

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2011

	Note	Sep 30, 2011 (Rupees in '000)
ASSETS		
Cash and balances with treasury banks	8	3,170,522
Balances with other banks	9	1,058,340
Lendings to financial institutions	10	1,235,000
Investments		
Advances		
Operating fixed assets		158,979
Deferred tax assets		
Other assets		110,333
		5,733,174
LIABILITIES		
Bills payable		502
Borrowings		
Deposits and other accounts	11	1,300,000
Sub-ordinated loans		
Liabilities against assets subject to finance lease		
Deferred tax liabilities		
Other liabilities		1,392,022
		2,692,524
NET ASSETS		3,040,650
REPRESENTED BY:		
Head Office - capital account	12	-
Reserves		-
Accumulated loss		(64,680)
		(64,680)
Surplus on revaluation of assets		
		(64,680)

The annexed notes 1 to 20 form an integral part of these accounts.

Chief Executive Officer

Manager Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
PROFIT AND LOSS ACCOUNT
AS AT SEPTEMBER 30, 2011

	Sep 30, 2013 (Rupees in '000)
Mark-up / return / interest earned	4,592
Mark-up / return / interest expensed	-
Net mark-up / interest expense	4,592
Provision against non-performing loans and advances	-
Provision for diminution in the value of investments	-
Bad debts written off directly	-
Net Mark-up / return / income after provisions	4,592
NON MARK-UP / INTEREST INCOME	
Fee, commission and brokerage income	22
Dividend income	-
Loss from dealing in foreign currencies	(475)
Gain / (loss) on sale of securities	-
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading	-
Other income	-
Total non-mark-up / interest income	(453) 4,139
NON MARK-UP / INTEREST EXPENSES	
Administrative expenses	(68,819)
Other provisions / write-offs	-
Other charges	-
Total non-mark-up / interest expenses	(68,819) (64,680)
Extra ordinary / unusual items	-
LOSS BEFORE TAXATION	(64,680)
Taxation - Current	-
- Prior years	-
- Deferred	-
LOSS AFTER TAXATION	(64,680)
Loss per share - basic and diluted	-

The annexed notes 1 to 20 form an integral part of these accounts.

Chief Executive Officer

Manager Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
STATEMENT OF COMPREHENSIVE INCOME
AS AT SEPTEMBER 30, 2011

	Sep 30, 2013 (Rupees in '000)
Loss after taxation for the period	(64,680)
Other comprehensive income	-
Total comprehensive loss for the period	<u><u>(64,680)</u></u>

The annexed notes 1 to 20 form an integral part of these accounts.

Chief Executive Officer

Manager Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
CASH FLOW STATEMENT
AS AT SEPTEMBER 30, 2011

		Sep 30, 2013 (Rupees in '000)
Cash flows from operating activities		
Loss before taxation		(64,680)
Adjustments for non - cash items:		
Depreciation	13	603
Amortisation		-
(Gain) / loss on sale of operating fixed assets		-
Provision against non-performing loans and advances		-
Provision against other assets - net		-
		603
		(64,077)
Increase in operating assets		
Advances		
Others assets		(110,333)
		(110,333)
Increase in operating liabilities		
Bills payable		502
Borrowings		-
Deposits and other accounts		1,300,000
Other liabilities		1,392,022
		2,692,524
		2,518,114
Income tax paid		-
Net cash from operating activities		2,518,114
Cash flows from investing activities		
Net investment in operating fixed assets		(159,582)
Net investment in available for sale securities		-
Net cash used in investing activities		(159,582)
Cash flows from financing activities		
Remittance received from head office		2,986,166
Exchange adjustment on revaluation of capital		119,164
Net cash generated from financing activities		3,105,330
Increase in cash and cash equivalents		5,463,862
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		5,463,862

The annexed notes 1 to 20 form an integral part of these accounts.

Chief Executive Officer

Manager Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
STATEMENT OF CHANGES IN EQUITY
AS AT SEPTEMBER 30, 2011

	Head Office Account		Total
	Capital account	Accumulated loss (Rupees in '000)	
Received from head office during the period	2,986,166	-	2,986,166
Exchange adjustment on revaluation of capital	119,164		119,164
Total comprehensive income for the period		(64,680)	(64,680)
Balance as at September 30, 2011	3,105,330	(64,680)	3,040,650

The annexed notes 1 to 20 form an integral part of these accounts.

Chief Executive Officer

Manager Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2011

1. STATUS AND NATURE OF BUSINESS

Industrial and Commercial Bank of China Limited - Pakistan Branches (the Bank) has been established and commenced operations in Pakistan with effect from August 18, 2011. The Bank is a branch of Industrial and Commercial Bank of China Limited (Head Office) which is incorporated in the People's Republic of China. The Bank presently operates through two branches in Pakistan and is engaged in banking activities permissible under the Banking Companies Ordinance, 1962. The registered office of the Bank is located at Parsa Tower , P.E.C.H.S, Main Shahrah-e-Faisal, Karachi.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.

3.2 SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments which are revalued as referred to in note 5.3 below.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash and balances with treasury banks, balances with other banks and lendings to financial institutions having maturity of less than three months, less overdrawn nostros accounts (if any).

5.2 Repurchase / resale agreements

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these arrangements are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreements.

5.3 Investments

Investments are classified as follows:

Held for trading

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short-term trading exists.

Held to maturity

These are investments with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity.

Available for sale

These are investments which do not fall under the held for trading and held to maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investments.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the profit and loss account.

After initial recognition, quoted securities, other than those classified as held to maturity, are carried at market value. Unquoted securities are valued at cost less impairment in value, if any. Held to maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale investments is taken to a separate account which is shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Impairment is recognized when there is an objective evidence of significant and prolonged decline in the value of such securities. Provision for impairment against debt securities is made as per the aging criteria prescribed by the Prudential Regulations of the SBP and in case of unquoted equity securities on the basis of book value of investee's net assets.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

5.4 Advances

These are stated net of provisions for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations and is charged to the profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's risk assessment. Advances are written off when there are no realistic prospects of recovery.

5.5 Operating fixed assets - Tangible (owned)

Operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 13.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the fixed assets are written down to their recoverable amounts. The resulting impairment loss is taken to profit and loss account.

5.6 Provisions against liabilities

These are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

5.7 Provisions against off-balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fees, commission and brokerage income" over the period of contracts. The Bank's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

5.8 Revenue recognition

Mark-up / interest / return on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark-up is recognised on receipt basis. Markup / interest / return on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.

Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.

Fee, commission and brokerage income are recognised as services are performed.

5.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except. In respect of taxable temporary differences associated with investment in in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

5.10 Currency translation

Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Bank's functional currency and presentation currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities.

5.11 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period.

5.12 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

5.13 Off-setting

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.14 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recognized in the year in which these are approved, except appropriations required by the law which are recorded in the period to which they pertain.

5.15 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The segment reporting format has been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by SBP vide BSD Circular No.04, dated, 17 February 2006. The Bank's primary format of reporting is based on business segments.

5.15.1 Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc to individual customers, small merchants and Small and Medium Size Entities (SMEs).

Commercial banking

Commercial banking represents provision of banking services including treasury and international trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and SMEs treated as corporate under the Prudential Regulations.

5.15.2 Geographical segments

The Bank operates in Pakistan only

6. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
Classification of investments and provision for diminution in the value of investments	5.3 & 11
Provision against non-performing advances	5.4 & 12
Useful lives of assets and methods of depreciation	5.5 & 13

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO 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 would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, Interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of financial Statements – Presentation of items of comprehensive income	01 July 2012
IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 – Employee Benefits –(Amendment)	01 January 2013

The Bank expects that the adoption of the above revisions and amendments of the standards will not materially affect the Bank's financial statements in the period of initial application.

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

	IASB Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2013
IFRS 11 – Joint Arrangements	01 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 – Fair Value Measurement	01 January 2013

	Note	Sep 30, 2011 (Rupees in '000)
8. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency		<u>24</u>
		24
With State Bank of Pakistan in:		
Local currency current account	8.1	<u>65,168</u>
Foreign currency deposit account:		
Cash reserve account		
Capital account	8.2	<u>3,105,330</u>
		<u>3,170,498</u>
		<u><u>3,170,522</u></u>

8.1 This represents statutory cash reserve maintained under Section 36 of the State Bank of Pakistan Act, 1956.

8.2 This represents capital maintained with SBP in accordance with the requirements of Section 13 of the Banking Companies Ordinance, 1962.

9. BALANCES WITH OTHER BANKS

In Pakistan		
Current accounts		1,045,574
Outside Pakistan		
Current accounts	9.1	<u>12,766</u>
		<u><u>1,058,340</u></u>

9.1 This represents US Dollar amount held with the Head Office and carries interest at a rate of 0.14% per annum.

10. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency - call money lendings		<u><u>1,235,000</u></u>
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11. DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits		
Savings deposits		<u><u>1,300,000</u></u>
Current accounts - non-remunerative		

11.1 Particulars of deposits

In local currency		<u><u>1,300,000</u></u>
In foreign currencies		

12. HEAD OFFICE CAPITAL ACCOUNT

Capital deposited with SBP		<u><u>3,105,330</u></u>
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13. General

The figures in the financial statements may be rounded off to the nearest thousand rupees.

14. DATE OF AUTHORIZATION

The Management has authorized the accounts for issuance on 27 day of October, 2011.