



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, 2019.

Economic Review

The incumbent Government of PTI is faced with challenge of an unsustainably large current account deficit and to mend the situation many unpopular but necessary policy measures have been undertaken including a sharp currency devaluation, increase in interest rates by 750 bps i.e. from 6.25% to 13.75%, upward adjustments in gas & electricity prices, and broadening of tax base & selectively increasing the tax rate. The government also made great stride in arranging external financing from friendly countries to alleviate pressure on foreign exchange reserves and negotiated an Extended Fund Facility with the IMF amounting to USD 6 billion that aims to stabilize the external position from FY20.

According to the July 2019 Monetary Policy Statement of SBP, Inflation rose to 7.3 YoY. The increase in the inflation came from higher government borrowing from SBP, lagged impact of exchange rate depreciations, hike in domestic fuel prices, and rising food prices. CPI inflation was 8.9 percent in June 2019 and is expected to rise in the near term due to the one-off impact of adjustment in utilities prices and other measures in the FY2020 budget. Going forward inflation is expected to reach up-to 12% percent.

2019 continued to remain tough for the local bourse as the benchmark KSE-100 Index fell sharply by 2,073 points (5.8%) only in the month of June. The KSE-100 Index closed at 33,902 points. Downward trend in the market was triggered by the negative news-flow surrounding the Federal Budget amid fears of stringent conditions associated with the bailout package from the IMF with its implications for economic growth and corporate profitability. However as the Company has already lived through painful period of declining prices, this is probably not the right time to exit the market given the market valuations are attractive, robust corporate earnings growth specially banking sector that will benefit the most from the interest rate hike, ample local liquidity, and expected resumption of foreign portfolio inflows.

Financial Overview

During the half year ended 30 June 2019 the Company earned Net Revenue from Funds ("NRFF") PKR 408.73 million which is an increase of 40% over the last year same period, after adjusting for income reversal on Non-Performing Loans ("NPL"). The non-markup Income was significantly lower and stood at PKR 22.39 million as opposed to PKR 75.07 million for the H1-FY18. The support in the Non-markup income which came from the robust capital gains earned from capital market were not there as the market remained volatile throughout the H1-FY19. The total assets declined by PKR 930.71 million and came to a close of PKR 17.59 billion as against PKR 18.53 billion of total asset as at December 2018. Mainly on account of maturity of Government Securities. Advances net of the repayments were maintained at PKR 7.20 billion. The exposure of PKR 297.95 million which was additionally classified in Q1- FY19 was fully recovered in Q2 however due to category downgrade and decrease in the Forced Sales Value of the collaterals held against the NPL exposures an incremental charge of PKR 99.04 million was taken against during the half year. The equity market remained negative in Q2 requiring a further

charge of PKR 44.81 million making the total provision for diminution in the value of investment to be PKR 53.82 million. The overall profitability improved as the profit before taxation stood at PKR 97.93 million versus loss before tax of PKR 57.37 million for the last year in FY-19.

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 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

PAiR Investment's prime focus will remain be, providing services and financing to projects which provide sustainable long term economic growth and infrastructure. The Company is committed to excel by increasing operational efficiencies and quality of services that focus on clients' needs. The issue of the physical presence of MD/CEO of the company remains unresolved however IFIC has nominated a replacement in place of Mr. Hamid Eftekhari. Legal formalities of newly nominated MD/CEO are being complied with and he is expected to join PAiR team in due course of time.

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
September 01, 2019