



PAiR Investment Company Limited

Condensed Interim Financial Statements (Un-audited)

For the Period ended 31 March 2014

PAiR Investment Company Limited
Condensed Interim Statement of Financial Position
As at March 31, 2014

	Note	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		37,511	27,829
Balances with other banks		147,487	158,417
Lendings to financial institutions		-	-
Investments	7	13,034,787	12,745,355
Advances	8	4,166,964	3,678,206
Operating fixed assets	9	188,893	196,201
Deferred tax assets		204,692	204,896
Other assets	10	299,213	270,782
		18,079,547	17,281,686
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	11	9,012,670	8,489,171
Deposits and other accounts	12	125,080	25,080
Sub-ordinate loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		293,547	326,705
		9,431,297	8,840,956
NET ASSETS		8,648,250	8,440,730
REPRESENTED BY			
Share capital	13	6,000,000	6,000,000
Reserves		513,692	483,592
Unappropriated profit		1,901,646	1,781,247
		8,415,338	8,264,839
Surplus on revaluation of assets - net of deferred tax	14	232,912	175,891
		8,648,250	8,440,730
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.


 Chairman


 Chief Executive and
 Managing Director


 Director


 Director

PAiR Investment Company Limited
 Condensed Interim Profit and Loss Account (Un-audited)
 For the Quarter ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Mark-up / return / interest earned	247,643	345,500
Mark-up / return / interest expensed	91,297	170,605
Net mark-up / interest income	156,346	174,895
Provision against non-performing loans and advances	-	-
Reversal against diminution in value of investments	3,303	2,571
Bad debts written-off directly	-	-
	3,303	2,571
Net mark-up / interest income after provisions	159,649	177,466
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	4,003	1,828
Dividend income	8,496	12,030
Income from dealing in foreign currencies	(543)	103
Gain on sale of securities - net	85,232	35,480
Gain on sale of fixed assets	1,779	315
Unrealised (loss) / gain on revaluation of 'held for trading' securities	-	-
	(2,295)	(3,410)
Other income	-	-
Total non mark-up / interest income	96,672	46,346
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	61,886	58,352
Other charges	-	-
Total non mark-up / interest expenses	61,886	58,352
Extraordinary / unusual items	-	-
PROFIT BEFORE TAXATION	194,435	165,460
Taxation		
- Current	44,000	53,000
- Prior year	-	-
- Deferred	(64)	7
	43,936	53,007
PROFIT AFTER TAXATION	150,499	112,453
	(Rupees)	
Basic and diluted earnings per share	0.25	0.19

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.


 Chairman


 Chief Executive and
 Managing Director


 Director


 Director

PAİR Investment Company Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the Quarter ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Profit after taxation for the period	150,499	112,453
Other comprehensive income	-	-
Total comprehensive income for the period	150,499	112,453

Surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate account below equity as "surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984 and the directive of State Bank of Pakistan vide its BSD Circular Letter No. 07, dated April 20, 2010.

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive and
Managing Director


Director


Director

PAiR Investment Company Limited
Condensed Interim Cash Flow Statement - (Un-audited)
For the Quarter ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	194,435	165,460
Dividend income	(8,496)	(12,030)
	<u>185,939</u>	<u>153,430</u>
Adjustments for:		
Depreciation	5,504	5,071
Amortisation	986	986
Provision against non-performing loans and advances	-	-
Reversal against diminution in the value of investments	3,303	2,571
Gain on sale of fixed assets	(1,779)	(315)
Unrealised loss / (gain) on revaluation of 'held for trading' securities	2,295	3,410
	<u>10,309</u>	<u>11,723</u>
	196,248	165,153
(Increase) / decrease in operating assets		
Lendings to financial institutions	-	-
Loans and advances	(488,758)	(320,214)
Others assets	(71,671)	15,587
	<u>(560,429)</u>	<u>(304,627)</u>
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	523,499	(810,543)
Deposits and other accounts	100,000	172,000
Other liabilities (excluding current taxation)	(50,025)	(6,129)
	<u>573,474</u>	<u>(644,672)</u>
	209,293	(784,146)
Income tax paid	(27,133)	(54,711)
Net cash flows from operating activities	<u>182,160</u>	<u>(838,857)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	(237,741)	777,643
Dividend income received	51,736	1,775
Sale proceeds from sale of operating fixed assets	4,086	939
Investments in operating fixed assets	(1,489)	-
Net cash flows used in investing activities	<u>(183,408)</u>	<u>780,357</u>
CASH FLOW FROM FINANCING ACTIVITIES		
	-	-
(Decrease) / increase in cash and cash equivalents	<u>(1,248)</u>	<u>(58,500)</u>
Cash and cash equivalents at beginning of the period	<u>186,246</u>	<u>150,585</u>
Cash and cash equivalents at end of the period	<u>184,998</u>	<u>92,085</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.


 Chairman


 Chief Executive and
 Managing Director


 Director


 Director

PAIR Investment Company Limited
 Condensed Interim Statement of Changes in Equity (Un-audited)
 For the Quarter ended March 31, 2014

	Share capital	Statutory reserves	Unappropriated profit	Total
	------(Rupees in '000)-----			
Balance as at January 1, 2013- Restated	6,000,000	415,746	1,611,197	8,026,943
Total comprehensive income for the period ended March 31, 2013	-	-	112,453	112,453
Transfer to statutory reserve	-	22,491	(22,491)	-
Balance as at March 31, 2013	<u>6,000,000</u>	<u>438,237</u>	<u>1,701,159</u>	<u>8,139,396</u>
Total comprehensive income for the period ended December 31, 2013	-	-	226,777	226,777
Remeasurement of defined benefit liability - net of tax			(1,334)	(1,334)
Transfer to statutory reserve	-	45,355	(45,355)	-
<i>Transactions with owners recognised directly in equity</i>				
Cash dividend	-	-	(100,000)	(100,000)
Balance as at December 31, 2013	<u>6,000,000</u>	<u>483,592</u>	<u>1,781,247</u>	<u>8,264,839</u>
Total comprehensive income for the period ended March 31, 2014	-	-	150,499	150,499
Transfer to statutory reserve	-	30,100	(30,100)	-
Balance as at March 31, 2014	<u><u>6,000,000</u></u>	<u><u>513,692</u></u>	<u><u>1,901,646</u></u>	<u><u>8,415,338</u></u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.


 Chairman


 Chief Executive and
 Managing Director


 Director


 Director

PAİR Investment Company Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the Quarter ended March 31, 2014

1. STATUS AND NATURE OF BUSINESS

PAİR Investment Company Limited is a Public Limited Company incorporated in Pakistan on January 15, 2007 under the Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution (DFI) by the Ministry of Finance, Government of Pakistan. The Company is a 50 : 50 Joint Venture between Government of Pakistan and Iran Foreign Investment Company which is owned by Government of Iran. The Company obtained Certificate of Commencement of Business on May 29, 2007. It is engaged in financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered and principal office is situated at ICCI building, Clifton, Karachi.

2. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the State Bank of Pakistan.

3. STATEMENT OF COMPLIANCE

These financial statements are unaudited and are presented in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2013.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the purpose of these financial statements are the same as those applied in preparation of annual financial statements for the year ended December 31, 2013.

5. ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2013.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Company for the year ended December 31, 2013.

7. INVESTMENTS	March 31, 2014 (Un-audited)			December 31, 2013 (Audited)			
	Note	Held by Company	Given as collateral	Total	Held by Company	Given as collateral	Total
------(Rupees in '000)-----							
Held for Trading							
Market treasury bills		-	4,461,359	4,461,359	79,482	5,874,844	5,954,326
Listed ordinary shares		107,745	-	107,745	1,686	-	1,686
		107,745	4,461,359	4,569,104	81,168	5,874,844	5,956,012
Available for sale							
Market treasury bills		54,595	439,492	494,087	493,407	-	493,407
Pakistan investment bonds		69,537	830,724	900,261	-	-	-
Mutual funds units		2,300,000	-	2,300,000	2,200,000	-	2,200,000
Listed ordinary shares		615,901	-	615,901	733,043	-	733,043
Unlisted ordinary shares		296,860	-	296,860	296,860	-	296,860
Sukuk certificates		305,215	-	305,215	307,465	-	307,465
Term finance certificates - listed		2,146,497	-	2,146,497	1,420,686	-	1,420,686
Term finance certificates - unlisted		1,419,904	-	1,419,904	1,380,690	-	1,380,690
		7,208,509	1,270,216	8,478,725	6,832,151	-	6,832,151
Held to maturity							
Commercial Paper		-	-	-	36,636	-	36,636
Preference shares		114,410	-	114,410	110,639	-	110,639
		114,410	-	114,410	147,275	-	147,275
Investments at cost		7,430,664	5,731,575	13,162,239	7,060,594	5,874,844	12,935,438
Provision for diminution in value of investments	7.3	(369,440)	-	(369,440)	(372,743)	-	(372,743)
Investments - net of provision		7,061,224	5,731,575	12,792,799	6,687,851	5,874,844	12,562,695
(Deficit) on revaluation of 'held for trading' securities		175	(2,470)	(2,295)	3	(4,337)	(4,334)
Surplus / (deficit) on revaluation of 'available for sale' securities		244,751	(468)	244,283	186,994	-	186,994
		7,306,150	5,728,637	13,034,787	6,874,848	5,870,507	12,745,355
7.2 Investments by segments							
March 31, 2013 (Unaudited) / December 31, 2013 (Audited) (Rupees in '000)							
Federal Government securities							
- Market treasury bills				4,955,446		6,447,733	
- Pakistan investment bonds				900,261		-	
				5,855,707		6,447,733	
Mutual funds Units							
- Listed				2,300,000		2,200,000	
- Unlisted				-		-	
				2,300,000		2,200,000	
Fully paid up ordinary shares							
- Listed				723,646		734,729	
- Unlisted				296,860		296,860	
				1,020,506		1,031,589	
Term finance certificates							
- Listed				2,146,497		1,420,686	
- Unlisted				1,419,904		1,380,690	
				3,566,401		2,801,376	
Sukuk certificates - unlisted							
				305,215		307,465	
Preference shares							
- Listed				114,410		110,639	
Commercial paper							
				-		36,636	
Total investments at cost				13,162,239		12,935,438	
Provision for diminution in value of investments				(369,440)		(372,743)	
Investments - net of provisions				12,792,799		12,562,695	
(Deficit) on revaluation of 'held for trading' securities				(2,295)		(4,334)	
Surplus on revaluation of 'available for sale' securities				244,283		186,994	
Total investments at market value				13,034,787		12,745,355	
7.3 Particulars of provision for diminution in value of investments							
Opening balance				372,743		439,225	
Reversal / charge during the period / year - net				(3,303)		(66,482)	
Closing balance				369,440		372,743	

	Note	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
----- (Rupees in '000) -----			
8. ADVANCES			
Loans, cash credits, running finances, etc. in Pakistan		4,604,194	4,114,569
Staff Loans		108,827	109,694
Advances - Gross		<u>4,713,021</u>	<u>4,224,263</u>
Provision for non performing loans and advances	8.1.1	(546,057)	(546,057)
Advances - Net of Provision		<u>4,166,964</u>	<u>3,678,206</u>

8.1 Advances include 889.443 million (December 2013 : 889.443 million) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
----- (Rupees in '000) -----					
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	889,443	-	889,443	546,057	546,057
	<u>889,443</u>	<u>-</u>	<u>889,443</u>	<u>546,057</u>	<u>546,057</u>

8.1.1 Particulars of provision against non-performing advances in local currency:

	March 31, 2014			December 31, 2013		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	546,057	-	546,057	205,154	-	205,154
Charge for the period	-	-	-	341,044	-	341,044
Amounts written off	-	-	-	(141)	-	(141)
	-	-	-	340,903	-	340,903
Amounts written off	-	-	-	-	-	-
Closing balance	<u>546,057</u>	<u>-</u>	<u>546,057</u>	<u>546,057</u>	<u>-</u>	<u>546,057</u>

	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
----- (Rupees in '000) -----		
9. OPERATING FIXED ASSETS		
Operating fixed assets - Book value	<u>188,893</u>	<u>196,201</u>
Following additions have been made to operating fixed assets during the period:		
Additions - Cost	<u>1,489</u>	<u>17,392</u>
Capital work in progress	<u>-</u>	<u>154,343</u>
10. OTHER ASSETS		
Income / mark-up accrued in local currency	238,691	213,290
Dividend receivable	6,376	49,616
Security deposits	7,181	695
Advances, deposits, advance rent and other prepayments	46,965	7,181
	<u>299,213</u>	<u>270,782</u>

	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
----- (Rupees in '000) -----		
11. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowing from State Bank of Pakistan against refinance scheme	11.1	26,310
Repurchase agreement borrowings	11.2	5,528,027
Term borrowing	11.3	1,208,333
		<u>6,762,670</u>
Unsecured		
Clean borrowings		2,250,000
		<u>9,012,670</u>
		<u>8,489,171</u>

11.1 The Company has entered into agreement with the SBP for extending Financing Facility for Storage of Agricultural Produce (FFSAP) to a customer. This borrowing carry mark-up rate of 6.5% per annum (2013 : 6.5%). The borrowing will mature in November 2019.

11.2 The mark-up rates on these borrowings range from Nil to 10.50% per annum (December 2013:9.55% to 10.05% per annum) and are due to mature up to April 2014 (December 2013: January 2014).

11.3 This represent finance obtained from Allied Bank Limited to finance the regular business operations of the Company. The finance is secured by pledge of listed TFCs and open end mutual funds. It carries mark up at the rate of 6 months KIBOR + 0.5% per annum. It is repayable in semi annual installments and shall be repaid by 2017.

	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
	(Rupees in '000)	
12. DEPOSITS AND OTHER ACCOUNTS		
Certificates of Investments (COIs) - remunerative		
Financial institutions	-	-
Others	125,080	25,080
	<u>125,080</u>	<u>25,080</u>

12.1 The mark-up rates on these COIs range between 0% to 10.25% per annum (December 2013 : 0% to 9.15% per annum).

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary Shares of Rs.10 each			March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
			(Rupees in '000)	
			1,000,000,000	1,000,000,000
		Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid-up capital				
Ordinary Shares of Rs.10 each				
(Number of shares)				
			600,000,000	600,000,000
		Ordinary shares of Rs. 10 each issued for cash	<u>6,000,000</u>	<u>6,000,000</u>

14. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

Deficit arising on revaluation of quoted equity shares	26,837	79,657
Surplus arising on revaluation of mutual funds	102,098	63,858
(Deficit) / surplus arising on revaluation of T-Bills	(343)	(485)
Surplus arising on revaluation of TFCs	107,362	43,964
Surplus arising on revaluation of PIBs	8,329	-
	<u>244,283</u>	<u>186,994</u>
Related deferred tax liability	(11,371)	(11,103)
	<u>232,912</u>	<u>175,891</u>

15. CONTINGENCIES AND COMMITMENTS

15.1 The department of inland revenue has re-opened the assessment for the tax years 2009, 2010, 2011 and 2012 and raised an additional demand of Rs 20.7 million in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate and Workers' Welfare Fund (WWF), against which the Company has made adequate provision.

The Company has filed appeals with the Commissioner Appeal against the aforementioned orders and the management is confident that the outcome of the appeals will be in favour of the Company.

	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
	(Rupees in '000)	
15.2 Commitments in respect of repo transactions	<u>5,283,026</u>	<u>5,879,655</u>
15.3 Commitments to extend credit	<u>557,846</u>	<u>1,739,194</u>
15.4 Transaction related contingent liabilities		
Guarantees in favor of:		
- Government	-	-
- Financial institutions	-	-
- Others	261,488	289,360
	<u>261,488</u>	<u>289,360</u>
15.5 Sale of shares in future contracts	-	<u>216,214</u>

16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Three months period ended March 31, 2014				
	Corporate finance	Trading and sales	Commercial banking	Total
------(Rupees in '000)-----				
Total income - gross	4,003	166,321	173,991	344,315
Total markup / return / interest expense	-	43,739	47,558	91,297
Segment provision / (reversal) / impairment/ unrealised losses	-	(1,455)	(1,848)	(3,303)
	-	42,284	45,710	87,994
Net operating income	4,003	124,037	128,281	256,321
Administrative expenses and other charges				61,886
Profit before taxation				194,435
Segment assets	-	11,414,708	6,664,839	18,079,547
Segment impaired assets / non performing loans	-	18,595	1,348,132	1,366,727
Segment provision required and held	-	(12,935)	(902,562)	(915,497)
Segment liabilities	-	6,556,411	2,874,886	9,431,297
Segment return on assets (ROA)(%)	-	4.35%	7.70%	5.67%
Segment cost of funds(%)	-	2.67%	6.62%	3.87%
December 31, 2013				
	Corporate finance	Trading and sales	Commercial banking	Total
------(Rupees in '000)-----				
Total income - gross	18,210	754,318	667,887	1,440,415
Total markup / return / interest expense	-	319,199	169,690	488,889
Segment provision / (reversal) / impairment/ unrealised losses	-	(2,357)	276,919	274,562
	-	316,842	446,609	763,451
Net operating income	18,210	437,476	221,278	676,964
Administrative expenses and other charges				220,483
Profit before taxation				456,481
Segment assets	-	11,124,141	6,157,545	17,281,686
Segment non performing loans	-	18,595	1,496,702	1,515,297
Segment provision required and held	-	14,389	358,354	372,743
Segment liabilities	-	7,226,623	1,614,333	8,840,956
Segment return on assets (ROA)(%)	-	3.93%	3.59%	3.92%
Segment cost of funds(%)	-	4.42%	10.51%	5.53%

17. RELATED PARTY TRANSACTIONS

Related parties comprise of major shareholders, directors and key management personnel and their close family members and retirement benefit funds.

Transactions with related parties are executed substantially on the same terms, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

17.1 The Key Management Personnel / Directors compensation is as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
------(Rupees in '000)-----		
Loans and advances to key management personnel		
Balance at beginning of the period / year	101,212	107,051
Loans granted during the period / year	-	4,195
Repayments during the period / year	(720)	(10,034)
Balance at end of the period / year	100,492	101,212

For three months period/ year ended

	March 31 2014	December 31, 2013
	----- (Rupees in '000) -----	
Mark-up received on loans	678	5,294
Salaries and benefits	14,247	105,719
Non-executive directors' remuneration	500	1,940
Disposal of fixed assets to key personnel	-	3,869
Contribution to defined contribution plan	1,084	5,187
Receivable from Iran Foreign Investment Company (net)	850	1,217
Dividend payable to Iran Foreign Investment Company	75,000	75,000
Dividend paid to Ministry of Finance - Govt. of Pakistan	-	50,000

18. CREDIT RATING

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long term entity rating to AA (Double A) and has maintained the short term rating at A1+ (A one plus) of the Company.

19. GENERAL

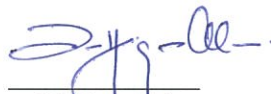
Figures have been rounded off to the nearest thousand rupees.

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 21 APR 2014 by the Board of Directors.



Chairman



Chief Executive /
Managing Director



Director



Director