

## **PAİR INVESTMENT COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED JUNE 30, 2018**

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, 2018. 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**

Pakistan has achieved a thirteen-year high growth rate of 5.8 percent in FY18 and the average CPI inflation was well below the 6.0 percent target. However, moving forward, the challenges to Pakistan's economy have further accentuated. The current account deficit is mounting proving that aggregate demand is higher than previously thought whereas, June (YoY) inflation clocked in at 5.2 percent, and the average headline inflation for FY19 is expected to cross the 6.0 percent annual target. Core inflation numbers and their one-year projections, at around 7.0 percent also reflect the demand pressures. On the external front, though both exports and workers' remittances are performing better, the sheer size of imports continues to pressurize FX reserves.

The real economic activity repeated its strong FY17 performance. However, towards the end of FY18, some challenges cast shadows on the capacity of the real sector to continue treading this high growth path. In the agriculture sector, the most important concern is the shortage of water, which is likely to constrain agriculture production below the target in FY19. The manufacturing sector is expected to show a mixed picture owing to high base-effect of the on-going monetary tightening effect and some sector specific issues. Whereas construction allied industries are likely to perform at par. Taking stock of these developments and the spillover on the services sector, SBP has projected FY19 GDP growth to be around 5.5 percent as compared to the annual target of 6.2 percent.

Pakistan Stock Exchange have been taking big swings from negative positive and from positive to negative throughout the half year given that the period was marked with elections on the political front and tax amnesty scheme on the economic front. With the new government in office it's too soon to say definitively the course of action the market will take though post elections some major rallies in the index were seen.

#### **Financial Overview**

During the half year ended 30 June 2018 the Company earned gross NRFF of PKR 292.05 million however due to income reversal of PKR 171.389 million on account of additional non-performing loan classification, net NRFF stood at PKR 120.660 million. The non-markup Income was PKR 75.077 million. The main support in the Non-markup income came from the capital gains earned from equity market. Administrative expenses remained under control when compared to the last year. The total assets declined by PKR 860.40 million and came to a close of PKR 16.83 billion as against PKR 17.69 billion of total asset as at December 2017. Mainly on account of maturity of placements made in the market with financial institutions as such the lending to FIs as at June 30, 2018 was PKR 550 million, down by PKR 420 million from the opening of PKR 970 million at the beginning of the period. This is expected to be replenished subsequently. Investments were maintained at almost the same level as that of the year end December 31, 2017 and closed at PKR 10.68 billion.

The legacy portfolio of Non-performing loans gave a blow to the Profit and Loss account with the reclassification to non-performing loans amounting to PKR 588.18 million. In addition to the income reversal of PKR 171.389 million stated above, PKR 46.221 million was taken a charge on account of provision against non performing advances was done, taking away a total of PKR 217.610 million away from the profits.

### 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

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.

### 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

Dubai – UAE

Aug 19, 2018

19, 2018