

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL INFORMATION [UN-AUDITED]
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

1. LEGAL STATUS AND OPERATIONS

Saudi Pak Industrial and Agricultural Investment Company Limited ("the Company") is a public limited company incorporated in Pakistan jointly sponsored by the Kingdom of Saudi Arabia and the Government of Islamic Republic of Pakistan. The principal activity of the Company is to invest in the industrial and agro-based industrial projects in Pakistan on commercial basis and market their products in Pakistan and abroad.

The registered office of the Company is situated at Saudi Pak Tower , Jinnah Avenue, Islamabad.

2. BASIS OF PRESENTATION

- 2.1 This condensed interim unconsolidated financial information is presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.
- 2.2 This condensed interim unconsolidated financial information is unaudited and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2010. Comparative balance sheet is extracted from the annual audited financial statements for the year ended 31 December 2010 whereas comparative profit and loss account, statement of changes in equity, cash flow statement and statement of comprehensive income are stated from unaudited condensed interim financial information for the nine months period ended 30 September 2010.

3. STATEMENT OF COMPLIANCE

- 3.1 This condensed interim unconsolidated financial information of the Company for the nine months ended 30 September 2011 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the requirements of BSD Circular Letter No. 2 dated 12 May 2004 and provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962, and the directives issued by SECP and SBP have been followed.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Further, according to the notification of the SECP dated 28 April 2008, the International Financial Reporting Standard (IFRS) - 7 "Financial Instruments: Disclosures" has not been applicable for Banks and DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim unconsolidated financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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4. ACCOUNTING POLICIES AND ESTIMATES

Accounting policies, related judgments, estimates and assumptions adopted for the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2010 except for the inclusion of the following:-

Non-current asset classified as held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. For sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete plan must have been initiated.

New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial information other than certain additional disclosures:

- | | |
|---|-----------------------------|
| - Amendments to IFRS 12 - Deferred Tax | (effective 01 January 2012) |
| - Amendments to IFRS 1 - Presentation of Financial Statements | (effective 01 July 2012) |
| - Amendments to IFRS 19 - Employee Benefits | (effective 01 January 2013) |

5. FINANCIAL RISK MANAGEMENT

The Company's risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2010.

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6. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE	Unaudited September 30, 2011	Audited December 31, 2010
	Rupees	Rupees
Cost	165,750,000	-
Less:		
Amount received upon signing of sale agreement	(30,000,000)	-
Amount received against agreed quarterly installment	(10,000,000)	-
	(40,000,000)	-
Less: Fair valuation adjustment	(75,254,074)	-
	50,495,926	-

- 6.1** The Company has entered into an agreement dated 09 June 2011 to sell 16,575,000 ordinary shares of Rs. 10 each representing 73.67% of its shareholding in Saudi Pak Insurance Company Limited (the “subsidiary company”). The buyer has agreed to buy these shares at a price of Rs. 99.45 million which represents Rs. 6 per share. The buyer has paid an amount of Rs. 30 million upon signing of the sale agreement whereas the balance of Rs. 69.45 million is to be paid in seven quarterly installments comprising six quarterly installments of Rs. 10 million and seventh installment of Rs. 9.45 million. The buyer has paid the amount of first installment of Rs. 10 million which was due in September 2011. The buyer has further provided performance securities against purchase price which includes immovable properties of worth Rs. 40 million. The shares will be transferred to the buyer in piece meal as and when the payment is received by the Company and after retaining 30% margin till final payment.

Pursuant to aforementioned agreement, the Company's 73.67% investment in subsidiary has been classified as non-current asset held for sale in accordance with International Financial Reporting Standard - 5 "Non-current Assets Held for Sale and Discontinued Operations" and measured at fair value in accordance with requirement of IFRS 5. The difference between carrying value before classification as held for sale and fair value has been charged to profit and loss account.

7. LENDINGS TO FINANCIAL INSTITUTIONS	Unaudited September 30, 2011	Audited December 31, 2010
	Rupees	Rupees
Money market placements	51,111,111	153,805,000
Reverse repo PIBs	93,967,600	147,452,750
Certificate of Investments (COIs)	-	153,525,000
	145,078,711	454,782,750

8. INVESTMENTS	Note	Held by company Rupees	Given as collateral Rupees	Total Rupees
As on 30 September 2011 (Unaudited)	8.1	5,357,720,237	667,049,310	6,024,769,547
As on 31 December 2010 (Audited)	8.1	6,358,906,514	1,168,582,204	7,527,488,718

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		Unaudited	Audited
		September 30,	December 31,
		2011	2010
		Rupees	Rupees
8.1 INVESTMENTS BY TYPE			
	Held-for-trading securities	-	-
	Available-for-sale securities	4,582,994,549	5,557,856,078
	Held-to-maturity securities	2,418,377,956	2,514,206,436
		7,001,372,505	8,072,062,514
Subsidiaries			
	Saudi Pak Leasing Company Limited		
	-Investment in shares	243,467,574	243,467,574
	-Subordinated loan	333,208,501	333,208,501
8.2	Saudi Pak Insurance Company Limited	225,000,000	225,000,000
6	-Less: Transferred to non-current asset classified as held for sale	(165,750,000)	-
		59,250,000	225,000,000
	Saudi Pak Real Estate Company Limited	500,000,000	500,000,000
		8,137,298,580	9,373,738,589
	Provision for diminution in value of un-quoted investments	(252,619,633)	(252,619,633)
	Provision against subsidiaries	(576,676,075)	(576,676,075)
	Provision against held-to-maturity securities-TFCs	(135,555,188)	(58,730,000)
		(964,850,896)	(888,025,708)
		7,172,447,684	8,485,712,881
	Revaluation on quoted securities - AFS	91,034,022	(369,796,967)
	Revaluation on quoted securities - HFT	-	-
	Impairment loss on quoted securities	(1,238,712,159)	(560,731,645)
	Impairment loss on mutual funds	-	(27,695,551)
		(1,147,678,137)	(958,224,163)
	Investments (Net of Provisions)	6,024,769,547	7,527,488,718

8.2 To support Saudi Pak Leasing Company Limited (SPLC) in addressing its adverse financial position and minimum capital requirement; after approval of its Board of Directors, the Company has converted balance of clean placement amounting to Rs. 150 million and long term finance facilities amounting to Rs. 183.208 million to SPLC into an interest free subordinated loan with effect from May 28, 2009. However, due to conflicting regulations as applicable to NBFC's and DFI's relating to subordinated debt, the Board in its meeting held on January 12, 2011 has decided to convert the same into preference shares. The SBP has granted the approval for conversion of subordinated loan into equity till December 31, 2011.

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9. ADVANCES	Note	Unaudited September 30, 2011 Rupees	Audited December 31, 2010 Rupees
Loans, cash, credits, running finances, etc.			
In Pakistan		7,437,781,087	8,076,893,751
Outside Pakistan		-	-
		<u>7,437,781,087</u>	<u>8,076,893,751</u>
Net investment in finance lease			
In Pakistan		259,526,130	285,159,510
Outside Pakistan		-	-
		<u>259,526,130</u>	<u>285,159,510</u>
		<u>7,697,307,217</u>	<u>8,362,053,261</u>
Provision for non-performing advances	9.1	<u>2,311,372,127</u>	<u>2,031,674,676</u>
		<u>5,385,935,090</u>	<u>6,330,378,585</u>
Staff Loans & Advances		<u>13,199,809</u>	<u>13,625,441</u>
		<u><u>5,399,134,899</u></u>	<u><u>6,344,004,026</u></u>

9.1 Advances include Rs.3,098,210,087 (31 December 2010: Rs. 2,987,360,989) which have been placed under non-performing status as detailed below:-

-----30 September 2011-----					
Category of Classification	Domestic Rupees	Overseas Rupees	Total Rupees	Provision Required Rupees	Provision Held Rupees
Substandard	257,140,963	-	257,140,963	55,356,670	55,356,670
Doubtful	118,639,061	-	118,639,061	23,039,531	23,039,531
Loss	2,722,430,063	-	2,722,430,063	2,232,975,926	2,232,975,926
	<u>3,098,210,087</u>	<u>-</u>	<u>3,098,210,087</u>	<u>2,311,372,127</u>	<u>2,311,372,127</u>

-----31 December 2010-----					
Category of Classification	Domestic Rupees	Overseas Rupees	Total Rupees	Provision Required Rupees	Provision Held Rupees
Substandard	348,504,595	-	348,504,595	71,665,150	71,665,150
Doubtful	152,281,399	-	152,281,399	19,159,531	19,159,531
Loss	2,486,574,995	-	2,486,574,995	1,940,849,995	1,940,849,995
	<u>2,987,360,989</u>	<u>-</u>	<u>2,987,360,989</u>	<u>2,031,674,676</u>	<u>2,031,674,676</u>

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10. OTHER ASSETS	Note	Unaudited September 30, 2011 Rupees	Audited December 31, 2010 Rupees
Deposits, prepayments and other receivables	10.1	1,355,912,570	1,099,292,860
Income accrued and other receivables	10.2	321,969,325	339,473,360
		1,677,881,895	1,438,766,220
10.1 Deposits, prepayments and other receivables			
Advances to suppliers		6,265,621	10,981,436
Advances for purchase of shares		256,792	256,792
Security deposits		6,508,611	6,643,611
Prepayments		4,624,759	4,133,212
Non banking assets acquired in satisfaction of claims	10.1.1	399,978,887	-
Amounts receivable from stock brokers		20,288,221	199,499,237
Other receivables		922,064,741	878,035,364
		1,359,987,632	1,099,549,652
Less: Provision against other assets		(4,075,062)	(256,792)
		1,355,912,570	1,099,292,860

10.1.1 Market value of Non banking assets acquired in satisfaction of claims amounts to Rs. 460,573,000.

10.2 Income accrued and other receivables	Note	Unaudited September 30, 2011 Rupees	Audited December 31, 2010 Rupees
Dividend		3,891,507	-
Mark up/interest on long term loans and finances		1,048,990,853	961,992,729
Appraisal and other fees		6,960,537	6,624,905
Income from short term investments		269,633,770	239,880,381
Income from lease financing		68,484,954	68,146,885
Rental income		2,771,524	3,543,154
		1,400,733,145	1,280,188,054
Less: Suspense Account		957,686,271	807,435,099
Less: Provision for doubtful income receivables		121,077,549	133,279,595
		1,078,763,820	940,714,694
		321,969,325	339,473,360

11. OPERATING FIXED ASSETS

Carrying amount at beginning of the period		2,248,888,099	2,282,313,203
Additions during the period	11.1	15,519,632	79,574,694
Book value of disposals	11.2	(593,555)	(98,787)
Transfers		(72,217,564)	-
Depreciation for the period		(84,920,723)	(112,901,011)
Carrying amount at the end of the period		2,106,675,889	2,248,888,099

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		Unaudited September 30, 2011 Rupees	Audited December 31, 2010 Rupees
11.1 Additions during the period / year represents the following:-	Note		
Office equipments		1,591,267	4,598,055
Leasehold improvement		160,256	408,115
Electrical appliances		-	686,250
Building		2,232,130	72,217,564
Security systems		993,123	709,710
Motor vehicles		7,620,894	-
Elevators		2,664,310	-
Loose tool		-	955,000
Telephone installation		65,527	-
Softwares		192,125	-
		15,519,632	79,574,694
11.2 Book value of disposals			
Office equipments		135,442	41
Motor vehicles		458,113	-
Furniture, fixture & fittings		-	51,804
Heating and air-conditioning		-	43,914
Electrical appliances		-	2
Fire fighting equipment		-	3,026
		593,555	98,787
12. BORROWINGS FROM FINANCIAL INSTITUTIONS			
Against book debts / receivables		3,583,333,330	2,949,999,999
Against SBP refinance schemes		844,255,000	874,482,000
Against PIBs / T-bill repos		667,049,310	1,302,442,350
Against clean / letter based financing		1,004,000,000	2,011,009,745
		6,098,637,640	7,137,934,094
13. DEPOSITS AND OTHER ACCOUNTS			
Certificate of investments (COIs)	13.1	712,500,000	1,654,902,252
13.1			
These represent certificate of investments issued to various institutions. The mark up is charged at varying rates ranging from 12.50% to 13.85% per annum. These are repayable in period ranging from October 2011 to June 2012.			
14. OTHER LIABILITIES		Unaudited September 30, 2011 Rupees	Audited December 31, 2010 Rupees
Interest/markup accrued on borrowings		110,119,860	140,889,434
Directors' remuneration		2,313,711	3,091,587
Other payable and expenses accrued		93,673,554	101,569,101
		206,107,125	245,550,122

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15. CONTINGENCIES AND COMMITMENTS

There is no change in the status of contingencies and commitments of the Company from the status given in the preceding annual published financial statements for the year ended 31 December 2010 except for the following:

	Unaudited September 30, 2011 Rupees	Audited December 31, 2010 Rupees
Direct credit substitutes - Letter of comfort / guarantees	18,134,000	13,185,000
Non disbursed commitment for term and working capital finance	816,789,000	824,886,000
Commitment in respect of Forward exchange contracts <i>[USD 27.40 million (2010: USD 54.75 million)]</i>	2,445,433,000	4,750,355,000
Commitments for the acquisition of operating fixed assets	-	1,799,518
	3,280,356,000	5,590,225,518

16. MARK-UP/RETURN/INTEREST EARNED

	Unaudited September 30, 2011 Rupees	Audited September 30, 2010 Rupees
Income from investments	338,439,375	457,767,679
Income from advances	617,764,370	578,263,666
Income from lending to financial institutions	6,893,188	72,584,057
	963,096,933	1,108,615,402

17. MARK-UP/RETURN/INTEREST EXPENSED

Short Term Borrowings	332,189,958	415,381,762
Long Term Borrowings	282,565,742	322,796,607
Borrowing cost on Repos	110,473,771	119,435,040
Amortization of PIBs purchased on premium	12,695,993	12,695,993
Brokerage Fee & Commission	973,962	1,630,884
	738,899,426	871,940,286

18. RELATED PARTY TRANSACTIONS

18.1 Related parties comprise of directors, entities owned by the directors of the company, companies where directors of the company also hold directorship, key employees and entities that have key management personnel in common. The following are the related parties of the Company.

A - Subsidiary companies

B - Key management personnel

C - Companies with common directorship

Except for the matters reported in note 8.2 to the financial statements, transactions with the related parties are executed substantially on the same terms, including markup rates and collaterals, as those prevailing at the time for comparable transactions with the unrelated parties and do not involve more than a normal risk (i.e. under the comparable Uncontrolled Price Method)

Advances for the house building, conveyance and personal use have also been provided to staff and executives in accordance with the employment and pay policy. Facility of group life insurance and hospitalization facility is also provided to staff and executives. In addition to this, majority of executives of the company have been provided with company maintained car.

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18.2 Following are the transactions and balances with related parties:

Nature of balances / transactions	Name of the Entity	Unaudited September 30, 2011 Rupees	Audited December 31, 2010 Rupees
<u>Outstanding balances at the period / year end</u>			
Subsidiary companies			
Investments	Saudi Pak Real Estate Company Ltd	500,000,000	500,000,000
Investments	Saudi Pak Insurance Company Ltd	59,250,000	225,000,000
Fair value of shares classified as held for sale	Saudi Pak Insurance Company Ltd	50,495,926	-
Subordinated loan (refer note 8.2)	Saudi Pak Leasing Company Ltd	333,208,501	333,208,501
Investments	Saudi Pak Leasing Company Ltd	243,467,574	243,467,574
Placement against COIs		-	103,525,000
Employee funds			
Deposits against COIs	Employee Funds	12,500,000	15,073,753
<u>Transactions during the period</u>			
Subsidiary companies			
Adjustment against COIs placement	Saudi Pak Leasing Company Ltd	103,525,000	-
Interest income	Saudi Pak Leasing Company Ltd	-	458,441
Rent received	Saudi Pak Leasing Company Ltd	556,045	521,045
Rent received	Saudi Pak Insurance Company Ltd	740,925	521,045
Claims received	Saudi Pak Insurance Company Ltd	112,548	28,477
Premium paid	Saudi Pak Insurance Company Ltd	2,007,945	4,487,886
Fair valuation adjustment recognized	Saudi Pak Insurance Company Ltd	75,254,074	-
Companies with common directorship			
Borrowings availed	Pak Iran Joint Investment Company	-	1,696,000,000
Borrowings matured	Pak Iran Joint Investment Company	-	1,696,000,000
Interest expensed	Pak Iran Joint Investment Company	-	29,069,395
Rent received	Vision Network Television	-	3,216,927
Key management personnel			
Advances to executives		2,939,750	2,021,152
Repayment of advances		3,462,919	2,382,932
Employee funds			
Deposits against COIs		8,546,247	-
Maturity of deposits against COIs		11,120,000	-
Borrowings availed		15,029,589	-
Borrowings matured		15,029,589	-
Contribution to the employees provident fund		2,637,259	3,383,785
Interest expense		721,813	1,773,510

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19. MINIMUM CAPITAL REQUIREMENT

During the period the company appropriated its accumulated losses of Rs. 448.459 million through Reserve Fund in order to meet the Minimum Capital Requirement (MCR) of Rs. 6,000 million, net of losses, in accordance with State Bank of Pakistan's letter No. BSD/BAI-3/608/3624/2011 dated March 24, 2011.

20. GENERAL

20.1 This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors of the Company in the meeting held on _____.

20.2 Figures in these accounts have been rounded off to the nearest rupee.

General Manager/Chief Executive

Director

Director

Chairman