

## **PAİR INVESTMENT COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE NINE MONTHS ENDED September 30, 2016**

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the nine months ended September 30, 2016. 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**

The government has concentrated its efforts to transform the economy and improve underlying macroeconomic indicators which have given its results. Pakistan has successfully completed \$ 6.15 billion IMF programme (under the 3-year Extended Fund Facility). The strong build up in exchange reserves which currently stand at a record level of USD 23 billion has led to a stable exchange rate in nine months of 2016 and improvement in the country's import cover. The low interest rate regime, along with an improved energy situation is setting up the rebound in economic activity. Most importantly the Pakistan stock market's reclassification to the MSCI's emerging markets index in June 2016 reflected the global investors' positive outlook on the country.

Exchange reserves built up are a mix of a steady flow of workers' remittances and low international oil prices, along with multilateral and bilateral inflows. Work on projects under the China Pakistan Economic Corridor has gained momentum giving impetus to various construction related industries in addition to increasing Pakistan's geopolitical importance. During Sep'16, the news headlines were dominated by the expected war between Pakistan and India over the Kashmir issue. Domestic political scene was also volatile in the backdrop of protests by opposition parties. However, the political volatility was ignored by foreign investors who have expressed interest in acquiring major stakes in Karachi-Electric, and Pakistan Stock Exchange.

In its latest Monetary Policy meeting, SBP kept the policy rate unchanged at 5.75% on account of rising inflationary expectations and growing uncertainty in the global economy. We believe inflation will see an uptick as the low base effect phases out.

Equity market continued to perform well, reaching new highs during the period. The KSE-100 index closed up with CYTD gain of 23.5%. The rally is primarily driven by reclassification of PSX into MSCI-EM index (effective from May'17). The index continued its upward movement in spite of Foreign Investors portfolio Investments outflows during the month of September.

#### **Financial Overview**

	For the nine months ended	
	30-Sep-16	30-Sep-15
	-----PKR ' 000 -----	
Net Revenue from Fund	523,131	65,276
Other Income	133,386	301,085
Total Income	656,507	958,362
Admin Expenses	(250,867)	(215,922)
Profit Before Provision and Tax	405,650	742,440
Provisions - Net	(99,125)	(37,748)
Profit before Tax	504,765	704,692

Tax	170,032	(267,158)
Profit after Tax	334,733	437,534
EPS	0.56	0.73

The falling interest rates have impacted the revenues. Investments were consolidated keeping the interest rate regime in view hence the total asset at the close of the September 2016 were lesser than the year ended December 31, 2015. Advances showed a healthy increase of 24% and closed at PKR 4.3 billion as at September 30, 2016 as compared to PKR 3.5 billion as at the close of year ended December 31, 2015. There was no new addition in the non performing portfolio. P&L charge of PKR 58.049 million was taken as Provision against non-performing loans during the half year due to reduction in the Forced Sales Value benefit available under the Prudential Regulations. However recoveries of PKR 4.124 million were made from the non-performing loans during the half year. Other income was PKR 100.871 million against PKR 267.225 million in the same period last year as the gain on the sale of securities was lower.

#### 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 us. 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

Tehran (Iran) : October 28<sup>th</sup>, 2016

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Chairman

