PIA Pakistan International

Great People to Fly With

CORPORATE SECRETARIAT

CS/S&T/AR-13/COR/KSE-LSE/14
May 27,2014

The General Manager
Karachi Stock Exchange Guarantee Ltd.
Stock Exchange Building
Stock Exchange Road
Karachi

The General Manager
Lahore Stock Exchange Guarantee Ltd.
19 – Khayaban-e-Aiwan-e-Iqbal
Lahore

CORRIGENDUM TO ANNUAL REPORT-2013

Dear Sir(s),

1. Attached is the corrigendum to Annual Report – 2013.

2 You may like to inform to your Members and Shareholders.

Yours sincerely,

Younus M. Khan
Secretary - PIA

cc: Director Enforcement, SECP
cc: Joint Registrar, SECP, Karachi

Pakistan International Airlines
PIA Building
Head Office : Karachi Airport-Pakistan
Tel : 99044850
Fax : 99242310
E-mail : secretary@piac.aero
Website : www.piac.aero

CORRIGENDUM

Dear Stakeholders,

Subsequent to the printing of our Annual Accounts with Auditor's Report for the Year ended December 31, 2013, it has transpired that, due to some miscommunication, the printed accounts had some mistakes in 'Auditors' Report to the Members' and in the 'Statement of Compliance with the Code of Corporate Governance'.

We have now corrected these mistakes in our annual accounts available on PIA's website. However, we feel obligatory to disclose the mistakes identified in published accounts and the same are explained as follows;

Discrepancies in the paragraphs 2 and 3 of Auditor's Report:

The emphasis of matter paragraph included in the auditors' report to the members on the unconsolidated financial statements of the Corporation on page 41 of the Annual Report 2013 is printed as follows:

"We draw attention to note 1.2 to the unconsolidated financial statements, which states that the Corporation incurred a loss of Rs. 44,388.196 million during the year ended December 31, 2013, resulting in accumulated loss of Rs. 197,797.852 million as of December 31, 2013, and, as of that date, the Corporation's current liabilities exceeded its current assets by Rs. 144,445.613 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter."

However, the following should have been printed:

"We draw attention to note 1.2 to the unconsolidated financial statements, which states that the Corporation incurred a loss of Rs. 44,530.891 million during the year ended December 31, 2013, resulting in accumulated loss of Rs. 197,797.852 million as of December 31, 2013, and, as of that date, the Corporation's current liabilities exceeded its current assets by Rs. 164,696.792 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter."

Pakistan International Airlines
PIA Building
Head Office: Karachi Airport-Pakistan
Tel : 99044850
Fax : 99242310
E-mail : secretary@piac.aero
Website : www.piac.aero

Discrepancies in the Statement of Compliance with the Code of Corporate Governance:

(i) Clause 8 of the statement of compliance with the Code of Corporate Governance on page 29 of the Annual Report 2013 is printed as follows:

"The meetings of the Board were presided over by the Chairman / *Acting* Chairman [who is also the Chief Executive (CE), as per the PIAC Act] and it met for approval of each quarterly / half yearly and annual financial statements. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for two meetings which were called on short notice as per PIAC Act 1956. The minutes of the meetings were appropriately recorded and circulated."

However, the following should have been printed:

"The meetings of the Board were presided over by the Chairman / Acting Chairman [who is also the Chief Executive (CE), as per the PIAC Act] and it met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for two meetings which were called on short notice as per PIAC Act 1956. The minutes of the meetings were appropriately recorded and circulated."

(ii) Clause 18 of the statement of compliance with the Code of Corporate Governance on page 30 of the Annual Report 2013 is printed as follows:

"The Board has set up an internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Corporation. "

However, the following should have been printed:

"The Board has set up an internal audit function which comprises of qualified and experienced personnel and is conversant with the policies and procedures of the Corporation."

(iii) Clause 23(d) of the statement of compliance with the Code of Corporate Governance on page 30 of the Annual Report 2013 is printed as follows:

"During the year, various Board Members have resigned including the Chairman of the Board, Chairman of Board's Audit Committee and members of Board's HR & Remuneration Committee. Due to this, Board's Committees could not be convened at certain points in time where they were required mandatorily. The uncontrollable non-compliance arising out includes appointment of Chief Financial Officer and *officiating* Chief Internal Auditor which could not be recommended by Board's HR & Remuneration Committee [Non-compliance of clause (xxv)(iii) of the Code]."

Pakistan International Airlines
PIA Building
Head Office: Karachi Airport-Pakistan
Tel : 99044850
Fax : 99242310
E-mail : secretary@piac.aero
Website : www.piac.aero

However, the following should have been printed:

"During the year, various Board Members had resigned including the Chairman of the Board, Chairman of Board's Audit Committee and members of Board's HR & Remuneration Committee. Consequently, meetings of the Board's Committees could not be convened in certain cases where they were required mandatorily. The uncontrollable non-compliances arising out includes the appointment of the Chief Financial Officer and the officiating Chief Internal Auditor, which could not be recommended by the Board's HR & Remuneration Committee [Non-compliance of clause (xxv)(iii) of the Code]."

Please accept our heartfelt apologies for the mistakes in the printed accounts received by all our stakeholders.

Younus M. Khan
Secretary-PIA

Pakistan International Airlines
PIA Building
Head Office: Karachi Airport-Pakistan
Tel : 99044850
Fax : 99242310
E-mail : secretary@piac.aero
Website : www.piac.aero