

**Grant Thornton Anjum  
Rahman**

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## INDEPENDENT AUDITOR'S REPORT

To the members of  
**Saudi Pak Industrial and Agricultural Investment Company Limited**

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### Opinion

We have audited the annexed consolidated financial statements of **Saudi Pak Industrial and Agricultural Investment Company Limited** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a material accounting policies information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to note 22.3.1 to the accompanying consolidated financial statements describing in detail the status of tax contingencies. Our opinion is not modified in respect of this matter.

### Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
<p><b>Adoption of IFRS 9 “Financial Instruments”:</b> (Refer to note 5.1 to the consolidated financial statements)</p> <p>The Holding Company early adopted the IFRS 9 ‘Financial Instruments’ effective from January 01, 2023, as permitted by the State Bank of Pakistan (SBP) vide its circular BPRD circular No. 07 dated April 13, 2023, which resulted changes in accounting policies and adjustments to amounts previously recognized in the consolidated financial statements. As permitted by IFRS 09, the requirements have been applied retrospectively without restating the comparatives. As a result, the difference between the previously reported carrying amounts and new carrying amounts of financial instruments as of December 31, 2022 and January 01, 2023 amounting to Rs. 527,955,514 has been recognized in opening retained earnings. The new standard provides significant changes to classification and measurement of financial assets. The new standard also requires to recognize Expected Credit Losses (ECL) which require significant judgement and estimates to be made by the holding Company.</p> <p>The key changes arising from the adoption of IFRS 9 are that the holding Company’s credit losses are now based on expected credit losses rather than an incurred loss model. Further, there are significant changes in the accounting policies, transition disclosure requirements and numerous estimates and judgements involved in the first time adoption of IFRS 9 which are detailed in note 5.1 to the consolidated financial statements.</p> <p>Since the adoption of IFRS 9 and recognition of ECL as per model requiring significance time and resource to audit and material to overall consolidated financial statements, we considered this area as key audit matter.</p>	<p>With respect to classification, measurement and ECL provision against financial assets we performed, among others, the following audit procedures:</p> <ol style="list-style-type: none"> <li>a. Read the Holding Company’s IFRS 9 based classification, measurement and impairment provisioning policy and compared the same with the requirements of IFRS 09;</li> <li>b. Obtained an understanding and reviewed the Holding Company’s business model assessment;</li> <li>c. Updated the IT understanding on applications relevant to financial reporting including ECL model;</li> <li>d. Read and discussed with management, the IFRS 9 Application Instructions Issued by SBP through its BPRD Circular No. 03, dated July 05, 2022;</li> <li>e. Evaluated the reasonableness of opening balance adjustments and review the transitional disclosures in compliance with the relevant standards;</li> <li>f. Evaluated the reasonableness of Holding Company’s determination of significant increase in credit risk (SICR) and the resultant basis for classification of exposures into various stages. For a sample of exposures, we checked the appropriateness of the holding Company’s staging;</li> <li>g. Checked the key data sources used in ECL model and for a sample of obligors the correctness of historical data input in ECL model has been tested;</li> <li>h. Checked on sample basis the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used in the Holding Company’s ECL model. Also read the internal risk rating reports to test the correctness of internal credit risk ratings used in the ECL model on sample basis;</li> <li>i. For stage 3 items checked that the impairment provisions have been recognized in the consolidated financial statements at higher of</li> </ol>

	<p>determined under IFRS 9 or applicable Prudential regulations;</p> <p>j. Checked the completeness of financial assets including off balance sheet items included in ECL calculation;</p> <p>k. Checked the arithmetical accuracy of the ECL model; and</p> <p>l. Assessed the consolidated financial statements disclosures arising on early adoption of IFRS 09 for appropriateness.</p>
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**Information Other than the Consolidated Financial Statements and Auditor’s Report Thereon**

Management is responsible for the other information. The other information comprises of information to be included in the annual report that shall also include the directors’ report but does not include the consolidated financial statements and our auditor’s report thereon. The other information obtained at the date of audit report is information included in directors’ report while the complete set of annual report is expected to be made available to us after the date of this auditor’s report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained at the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group’s financial reporting process.



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

*Grant Thornton Anjum Rahman*

**Grant Thornton Anjum Rahman**

Chartered Accountants

Place: Islamabad

Date: March 08, 2024

UDIN: AR202310164HT8aPYpNA