



PAİR INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED JUNE 30, 2017

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 June 30, 2017. 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

Real GDP growth has maintained its upward trajectory and increased to a decade-high of 5.3 percent in FY17. Some of the other macroeconomic indicators, such as subdued inflation, investment growth, and rising private sector credit, also showed an encouraging picture. However, decline in exports is overshadowing the otherwise reviving economic activity. Pakistan's exports have been afflicted by a number of structural, institutional and entrepreneurial gaps, which have constrained the country's competitiveness for the last many years. The government has announced an incentive package for exporters. The revival in agriculture during FY17 is especially notable. This was also supported by favorable policy measures, including subsidy on fertilizer, reduction in sales tax on tractors, and increased access to finance. Better agriculture had, in turn, positive spillover for trade and manufacturing sectors. Further, Public Sector Development Programme and China Pakistan Economic Corridor related activities also continued to boost construction related industries, such as cement and steel.

The overall improvement in business sentiments along with supportive policies (historic low interest rate, high infrastructure spending and better law and order) has encouraged a number of firms to pursue expansion plans. This was reflected in a significant surge in private sector credit off-take during FY17, with a sizable share of fixed investment loans. At the same time, a hefty increase in machinery imports was also noted. Inflation is expected to remain within the target of 6 percent amidst some pick up on the back of recovery in global prices of oil and other commodities, and push from domestic demand factors. Meanwhile, the credit expansion is likely to maintain its pace with better prospects for investment and business activities.

The country has adequate level of FX reserves, despite some decline; there are no immediate concerns over its external position. However, going forward, it is imperative to exploit all sources of FX inflows, most importantly exports, in order to comfortably finance the rising import demand. During the FY17, KSE-100 index touched the all-time high 53,127 of point's level in May'17 in wake of expectation of higher foreign inflows on inclusion in emerging market. However, index could not sustain the high level due to lower than expected foreign inflows. Furthermore, unfriendly budget for stock market wherein tax on dividend has enhanced from 10% to 12.5% and capital gain surged from 12.5% to 15%. In Jun'17 investors turned bearish and massive volatility was witnessed in local bourse over uncertainty on political front on Panama-JIT

Financial Overview

During the period ended 30 June 2017 the Company earned NRFF of PKR 337.0 million and Non-markup Income of PKR 84.5 million. The total assets were maintained at PKR 17.9 billion as against PKR 18.5 billion of total asset as at December 2016. The decline is due to maturity of government securities which was replenished subsequently and due to lag between the disbursement of advances and its repayments. The Advances also decreased due to reclassification of PKR 761.295 million to investments in the form of Term Finance Certificates portfolio thus closing at PKR 5.15 billion as at June 30, 2017 compared to PKR 5.4 billion as at the

close of year ended December 31, 2016. The streak of control over non-performing loans continued and there was no new addition in the non performing portfolio, however, there was recovery of PKR 11.2 million. P&L charge of PKR 30.2 million is taken as Provision against non-performing loans during the period which pertains to reduction in the Forced Sales Value benefit available under the Prudential Regulations on the legacy portfolio.

Credit Rating

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

Future Outlook

PAIR Investment prime focus will remain in providing services and financing to projects which provide sustainable long term economic growth and infrastructure and is committed to excel by increasing operational efficiencies and quality of services by focusing on clients' needs. State Bank of Pakistan ("SBP") signed Banking and Payment Arrangement (BPA) with Iran's central bank, Bank Markazi Jomhuri Islami Iran (BMJII), on April 14, 2017 in Tehran. Deputy Governor SBP Riaz Riazuddin and Vice Governor BMJII signed the agreement on behalf of their central banks. Whereas the work on the PAK-IRAN Free Trade Agreement is underway this can provide business opportunities to PAIR.

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 us. Finally, we are also thankful to our associates, staff and colleagues for all their continued dedication, enthusiasm and loyalty towards the growth of PAIR.

On Behalf of the Board of Director



Chairman
Tehran – Iran

August 04, 2017