

PAİR INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT FOR THE HALF YEAR ENDED JUNE 30, 2024

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the half year ended June 30, 2024. These Financial Statements have been prepared in compliance with the requirements of BSD Circular Letter No. 5, dated March 22, 2019, and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

Economic Review

Pakistan is likely to avoid an acute economic crisis in CY-2024 as the economy seems to be stabilising in recent months. Foreign exchange reserves have grown and inflation slowed, largely owing to the measures taken by the government to secure a USD 3 billion IMF loan in last July. As of June 2024, the inflation rate eased to 12.6%, while the inflation for FY24 averaged 23.4% versus 29.2% in FY23. It is expected to further cool off in the coming months. However, there are still some upside risks to the near-term changes in energy prices. In June 2024 monetary policy meeting, central bank reduced the policy rate by 150 bps after holding it for 7 consecutive monetary policy meetings. Keeping in view the trajectory of inflation, it is expected to further reduce by 3%-4% in the later half of the year.

The real GDP growth remained moderate at 2.4 percent in FY24 as per provisional data, with subdued recovery in industry and services partially offsetting the strong growth in agriculture. Second, reduction in the current account deficit has helped improve the FX reserves to around US\$9 billion despite large debt repayments and weak official inflows. The government has also approached the IMF for an Extended Fund Facility program, which is likely to unlock financial inflows that will help in further build-up of FX buffers. Also international oil prices have declined, whereas non-oil commodity prices have continued to inch up.

With respect to the PSX, FY24 turned out to be a phenomenal year, as the KSE-100 index posted healthy returns making FY24 the best year for the stock market in the past 20 years. In order to sustain this positive momentum, the continuation of policy efforts and structural reforms are imperative.

Financial Overview

The company continued strengthening its asset portfolio as well as growing organically. As at the close of the six month period ended June 30, 2024, the total assets increased by PKR 2.126 billion reaching PKR 38.568 billion. The major increase came from Investments which increased by PKR 1.517 billion, closing at PKR 24.167 billion, while the advances with a marginal increase of PKR 268.284 million remained at the breakeven level. Management remained cautious in the fresh disbursements as the signs of rippling effect of the high cost of interest and cost of doing business have taken a toll on a lot of business. The borrowers who carry with them a very good credit history are caving into the financial pressures. The same reasons have led to a few additions to the non-performing portfolio requiring additional provisions there against.

On the profit&loss account, Net Revenue from Funds were 6 percent above the same period last year and came to PKR 773.890 million while the total income stood at PKR 847.905 million. In other income, Fee & Commission income performed better than the same period last by 53 percent, while Dividend Income was lower than same period last year, since the average equity investment remained considerably low as management expects that a reentry in the market will be taken at later stage or in between the intervals when the range bound market corrections are seen. Profit before tax remained above same period last year

by 23% percent and stood at PKR 614.544. Additional provisions of PKR 79.864 million against non performing loans and PKR 195.321 million against private debt securities created immense pressure on the bottomline, however recoveries from the legacy non performing loan and reversal in the provisioning requirements under IFRS-9 has counter balanced the same and net reversal of PKR 13.581 million can be seen on the face of the P&L.

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). These ratings indicate a very low expectation of credit risk emanating a very strong capacity for timely payment of financial commitments. The ratings of PAiR primarily reflect the joint sovereign ownership of Pakistan and Iran.

Future Outlook

Persistent debt-repayment pressures, entrenched economic problems and a continuing cost-of-living crisis are likely to sustain pressure on the economy and on a relatively fragile government. Despite the challenges facing the economy, corporate profitability specially in the banking sector has so far remained resilient and have supported the increase in stock market however falling interest rates, persistent problems with the credit off take would still be difficult for the economy as a whole. Successful negotiations on a larger and longer IMF program will provide the assurance for the financial stability at least in the short to medium term. The management has opted a moderate risk based approach and will be closely monitoring the developments to align the business decision in an effective manner.

Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for entrusting their confidence in us in these turbulent times and assure them that we remain committed to maintaining 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.



Managing Director / CEO



Chairman of the Board of Directors

Date: 25th August 2024
Islamabad – Pakistan