

## PAİR INVESTMENT COMPANY LIMITED

### DIRECTORS' REPORT FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR Investment) for the nine months period ended September 30, 2013. These Condensed Financial Statements have been prepared in compliance with the requirements of BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

#### Economic Review

The new government that took office in June 2013 quickly signaled restoring economic sustainability and rapid growth as high priorities for its 5-year term. It emphasized dealing with the energy crisis, boosting investment and trade, upgrading infrastructure, and ceding most economic functions to the private sector. To address low foreign exchange reserves, fiscal and external imbalances, and low growth, the government agreed on a wide ranging economic reform program with the International Monetary Fund, supported by a 3-year loan worth \$6.7 billion.

The Pakistani rupee (PKR) is under pressure due to depleting official foreign exchange reserve. The SBP raised discount rate by 50bp to 9.5% in mid-September 2013 to support the PKR and alleviate rising inflation concerns.

#### Company Performance General Overview

				Rupees in '000			
<u>Profit &amp; Loss Account</u>				<u>Statement of Financial Position</u>			
For Nine Months Period Ended,	September 2013	September 2012	Change (%)	As at,	September 30, 2013	December 31, 2013	Change (%)
					(Re-stated)		
Mark-up / return / interest earned	916,638	1,110,611	-17.47%	Advances	4,255,481	4,325,337	-1.62%
Mark-up / return / interest expensed	382,849	492,574	-22.28%	Investments	12,046,927	10,841,572	11.12%
Net mark-up / interest income	533,789	618,037	-13.63%	Total Assets	17,025,525	15,737,488	8.18%
Non Mark-up Income	226,070	88,772	154.66%	Total Liabilities	8,505,951	7,539,916	12.81%
Total income	759,859	706,810	7.51%	Share Capital	6,000,000	6,000,000	-
Non Mark-up / Interest Expenses	146,544	181,432	-19.23%	Reserves	498,152	415,719	19.83%
Profit before Provisions	613,315	525,377	16.74%	Unappropriated Profit	1,940,678	1,611,086	20.46%
Provisions / (Reversals)	41,903	77,141	-45.68%				
Profit before Taxation	571,412	448,236	27.48%				
Taxation	159,387	144,648	10.19%				
Profit after Taxation	412,025	303,588	35.72%				
Earnings per Share (Rupees)	0.69	0.51	35.72%				

PAİR Investment has reported a profit before tax of Rs.571.412 million for the nine months period ended which is 27.48% higher than the corresponding period last year, amidst the challenging macroeconomic scenario and the declining interest rates environment. Since July 2012, the discount rate has declined from 12% to 9.5% in June 2013 (i.e. a 25% reduction) which has negatively impacted the Gross Mark-up Income of the Company. However in the current monetary policy (September 2013) SBP has decided to increase the SBP policy rate by 50bps to 9.5%. The Earnings per share for the nine months period were reported at Rs. 0.69 per share as against Rs. 0.51 per share in the corresponding period last year. Non Mark-up Income showed a remarkable increase of 155% than the corresponding nine months period due to the capital gain on sale of securities which increased by 237%.

PAİR Investment's asset base has increased to Rs. 17.025 billion as at September 30, 2013 as compared to Rs. 15.74 billion as at December 31, 2012. Net investments increased by 11.12% and Loans and Advances portfolio registered a minor decline of 1.62%.

PAİR Investment has successfully acted as Issuing and Paying Agent (IPA) for Commercial Paper ("CP") for the 4th largest Oil & Marketing Company. Furthermore, PAİR Investment also successfully advised and arranged a Private Placed Term Finance Certificate for the largest sugar mill in Pakistan.

PAİR Investment has also obtained commitment for its own Commercial Paper which was oversubscribed. This has created new avenue for PAİR to raise clean funds from the financial markets. Expected issuance date is 4<sup>th</sup> quarter FY 2013.

### Credit Rating

PAİR Investment's long-Term Entity Rating has been upgraded to 'AA' (Double A) and a short term Entity Rating of 'A1+' (A One Plus) "Positive Outlook" has been maintained by Pakistan Credit Rating Agency Limited (PACRA) based on the audited accounts for the period ended December 31, 2012.

### DIVIDEND

The Board of Directors has announced and declared a cash dividend of PKR 100 million.

### Future Outlook


PAİR Investment has purchased new office premises in "OCEAN TOWER" in Pakistan's Tallest, most Prestigious and Iconic building. This will create an asset as compared to paying hefty rental (revenue expenditure) every year with incremental costs.

PAİR Investment prime focus will remain in providing services and financing to projects which provide sustainable long term economic growth and infrastructure. PAİR is committed to excel by increasing operational efficiencies and quality of services by focusing on clients' needs.

### APPRECIATION AND ACKNOWLEDGEMENT

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance- Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to the Bank. Finally, we are also thankful to our associates, staff and colleagues for their committed services provided to our valued customers.

Tehran: November 21, 2013

On Behalf of the Board  
  
Syed Ahmad Iqbal Ashraf  
Chief Executive and Managing Director