

PAİR INVESTMENT COMPANY LIMITED
DIRECTORS' REPORT FOR THE HALF YEAR ENDED JUNE 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 half year ended June 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 macro economic indicators which have given its results. Pakistan is now on track towards successful completion of the IMF programme (under the 3-year Extended Fund Facility) by end September 2016. 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 first half 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. Fiscal imbalances that have historically been crowding out the private sector are now on a declining trend. Most importantly the Pakistan stock market's reclassification to the MSCI's emerging markets index in June 2016 reflects 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. These are expected to remain sustainable, given the expected growth in foreign direct investment is expected, as work on projects under the China Pakistan Economic Corridor gains momentum.

Inflation has remained well under control, with the average CPI for FY16 at 2.86%. Large scale manufacturing (LSM) and showed a cumulative growth of 4.7% during Q3 of FY'16 as compared to 2.8% in the same period last year. With the improved business sentiment, lower input prices, and better energy availability, overall supply conditions have clearly improved. After a 400 basis points rate cut since August 2012, SBP kept the discount rate unchanged till Q1'16. However, taking view of the sustained low inflation and other economic indicators, the SBP reduced its target policy rate further by 25bps to 5.75% in May 2016 and has kept it at the same level in its monetary policy of July 2016.

The Pakistan Stock Exchange that remained bearish in Q1'16 picked up significant momentum during Q2'16, with the PSX-100 index (formerly KSE-100 index) crossing 38,000 points. During the H1'16, PSX-100 index posted a strong return of 15%. The much-awaited decision by the MSCI to upgrade Pakistan to emerging markets from the frontier is expected to bode well for the stock market.

Financial Overview

	For the six months ended	
	30-Jun-16	30-Jun-15
	-----PKR ' 000 -----	
Net Revenue from Fund	352,457	438,905
Other Income	99,591	267,300
Total Income	452,048	706,205
Admin Expenses	(169,729)	(147,233)

Profit Before Provision and Tax	282,319	558,972
Provisions - Net	(6,878)	(24,582)
Profit before Tax	275,441	534,390
Tax	(96,541)	(190,431)
Profit after Tax	178,900	343,959
EPS	0.30	0.57

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 half year were lesser than the year ended December 31, 2015. Advances showed a healthy increase of 25% and closed at PKR 4.4 billion as at June 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 24.176 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 3.0 million were made from the non-performing loans during the half year. Other income was PKR 99.59 million against PKR 267.30 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

Karachi: August 19th, 2016

Chairman

