of tax	-	(9,539)	-	(9,539)
Transactions with owners, recorded directly in equity				
Issue of bonus shares - note 16.5	84,892	-	(84,892)	-
Closing balance as at December 31, 2018	933,811	(18,935)	238,712	1,153,588
Profit after taxation for the year ended December 31, 2019	-	-	71,830	71,830
Other comprehensive income				
Deficit on revaluation of available-for-sale securities - net of tax	-	1,646	-	1,646
Transactions with owners, recorded directly in equity				
Issue of bonus shares - note 16.5	93,381	-	(93,381)	-
Closing balance as at December 31, 2019	1,027,192	(17,289)	217,161	1,227,063

The annexed notes 1 to 39 form an integral part of these financial statements.


President


Chief Financial Officer


Director


Director


Director

THE BANK OF AZAD JAMMU AND KASHMIR
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

2019 2018
Note -----Rupees in '000-----

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	125,401	172,613
Less: Dividend income	(8,107)	(3,939)
	<u>117,294</u>	<u>168,674</u>
Adjustments:		
Depreciation	56,269	24,789
Provision and write-offs	11,665	(22,053)
Interest expense on lease liability	(14,919)	-
Gain on sale of fixed assets	(22)	(9)
	<u>52,993</u>	<u>2,727</u>
	<u>170,288</u>	<u>171,401</u>
(Increase)/ decrease in operating assets		
Advances	(19,553)	385,327
Others assets (excluding advance taxation)	(140,357)	(199,819)
	<u>(159,910)</u>	<u>185,508</u>
Increase/ (decrease) in operating liabilities		
Bills payable	1,566	(12,226)
Deposits	810,332	1,515,988
Other liabilities (excluding current taxation)	155,714	7,897
	<u>967,612</u>	<u>1,511,659</u>
	<u>977,990</u>	<u>1,868,568</u>
interest paid on lease liability	14,919	
Income tax paid	(64,436)	(81,359)
Net cash generated from operating activities	<u>928,473</u>	<u>1,787,209</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	-	(50,000)
Net investments in held-to-maturity securities	-	199,247
Net proceeds from placements with banks	(2,983,777)	(1,528,100)
Dividend income received	8,107	3,939
Investments in operating fixed assets	(13,589)	(38,019)
Proceeds from sale of fixed assets	22	104
Net cash generated from investing activities	<u>(2,989,237)</u>	<u>(1,412,829)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	-	-
Principal paid against lease liability	(15,493)	-
Dividend paid	-	-
Net cash used in financing activities	<u>(15,493)</u>	<u>-</u>
decrease in cash and cash equivalents	(2,076,258)	374,380
Cash and cash equivalents at beginning of the year	3,921,559	3,547,179
Cash and cash equivalents at end of the year	<u>1,845,301</u>	<u>3,921,559</u>


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President


Chief Financial Officer


Director


Director


Director

