

PAİR INVESTMENT COMPANY LIMITED
DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2015

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the period ended March 31, 2015. These 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

GDP growth in Pakistan is projected at 4.2% in FY2015 and 4.5% in FY2016, underpinned by low international oil prices and the expected uptick in economic growth in advanced economies. CPI inflation also continued to recede and posted another 11 year low reading of 2.5%YoY (+0.2%MoM) against 8.5% in same period last year.

FX reserves now stand comfortably at US\$ 16.13 billion of which US\$ 11.06 billion are held by SBP whereas remaining is held by commercial banks. Moody's upgraded the outlook on Pakistan's foreign currency government bond to positive from stable. Furthermore, IMF has also approved of 7th tranche under Extended Fund Facility (EFF) to the tune of US \$ 500 million.

State Bank of Pakistan (SBP) lowered the Policy Rate by 0.5% (from 8.5% to 8.0%) during the Monetary Policy decision announced during March 2015. SBP based its decision on improving macroeconomic trends.

KSE-100 Index free fell by 10%MoM, which is mainly due to continuous foreign selling (FPI net selling -71.42mn vis-à-vis -62.47mn in Feb-15). Heavy foreign selling triggered selling from local mutual funds (-55.93mn net sell) especially capital protected strategy based fund, which require adjustments on both bullish and bearish markets, further dragged the index. However, underperformance of the market during the period was not backed by corporate fundamentals as benefits of depressed commodity prices have not been priced in the stock prices. Therefore, we remain optimistic of stock market performance ahead of landmark privatization transaction of HBL and expect the market to rebound going forward owing to strong corporate profitability and improving economic outlook.

Performance General Overview

<u>Profit & Loss Account</u>				<u>Statement of Financial Position</u>			
For the Quarter ended	March 31 2015	March 31 2014	Change (%)	As at,	March 31, 2015	December 31, 2014	Change (%)
Mark-up / return / interest earned	367,913	247,643	48.57%	Advances	4,099,985	3,592,178	14.14%
Mark-up / return / interest expensed	142,880	91,297	56.50%	Investments	14,128,763	14,114,870	0.10%
Net mark-up / interest income	225,033	156,346	43.93%	Total Assets	19,190,630	18,744,216	2.38%
Non Mark-up Income	62,305	96,672	-35.55%	Total Liabilities	10,406,742	9,951,471	4.57%
Total income	287,338	253,018	13.56%	Share Capital	6,000,000	6,000,000	-
Non Mark-up / Interest Expenses	73,356	61,886	18.53%	Reserves	585,484	553,966	5.69%
Profit before Provisions	213,982	191,132	11.96%	Unappropriated Profit	2,038,812	2,062,742	-1.16%
Provisions / (Reversals)	1,164	(3,303)	-135.24%				
Profit before Taxation	212,818	194,435	9.45%				
Taxation	55,230	43,936	25.71%				
Profit after Taxation	157,588	150,499	4.71%				
Earnings per Share (Rupees)	0.26	0.25	4.71%				

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PAİR has reported a profit after tax of Rs. 157.588 million for the three months period ended March 31, 2015 which is 4.71% more than from the corresponding period. In Budget 2014-15, the government has changed the holding period requirement for capital gain tax on sale of listed securities. This change has resulted in higher taxation for the quarter in comparison with corresponding period last year. Furthermore, to minimize the negative impact of this change, PAİR had realigned its revenue streams. Mark-up Income showed a positive growth of 48.57% while non-Markup Income showed a decline of 35.55%. The earnings per share for the three months period were reported at Rs. 0.26 per share as against Rs. 0.25 per share in the corresponding period last year.

PAİR's asset base has increased to Rs. 19.190 billion as at March 31, 2015 as compared to Rs. 18.744 billion as at December 31, 2014. Net investments increased by 0.10% and Loans and Advances portfolio increased by 14.14%.

Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed entity rating long-Term Entity Rating 'AA' (Double A) and a short term Entity Rating of 'A1+' (A One Plus).

Future Outlook

PAİR Investment prime focus will remain in providing services and financing to projects which provide sustainable long term economic growth and infrastructure. PAİR Investment 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 entrusting their confidence in us and assure them that we remain committed to maintain high service standards and a strong culture of good corporate governance and compliance in all our endeavors. 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 DFI. Finally, we are also thankful to our associates, staff and colleagues for all their continued dedication, enthusiasm and loyalty towards the growth of PAİR.

On Behalf of the Board of Director

Pakistan: April 28, 2015

Chairman

