

SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED]
FOR THE PERIOD ENDED JUNE 30, 2023

1 STATUS AND NATURE OF BUSINESS

Saudi Pak Industrial and Agricultural Investment Company Limited (the Company) was incorporated in Pakistan as a private limited company on December 23, 1981 and subsequently converted to public limited company on April 30, 2008. The Company is jointly sponsored by the Government of Kingdom of Saudi Arabia (KSA) and the Government of the Islamic Republic of Pakistan (GOP). The Company is a Development Financial Institution (DFI) and principally engaged in lendings and investments in the industrial and agro-based industrial companies in Pakistan on commercial basis. The Company was initially setup for a period of fifty years and upon mutual consent of the KSA and Government of Pakistan the duration of Company has been further extended for another period of fifty years.

The registered office of the Company is situated at Saudi Pak Tower, Jinnah Avenue, Islamabad. The Company is also operating through its offices in Lahore and Karachi.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 BASIS OF PREPARATION

- 2.1.1** These unconsolidated condensed interim financial statements represent separate financial statements of the Company.
- 2.1.2** These unconsolidated condensed interim financial statements are presented in Pak Rupee, which is the Company's functional and presentational currency.
- 2.1.3** These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except the certain classes of fixed assets and non banking assets acquired in satisfaction of claims, which are stated at revalued amounts and certain investments have been marked to market and carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

2.2 STATEMENT OF COMPLIANCE

- 2.2.1** These unconsolidated condensed interim financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. Approved accounting standards comprise of:
 - International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

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- Provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or directives issued by the SBP and SECP differ with the requirements of IAS 34, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.2.2** The SBP, vide its Banking Supervision Department (BSD) Circular Letter no. 11 dated September 11, 2002 has deferred the applicability of IAS 40, Investment Property, for banking companies and DFI till further instructions. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks and DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements.
- 2.2.3** The SECP through its SRO 633 (I)/2014 dated July 10, 2014 adopted IFRS 10, Consolidated Financial Statements for periods starting from June 30, 2014. However, SECP through SRO 56 (I)/2016 dated January 28, 2016, notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.
- 2.2.4** These unconsolidated condensed interim financial statements have been presented in accordance with the requirements of format prescribed by SBP vide BPRD Circular No. 02 of 2023 dated February 09, 2023 and IAS 34. These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual unconsolidated financial statements and should be read in conjunction with the audited annual unconsolidated financial statements for the year ended December 31, 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual unconsolidated financial statements of the Company for the year ended December 31, 2022 except for early adoption of IFRS-9 w.e.f January 01, 2023.

On January 01, 2023, the company adopted IFRS 9 Financial Instruments. IFRS 9 introduces new requirements for the classification and measurement of financial instruments; the recognition and measurement of credit impairment provisions.

The Company has not restated comparative information. This primarily impacts provisioning of financial assets which is determined on an expected credit loss basis under IFRS 9, however the provisioning is recorded higher of amount determined under IFRS 9 and the prudential regulations requirements of SBP.

The Company has recorded net expected loss of Rs. 699.9 million which was adjusted against retained earnings. The Company also recorded net increase of Rs. 628.3 million due to reclassification of investments from available for sale to fair value through other comprehensive income and amortised cost. The new IFRS 9 accounting policies are stated in note 3.1.

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3.1 Impacts of Adoption of IFRS-9

3.1.1 Classification and measurement of financial instruments

IFRS-9 contains three main classification categories for financial assets, i.e. to be measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit & loss (FVTPL). The classification and subsequent measurement is dependent on the business models as mentioned in IFRS-9 that comprises of Hold to Collect – financial assets held with the objective to collect contractual cash flows; Hold to Collect and Sell – financial assets held with the objective of both collecting contractual cash flows and selling financial assets Other – financial assets held with trading intent or that do not meet the above criteria. Financial liabilities will be measured at amortized cost except those classified as held for trading and opted to measure them at fair value.

The Company has arrived at the below given classification and measurement mapping for its financial assets.

Portfolio / Business Model		Financial asset measurement	
Financial assets portfolio	Business model	Asset is SPPI	Asset is not SPPI
Advances and Debt Investments originated by CFD	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Bank Deposits / Cash	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Placements with Financial Institutions	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to resale	Other	At Fair Value through Profit and Loss (SPPI test not applicable)	
Debt Investments originated by Treasury Division with the intent to hold to collect and sell	Hold to Collect and Sell	At Fair Value through Other Comprehensive Income	At Fair Value through Profit and Loss
Debt Investments originated by Treasury Division with the intent to hold to collect	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss
Equity Investments	Other	<ul style="list-style-type: none"> Quoted: At Fair Value through Profit & Loss or Fair Value through OCI (Irrevocable option) Unquoted: At Fair Value through Other Comprehensive Income Strategic investment: N/a 	
Staff Advances	Hold to Collect	At Amortized Cost	At Fair Value through Profit and Loss

3.1.2 Reclassification

Reclassification of financial assets will only be made in exceptional cases along with the rationale for the change in the business model (under which they were managed) that has led to the reclassification. Such changes must be demonstrable to external parties.

3.1.3 Write-offs

The gross carrying amount of a credit instrument will be reduced when there is no reasonable expectation of recovery, in accordance with the terms of its Write-Off policy. Write-off constitutes a derecognition event.

3.1.4 Impairment of financial assets

The IFRS-9 has replaced the incurred credit loss method to "expected credit loss method", i.e. "ECL". It requires to record an allowance for all financial assets not held at FVTPL.

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The Company, under IFRS-9 follows a three stage approach to impairment, i.e. Stage 1 (Performing / low credit risk), Stage 2 (Underperforming / Significant Increase in Credit Risk) & Stage 3 (Non-performing).

Under Stage 1, provisions are recognized at an amount equal to 12-month expected credit loss on the credit instrument.

Under Stage 2, provisions are recognized at an amount equal to lifetime expected credit loss on the credit instrument. The lifetime expected credit loss is based on the lifetime probability of default over the residual tenure of the credit instrument.

Under Stage 3, provisions are recognized at an amount as specified in the prevailing SBP Prudential Regulations or the lifetime expected credit loss on the credit instrument, whichever is higher. The lifetime expected credit loss is based on a 100% probability of default.

3.1.5 Expected Credit Loss (ECL) Model

The Company uses three main components to calculate ECL. These are Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). ECL is calculated separately for each credit instrument as the product of the PD, LGD, and EAD of the instrument, discounted to present value by the effective interest rate on the credit instrument.

Expected Lifetime

The expected lifetime is a significant factor in ECL calculation of a credit instrument, and is taken as the residual contractual period of the instrument.

Probability of Default (PD)

Saudi Pak has in place a well-established internal credit risk rating mechanism governed by the Board-approved Internal Credit Risk Rating Policy.

Loss Given Default (LGD)

The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Company expects to receive.

Exposure at Default (EAD)

The Company uses credit conversion factors (CCFs) / usage factors (UFs) to determine the Exposure at Default.

3.1.6 Transitioning adjustments

The comparative period have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS-9 have been recognized in opening retained earnings as of January 01, 2023, as per detail given below:-

Unappropriated profit

	Unaudited Rupees
Retained earnings as of December 31, 2022	4,175,180,394
IFRS - 9 Impact	
Credit loss allowance	(825,937,469)
Reclassification adjustment in relation to adopting IFRS 9	(175,426,724)
Deferred tax on ECL	272,559,365
Deferred tax on FVTPL	28,945,409
Related deferred tax impact	301,504,774
Revised Retained Earnings as of January 01, 2023	3,475,320,975

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	Unaudited Rupees
Balances with Other banks	
As at December 31, 2022	127,875,540
IFRS 9 Impact	
Credit loss allowance	(581,837)
Reclassification adjustment - Accrued markup	1,074,553
As at January 01, 2023	128,368,256
Investment	
As at December 31, 2022	36,321,015,128
IFRS 9 Impact	
Credit loss allowance	(65,777,941)
Reclassification adjustment - Accrued markup	1,672,475,796
Reclassification adjustment of FVOCI to amortised cost	719,100,564
As at January 01, 2023	38,646,813,547
Advances	
As at December 31, 2022	9,119,290,062
IFRS 9 Impact	
Credit loss allowance	(758,215,288)
Reclassification adjustment - Accrued markup	530,155,076
As at January 01, 2023	8,891,229,850
Other assets	
As at December 31, 2022	3,675,883,486
IFRS 9 Impact	
Reclassification adjustment - Accrued markup	(2,203,705,425)
As at January 01, 2023	1,472,178,061
Other liabilities	
As at December 31, 2022	835,273,389
IFRS 9 Impact	
Credit loss allowance	1,362,403
As at January 01, 2023	836,635,792
Surplus on revaluation of assets - net	
As at December 31, 2022	1,313,231,385
IFRS 9 Impact	
Reclassification of debt securities	719,100,564
Reclassification of deferred tax	(237,303,186)
	481,797,378
Reclassification of quoted securities	175,426,724
Reclassification of deferred tax	(28,945,409)
	146,481,315
As at January 01, 2023	1,941,510,078

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<u>Deferred tax assets</u>	<u>Unaudited</u> <u>Rupees</u>
As at December 31, 2022	58,011,030
IFRS 9 Impact	
Reclassification of deferred tax in relation to adopting IFRS 9	(237,303,186)
Deferred tax on Credit loss allowance in relation to adopting IFRS 9	272,559,364
	35,256,178
As at January 01, 2023	93,267,208

3.1.7 Transition due to adoption of IFRS 9

	Audited			Un-audited
	31 December 2022	Expected Credit loss Allowances	Reclassification adjustments in relation to adopting IFRS 9	01 January 2023
	----- "Rupees" -----			
ASSETS				
Cash and balances with treasury banks	116,437,350	-	-	116,437,350
Balances with other banks	127,875,540	(581,837)	1,074,553	128,368,256
Non-current asset classified as held for sale	-	-	-	-
Lendings to financial institutions	-	-	-	-
Investments	36,321,015,128	(65,777,941)	2,391,576,360	38,646,813,547
Advances	9,119,290,062	(758,215,288)	530,155,076	8,891,229,850
Property and equipment	4,140,381,949	-	-	4,140,381,949
Right of Use Assets	41,414,620	-	-	41,414,620
Intangible assets	6,392,003	-	-	6,392,003
Deferred tax assets	58,011,030	272,559,365	(237,303,187)	93,267,208
Other assets	3,675,883,486	-	(2,203,705,425)	1,472,178,061
	53,606,701,168	(552,015,701)	481,797,377	53,536,482,844
LIABILITIES				
Bills payable	-	-	-	-
Borrowings	36,774,866,849	-	-	36,774,866,849
Deposits and other accounts	1,953,000,000	-	-	1,953,000,000
Lease liabilities	-	-	-	-
Subordinated debt	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	835,273,389	1,362,403	-	836,635,792
	39,563,140,238	1,362,403	-	39,564,502,641
NET ASSETS	14,043,560,930	(553,378,104)	481,797,377	13,971,980,203
REPRESENTED BY				
Share capital	6,765,000,000	-	-	6,765,000,000
Statutory reserve	1,431,486,211	-	-	1,431,486,211
General reserve	358,662,940	-	-	358,662,940
Surplus on revaluation of assets - net	1,313,231,385	-	628,278,692	1,941,510,077
Unappropriated / unremitted profit	4,175,180,394	(553,378,104)	(146,481,315)	3,475,320,975
	14,043,560,930	(553,378,104)	481,797,377	13,971,980,203

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3.1.8 Reclassification of investments due to adoption of IFRS-9	Unaudited
Reclassification for Available for sale securities (AFS)	Rupees
Balance as at December 31, 2022 - Audited	34,820,500,128
Equity securities reclassified to FVTPL	(1,487,154,488)
Debt securities reclassified to amortised cost	(5,578,040,800)
Debt securities reclassified through FVOCI	(26,507,452,921)
Equity securities reclassified through FVOCI	(1,247,851,919)
AFS investment as at January 01, 2023 - Unaudited	-

3.2 Accounting policies of financial instruments:

The Company classifies its financial assets into the following categories: amortized cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVTPL). Financial liabilities are classified as amortized cost. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

3.2.1 Financial assets held at amortized cost and fair value through other comprehensive income

Debt instruments held at amortized cost or held at fair value through other comprehensive income (FVOCI) have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin. Whether financial assets are held at amortized cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Company manages financial assets to generate cash flows. The Company makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

3.2.2 Equity instruments designated as held at FVOCI

Company may elect to classify irrevocably its non-trading equity instrument acquired for strategic purposes as held at FVOCI. Dividends received are recognized in profit or loss. Gains and losses on these equity instruments are recognized directly in equity and are never recycled to profit and loss.

3.2.3 Financial assets held at fair value through profit or loss

Financial assets which are not held at amortized cost or that are not held at fair value through other comprehensive income are held at fair value through profit or loss.

3.2.4 Financial liabilities held at amortized cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortized cost.

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3.2.5 Initial recognition

Purchases and sales of financial assets and liabilities are initially recognized on the settlement date. All financial instruments are initially recognized at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

3.2.6 Subsequent measurement

Financial assets and financial liabilities held at amortized cost

Financial assets and financial liabilities held at amortized cost are subsequently carried at amortized cost using the effective interest method.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealized gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognized in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss.

Derecognition of financial instruments

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss except for equity instruments elected FVOCI.

Financial liabilities are derecognized when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires.

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3.3 Standards, interpretations of and amendments to published approved accounting and reporting standards that are effective in the current period

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these unconsolidated condensed interim financial statements.

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

There are various other standards, interpretations and amendments to accounting standards as applicable in Pakistan that are not yet effective in the current period. These are not likely to have material effect on the Company's financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual unconsolidated financial statements for the year ended December 31, 2022 except the effects of adoption of IFRS - 9.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual unconsolidated financial statements for the year ended December 31, 2022. These risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with the emerging risks.

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	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
6 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	279,752	285,888
With State Bank of Pakistan in		
Local currency current account	126,534,845	116,151,462
	<u>126,814,597</u>	<u>116,437,350</u>
7 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	3,897,377	84,376,565
In deposit accounts	81,096,768	43,498,975
Less: Credit loss allowance held against balance with other banks	(142,436)	-
Balances with other banks - net of credit loss allowance	<u>84,851,709</u>	<u>127,875,540</u>
8 NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE		
Cost of investment reclassified from investments		
- Investment in ordinary shares	243,467,574	243,467,574
- Investment in preference shares	333,208,501	333,208,501
Less: Provision on investment	<u>(576,676,075)</u>	<u>(576,676,075)</u>
	-	-
Less: Amounts received	-	-
	<u>-</u>	<u>-</u>

- 8.1** The Company's investment in Saudi Pak Leasing Company Limited (the "associate company") has been classified as non-current asset held for sale in accordance with International Financial Reporting Standards 5 "Non-current Assets Held for Sales and Discontinued Operations" and measured at lower of carrying amount at designation and fair value less cost to sell.

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	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
9 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	250,298,959	-
Letter based placement	127,317,326	-
	377,616,285	-
Less: Credit loss allowance held against lending to financial institutions	(170,809)	-
Lendings to Financial Institutions - net of credit loss allowance	377,445,476	-

9.1 Lending to FIs- Particulars of credit loss allowance

		Unaudited 30 June 2023		Audited 31 December 2022	
		Lending	Credit loss allowance held	Classified Lending	Provision held
		Rupees		Rupees	
Domestic					
Performing	Stage 1	377,616,285	170,809	-	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		377,616,285	170,809	-	-
Total		377,616,285	170,809	-	-

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10 INVESTMENTS

10.1 Investments by type:	June 30, 2023 (Unaudited)				December 31, 2022 (Audited)			
	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
	-----Rupees-----				-----Rupees-----			
FVTPL								
Shares- Quoted securities	1,485,136,419	-	(2,111,481)	1,483,024,938	-	-	-	-
	1,485,136,419	-	(2,111,481)	1,483,024,938	-	-	-	-
FVOCI								
Federal Government Securities								
-Pakistan Investment Bonds (PIBs)	27,659,081,338	-	(1,536,945,038)	26,122,136,300	-	-	-	-
-Market Treasury Bills	16,354,134,678	-	7,209,322	16,361,344,000	-	-	-	-
Shares- Quoted securities	661,298,468	-	21,014,717	682,313,185	-	-	-	-
Non Government Debt Securities								
-Term Finance Certificates (TFCs) / Sukuk	1,282,206,965	(158,956,803)	297,700	1,123,547,862	-	-	-	-
Un-quoted securities	783,833,048	(273,833,040)	-	510,000,008	-	-	-	-
	46,740,554,497	(432,789,843)	(1,508,423,299)	44,799,341,355	-	-	-	-
Amortised cost								
Federal Government Securities								
-Pakistan Investment Bonds (PIBs)	6,436,493,587	-	-	6,436,493,587	-	-	-	-
Non Government Debt Securities								
-Term Finance Certificates (TFCs) / Sukuk	2,131,254,107	(790,439,379)	-	1,340,814,728	-	-	-	-
	8,567,747,694	(790,439,379)	-	7,777,308,315	-	-	-	-
Available-for-sale securities								
Federal Government Securities								
-Pakistan Investment Bonds (PIBs)	-	-	-	-	32,994,355,755	-	(1,800,587,455)	31,193,768,300
-Market Treasury Bills	-	-	-	-	-	-	-	-
Provincial Government Securities								
Shares- Quoted securities	-	-	-	-	32,994,355,755	-	(1,800,587,455)	31,193,768,300
Non Government Debt Securities								
-Term Finance Certificates (TFCs) / Sukuk	-	-	-	-	3,265,391,260	(941,511,580)	(98,873,281)	2,225,006,399
-Commercial paper	-	-	-	-	969,651,845	(80,266,424)	2,340,000	891,725,421
Un-quoted securities	-	-	-	-	783,833,048	(273,833,040)	-	510,000,008
	-	-	-	-	38,013,231,908	(1,295,611,044)	(1,897,120,736)	34,820,500,128
Held-to-maturity securities								
Non Government Debt Securities								
-Term Finance Certificates (TFCs) / Sukuk	-	-	-	-	1,529,701,077	(529,186,077)	-	1,000,515,000
Subsidiaries								
Saudi Pak Real Estate Company Limited	500,000,000	-	-	500,000,000	500,000,000	-	-	500,000,000
Total Investments	57,293,438,610	(1,223,229,222)	(1,510,534,780)	54,559,674,608	40,042,932,985	(1,824,797,121)	(1,897,120,736)	36,321,015,128

10.1.1 Saudi Pak Real Estate Company Limited is 100% owned subsidiary incorporated in Pakistan. As per latest audited accounts of December 31, 2022, it total assets were Rs. 811.046 million, Liabilities were Rs. 21.981 million, total revenue was Rs. 33.286 million, profit after tax was Rs. 42.903 million and total comprehensive income was Rs. 42.938 million.

10.1.2 The Company has investment in unsecured subordinated TFCs of Rs. 299.760 million, issued by Silk Bank Limited (the Issuer). Instalments carrying markup aggregating to Rs. 59.78 million and principal of Rs. 90,000 are outstanding against such issue due to which, a provision of Rs. 22.185 million has been incorporated in these Financial Statements under expected credit loss (ECL) model as per IFRS 9. The referred outstanding instalments have not been cleared due to "lock in event" that restricts the Issuer to make payment without the approval of the State Bank of Pakistan (SBP) to avoid Issuer's noncompliance with capital adequacy ratio. The Issuer's operations are continuing without any restriction and it is expected that the above restriction shall be lifted soon by SBP as corrective measures are in progress. The debt obligation under TFCs is duly recognized by the Issuer and the application for allowing the payment is pending with SBP.

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	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
10.2 Investments given as collateral		
The market value of investments given as collateral is as follows:		
Pakistan Investment Bonds (PIBs)	27,870,479,392	27,399,908,300
Treasury Bills	16,354,134,678	-
	<u>44,224,614,070</u>	<u>27,399,908,300</u>

10.3 Credit Loss Allowance / Provision for diminution in value of investments

10.3.1 Opening balance	1,824,797,121	1,620,682,243
Impact of reclassification due to adoption of IFRS-9	(664,012,245)	-
Impact of remeasurement due to adoption of IFRS-9	65,777,941	-
Charge / reversals		
Charge for the period / year	10,823,023	264,524,009
Reversals for the period / year	(14,156,618)	(16,471,728)
Reversal on disposals	-	(43,937,403)
	<u>(3,333,595)</u>	<u>204,114,878</u>
Transfers - net	-	-
Closing balance	<u>1,223,229,222</u>	<u>1,824,797,121</u>

10.3.2 Particulars of credit loss allowance / provision against debt securities

Category of classification	Unaudited June 30, 2023		Audited December 31, 2022	
	Outstanding amount	Credit loss allowance held	NPI	Provision
	-----Rupees-----		-----Rupees-----	
Domestic				
Performing	Stage 1	1,956,134,062	29,891,208	-
Under performing	Stage 2	538,780,199	34,708,163	-
Non-performing	Stage 3	-	-	-
Substandard		-	-	-
Doubtful		-	-	-
Loss		918,546,811	884,796,811	643,202,501
		<u>3,413,461,072</u>	<u>949,396,182</u>	<u>643,202,501</u>
Overseas		-	-	-
Total		<u>3,413,461,072</u>	<u>949,396,182</u>	<u>643,202,501</u>

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11 ADVANCES

	Performing		Non Performing		Total	
	Unaudited June 30, 2023	Audited December 31, 2022	Unaudited June 30, 2023	Audited December 31, 2022	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----					
Loans, leases, running finances- gross	8,947,191,858	8,696,407,690	3,269,447,853	2,778,130,890	12,216,639,711	11,474,538,580
Credit loss allowance / Provision against advances						
- Stage 1	(151,301,186)	-	-	-	(151,301,186)	-
- Stage 2	(409,354,055)	-	-	-	(409,354,055)	-
- Stage 3	-	-	(2,975,167,294)	-	(2,975,167,294)	-
- Specific	-	-	-	(2,268,864,901)	-	(2,268,864,901)
- General	-	(86,383,617)	-	-	-	(86,383,617)
	(560,655,241)	(86,383,617)	(2,975,167,294)	(2,268,864,901)	(3,535,822,535)	(2,355,248,518)
Advances - net of credit loss allowance / provision	<u>8,386,536,617</u>	<u>8,610,024,073</u>	<u>294,280,559</u>	<u>509,265,989</u>	<u>8,680,817,176</u>	<u>9,119,290,062</u>

11.1 Particulars of advances (Gross)

	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
In local currency	12,216,639,711	11,474,538,580
In foreign currencies	-	-
	<u>12,216,639,711</u>	<u>11,474,538,580</u>

11.2 Advances include Rs. 3,269,447,853 (December 31, 2022: Rs. 2,778,130,890) which have been placed under non-performing / Stage 3 status as detailed below:-

Category of Classification		Unaudited June 30, 2023	Audited December 31, 2022
		Non Performing Loans	Provision
		-----Rupees-----	
Domestic			
Substandard	Stage 3	-	-
Doubtful	Stage 3	-	270,000,000
Loss	Stage 3	3,269,447,853	2,268,864,901
Total		<u>3,269,447,853</u>	<u>2,268,864,901</u>

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11.3 Particulars of credit loss allowance / provision against advances

	Unaudited June 30, 2023				Audited December 31, 2022		
	Stage 3	Stage 2	Stage 1	Total	Specific	General	Total
	-----Rupees-----				-----Rupees-----		
Opening balance	2,268,864,901	43,191,808	43,191,809	2,355,248,518	2,241,352,677	-	2,241,352,677
Impact of reclassification due to adoption of IFRS-9	535,064,854	-	-	535,064,854	-	-	-
Impact of remeasurement due to adoption of IFRS-9	214,985,430	422,757,197	120,472,661	758,215,288	-	-	-
Charge for the period/year	-	-	3,939,088	3,939,088	146,592,629	86,383,617	232,976,246
Reversals	(43,747,891)	(56,594,950)	(16,302,372)	(116,645,213)	(119,080,405)	-	(119,080,405)
	(43,747,891)	(56,594,950)	(12,363,284)	(112,706,125)	27,512,224	86,383,617	113,895,841
Amounts written off	-	-	-	-	-	-	-
Closing balance	<u>2,975,167,294</u>	<u>409,354,055</u>	<u>151,301,186</u>	<u>3,535,822,535</u>	<u>2,268,864,901</u>	<u>86,383,617</u>	<u>2,355,248,518</u>

11.3.1 In accordance with BSD circular No. 1 of 2011 dated October 21, 2011 issued by the SBP, as of June 30, 2023 the company has availed FSV benefit aggregating to Rs. nil (2022: Rs. 374.266 million, net of tax Rs.265.729 million). Accordingly, accumulated profit to the extent of Rs. nil (2022: Rs. 374.266 million) are not available for the distribution as cash or stock dividend as required by the aforementioned SBP directives.

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
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FOR THE PERIOD ENDED JUNE 30, 2023

11.4 Advances - Particulars of credit loss allowance / provision

	Unaudited June 30, 2023				Unaudited December 31, 2022			
	Stage 3	Stage 2	Stage 1	Total	Stage 3	Stage 2	Stage 1	Total
	Rupees				Rupees			
Opening balance	2,268,864,901	43,191,808	43,191,809	2,355,248,518	-	-	-	-
Impact of reclassification due to adoption of IFRS-9	535,064,854	-	-	535,064,854	-	-	-	-
Impact of remeasurement due to adoption of IFRS-9	214,985,430	422,757,197	120,472,661	758,215,288	-	-	-	-
New advances	-	-	3,939,088	3,939,088	-	-	-	-
Advances derecognised or repaid	(43,747,891)	(23,804,973)	(7,742,627)	(75,295,491)	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	(43,747,891)	(23,804,973)	(3,803,539)	(71,356,403)	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-	-
Change in risk parameters	-	-	-	-	-	-	-	-
Other changes	-	(32,789,977)	(8,559,745)	(41,349,722)	-	-	-	-
Closing balance	2,975,167,294	409,354,055	151,301,186	3,535,822,535	-	-	-	-

11.5 Advances - Category of Classification

Category of Classification		Unaudited June 30, 2023		Audited December 31, 2022	
		Outstanding amount	Credit loss allowance held	Non Performing Loans	Provision
		Rupees		Rupees	
Domestic					
Performing	Stage 1	6,711,690,956	151,301,186	-	-
Under performing	Stage 2	2,235,500,902	409,354,055	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	270,000,000	-
Loss		3,269,447,853	2,975,167,294	2,508,130,890	2,268,864,901
Total		12,216,639,711	3,535,822,535	2,778,130,890	2,268,864,901

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		Unaudited June 30, 2023	Audited December 31, 2022
	Note	-----Rupees-----	
12	PROPERTY AND EQUIPMENT		
	Capital work-in-progress - Electrical equipment	49,540,588	40,256,613
	Property and equipment	4,048,208,327	4,100,125,336
		<u>4,097,748,915</u>	<u>4,140,381,949</u>
		Unaudited	
		For the six months ended	
		June 30, 2023	June 30, 2022
		-----Rupees-----	
12.1	Additions to property and equipment		
	The following additions have been made to property and equipment during the period:		
	Capital work-in-progress	9,283,975	8,997,551
	Property and equipment		
	Building on leasehold land	1,478,706	-
	Furniture and fixtures	2,049,949	-
	Office equipment	2,742,085	2,974,621
	Vehicles	27,251,076	-
	Security systems	262,600	498,641
	Electrical fitting, fire fighting equipment and others	2,106,126	9,777,090
		<u>35,890,542</u>	<u>13,250,352</u>
	Total	<u>45,174,517</u>	<u>22,247,903</u>
12.2	Disposal of property and equipment		
	The net book value of property and equipment disposed off during the period is as follows:		
	Furniture and fixture	12	-
	Office equipment	660,688	3,788
	Vehicles	3,125,434	2,223,445
	Electrical fitting, fire fighting equipment and others	5	-
	Total	<u>3,786,139</u>	<u>2,227,233</u>
		Unaudited June 30, 2023	Audited December 31, 2022
		-----Rupees-----	
13	RIGHT OF USE ASSET		
	Office Space		
	As at January 01,		
	Cost	46,380,627	37,910,624
	Accumulated depreciation	(4,966,007)	(28,201,354)
	Net carrying amount at January 01	<u>41,414,620</u>	<u>9,709,270</u>
	Additions during the period	-	46,380,627
	Deletions during the period	-	-
	Depreciation charge for the period	(8,432,841)	(14,675,277)
	Net carrying amount	<u>32,981,779</u>	<u>41,414,620</u>
14	INTANGIBLE ASSETS		
	Computer Software	<u>4,555,637</u>	<u>6,392,003</u>

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		Unaudited For the six months ended	
		June 30, 2023	June 30, 2022
		-----Rupees-----	
14.1	Additions to intangible assets		
	The following additions have been made to intangible assets during the period:		
	Directly purchased	-	1,743,885
		Unaudited June 30, 2023	Audited December 31, 2022
15	OTHER ASSETS	Rupees	
	Income/ mark-up accrued in local currency - net of provision		
	On investments	-	1,672,475,796
	On advances	-	530,155,076
	On lending to financial institutions	-	-
	On deposits	-	1,074,553
		-	2,203,705,425
	Advances, deposits, advance rent and other prepayments	23,640,194	24,031,294
	Advance taxation (payments less provisions)	1,661,472,727	1,255,502,709
	Excise duty	78,817,895	78,817,895
	Non-banking assets acquired in satisfaction of claims	50,575,360	51,651,432
	Dividend receivable	71,512,266	34,641,773
	Other receivables	18,673,780	4,896,126
		1,904,692,222	3,653,246,654
	Less: Credit Loss Allowance / Provision held against other assets	(256,792)	(256,792)
	Other assets (net of provision)	1,904,435,430	3,652,989,862
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	22,416,674	22,893,624
	Other assets - total	1,926,852,104	3,675,883,486
15.1	The subject property located in a building situated in Township Lahore acquired in settlement transaction of outstanding facility of M/s Irfan Textile (Pvt.) Limited in the year 2007. Business activity could not be started since the building was constructed due to pending approval of building map and the issuance of completion certificate from Lahore Development Authority (LDA). Management is hopeful to dispose off the same once the NOC is arranged and provided by the plaza owners.		

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
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		Unaudited June 30, 2023	Audited December 31, 2022
15.2	Credit Loss Allowance / Provision held against other assets		
	Note	Rupees	
	Advances, deposits, advance rent & other prepayments	<u>256,792</u>	<u>256,792</u>
16	BORROWINGS		
	Secured		
	State Bank of Pakistan (SBP) refinance scheme		
	Long term financing facility	<u>2,150,637,431</u>	2,195,224,199
	Temporary economic relief facility	<u>477,267,436</u>	491,424,500
		<u>2,627,904,867</u>	2,686,648,699
	Repurchase agreement borrowings	<u>43,842,736,272</u>	27,775,718,150
	Against book debts/receivables	<u>5,566,489,076</u>	4,812,500,000
	Total secured	<u>52,037,130,215</u>	35,274,866,849
	Unsecured		
	Call borrowings	-	1,500,000,000
	Total unsecured	<u>-</u>	1,500,000,000
		<u>52,037,130,215</u>	<u>36,774,866,849</u>
17	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	- Term deposits (local currency)	17.1 <u>3,993,039,719</u>	1,953,000,000
17.1	Composition of deposits		
	- Public Sector Entities	<u>3,078,337,013</u>	1,343,000,000
	- Non-Banking Financial Institutions	<u>10,054,542</u>	10,000,000
	- Private Sector	<u>904,648,164</u>	600,000,000
		<u>3,993,039,719</u>	<u>1,953,000,000</u>
17.1.1	These Certificate of Investments (COIs) carry mark up at the rates ranging from 17.87% to 22.97% (2022: 16.12% to 17.06%) per annum with maturity on July 2023 to January 2024 (2022: March 2023 to November 2023).		
17.1.2	All deposits are in local currency.		

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	Unaudited June 30, 2023	Audited December 31, 2022
	Rupees	
18 DEFERRED TAX LIABILITIES / (ASSETS)		
Deductible temporary differences on		
Actuarial loss on defined benefit plan	(7,201,506)	(7,201,506)
Deficit on revaluation of securities - FVOCI / AFS	(501,247,117)	(609,735,752)
Deficit on revaluation of securities - FVTPL / HFT	(29,293,804)	-
Credit loss allowance / provision on non-performing loans	(902,762,397)	(656,967,000)
Impairment loss on quoted securities - FVTPL	(74,504,463)	-
Impairment loss on quoted securities - FVOCI	(50,058,152)	(106,340,876)
	(1,565,067,439)	(1,380,245,134)
Taxable temporary differences on		
Accelerated tax depreciation	43,712,896	39,252,624
Dividend receivable	20,738,557	10,046,114
Right of Use Assets	(192,174)	3,310,736
Surplus on revaluation of operating fixed assets	1,249,662,766	1,269,624,630
	1,313,922,045	1,322,234,104
	(251,145,394)	(58,011,030)
19 OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	-	378,356,147
Accrued expenses	9,626,226	32,301,635
Advance rental income	123,518,092	154,619,487
Security deposits against rented properties	40,467,740	40,959,597
Payable to defined benefit plan	4,901,519	10,219,869
Provision for compensated absences	8,317,856	9,672,514
Directors' remuneration	-	-
Payable to stock brokers - net	-	76,825,002
Lease liability against ROU assets as per IFRS - 16 Leases	33,564,126	31,382,086
Dividend payable to shareholder - MOF-KSA	82,500,000	82,500,000
Credit loss allowance against off-balance sheet obligations	36,568,251	-
Others	57,856,037	18,437,052
	397,319,847	835,273,389
19.1 Credit loss allowance against off-balance sheet obligations		
Opening balance	-	-
Impact of remeasurement due to adoption of IFRS-9	1,362,403	-
	-	-
Charge for the period / year	35,205,848	-
Reversals	-	-
	35,205,848	-
Closing balance	36,568,251	-

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		Unaudited June 30, 2023	Audited December 31, 2022
		Rupees	
20	SURPLUS ON REVALUATION OF ASSETS - NET		
	(Deficit) / surplus on revaluation of		
	- Securities measured at FVOCI - Debt	10.1 (1,529,438,016)	(1,897,120,736)
	- Securities measured at FVOCI - Equity	21,014,717	-
	- Fixed assets (Property and equipment)	3,786,856,881	3,847,347,375
	- Non-banking assets acquired in satisfaction of claims	22,416,674	22,893,624
		2,300,850,256	1,973,120,263
	Deferred tax on (deficit) / surplus on revaluation of:		
	- Securities measured at FVOCI - Debt	504,714,545	609,735,752
	- Securities measured at FVOCI - Equity	(3,467,428)	-
	- Fixed assets (Property and equipment)	(1,249,662,766)	(1,269,624,630)
		(748,415,649)	(659,888,878)
		1,552,434,607	1,313,231,385
21	CONTINGENCIES AND COMMITMENTS		
	-Guarantees	21.1 1,851,249,700	70,000,000
	-Commitments	21.2 1,637,988,217	759,115,718
		3,489,237,917	829,115,718
21.1	Guarantees:		
		1,851,249,700	70,000,000
21.2	Commitments:		
	Commitments for acquisition of:		
	- Operating fixed assets	2,109,676	8,935,734
	- Intangible assets	2,177,375	2,525,000
		4,287,051	11,460,734
	Non disbursed commitment for term and working capital finance	1,633,701,166	747,654,984
		1,637,988,217	759,115,718

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED]
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21.3 Contingencies

21.3.1 Tax contingencies

- i) The Appellate Tribunal Inland Revenue (ATIR) Islamabad did not accept the Company's contention on certain matters in appeals relating to tax years 2004 to 2006, 2008 to 2010 and 2012 to 2014. These issues mainly relate to disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime. The Company has filed tax references before the Islamabad High Court. For tax years 2004 to 2006 and 2008 to 2010 the Islamabad High Court (IHC) remanded back the matters of disallowance of provision for non performing loans and apportionment of expenses between income subject to final tax regime and normal tax regime to the assessing officer. However, appeal effect proceedings yet to commence. For tax year 2012 to 2014, cases are still pending adjudication. The Company however, accounted for the impact of tax of Rs. 617.237 million on provision for non performing loans & advances by routing it through Profit & Loss in the year 2018. The related tax demands for all the aforesaid tax years aggregate to Rs 1,091.694 million, out of which Rs 635.194 million has been paid by / recovered from the Company.
- ii) For the tax years 2015 to 2018, the assessing officer amended the Company's assessment under section 122(5A) of the Income Tax Ordinance 2001 and created an aggregate tax demand of Rs. 1,463.932 million by making various add backs and disallowances. The Company preferred appeals before Commissioner Inland Revenue - Appeals [CIR(A)] who in terms of separate appellate orders remanded majority of the matters to the assessing officer and on certain matters upheld the actions of assessing officer. The Company has preferred separate appeals before ATIR for aforesaid cases which are pending adjudication.
- iii) For tax years 2015 to 2017 proceedings under section 161 were initiated and cumulative demand of Rs. 276.482 million was created on account of alleged default in withholding of tax out of which Rs 26.034 million has been paid by / recovered from the Company. The Company preferred appeal before the CIR(A) who remanded certain issues and upheld certain matters. The Company preferred further appeal before ATIR which is pending adjudication.

The management, based on the opinion of its legal counsels, believes that the above mentioned matters are likely to be decided in favour of the Company at superior appellate forums and therefore no further charge is required to be recognised in these unconsolidated condensed interim financial statements.

21.3.2 Other contingent liabilities

There is no change in the status of contingencies and commitments of the Company from the status given in the preceding audited annual financial statements for the year ended December 31, 2022.

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
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FOR THE PERIOD ENDED JUNE 30, 2023

		Unaudited	
		For the six months ended	
		June 30, 2023	June 30, 2022
		-----Rupees-----	
22	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	Loans and advances	662,072,578	393,003,525
	Investments	3,063,786,416	1,631,389,546
	Lendings to financial institutions	42,864,743	3,554,633
	Balances with banks	3,414,155	1,562,881
		<u>3,772,137,892</u>	<u>2,029,510,585</u>
23	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	Deposits	341,515,534	164,455,638
	Borrowings		
	Securities purchased under repurchase agreements	2,753,724,405	1,297,926,076
	Other short term borrowings	227,203,497	261,640,797
	SBP refinance scheme - LTFF & TERF	48,472,749	6,861,787
	Long term borrowings	321,769,007	114,055,732
		<u>3,351,169,658</u>	<u>1,680,484,392</u>
	Interest expense on lease liability against ROU assets	2,182,040	-
	Brokerage fee relating to borrowings	1,093,936	3,504,957
		<u>3,695,961,168</u>	<u>1,848,444,987</u>
23.1	The markup expense amounting to Rs. 944,199 (June 30, 2022: Rs. 504,479) relates to Saudi Pak Employees Contributory Provident Fund.		
		Unaudited	
		For the six months ended	
		June 30, 2023	June 30, 2022
		-----Rupees-----	
24	FEE AND COMMISSION INCOME		
	Credit related fees	2,908,000	20,000
	Commission on guarantees	31,029,198	-
		<u>33,937,198</u>	<u>20,000</u>
25	GAIN / (LOSS) ON SECURITIES		
	Realised	25.1 (166,814,277)	65,800,520
	Unrealised - Measured at FVTPL	(2,111,481)	-
		<u>(168,925,758)</u>	<u>65,800,520</u>

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
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		Unaudited	
		For the six months ended	
		June 30, 2023	June 30, 2022
		-----Rupees-----	
25.1 Realised gain / (loss) on:			
Federal Government Securities		(167,059,359)	51,000
Shares - Unlisted		-	28,604,681
Shares - listed		245,082	37,144,839
		<u>(166,814,277)</u>	<u>65,800,520</u>
26 OTHER INCOME			
Rent on property- net	26.1	136,211,428	112,472,698
Gain / (loss) on sale of fixed assets-net		37,982	321,031
Gain on sale of non banking assets - net		-	-
Others		2,721,440	876,526
		<u>138,970,850</u>	<u>113,670,255</u>
26.1 Rent on property - net			
Rental income		255,410,705	224,638,583
Less: property expense			
Salaries, allowances and employee benefits		17,714,673	16,459,837
Depreciation		61,395,808	60,896,915
Other expenses		40,088,796	34,809,133
		<u>119,199,277</u>	<u>112,165,885</u>
		<u>136,211,428</u>	<u>112,472,698</u>

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED]
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	Unaudited	
	For the six months ended	
	June 30, 2023	June 30, 2022
	-----Rupees-----	
27 OPERATING EXPENSES		
Total compensation expense	116,753,624	121,619,780
Property expense		
Rent and taxes	264,799	378,190
Insurance	168,083	151,075
Utilities cost	10,263,209	10,278,842
Security (including guards)	2,386,635	2,320,772
Repair and maintenance (including janitorial charges)	2,421,714	1,943,723
Depreciation on ROU assets	8,432,841	6,892,840
Depreciation	8,770,829	8,699,559
	32,708,110	30,665,001
Information technology expenses		
Software maintenance	6,356,109	3,704,432
Hardware maintenance	1,293,214	594,069
Amortisation	1,836,366	2,242,142
Network charges	3,354,020	2,005,207
	12,839,709	8,545,850
Other operating expenses		
Shareholders' fee	-	3,074,585
Directors' fees and allowances	12,890,000	10,200,000
Legal and professional charges	2,748,575	2,659,975
Consultancy, custodial and rating services	3,711,128	3,331,335
Outsourced services costs	18,542,857	19,894,371
Travelling and conveyance	9,031,229	12,651,969
Depreciation	15,407,797	13,908,608
Training and development	1,724,630	1,348,597
Postage and courier charges	205,799	236,106
Communication	2,054,994	1,838,979
Stationery and printing	2,116,099	4,157,251
Marketing, advertisement and publicity	250,383	185,826
Donations	300,000	1,000,000
Auditors remuneration	1,302,499	1,216,001
Repair and maintenance	3,403,338	1,691,535
Insurance	1,114,161	838,148
Office and general expenses	8,033,661	6,314,096
Bank charges	133,654	114,350
	82,970,804	84,661,732
	245,272,247	245,492,363

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED]
FOR THE PERIOD ENDED JUNE 30, 2023

		Unaudited For the six months ended	
		June 30, 2023	June 30, 2022
		Rupees	
28	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	-	-
29	CREDIT LOSS ALLOWANCE / PROVISIONS AND WRITE OFFS - NET		
	Credit loss allowance / provisions against lending to financial institutions	170,809	-
	Credit loss allowance / provisions for diminution in value of investments - net	(3,333,595)	72,760,656
	Credit loss allowance / Provisions against loans and advances - net	(112,706,125)	94,695,977
	Other credit loss allowance	34,766,447	-
	Write offs	-	-
		(81,102,464)	167,456,633
30	TAXATION		
	Current	47,575,720	87,843,437
	Prior years	-	-
	Deferred tax	(118,225)	(46,404,440)
		47,457,495	41,438,997
31	BASIC EARNINGS PER SHARE		
	Profit for the period - Rupees	91,487,301	63,880,522
	Weighted average number of ordinary shares	676,500,000	676,500,000
	Basic earnings per share - Rupee	0.135	0.094
32	DILUTED EARNINGS/ (LOSS) PER SHARE		
	There are no dilutive instruments, hence basic and diluted earnings are same.		
		Unaudited For the six months ended	
		June 30, 2023	June 30, 2022
		Rupees	
33	CASH AND CASH EQUIVALENTS		
	Cash and Balance with Treasury Banks	126,814,597	89,310,466
	Balance with other banks	84,994,145	95,199,362
		211,808,742	184,509,828

The fair value of quoted securities other than those classified under held to collect model, is based on quoted market price. Quoted securities classified under held to collect model are carried at amortized cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED]
FOR THE PERIOD ENDED JUNE 30, 2023

34.1 Fair value of financial assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at Mutual Fund Association of Pakistan (MUFAP), Reuters page, redemption prices determined by valuers on the panel of Pakistan Bank's Association.
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Company has adopted revaluation model (as per IAS 16) in respect of leasehold land, building and certain other assets and non-banking assets acquired in satisfaction of claims.

June 30, 2023 (Unaudited)				
	Level 1	Level 2	Level 3	Total
	Rupees			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	42,483,480,300	-	42,483,480,300
Shares	2,165,338,123	-	-	2,165,338,123
Non-Government Debt Securities	-	1,123,547,862	-	1,123,547,862
	<u>2,165,338,123</u>	<u>43,607,028,162</u>	<u>-</u>	<u>45,772,366,285</u>
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	-	6,436,493,587	6,436,493,587
Non-Government Debt Securities	-	-	1,340,814,728	1,340,814,728
	<u>-</u>	<u>-</u>	<u>7,777,308,315</u>	<u>7,777,308,315</u>
Off-balance sheet financial instruments - measured at fair value				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2022 (Audited)				
	Level 1	Level 2	Level 3	Total
	Rupees			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	31,193,768,300	-	31,193,768,300
Shares	2,225,006,399	-	-	2,225,006,399
Non-Government Debt Securities	-	891,725,421	-	891,725,421
	<u>2,225,006,399</u>	<u>32,085,493,721</u>	<u>-</u>	<u>34,310,500,120</u>
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government Debt Securities	-	-	1,000,515,000	1,000,515,000
	<u>-</u>	<u>-</u>	<u>1,000,515,000</u>	<u>1,000,515,000</u>
Off-balance sheet financial instruments - measured at fair value				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
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Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined on the basis of PKRV rates.
Non-Government Debt Securities	Non Government Debt Securities are valued on the basis of rates announced by MUFAP.

34.2 The Company's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused such transfer. There were no transfers between levels 1 and 2 during the period.

34.3 Fair value of non-financial assets

	June 30, 2023 (Unaudited)			Total
	Level 1	Level 2	Level 3	
	----- Rupees -----			
Non-financial assets				
Fixed assets				
Property and equipment (lease hold land, building and others)	-	-	3,981,152,121	3,981,152,121
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	72,992,034	72,992,034

	December 31, 2022 (Audited)			Total
	Level 1	Level 2	Level 3	
	----- Rupees -----			
Non-financial assets				
Fixed assets				
Property and equipment (lease hold land, building and others)	-	-	4,049,255,333	4,049,255,333
Other assets				
Non banking assets acquired in satisfaction of claims	-	-	74,545,056	74,545,056

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Items	Valuation approach and input used
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and other fixed assets and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED]
FOR THE PERIOD ENDED JUNE 30, 2023

35 Segment Details with respect to Business Activities

	June 30, 2023 (Unaudited)			
	Corporate Finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up/return/profit	54,546,756	21,629,968	-	76,176,724
Non mark-up / return / interest income	33,937,198	54,067,789	138,932,868	226,937,855
Total income	88,483,954	75,697,757	138,932,868	303,114,579
Segment direct expenses	50,985,719	194,286,528	-	245,272,247
Total expenses	50,985,719	194,286,528	-	245,272,247
Credit loss allowance	(80,854,649)	(247,815)	-	(81,102,464)
(Loss) / Profit before tax	118,352,884	(118,340,956)	138,932,868	138,944,796
Balance Sheet				
Cash and bank balances	-	211,666,306	-	211,666,306
Investments	1,340,814,728	53,218,859,880	-	54,559,674,608
Lendings to financial institutions	-	377,445,476	-	377,445,476
Advances - performing	8,386,536,617	-	-	8,386,536,617
- non-performing net of Credit loss allowance	294,280,559	-	-	294,280,559
Others	1,402,998,665	2,317,191,292	2,593,093,872	6,313,283,829
Total assets	11,424,630,569	56,125,162,954	2,593,093,872	70,142,887,395
Borrowings	8,194,393,943	43,842,736,272	-	52,037,130,215
Deposits & other accounts	3,993,039,719	-	-	3,993,039,719
Others	72,296,591	188,461,771	136,561,485	397,319,847
Total liabilities	12,259,730,253	44,031,198,043	136,561,485	56,427,489,781
Equity	-	-	-	13,715,397,614
Total equity & liabilities	12,259,730,253	44,031,198,043	136,561,485	70,142,887,395
Contingencies and commitments	3,485,278,788	1,729,738	2,229,391	3,489,237,917
	June 30, 2022 (Unaudited)			
	Corporate Finance	Trading and sales	Building rental services	Total
	Rupees			
Profit & Loss				
Net mark-up/return/profit	84,861,720	96,203,878	-	181,065,598
Non mark-up / return / interest income	20,000	223,512,662	113,670,255	337,202,917
Total Income	84,881,720	319,716,540	113,670,255	518,268,515
Segment direct expenses	51,365,378	194,126,985	-	245,492,363
Total expenses	51,365,378	194,126,985	-	245,492,363
Provisions	94,695,977	72,760,656	-	167,456,633
(Loss) / Profit before tax	(61,179,635)	52,828,899	113,670,255	105,319,519
	December 31, 2022 (Audited)			
	Corporate Finance	Trading and sales	Building rental services	Total
	Rupees			
Balance Sheet				
Cash and bank balances	-	244,312,890	-	244,312,890
Investments	1,000,515,000	35,320,500,128	-	36,321,015,128
Lendings to financial institutions	-	-	-	-
Advances - performing	8,610,024,073	-	-	8,610,024,073
- non-performing net of provision	509,265,989	-	-	509,265,989
Others	1,691,972,230	3,626,762,851	2,603,348,007	7,922,083,088
Total assets	11,811,777,292	39,191,575,869	2,603,348,007	53,606,701,168
Borrowings	9,544,598,132	27,230,268,717	-	36,774,866,849
Deposits & other accounts	506,884,232	1,446,115,768	-	1,953,000,000
Others	146,307,332	494,232,619	194,733,438	835,273,389
Total liabilities	10,197,789,696	29,170,617,104	194,733,438	39,563,140,238
Equity	-	-	-	14,043,560,930
Total equity & liabilities	10,197,789,696	29,170,617,104	194,733,438	53,606,701,168
Contingencies and commitments	818,560,311	2,582,854	7,972,553	829,115,718

36 RELATED PARTY TRANSACTIONS

The Governments of Kingdom of Saudi Arabia and the Islamic Republic of Pakistan each own 50% shares of the Company. Therefore, all entities owned by and controlled by these governments are related parties of the Company. Other related parties comprise of entities over which the Company has control (subsidiaries), entities over which the directors are able to exercise significant influence (associated undertakings), entities with common directors, major shareholders, directors, key management personnel and employees' funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan.

Transactions which are made under the terms of employment with related parties mainly comprise of loans and advances etc.

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.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

	June 30, 2023 (Unaudited)						December 31, 2022 (Audited)					
	Shareholders	Directors	Key management personnel	Subsidiary	Associate	Other related parties	Shareholders	Directors	Key management personnel	Subsidiary	Associate	Other related parties
	Rupees						Rupees					
Non-current asset classified as held for sale												
Opening balance	-	-	-	-	576,676,075	-	-	-	-	-	576,676,075	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	576,676,075	-	-	-	-	-	576,676,075	-
Provision for Non-current asset classified as held for sale	-	-	-	-	576,676,075	-	-	-	-	-	576,676,075	-
Lendings to financial institutions												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the period / year	-	-	-	-	-	16,836,622,052	-	-	-	-	-	19,482,212,383
Repaid during the period / year	-	-	-	-	-	(16,709,622,052)	-	-	-	-	-	(19,482,212,383)
Closing balance	-	-	-	-	-	127,000,000	-	-	-	-	-	-
ECL held against Lendings to financial institutions	-	-	-	-	-	170,809	-	-	-	-	-	-
Investments												
Opening balance	-	-	-	500,000,000	-	199,640,000	-	-	-	500,000,000	-	199,720,000
Investment made during the period / year	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	(40,000)	-	-	-	-	-	(80,000)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	500,000,000	-	199,600,000	-	-	-	500,000,000	-	199,640,000
ECL for diminution in value of Investments	-	-	-	-	-	310,388	-	-	-	-	-	-
Advances												
Opening balance	-	-	24,564,071	-	-	-	-	-	26,026,934	-	-	-
Addition during the period / year	-	-	4,553,746	-	-	-	-	-	10,412,718	-	-	-
Repaid during the period / year	-	-	(3,208,872)	-	-	-	-	-	(12,894,098)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	1,018,517	-	-	-
Closing balance	-	-	25,908,945	-	-	-	-	-	24,564,071	-	-	-
ECL held against advances	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
Interest / mark-up accrued	-	-	-	-	-	9,096,116	-	-	-	-	-	6,511,442
Security deposit	-	-	-	2,633,280	-	-	-	-	-	2,633,280	-	-
Borrowings												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	6,670,000,000
Borrowings during the period / year	-	-	-	-	-	9,263,588,365	-	-	-	-	-	142,583,911,854
Settled during the period / year	-	-	-	-	-	(9,263,588,365)	-	-	-	-	-	(149,233,911,654)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts												
Opening balance	-	-	-	-	-	1,353,000,000	-	-	-	-	-	2,711,587,775
Received during the period / year	-	-	-	-	-	1,712,000,000	-	-	-	-	-	356,073,379
Withdrawn during the period / year	-	-	-	-	-	-	-	-	-	-	-	(1,714,661,154)
Closing balance	-	-	-	-	-	2,065,000,000	-	-	-	-	-	1,353,000,000
Other Liabilities												
Interest / mark-up payable	-	-	-	-	-	23,391,555	-	-	-	-	-	10,786,083
Payable to defined benefit plan	-	-	-	-	-	4,901,519	-	-	-	-	-	10,219,869
Dividend payable to foreign shareholder	82,500,000	-	-	-	-	-	82,500,000	-	-	-	-	-
Security deposit	-	-	-	482,245	-	2,366,908	-	-	-	426,170	-	2,366,908
Rent received in advance	-	-	-	1,205,612	-	13,348,066	-	-	-	1,065,425	-	24,773,648
	June 30, 2023 (Unaudited)						June 30, 2022 (Unaudited)					
	Shareholders	Directors	Key management personnel	Subsidiary	Associate	Other related parties	Shareholders	Directors	Key management personnel	Subsidiary	Associate	Other related parties
	Rupees						Rupees					
Income												
Mark-up / return / interest earned	-	-	378,966	-	-	32,330,837	-	-	369,066	-	-	7,661,780
Rental income	-	-	-	2,585,058	-	16,065,840	-	-	-	2,354,701	-	15,751,086
Expense												
Mark-up / return / interest expensed	-	-	-	-	-	313,062,664	-	-	-	-	-	582,828,182
Contribution to employees' funds	-	-	-	-	-	4,675,734	-	-	-	-	-	5,344,321
Directors' fees and allowances	-	12,890,000	-	-	-	-	-	10,200,000	-	-	-	-
Shareholders' fee	-	-	-	-	-	-	-	-	-	-	-	3,074,585
Operating expenses	-	-	56,438,594	-	221,510	-	-	-	69,316,929	-	185,854	-

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	Unaudited June 30, 2023	Audited December 31, 2022
	----- Rs '000' -----	
37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,765,000</u>	<u>6,765,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>11,552,483</u>	12,253,559
Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	-
Total Eligible Tier 1 Capital	<u>11,552,483</u>	12,253,559
Eligible Tier 2 Capital	<u>1,338,126</u>	1,124,774
Total Eligible Capital (Tier 1 + Tier 2)	<u>12,890,609</u>	13,378,333
Risk Weighted Assets (RWAs):		
Credit Risk	<u>24,484,666</u>	22,217,420
Market Risk	<u>6,166,785</u>	6,111,660
Operational Risk	<u>2,876,520</u>	2,876,520
Total	<u>33,527,971</u>	31,205,600
Common Equity Tier 1 Capital Adequacy ratio	<u>34.46%</u>	39.27%
Tier 1 Capital Adequacy Ratio	<u>34.46%</u>	39.27%
Total Capital Adequacy Ratio	<u>38.45%</u>	42.87%

As of June 30, 2023, the Company must meet a Tier 1 to RWA ratio and CAR, including CCB, of 7.5% and 11.5% respectively.

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit Risk while Basic Indicator Approach (BIA) is used for Operational Risk.

	Unaudited June 30, 2023	Audited December 31, 2022
	----- Rs '000' -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>11,552,483</u>	12,253,559
Total Exposures	<u>73,031,041</u>	53,966,116
Leverage Ratio	<u>15.82%</u>	22.71%

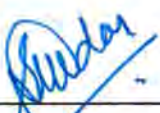
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SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED]
FOR THE PERIOD ENDED JUNE 30, 2023

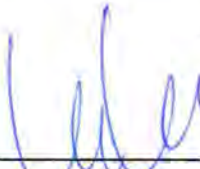
	Unaudited June 30, 2023	Audited December 31, 2022
	----- Rs '000' -----	
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>4,001,332</u>	<u>4,639,985</u>
Total Net Cash Outflow	<u>2,340,570</u>	<u>3,295,451</u>
Liquidity Coverage Ratio	<u>170.96%</u>	<u>140.80%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>44,579,577</u>	<u>36,098,612</u>
Total Required Stable Funding	<u>28,535,297</u>	<u>21,362,298</u>
Net Stable Funding Ratio	<u>156.23%</u>	<u>168.98%</u>

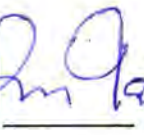
38 DATE OF AUTHORIZATION

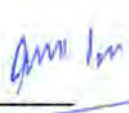
These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Company on September 16, 2023.


 Chief Financial Officer


 GM/Chief Executive


 Director


 Director


 Director