

 **PAKISTAN**
International Airlines
Great People to Fly With

ANNUAL REPORT | 2017



 **PAKISTAN**
International Airlines
Great People to Fly With

Company Secretary,
PIA Headquarters,
Jinnah International Airport,
Karachi - 75200, Pakistan.
UAN: 111-786-786 / 111-FLY-PIA
www.piac.aero

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WORLD!



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VISION

PIA's vision is to be a world class profitable airline meeting customer expectations through excellent services, on-time performance, innovative products and absolute safety.

MISSION

Employee teams will contribute towards making PIA a global airline of choice through:

- Offering quality customer services and innovative products
- Using state-of-the-art technologies
- Ensuring cost-effective measures in procurement and operations
- Developing Safety Culture



"MY MESSAGE TO YOU ALL IS OF
**HOPE, COURAGE &
CONFIDENCE"**

LOOKING FORWARD
TO SERVE YOU ON BOARD



CORE VALUES

Customer Expectations

(Convenience, Care, Affordability)

Service

(Personalized, Courteous, Passionate)

Innovation

(New Ideas, Products,
Value Added Services)

Cohesiveness

(Respect for Individuals, Teamwork,
and Effective Communication)

Integrity

(Business Ethics, Accountability,
and Transparency)

Reliability

(Loyalty and Consistency)

Safety

(Passengers, Employees, Environment)

Social Responsibility

(Welfare, Health, Education)

NOTICE OF SECOND ANNUAL GENERAL MEETING

Notice is hereby given that Second Annual General Meeting of the Shareholders of Pakistan International Airlines Corporation Limited will be held at 10:00 AM, on Saturday, August 24, 2019 at Hotel Ramada Plaza, Star Avenue, Terminal 1, Jinnah International Airport, Karachi to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2017 together with the Auditors' and Directors' Reports.
2. To appoint External Auditors for FY 2018 and fix their remuneration.
3. To transact any other business with the permission of the Chair.

By order of the Board

Karachi
August 02, 2019

Muhammad SHUAIB
Company Secretary

NOTES

1. The shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to Shares Registrar / Transfer Agent, are once again reminded to send this same at the earliest directly to CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahr-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number / CDC Account Number with the copy of CNIC/NTN details. Reference is also made to the SECP Notification which mandate that the dividend warrants should bear CNIC number of registered shareholder or authorized person, except in case of minor(s) and corporate shareholders.
2. Share Transfer Books will be closed from Friday, August 16, 2019 to Saturday, August 24, 2019 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of PIACL's Shares Registrar / Transfer Agent viz CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahr-e-Faisal, Karachi up to 05:30 PM, on Thursday, August 15, 2019, will be treated in time for the purpose of exercising the right to vote.
3. Shareholder may appoint another shareholder as proxy to attend and vote in respect of him/her. Duly completed instrument of proxy, or a notary certified copy thereof, must be lodged with the Company Secretary at the Registered Office PIACL Building, Jinnah International Airport, Karachi-75203, Pakistan at least forty eight (48) hours before the time of the meeting.
4. The option of e-voting to the shareholders to vote through electronic means is not available for this AGM.
5. In pursuance of Section 242 of Companies Act, 2017, all Shareholders are notified that details of bank accounts for transmission of any dividend should be registered with our Shares Registrar / Transfer Agent, CDC Share Registrar Services Limited (CDCSRSL). Subsequently no dividend payment through other means, except electronic mode directly into bank account designated by the Shareholders, shall be made.
6. Any change of address of shareholders should be immediately notified to the Shares Registrar / Transfer Agent viz CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahr-e-Faisal, Karachi.

CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by SECP:

A. For Attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her original CNIC or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company.



CORPORATE PROFILE

As at August 02, 2019

BOARD OF DIRECTORS

Mr Noor Ahmed
Secretary Economic Affairs Division

Mr Alif Aslam Bajwa

Mr Naveed Kamran Baloch
Secretary Finance Division

Mr Farrukh H Khan

Mr Tariq Kirmani

Air Marshal Arshad Malik
Chief Executive Officer

Mr Navaid H Malik

Mr Haque Nawaz

Mr Shahrukh Nusrat
Secretary Aviation Division

Mr Muhammad Ali Tabba

Mr Muhammad Shuaib
Company Secretary

Mr Muhammad Javed Jameel
Acting Chief Internal Auditor

EXECUTIVE MANGEMENT

Air Marshal Arshad Malik
Chief Executive Officer

Mr Aijaz Mazhar
Chief Operating Officer

AVM Noor Abbas
Advisor to CEO

AVM Soban Nazir Syed
Director-Precision Engineering Complex

Mr Ali Tahir Qasim
Chief Commercial Officer

Mr Khalilullah Shaikh
Chief Financial Officer

Capt M Uzair Khan
Chief Flight Operations

Mr Khalid-ul-Rehman Barlas
Chief Information Officer

Mr Jawad Zafar Chaudhry
Chief Corporate Development Officer

Mr Amer Altaf
Chief Human Resource Officer

Mr Amir Ali
Chief Technical Officer

Mr Amanullah Qureshi
Chief Supply Chain Management Officer

Mr Younus M Khan
Chief Projects Officer

OTHER CORPORATE INFORMATION

EXTERNAL AUDITORS

Messrs EY Ford Rhodes
Chartered Accountants

Messrs KPMG TaseerHadi & Co.
Chartered Accountants

Legal Advisor
Mr Asim Rauf

SHARE REGISTRAR

ODC Shares Registrar Services Limited
(CDCSRSL)
CDC House, 99-B, Block-B, S.M.C.H.S.,
Main Sharah-e-Faisal Karachi-74400-
Pakistan
Ph: 0800-CDCPL (23275)
Fax: 0092-21-34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

BANKERS

Al Baraka Bank
Askari Bank Limited
Bank Islamic
Bank of Punjab
Citi Bank New York
Credit Suisse AG Singapore
Emirates NBD
Faysal Bank Limited
Habib Allied International Bank, London
Habib Bank Limited
JS Bank
Mashreq Bank, Dubai
National Bank of Pakistan
Standard Chartered Bank Limited, London
United Bank Limited

REGISTERED OFFICE

PIA Building
Jinnah International Airport Karachi-
75200
Pakistan
Tel: 0092-21-9904 0000
UN: 111-786-786
Website: www.piac.com.pk



BOARD OF DIRECTORS

Mr Noor Ahmed

Secretary Economic Affairs Division



Mr Noor Ahmed, Secretary Economic Affairs Division, is a nominated Director since November 9, 2018. He holds Masters degree in Development Studies with a specialization in Public Policy from Institute of Social Studies, Netherlands. Prior to his current assignment, he has served as Special Secretary Finance focusing on fiscal, monetary and treasury management and Additional Secretary External Finance managing external account of the government and arranging fiscal resources to bridge the balance of payment gap. Mr Ahmed has also served as Additional Secretary of External Finance, Regulations, Litigation and Inter Governmental Finance (IGF) as well as Corporate Finance in Finance Division. He remained Director General at Privatization Commission. Mr Ahmed has worked at Khushbali Bank and has also served as Vice President, SME Bank (formerly SBFC).

Mr Atif Aslam Bajwa



Mr Atif Aslam Bajwa is a nominated Director since June 7, 2017. Mr. Bajwa is a graduate from Columbia University, New York, USA. He is a seasoned banker and has over 30 years of diverse national and international banking experience. He started his career in 1982 with Citibank, Karachi, and worked on various senior level positions. Mr Bajwa has worked for ABN AMRO Bank in Pakistan, Singapore and Amsterdam. He has served as President and Chief Executive Officer of MCB Bank Limited, Soneri Bank Limited as well as Bank Alfalah Limited. He has also served as President of Abu Dhabi Group. He has previously served PIACL as one of its First Directors. Mr Bajwa is member Board of PIA Investments Limited. He is Chairman of PIACL Board Audit Committee and Member of Board Finance Committee.

BOARD OF DIRECTORS

Mr Naveed Kamran Baloch

Secretary Finance Division



Mr Naveed Kamran Baloch, Secretary Finance Division, is a nominated Director on PIACL Board since May 24, 2019. He holds MSc Degree in Social Policy and Planning in Developing Countries from London School of Economics, UK. He is a Certified Director from Pakistan Institute of Corporate Governance. Mr Baloch joined Civil Service of Pakistan in 1985. He has vast professional experience in senior management positions in diversified fields such as public sector management, administration, financial, judicial, health, insurance and planning etc. Prior to his current assignment, Mr Baloch has served as Secretary Cabinet Division and Chief Secretary Khyber Pakhtunkhwa. He remained Federal Secretary Ministry of National Health Services, Regulation & Coordination. He has also served as Chairman of Country Coordinating Mechanism (CCM) Pakistan. He held the position of Chairman State Life Insurance Corporation of Pakistan. Mr Baloch has extensively attended local and international professional training courses, workshops, seminars and conferences. He is Ex-officio Chairman of Board Finance Committee.

Mr Farrukh H Khan



Mr Farrukh H Khan is a nominated Director since June 7, 2017. He is a qualified Chartered Accountant from the UK. He has also done BA (Hons.) in Economics and Finance from the University of Manchester. He is Senior Director Business Development of Acumen, and has been a member of Management Committee of the firm. With over 25 years of senior management and Board level experience, Mr Khan was the Founding Partner and CEO of BMA Capital Management Limited. He has an excellent network and knowledge of business in Middle East and South Asia. He has previously served as President of Overseas Investors Chamber of Commerce & Industry (OICCI), Chairman of the Young Presidents' Organization, Pakistan Chapter, and also served on boards of few other public and private sector organizations. He has worked with American Express Bank in Pakistan and Deloitte in London. He was selected by Euromoney as one of the top 50 global financial leaders, below age of 40 years. His philanthropic interests include children's health and education. He is Member of Board Audit Committee as well as HR & Compensation Committee.



BOARD OF DIRECTORS

Mr Tariq Kirmani



Mr Tariq Kirmani is a nominated Director since June 7, 2017. He holds Masters Degree in Business Administration. He started his career with a multinational oil company (Caltex - later Chevron Pakistan) in 1969. He worked for 7 years in the United States (US), United Arab Emirates (UAE) and Australia in senior management positions in Marketing, Operations and Finance. In 1991, Mr Kirmani became the first Pakistani to be elected as a Director of the company. In April 1999, he joined Pakistan State Oil (PSO) as Deputy Managing Director and went on to become the Managing Director in July 2001. The Government of Pakistan (GoP) appointed Mr Kirmani as Chairman & CEO, Pakistan International Airlines Corporation (PIAC) in April 2005 where he served for 2 years. Mr Kirmani has previously served on a number of Boards of multinational and public-sector companies which included Pakistan Refinery Limited (PRL), Pakistan State Cement Corporation (PSCC), Pakistan Telecommunications Limited (PTCL), Pakistan Private Infrastructure Board (PPIB), Board of Governors LUMS and National Bank of Pakistan (NBP). Currently, he is serving as Chairman of United Bank Limited Fund Managers, National Academy of Performing Arts (NAPA), Greenstar Social Marketing (GSM) and Punjab Energy Holding Company (Pvt.) Ltd. (PEHCL). He is also serving as a Director on the Board of Professional Education Foundation (PEF), Family Education Services Foundation (FESF) and as an Advisor to the Board of Gas & Oil Pakistan (Pvt.) Ltd. (GO). He is Chairman of Board HR & Compensation Committee and Member of Board Audit Committee as well as COE Committee.

Mr Navaid H. Malik



Mr Navaid H. Malik is a nominated Director since June 7, 2017. He had obtained his Bachelors Degree from FC College, Lahore and did varied courses in Hotel Management and Aviation Management from USA. Mr Malik has an extensive Senior Management experience in airline catering and hospitality industry. He remained President of renowned Maxim's de Paris of France. He has a vast experience in airline industry with PanAm, Air Mail, Caledonian Airlines, Emirates Airlines and Singapore International Airlines (SIA) where he has also served on the Board. He also served as nominee Director SIA holding company. He is the Principal Advisor to one of the largest investment and asset management companies in the Middle East. Mr Malik has been Adviser on Tourism to Government of Pakistan. He is on the Advisory Committee of International Hotel Association (IHA), as well as International Associate of American Hotel & Motel Association (AH&MA). He has served as a Council Member of World Tourism Organization (WTO), Committee Member of International Hospitality and Leisure Association (IHLA). He keenly takes part in communal and philanthropic activities. He is Chairman of PIACL Board COE Committee and Member of Board Finance Committee as well as HR & Compensation Committee.

BOARD OF DIRECTORS

Mr Haque Nawaz



Mr Haque Nawaz is a nominated Director since November 20, 2017. He holds Masters degree in Business Administration as well as in Chemistry. He is a retired civil servant and has held various positions in Pakistan Audit Department, Finance Division, as well as in the international organizations. His last assignment was Acting Auditor General of Pakistan. Before that, he served as Additional Secretary Finance. Mr Nawaz served in Pakistan Military Accounts Department and in Ministry of Foreign Affairs as Deputy Chief Accounts Officer and Director Foreign Audit. He served the United Nations on secondment in UN Peacekeeping Mission at Kosovo. As UN staff member, he worked as Regional Finance Officer, Municipal Administrator and Program Management Officer. Mr Nawaz has represented the Federal Government / Finance Division on the Boards of Pakistan National Shipping Corporation, Civil Aviation Authority, Overseas Pakistan Foundation, Pak-Libya Holding Company and Pakistan State Oil Company Limited. He has travelled extensively and has attended several training programs, seminars and professional courses besides conducting audit of Pakistan's Missions abroad. He is Member of PIACL Board Audit Committee, Finance Committee as well as Procurement Committee.

Mr Shahrakh Nusrat Secretary Aviation Division



Mr Shahrakh Nusrat is Secretary of Aviation Division, Chairman of the Board of PCAA and a nominated Director of PIACL Board since January 02, 2019. He holds BSc Aviation's degree. He began his career by joining Pakistan Air Force as a Fighter Pilot in 1979 and served till the rank of Squadron Leader. He joined Civil Services of Pakistan in 1993 and served as Assistant Commissioner, Kohat; Assistant Political Agent, Orakzi Agency, FATA; PSO to Principal Secretary to Prime Minister; Director, Agriculture, Industries and Labour; Additional Deputy Commissioner, Islamabad; Deputy Secretary (Political/External), Ministry of Interior; Deputy Secretary, Public Affairs Wing, Prime Minister Secretariat; Director, Estate Federal Government Employees Housing Foundation (FGEHF); Joint Secretary, M/o Labour & Manpower; Director General Pakistan Electronic Media Regulatory Authority (PEMRA); and National Vocational & Technical Training Commission (NAVTC); Managing Director/Chief Executive Officer, Pakistan Housing Authority Foundation (PHAF); Managing Director, Overseas Employment Corporation (OEC); Additional Secretary, Cabinet Division; and Federal Secretary, Ministry of Textile; and Ministry of Climate Change before being posted as Secretary Aviation Division.

BOARD OF DIRECTORS

Mr Muhammad Ali Tabba



Mr Muhammad Ali Tabba is a nominated Director since June 7, 2017. He is Chief Executive of Lucky Cement Limited. He also serves as CEO of Yunus Textile Mills Ltd (YTM) and is Vice Chairman of Board of ICI Pakistan Limited. He started his career with YBG, one of the premier business houses in Pakistan with diversification in Cement, Chemicals, Energy, Textile and Real Estate Development. Mr Tabba also serves on the Board of Trade Development Authority of Pakistan (TDAP). He is a Trustee of Fellowship Fund for Pakistan (FFFP). He is on the Board of Pakistan Business Council (PBC), Oil and Gas Development Company Limited (OGDCL) as well as Pakistan-India Joint Business Council (PIJBC). He has also served as Chairman of All Pakistan Cement Manufacturing Association (APCMA). He is Vice Chairman of Aziz Tabba Foundation which runs Tabba Heart Institute (THI) as well as Tabba Kidney Institute (TKI). World Economic Forum (WEF) bestowed upon Mr Tabba the title of 'Young Global Leader' in 2010. He is also a recipient of 'Businessman of the Year' gold medal award for 2012-2013 from Karachi Chamber of Commerce. He is Member of PIACL Board Procurement Committee.



Air Marshal Arshad Malik **CHIEF EXECUTIVE OFFICER**



Air Marshal Arshad Malik is a nominated Director since October 17, 2018. He was elected as acting CEO on October 26, 2018 and was appointed regular CEO w.e.f. April 26, 2019 as per PSC Guidelines 2015. Before joining PIA, Air Marshal Malik was Vice Chief of the Air Staff (VCAS), Pakistan Air Force (PAF). During his career in PAF, he has flown various trainer and fighter aircraft and commanded a fighter squadron, a flying wing, an operational air base and a regional air command. He has also overseen and coordinated the development, manufacturing of JF-17 Thunder fighter aircraft, induction of transport aircraft like IL-78 and C-130. He has led sale of JF-17 aircraft and Super Mashak aircraft. Air Marshal Malik has served as Board Chairman of Pakistan Aeronautical Complex, Kamra. His staff appointments include Personal Staff Officer to Chief of the Air Staff, Director Operations Project, Director Operational Requirement and Development, Assistant Chief of Air Staff (OR&D), Chief Project Director JF-17, and Deputy Chief of the Air Staff (Personnel) at Air Headquarters. He is a graduate of Combat Commanders' School, Air War College, National Defence University and Air Command and Staff College, United States of America. In recognition of his meritorious services, he had been awarded Hilal-i-Imtiaz (Military), Sitara-i-Imtiaz (Military) and Tamgha-i-Imtiaz (Military). Air Marshal Malik is ex-officio Chairman of PIA subsidiaries viz PIA Investments Ltd and Skyrooms (Pvt) Ltd. He is Member of Board Finance Committee, Board HR & Compensation Committee, Board Procurement Committee as well as Board COE Committee. Air Marshal Malik is member CAA Board. He is also Chairman Al-Shifa Trust -- the flagship CSR setup of PIACL.

REGULATORY APPOINTMENTS



Mr Khalilullah Shaikh
Chief Financial Officer

Mr. Khalilullah Shaikh is a Fellow Chartered Accountant. Prior to joining PIA as Chief Financial Officer in June 2019, he remained associated with K-Electric Limited, a vertically integrated power utility for 12 years in various roles - as Director Finance, Head of Supply Chain and as Chief Internal Auditor. He was part of the K-Electric turn-around team which transformed the utility into a successful, customer-centric and profitable entity. Mr. Shaikh started his career with A.F. Ferguson & Co., a member firm of PwC. He also worked for a Shell group refinery in Pakistan as Head of Treasury & MIS. Mr. Shaikh has been serving as an elected Council member of the Institute of Chartered Accountants of Pakistan (ICAP) for last six years. He has served as Vice-President of ICAP and chaired various Committees and Task Forces of the Institute. Mr. Shaikh is also a member of global Professional Accountants In Business (PAIB) Committee of International Federation of Accountants (IFAC). He is ex-officio Director of PIA subsidiaries viz Skydome (Pvt) Ltd and Sabir T.N. Pakistan (Pvt) Ltd. He is also ex-officio Trustee of Al-Shifa Trust.



Mr Muhammad Shuaib
Company Secretary

Mr. Muhammad Shuaib is Company Secretary of PIACL since January 13, 2017. Besides first class first MBA, he holds an LLB degree. He is a Certified Director from Pakistan Institute of Corporate Governance. He participated in various conferences, and workshops held in Pakistan and abroad. During 2008 to 2012, Mr. Shuaib had served as Corporate Secretary of PIAC - the erstwhile statutory corporation under PIAC Act. As General Manager, he has headed various Divisions in PIA including Industrial Relations, HR Management, Economic Planning, Food Services and HR Projects. Mr. Shuaib has voluntarily served as President PIA Cricket Academy, elected International Commissioner Pakistan Boy Scouts Association and Provincial Commissioner of PIA Boy Scouts Association of which, he is currently the Patron. Mr. Shuaib is President of Al-Shifa Trust and for the second stint, the Chairman of Institute of PIA Planetaria. He is Secretary of Board Audit Committee, Finance Committee, Procurement Committee as well as COE Committee. He is also ex-officio Member CSR Committee and ex-officio Secretary Council of Chiefs.



Mr Muhammad Javed Jameel
Acting Chief Internal Auditor

Mr. Muhammad Javed Jameel is Acting Internal Auditor of PIACL since July 2019. He is an MBA (Finance) and Certified Internal Control Auditor (CICA) from The Institute of Internal Controls, USA. He has been associated with PIA since 2003. Prior to joining PIACL, Mr. Jameel has an experience in Banking as well as Ports & Shipping sectors. He has more than 16 years of airlines exclusive experience in Finance, Internal Audit, Procurement & Logistics and Human Resources. He also worked as Manager Coordination to Chief Executive Officer and later as General Manager HR Governance. Mr. Jameel is a Certified Forensic & Audit Analyst (CFRA) from Certified Forensic Practitioners Institute, USA.



Federal Minister for Aviation Mr Ghulam Sarwar Khan, and Federal Secretary Aviation Mr Shahrukh Nusrat with Directors, CEO, and Senior Management of PIA at PIA Headquarters.



CEO Air Marshal Arshad Malik addressing the employees at PIA Headquarters.

BOARD COMMITTEES

As at August 02, 2019

BOARD AUDIT COMMITTEE (BAC)

Mr Atif Aslam Bajwa
Mr Farrukh H. Khan
Mr Tariq Kirmani
Mr Haque Nawaz

Chairman
Member
Member
Member

BOARD FINANCE COMMITTEE (BFC)

Mr Naveed Kamran Baloch
Secretary Finance Division
Mr Atif Aslam Bajwa
Mr Navaid H Malik
Air Marshal Arshad Malik
Chief Executive Officer
Mr Haque Nawaz

Chairman(ex-officio)

Member
Member
Member

Member

BOARD HR & COMPENSATION COMMITTEE (BHRCC)

Mr Tariq Kirmani
Air Marshal Arshad Malik
Chief Executive Officer
Mr Farrukh H. Khan
Mr Navaid H Malik

Chairman
Member

Member
Member

BOARD PROCUREMENT COMMITTEE (BPC)

Air Marshal Arshad Malik
Chief Executive Officer
Mr Haque Nawaz
Mr Muhammad Ali Tabba

Member

Member
Member

BOARD COMMERCIAL, OPERATIONS & ENGINEERING COMMITTEE (BCOEC)

Mr Navaid H Malik
Air Marshal Arshad Malik
Chief Executive Officer
Mr Tariq Kirmani

Chairman
Member

Member

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dear Shareholders

The Directors of Pakistan International Airlines Corporation Limited (PIACL or the Holding Company) hereby present the Annual Report 2017 of PIACL along with Financial Statements for the year ended December 31, 2017.

INDUSTRY REVIEW

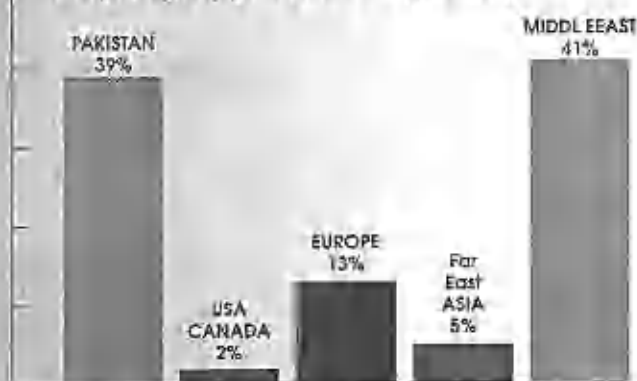
The demand for air passenger services grew strongly in 2017, with industry-wide Revenue Passenger Kilometers (RPKs) increasing by 8.1%. Passenger growth in 2017 was supported by a broad-based improvement in global economic conditions and by lower airfares. In the year 2017, airlines connected a record number of cities worldwide, providing regular services to more than 20,000 city pairs which resulted in doubling of service since 1995. Air freight also grew fast in line with global trade volumes.

BUSINESS REVIEW

During 2017, Management focused on increasing the customer base of the Airline. Being a food loving nation, improvement of in-flight meals was a particular focus of the Management. Moreover, special trainings were given to cabin crew to augment their capacity to serve our valued customers even better.

In line with the market trends for forecasted growth, one additional B777-300ER was inducted in the fleet during 2017. Airline witnessed a 2.1% growth in revenues as compared to 2016. There was an increase of 1.7% in RPKs as compared to last year and Seat Factor registered a growth of 1.6 bps resulting in 5.3 million passengers carried during 2017.

Geographical Segments Business (PAX) - 2017



FINANCIAL SNAPSHOT

During 2017, PIACL (Unconsolidated) and Group (Consolidated) reported loss before tax amounted Rs.46.76 billion and Rs.46.98 billion, resulting in increase of approx. 4.4 % and 4.5% respectively as compared to last year. Major reason for increase in loss was due to increase in fuel cost by 13.9% & increase in financial charges by 15.9% as compared to 2016. Exchange loss increased by Rs. 1.893 billion which also contributed to increase in loss for 2017.

Reserves as on December 31, 2017 were Rs.4.451 billion (unconsolidated) and Rs.5.703 billion (consolidated).

Particulars	Unconsolidated		Consolidated	
	2017	2016*	2017	2016*
	(PKR in Millions)		(PKR in Millions)	
Revenue - net	90,844	88,997	104,198	102,426
Aircraft Fuel	(30,941)	(27,153)	(30,940)	(27,152)
Operating Cost & Expenses	(89,777)	(93,935)	(102,648)	(106,993)
Other Income	549	750	461	658
Exchange Gain (Loss)	(2,188)	(295)	(2,203)	(298)
Finance Cost	(15,247)	(13,160)	(15,781)	(13,585)
Loss Before Tax	(46,760)	(44,796)	(46,918)	(44,877)



SYSTEM IMPLEMENTATION

A well-integrated I.T system with efficient internal controls is a prerequisite for taking informed and timely decisions. Major steps were taken by the Company in this regard during 2017 with the aim that in the coming years Company will be getting full benefits of these initiatives in the form of efficient and effective reporting for better decision making.

ORACLE - ERP

Process for implementation of Oracle based ERP system was initiated in year 2016, core modules were made functional in January 2017. In the post implementation phase, a number of challenges was faced by the management. However, with joint efforts of all stakeholders, these challenges were resolved.

RAPID - Revenue Accounting System

New Revenue Accounting System RAPID (by Mercator Solutions) was successfully implemented in July 2017. Mercator is a leading software and solutions provider to aviation industry with over 70 airlines as their key customers across the world. RAPID is a complete, end-to-end solution that transforms data into a single stream of valuable financial and management information.

AUDIT OF FINANCIAL STATEMENTS

As highlighted in Note 1.2 of the Unconsolidated Financial Statements, the going concern assumption is appropriate based on the persistent support of the Government of Pakistan. Through its letter dated February 19, 2018, GoP has reiterated its maximum support to maintain the Company's going concern. Moreover, GoP guarantee limit was enhanced from Rs.178,088 million (December 31, 2017) to Rs 222,107 million (May 31, 2019) to meet the cash deficit.

Further, in a Meeting With Honorable Prime Minister on April 4, 2019, the Company presented its Strategic Business Plan 2019 - 2023. After detailed deliberation, this Business Plan was approved and during the meeting Honorable Prime Minister assured GoP's full support to the Company in terms of provision of funds/equity in order to increase its potential to compete in the Aviation market.

The Auditors' Reports on unconsolidated and consolidated Financial Statements have highlighted some areas, the details of which can be seen in the respective Auditors' Reports and related Notes to the Financial Statements.

CHANGES IN BOARD OF DIRECTORS

Since the publication of PIA's Annual Report 2016, Mr Tariq Mahmood Pasha, Secretary Economic Affairs Division; Ms Farai Joona; Mr Ali Suleman Habib; Mr Shahid Mahmood, Secretary Finance Division; Mr Adrian Ahmed Khan; and Mr Arif Ahmed Khan, Secretary EAD & Secretary Finance, relinquished as Directors. Mr Muhammad Irfan Elahi, Secretary Aviation Division, relinquished as Chairman & Director.

Mr. Musharraf Rasool Cyan joined as Chief Executive Officer and Director and subsequently relinquished. Syed Ghazanfar Abbas Jilani, Secretary Economic Affairs Division; and Mr Mohammad Younus Daghia, Secretary Finance joined and subsequently relinquished as Directors.

Dr. Ijaz Munk, Secretary Aviation Division, Mr Muhammad Saqib Aziz, Secretary Aviation Division joined and subsequently relinquished as Chairmen & Directors.

Air Marshal Arshad Malik joined as Director and Chief Executive Officer, Mr Haque Nawaz; Mr Noor Ahmed, Secretary Economic Affairs Division; Mr Shahrukh Nusrat, Secretary Aviation Division; and Mr Naveed Kamran Baloch, Secretary Finance, joined as Directors.

Board welcomes the new Directors and CEO. It wishes to record appreciation for the services rendered by the outgoing Chairmen, Directors and CEO.

FINANCIAL ANALYSIS OF SUBSIDIARIES

PIA Investments Ltd

Gross profit for the year 2017 was USD 36.8 million vs 35.4 million in 2016 resulting in 4% increase. Operating profit for 2017 was USD 5.5 million (vs USD 3.3 million in 2016) and profit after tax was USD 1.4 million (vs USD 0.7 million in 2016) recording increase of 65% and 93% respectively.

Particulars	Year Ended December 31st	
	2017	2016
	(USD in Thousands)	
Revenue	121,384	122,834
Cost of Services	(84,611)	(87,455)
Gross Profit	36,772	35,379
Marketing & Other Expenditures	(31,274)	(32,042)
Operating Profit	5,499	3,336
Finance Cost	(6,219)	(4,982)
Deferred Tax	2,140	2,382
Profit After Tax	1,420	736



Skyrooms Pvt Ltd

Revenue for the year 2017 increased by 18% to PKR 350.5 million vs PKR 297.2 in 2016. Profit after tax soared 5.7 times to PKR 54.2 million vs PKR 8.4 million in 2016.

Particulars	Year Ended December 31st	
	2017	2016
	(PKR in Thousands)	
Revenue & Other Income	350,548	297,215
Cost & Expenses	(278,374)	(283,872)
Net Profit Before Tax	72,174	13,343
Taxation	(18,005)	(4,937)
Net Profit After Tax	54,169	8,406



PRINCIPAL RISKS & UNCERTAINTIES

Aviation industry has always been exposed to various risks, both internal and external. These risks are due to the complexities inherent in the business and the high level of regulations prevalent in different countries. We believe that our survival depends on how effectively and efficiently we are able to manage our risks. Our objective is to set in place a robust system of risk management that ensures continuity of airline operations in the long term. The Company has adopted a pro-active approach towards managing key business, strategic, operational and financial risks.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks:

- market risk (including currency risk, interest rate risk, fuel price risk and other price risk)
- credit risk
- liquidity risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Senior management evaluates and hedges financial risks and carries out financial risk management under the governance of Board of Directors.

Credit Risk - The Company's counterparty risk is sufficiently diversified with established limits which are defined in the Credit policy. Credit reviews are regularly conducted to align the exposure within the defined limits.

Liquidity Risk - The Company manages its liquidity risk by ensuring optimum utilization of cash generated from operations, available financing facilities and obtaining financing from lenders against GoP guarantees and securitization of assets.

Fuel Prices Risk - Being part of aviation industry, like other airlines the Company is exposed to volatility in the Jet fuel prices. Accordingly, the Company has put in place an effective fuel hedging committee which has the responsibility to run the program under the guidelines provided by the Risk Management and Finance Committee.

Interest Rate Risk - PIA's loan portfolio consists of a variety of loans secured against PIA assets or GoP guarantee and denominated in domestic and foreign currencies. PIA manages the interest rate risk by targeting a balanced portfolio approach.

ENGINEERING AND MAINTENANCE

PIA Engineering and Maintenance has been striving to explore new avenues of business opportunities available in the market.

Line Maintenance was one of such revenue stream which was successfully uncapped by engaging new potential target customers. To spark this strategy, a separate and dedicated technical handling cell was commissioned at Karachi to handle foreign operator aircraft flying in and out of Pakistan.

This development helped in attracting new customers including Qatar Airways and Gulf Air by acquiring alternate regulatory approvals while chasing EASA Part - 145 in parallel.

PIA Engineers were trained on modern fleet including B787 Dreamliner, A330 and A350 fleet. Moreover, PIA also started handling Saudi Airlines by materialization on a long term agreement. The activity proved restoration of third party customers' valued trust in PIA product and quality of maintenance services.



NEW MARKETING STRATEGY

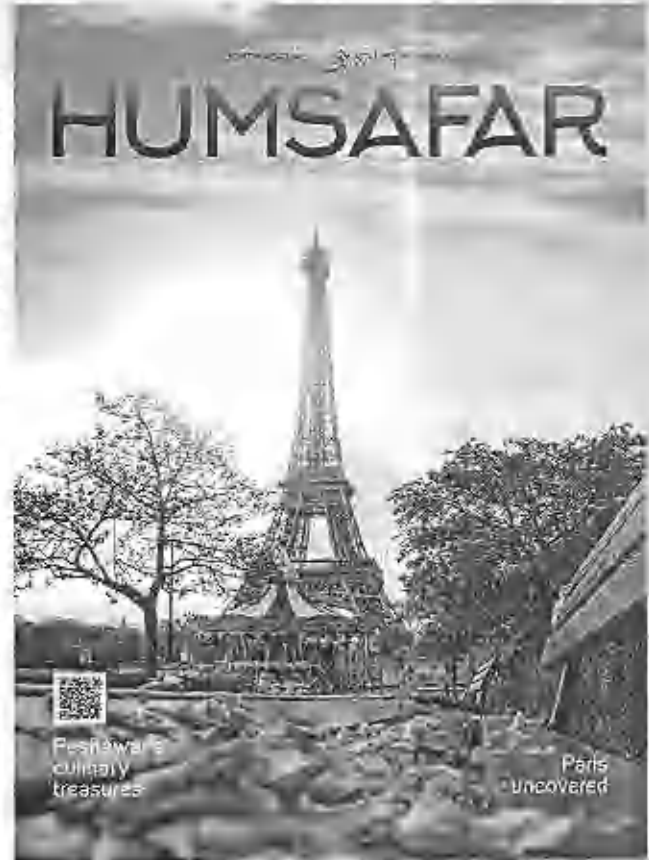
Having completely ventured into the digital era of marketing and customer engagement and confidence-building through social and digital media, the years 2017 & 2018 saw PIA being ranked at No.1 for social media presence and engagement with customers in the digital spheres. PIA undertook a number of activities and initiatives to bring itself up with an image of an engaging lifestyle and travel brand.

HUMSAFAR PIA's inflight magazine Humsafar was revamped and given a new and fresher look with more engaging content to keep travelers entertained throughout their flight.

HAJJ OPERATION

PIA undertakes a massive Hajj Operation every year and accordingly the preparations start right away with the end of previous Hajj operation. Considering the religious as well as social aspect of this holy ritual, PIA being national flag carrier gives great importance to the Hajj operation with special emphasis on Hajj convenience and serviceability of the aircraft. For the past few years, Hajj operation is substantially conducted with PIA's own fleet.

The entire Hajj operation 2019 is being conducted through PIA's own fleet and has been quite a success so far. PIA operates direct flight from Karachi, Islamabad, Lahore, Peshawar, Quetta, Faisalabad, Sialkot and Multan while connections via Karachi are being provided to passengers from Rahim Yar Khan, and Sukkur.



INDEPENDENCE DAY CELEBRATIONS

Independence Day celebrations kicked off at 14,000 feet in the air on a PIA 777 Boeing plane. Famed celebrity singer Momina Mustehsan was on-board and sang Dil Dil Pakistan, much to the delight of the passengers who sang along with full fervor and spirit.

QUAID-E-AZAM'S BIRTHDAY

PIA also celebrated Quaid-e-Azam's birthday with a cake-cutting ceremony on board a Karachi to Islamabad flight which delighted passengers and children. This was one of the most appreciated and talked-about activities that PIA undertook aboard a flight.



CORPORATE SOCIAL RESPONSIBILITY

PIA is driven by high standards of corporate social responsibility (CSR). As a public sector organization, it believes in building strong relationships with customers, partners, employees, and the communities in which it operates. It aims to include public interest into corporate decision making by pursuing triple bottom line objective: People, Profit and Planet. As a responsible corporate citizen, the airline extends support during natural calamities by making donations, operating additional flights and carrying relief material free of charges to help affecteds. PIA has established a CSR Committee which formulates, reviews and implements best practices of CSR governance. Al-Shifa is the flagship CSR activity of PIA existing since 1967. Besides, PIA Scouts Association, PIA Cricket Academy as well as PIA Employee Health and Medical Services reflect PIA's belief in contributing for the betterment of society. Moreover, PIA supports initiatives in the field of education and training to provide fundamental building blocks for the development of society. These include PIA Model Secondary School and PIA Industrial Training Institute.



SPORTS ACTIVITIES

The 2017 ICC Champions Trophy was the eighth ICC Champions Trophy -- a cricket tournament for the eight top-ranked One Day International (ODI) teams in the world. It was held in England and Wales from 1st to 18th June 2017. Pakistan won the competition for the first time with a 180-run victory under the supreme Captaincy of Sarfraz Ahmed who is a regular employee of PIA. Further, PIA also supported Pakistan Super League held in 2017.



SPRING FESTIVAL

PIA took the trend of hosting in-flight activities further by celebrating the colorful spirit of Spring Festival on a Karachi-Lahore flight. Exceeding customer expectations, the lively cabin crew handed out special sweets (*mithai*) and colorful bangles and engaged passengers by singing songs with them.



PATTERN OF SHAREHOLDING

A Statement showing the Pattern of Shareholding in PIACL and additional information as of December 31, 2017 appears on Page 42. The highest and lowest market prices for Ordinary 'A' class shares of PKR 10/- each during 2017 were PKR 10.21 and PKR 3.50 per share, respectively. The highest and lowest market prices for Ordinary 'B' class shares of PKR 5/- each were not recorded during 2017 as the shares were not traded during 2017. Government of Pakistan through Ministry of Defense and Aviation Division hold 91.56%, PIA Employees Empowerment Trust (PEET) holds 4.43%, Public Sector Companies and Corporation hold 0.10%, Individuals and others hold 3.82%, whereas, Financial Institutions hold 0.09% of holding in the Company.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK 2017

To comply with Public Sector Companies (Corporate Governance) Rules, 2013 read with Code of Corporate Governance 2012, the Directors to the best of their knowledge and belief state that:

- Board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with during the period in which such non-compliance continued, and reasons for such non-compliance;
- Financial Statements prepared by the Management of PIACL, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of PIACL have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment;
- Appointment of Chairman and other Directors and the terms of their appointment along with the remuneration policy adopted are in the best interests of PIACL as well as in line with the best practices;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- Directors acknowledge the responsibility of establishment of sound and effective internal control system and efforts are being made for further improvement and refinement in design as well as effectiveness of existing system;
- Key operating and financial data of last six years in summarized form is annexed to this Report;
- There are no significant doubts upon PIACL's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the Rule Book of Pakistan Stock Exchange other than those highlighted in various exception reports;
- Reason for non-declaration of dividend/non-issuance of bonus shares is net loss during the year;
- Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit, their spouses and minor children have not reported any trading in PIACL Shares during the year;
- Three Directors and Company Secretary are Certified Directors whereas plans are afoot to get all Directors certified as required by the Code of Corporate Governance;
- During the year, Board of Directors held 10 Meetings. Attendance record of Directors is annexed to this Report;
- Pattern of Shareholding as required under Section 236 of Companies Ordinance 1984 and Rule 17 of PSC Rules, 2013 is annexed to this Report;
- All statutory payments outstanding against PIACL have been disclosed in Financial Statements;
- As disclosed in the Financial Statements, repayment of principal and interest to GOF has been on hold, keeping in view the financial situation of the Holding Company;
- Board of Directors has recommended and Shareholders had approved appointment of Messrs KPMG Taseer Hadi Co. and Messrs Ernst & Young Fords Rhodes Sidat Hyder as External Auditors; and
- During the period, unconsolidated as well as consolidated Loss - basic & diluted of Rs. 9.12 per 'A' Class share and Rs. 4.56 per 'B' Class share was registered.



COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

A Statement showing the status of compliance with the best practices of the Corporate Governance set out in Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance is being published and circulated alongwith this Report.

STATEMENT OF INTERNAL CONTROL

Board is responsible for establishing effective internal control system in PACL to achieve its objectives in the following categories:

- Efficiency and effectiveness of operations
- Compliance with laws and regulations
- Reliability of financial reporting

Board has established an Audit Committee comprising four Non-Executive Directors. Terms of Reference of Audit Committee are in line with the requirements of Public Sector Companies (Corporate Governance) Rules, 2013. Audit Committee is responsible for oversight of Internal Audit Function as well as external financial reporting.

PACL's Internal Audit Function is headed by a qualified Cost and Management Accountant. Further, as assigned by the Board, Audit Committee the Internal Audit Function has transformed its audit approach from traditional to risk based for all auditable assignments in line with guidelines of Committee of Sponsoring Organizations of the Treadway Commission (COSO) and standards by Institute of Internal Auditors - USA. To further strengthen the overall Internal Audit Function, PACL has entered into a co-sourcing agreement with Messrs Deloitte Yousaf Adil (a member firm of Deloitte Touch Tohmatsu Limited).

FUTURE OUTLOOK

Frequent changes in management, not only disrupts the continuation of policies, vision and strategic direction but also shakes the confidence of investors and lenders. In order to stabilize the operations of the airline, Board with the approval of Govt, decided to appoint Air Marshal Arshad Malik as CEO of PIA for a period of three years with effect from April 2019. Air Marshal Malik is an accomplished officer, a thorough professional and has held many high level management position of operational, commercial and aviation domains.

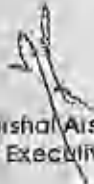
New Management is intending to revive the airline in a phased manner. A five year business plan was presented to the Honorable Prime Minister in April 2019 which was unanimously approved. The Business Plan 2019-23 focuses on the airline stabilization, consolidation and then embarking on growth to become profitable gradually in five years. Some of the strategies of new business plan include measure to ensure safe operations, promote empowerment and ownership, enhance revenues, cut costs, optimize routes, rationalize the network, add In-Flight entertainment, improve punctuality and reliability, ensure aircraft cleanliness, enhance customer experience, provide quality food, increase ancillary revenues, adopt new technology, rationalize HR, instill culture of merit, focus on code sharing, save fuel, co-brand and uphold principles of corporate governance.

The operating environment of airline industry is challenging amidst competition, soft yields, rising fuel cost and depreciating currency but there are opportunities for airlines at the same time within the continual growth of our vibrant and resilient economy.

ACKNOWLEDGEMENT

We would like to thank the customers, the shareholders and the valuable support of Government of Pakistan. We are grateful to the aircraft lessors and banks for their trust and confidence in the airline. We also wish to thank each member of the management and staff for their loyalty, dedication, commitment & hard work and sustained endeavors in meeting the challenges posed before the organization. I would like to thank our colleagues on the Board for their valuable guidance and dedicated oversight. We are confident that with the dedication of our people and commitment of our management we shall bring the organization out of this difficult situation.

For and on behalf of the Board


Air Marshal Arshad Malik
Chief Executive Officer


Atif Aslam Bajwa
Director

July 18, 2019

مستقبل کی حکمت عملی

انتظامیہ میں متواتر تبدیلیاں نہ صرف پالیسیوں کے تسلسل اور کاروباری استحکام کو متاثر کرتی ہیں بلکہ اسٹیک ہولڈرز اور سرمایہ فراہم کرنے والوں کے اعتماد کو بھی متزلزل کرتی ہیں۔ انٹرلائن کے آپریشن کے استحکام کے لیے بورڈ نے حکومت پاکستان کی منظوری سے اپریل 2019 میں انٹر مارشل آرشد ملک کو تین سال کی مدت کے لیے بطور چیف ایگزیکٹو مقرر کیا۔ انٹر مارشل آرشد ملک ایک بہترین منتظم ہیں اور جہازوں کے آپریشن، تجارتی معاملات اور ایوی ایشن میں وسیع تجربہ اور مہارت رکھتے ہیں۔

نئی انتظامیہ انٹرلائن کو بحال کرنے کا مصمم ارادہ رکھتی ہے۔ اپریل 2019 میں پانچ سال کے لیے کاروباری منصوبہ عزت مآب وزیراعظم پاکستان کو پیش کیا گیا جسے متفقہ طور پر منظور کر لیا گیا۔ یہ منصوبہ 2019 سے 2023 تک پی آئی اے کے استحکام پر توجہ مرکوز کرتا ہے۔ منصوبے کے مطابق ادارے کو پانچ سالوں میں پندرہ منافع بخش بنانے کے لیے ترقی پر عمل درآمد کی حکمت عملی شامل ہے جن میں محفوظ آپریشن کو یقینی بنانے، ملکیت کو فروغ دینے، آمدنی کو بڑھانے، اخراجات کو کم کرنے، فضائی روئس کو منافع بخش بنانے اور ان میں توسیع، نیٹ ورک کو مربوط کرنے، طیاروں کی صفائی کو یقینی بنانے، معیاری کھانوں کی فراہمی، دیگر ذرائع سے آمدنی میں اضافہ، بدل پڑتی ایج آرکانائز، میرٹ کی بالادستی، کوڈ شیئرنگ پر توجہ، ایندھن کے اخراجات میں کفایت اور کارپوریٹ گورننس کے اصولوں کے مطابق کام کرنا اور فروغ دینا ہے۔

فضائی صنعت کے موجودہ ماحول سے مقابلہ کرنا، مولوں کرایے، بڑھتی ہوئی ایندھن کی لاگت اور کرنسی کی قیمتوں میں کمی کے مقابلے میں چیلنج کا سامنا ہے تاہم ہماری متحرک اور مستحکم معیشت کی مسلسل ترقی میں ہی انٹرلائن کی ترقی کے مواقع موجود ہیں۔

اظہار تشکر:

ہم اپنے صارفین، حصص یافتگان اور حکومت پاکستان کی بھرپور حمایت کا شکریہ ادا کرتے ہیں۔ ہم لیزنگ کمپنیوں کے شریکین ہیں جنہوں نے پی آئی اے کو طیارے فراہم کیے اور ان مالیاتی اداروں کے بھی شریکین ہیں جنہوں نے ہم پر اعتماد کیا اور مالی تعاون فراہم کیا۔ ہم اپنے کارکنان کے بھی مشکور ہیں جنہوں نے پی آئی اے کو درپیش مسائل اور چیلنجز کا ایما تدارکی اور انتھک کوششوں سے مقابلہ کیا۔ میں بورڈ کے اپنے ساتھیوں اور ان کی قابل قدر رہنمائی کا بھی شکریہ ادا کرتا ہوں۔ ہمیں یقین ہے کہ ہمارے لوگوں کی بے لوث اور انتھک محنت اور انتظامیہ کے بھرپور عزم سے اس ادارے کو مشکل صورتحال سے باہر نکال دیں گے۔

از طرف بورڈ



حافظ اسلم باغ
ڈائریکٹر



انٹر مارشل آرشد ملک
چیف ایگزیکٹو آفیسر

18 جولائی 2019

پبلک سیکٹر کمپنی (کارپوریٹ گورننس) رولز بحریہ 2013 اور کوڈ آف کارپوریٹ گورننس بحریہ 2012 کے تحت ڈائریکٹرز بیان کرتے ہیں کہ:

(ا) بورڈ آف ڈائریکٹرز نے کمپنی کے وضع کردہ اصولوں اور قوانین کے تحت کام سرانجام دینے اور ان باتوں کی نشاندہی کی جو قوانین کے تحت نہیں کئے گئے۔ اس مرحلہ کے دوران جن قوانین کے تحت عمل ہوتا تھا اور نہ ہو سکا، ان کی وجوہات بتائی گئیں۔

(ب) بورڈ کے وضع کردہ اصولوں کے تحت مالیاتی گوشوارے جو کہ پی آئی اے انتظامیہ نے تیار کیے، صاف اور شفاف ہیں۔

(پ) اکاؤنٹس کی کتابوں کی مناسب دیکھ بھال کی گئی ہے۔

(ت) مالیاتی گوشوارے کی تیاری کے دوران اکاؤنٹس کے درمیان اصولوں کی پابندی کی جاتی ہے اور لاگت کا تخمینہ ایک مناسب انداز اور بہتر فیصلوں کے طریقہ کار پر کیا جاتا ہے۔

(ث) پی آئی اے کے پیمائش اور ڈائریکٹرز کی تقرری اور مراعات کا تہن کا رپورٹ سیکٹر کے بہترین اصولوں کے مطابق اور پی آئی اے کے بہترین مفاد میں کیا گیا۔

(ڈ) مالیاتی گوشوارے کی تیاری میں ان بین الاقوامی معیارات کا خاص خیال رکھا گیا جو پاکستان میں بھی رائج ہیں۔

(ج) ڈائریکٹرز اپنی ذمہ داریوں کو اچھے طور پر سمجھتے ہیں اور موثر حکمت عملی اور اندرونی کنٹرول کے طریقے کو بروئے کار لاتے ہیں اور بہتر نتائج کے لئے کوشاں رہتے ہیں تاکہ کام میں مزید ترقی ہو اور موثر نظام میں مزید بہتری لائی جاسکے۔

(چ) کارکردگی کے پچھلے 8 سالوں کے گوشواروں کا خلاصہ اس رپورٹ کے ساتھ منسلک ہے۔

(ح) پی آئی اے کی اہل کام کرنے کے طریقہ کار اور صلاحیت کی وجہ سے کسی قسم کے بڑے شہات نہیں ہیں۔ یہ ترقی کی راہ پر گامزن ہے۔

(ز) پاکستان شاک اسٹیجنگ کے قوانین کی پابندی اور اس پر عملدرآمد کر دیا گیا، سوائے ان کے جن کی نشاندہی اسٹیمپ رپورٹ میں کی گئی ہے۔

(ذ) Dividend کا اعلان نہ ہونے اور بونس حصص جاری نہ کرنے کی وجہ سے خالص سالانہ خسارہ ہے۔

(ف) ڈائریکٹرز چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کینیڈین بینکر ٹری، انٹرنل آڈیٹران کی بیگمات اور دیگر کفالت بچوں نے زیر جائزہ مالی سال کے دوران پی آئی اے کے حصص کا کوئی کاروبار رپورٹ نہیں کیا۔

(ق) تین ڈائریکٹرز اور کینیڈین بینکر ٹری پی آئی اے کی اہل مشنڈ ڈائریکٹرز ہیں۔ پی آئی اے کی اہل کام تمام ارادہ ہے کہ تمام ڈائریکٹرز مشنڈ ڈائریکٹرز نہیں جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت ضروری ہے۔

(ز) سال 2017 کے دوران بورڈ آف ڈائریکٹرز کے 16 اجلاس منعقد ہوئے، جس کا ریکارڈ اس رپورٹ کے ساتھ منسلک ہے۔

(ح) حصص یافتگان کی تفصیل سیکشن 236 سیکٹرز آرڈیننس 2017 اور رولز PSC، 17، 2013 کے مطابق اس رپورٹ کے ساتھ منسلک ہیں۔

(ج) تمام قانونی اداائیاں مالی گوشوارے میں دکھائی گئی ہیں۔

(ب) جیسا کہ مالی گوشوارہ میں دکھایا گیا ہے کہ حکومت پاکستان کو واجب الادا اصل ذرا و سود کی ادائیگی روک دی گئی ہے جس کی وجہ سے ہولڈنگ کمپنی کے مالیاتی غماز ہیں۔

(س) بورڈ آف ڈائریکٹرز نے سفارش کی اور حصص یافتگان نے منظور کیا کہ KPMG، شری رام پوری اور Ernst & Young Ford Rhodes ایکسٹرنل آڈیٹرز ہو گئے۔

(ش) غیر منتفاد منتفد مالی گوشواروں کے مطابق سال درداں کے دوران بنیادی خسارہ 9.12 روپے فی اے کال شیئر اور 4.56 روپے فی بی کلاس شیئر ریکارڈ کیا گیا۔

کارپوریٹ گورننس کے بہترین اطوار پر عمل درآمد

ایک بیان جس میں پی آئی اے کی کارپوریٹ گورننس کے بہترین اطوار پر عمل درآمد کرنے کا ذکر کیا گیا ہے جو پبلک سیکٹر کمپنی (کارپوریٹ گورننس) رولز بحریہ 2013 اور کوڈ آف کارپوریٹ گورننس کے تحت شائع کرنا ضروری ہے، اس رپورٹ کے ساتھ منسلک ہے۔

اندرونی کنٹرولز:

پی آئی اے بورڈ کی ذمہ داری ہے کہ وہ اندرونی کارکردگی کو موثر بنائے تاکہ کمپنی اپنے اہداف حاصل کر سکے جن کی تفصیل درج ذیل ہے۔

(الف) آپریشن کی مد میں موثر اقدامات اور صلاحیتوں کا استعمال

(ب) قوانین و ضوابط کی پابندی

(پ) مالیاتی گوشوارے کی درستگی

پی آئی اے کی اہل بورڈ نے ایک آڈٹ کمپنی تشکیل دی ہے جس میں چار تان ایگزیکٹو ڈائریکٹرز کی تقرری کی گئی ہے اور کمپنی کی شرائط و ضوابط پبلک سیکٹر کمپنی رولز 2013 کے مطابق ہیں۔ کمپنی کی ذمہ داریوں میں اندرونی آڈٹ اور فنانس رپورٹنگ پر نگرانگ شامل ہے۔

پی آئی اے کی اہل کے اندرونی آڈٹ کا کام ایک سند یافتہ کاسٹ ایڈیٹمنٹ اکاؤنٹس کے ذریعے کیا جاتا ہے۔ اور جب بھی کمپنی کی جانب سے کوئی آڈٹ کا کام سونپا گیا تو اس کی بجائے آڈٹ کے وضع کردہ اصولوں کے مطابق کی گئی ہے۔ جو ایک پبلک سیکٹر لیونڈ کمپنی پر قانون کے تحت لگو ہوتا ہے اس کا معیار COSO اور آڈٹ کے ادارے انشٹیٹیوٹ برائے انٹرنل آڈیٹرز امریکہ کے مطابق ہے۔ آڈٹ کی مد میں مزید بہتری کے لئے پی آئی اے نے Deloitte Yousof Adil کے ساتھ ایک معاہدہ بھی کیا ہے۔

بی آئی اے ہر سال بڑے پیمانے پر جے ایئر پکستان سرانجام دیتی ہے اور اس کی تیاری گزشتہ جے ایئر پکستان کے اختتام کے ساتھ ہی شروع ہو جاتی ہے۔ اس مقدس فریضہ کے مذہبی اور سماجی پہلو کو مد نظر رکھتے ہوئے بی آئی اے کی زیر نگرانی جے ایئر پکستان میں طیاروں میں سہولیات کی فراہمی پر خصوصی توجہ دیتی ہے۔ گزشتہ کئی سالوں سے بی آئی اے اپنے فضائی جڑے کے ساتھ جے ایئر پکستان سرانجام دیتی آ رہی ہے جو بہت اہمیت کا حامل ہے۔ 2019 کا جے ایئر پکستان بی آئی اے اپنے ہی طیاروں کے ساتھ کامیابی کے ساتھ سرانجام دے رہی ہے۔ بی آئی اے کراچی، اسلام آباد، لاہور، پشاور، کوئٹہ، فیصل آباد، سیالکوٹ اور ملتان سے براہ راست جبکہ رحیم یار خان اور سکھر سے براستہ کراچی جے ایئر پکستان چلا رہی ہے۔

جشن آزادی کی تقریبات:

بی آئی اے نے جشن آزادی کا آغاز بونگ 777 کی 14000 فٹ لمبی بندوق پر پرواز سے کیا۔ اس پرواز میں معروف گلوکارہ مومنہ مستحسن بھی موجود تھیں۔ انہوں نے دوران پرواز بھرپور ملی جذبہ کے ساتھ ملی نغمہ دل پاکستان سنایا جس سے مسافر خوب محظوظ ہوئے اور ان کا ساتھ دیا۔

قائد اعظم کے یوم ولادت پر تقریب کا انعقاد:

بی آئی اے نے دوران پرواز کراچی سے اسلام آباد جاتے ہوئے قائد اعظم کا یوم ولادت منایا۔ اس موقع پر ایک ٹیکہ بھی کاغذیاً تقریب میں مسافروں نے بھرپور شرکت کی اور ان کا پیش گوئے حدس لیا گیا۔

کارپوریٹ کی سماجی ذمہ داریاں (CSR):

بی آئی اے کی اہل اپنی سماجی ذمہ داریوں کی ادائیگی انتہائی اعلیٰ معیار اور سربراہی اصولوں کے مطابق کرتی ہے۔ بحیثیت ایک پبلک سیکٹر کمپنی بی آئی اے اپنے صارفین، شراکت داروں، کارکنوں اور معاشرے کے ساتھ مضبوط تعلق برقرار رکھتی ہے اس کا مقصد یہ بھی ہے کہ عوام ان بھی ان کے فیصلوں میں دلچسپی ظاہر کرے جو یہ اپنے صارفین، انٹرلائن کے فائدے اور جہازوں کی بہتری کے لیے کر رہے ہیں۔ بی آئی اے ایک ذمہ دار، قومی ادارہ ہونے کی حیثیت سے نہ صرف قدرتی آفات کے مواقع پر متاثرین کی مالی مدد کرتی ہے بلکہ ان کی آمدورفت اور آمدنی سامان کی ترسیل کے لیے بھی باامعاوضہ سہولیات فراہم کرتی ہے۔ بی آئی اے نے ایک CSR کمیٹی بھی تشکیل دی ہے جو کہ باقاعدگی سے اس شعبہ میں انٹرلائن کی کارکردگی کا جائزہ لیتی ہے۔

معاشرے کے پس ماندہ افراد اور کارکنان کی بہتری کے لیے بھی بی آئی اے اپنا بھرپور کردار ادا کرتی ہے جس کے لیے کئی ادارے تشکیل دیئے گئے ہیں جن میں الشفاء ٹرسٹ جو کہ 1967 میں معرض وجود میں آیا، بہتر نمبر سٹ ہے۔ اس کے علاوہ بی آئی اے اس کا کوشش کرکٹ اکیڈمی، بی آئی اے سیارہ گاہ اور ملازمین کیلئے صحت و علاج کی سہولیات بھی فراہم کرتی ہے جو یہ ثابت کرتا ہے کہ بی آئی اے معاشرے کی خوشحالی اور بہتری میں معاونت کرتی ہے۔ اسکے علاوہ تعلیم و تربیت جیسے شعبہ جات میں بھی بی آئی اے بھرپور حصہ لیتی ہے جسکی مثال بی آئی اے ماڈل سیکنڈری اسکول اور بی آئی اے ایئر سٹرل ٹریننگ سنٹر ہے۔

کھیلوں کا شعبہ:

2017 کی آئی سی سی کرکٹ چیمپئن شپ کے مقابلے جو کہ بحرانیہ میں تيم جون سے 18 جون تک دنیا کی آٹھ بڑی ٹیموں کے درمیان ہوئے پاکستان نے پہلی بار یہ ٹورنامنٹ سرفراز احمد جو کہ بی آئی اے کے مستقل ملازم ہیں کی قیادت میں جیتا۔ مزید برآں بی آئی اے نے 2017 PSL کو بھی مکمل طور پر تعاون فراہم کیا۔

موسم بہار کا تہوار:

بی آئی اے نے دوران پرواز اپنی سرگرمیوں میں اضافہ کرتے ہوئے کراچی اور لاہور کے دوران کی پرواز میں موسم بہار کو خوش آمدید کہتے ہوئے پرواز میں موجود مسافروں میں نہ صرف مقامی تقسیم کی بلکہ خواتین مسافروں میں رنگ برنگی یوڑیاں بھی تقسیم کیں اور موسم بہار کے لحاظ سے گائے گائنا کران کو بہت محظوظ کیا۔

حصص کا گوشوارہ:

ایک گوشوارہ جس میں کمپنی کے حصص یافتگان اور انسانی معلومات دکھائی گئی ہے جو مورخہ 31 دسمبر 2017 کے مطابق ہے، جو صفحہ 42 پر تفصیلاً درج ہے۔ سال 2017 کے دوران عمومی اے کلاس حصص جو کہ 10 روپے فی حصص ہے انکی زیادہ سے زیادہ مارکٹ قیمت 10.21 روپے اور کم از کم قیمت 3.80 روپے فی حصص رہی عمومی (بی کلاس) حصص کی قیمت جو کہ 5 روپے فی حصص ہے گوشوارے میں شامل نہیں کیا گیا ہے کیونکہ ان کا کاروبار سال 2017 میں نہیں ہوا تھا۔

حکومت پاکستان کے وزارت دفاع اور ایئر لائنیشن ڈویژن کے پاس 91.56 فیصد حصص ہیں، اس کے علاوہ PIA ملازمین PEET کے نام 4.43 فیصد، پبلک سیکٹر کمپنیوں اور کارپوریٹیشنوں کے نام 0.10 فیصد، انفرادی دیگر لوگوں کے نام 3.82 فیصد حصص جبکہ بالائیاتی اداروں کے پاس 0.09 فیصد حصص موجود ہے۔

کمپنی کی سرگرمیاں مختلف مالیاتی خطرات سے آگاہ کرتی ہیں۔

مارکیٹ کے خطرات (کمپنی کے خطرات، مارکیٹ کی سمت، شرح سود، ایندھن اور قیمتوں میں اضافہ کے خطرات)

قرض کا خطرہ

قرض کی پیچیدگیاں

کمپنی کا مجموعی خطرہ منجھٹ پروگرام مالی مارکیٹوں کی غیر متوقع صلاحیت پر توجہ مرکوز کرنا ہے اور اسے کم سے کم کرنے کی کوشش کرنا ہے۔ کمپنی کی مالیاتی کارکردگی پر ممکنہ منفی اثرات۔ سینئر منجھٹ بورڈ آف ڈرائنگز کی حسیات کی روشنی میں مالی خطرات اور اس کے اثرات کے انتظام کی نگرانی کرتی ہے۔

قرضوں کے خدشات:

پی آئی اے سی ایل کی قرضہ پالیسی اور جوابی فریق کے مابین ہونے والے لین دین کا دار و مدار کمپنی کی قرضہ پالیسی سے منسلک ہے جس کا باقاعدگی سے جائزہ لیا جاتا ہے اور موجودہ قاعدہ کے مطابق اس پر عمل کیا جاتا ہے۔

سیالیاتی خدشات:

پی آئی اے سی ایل اپنے سیالیاتی خدشات کے ازالہ کے لئے زیادہ سے زیادہ اس کاروبار پر توجہ دیتی ہے جس سے نقد آمدنی متوقع ہو اور دستیاب مالیاتی سہولیات کے ذریعے اور ضرورت کے مطابق مزید مالی سہولیات کو حکومت پاکستان کی ضمانت پر اور اثاثوں کی جانچ پڑتال کے بعد مالیاتی اداروں سے حاصل کرتی ہے۔

ایندھن کے نرخ کے خدشات:

ہوا بازی کی صنعت میں ہونے کے ناطے، دوسری فضائی کمپنیوں کی طرح پی آئی اے کو بھی جیٹ ایندھن کے نرخ کے اتار چڑھاؤ کا شدید سامنا کرنا پڑتا ہے۔ کمپنی کے پاس ایندھن کو محفوظ رکھنے کا وسیع پروگرام موجود ہے اور ایندھن محفوظ رکھنے کی کمپنی اس پر ذمہ داری کے ساتھ پی آئی اے سی ایل بورڈ ریسگ اور فنانس کمپنی کی جانب سے وضع کردہ ایندھن کے قواعد و ضوابط کے تحت عمل پیرا ہے۔

شرح سود کے خدشات:

پی آئی اے نے متعدد قرضے، اثاثوں اور حکومتی ضمانت پر حاصل کئے ہیں۔ ان میں ملکی اور غیر ملکی کرنسیوں کے قرضے شامل ہیں۔ پی آئی اے انتظامیہ سود کے نرخ کی شرح میں تبدیلی سے منفعے کی ایک متوازن حکمت عملی پر کام کرتی ہے۔

انجینئرنگ اور جہازوں کی دیکھ بھال:

پی آئی اے کا شعبہ انجینئرنگ طیاروں کی مرمت اور کچھ ہال کے علاوہ نئے کاروباری مواقع سے فائدہ حاصل کرنے کے لئے سرگرم عمل ہے۔ اس ضمن میں مارکیٹ میں موجود نئے مواقع کی تلاش کامیابی سے جاری ہے۔ ان حکمت عملی پر عمل کرتے ہوئے غیر ملکی ایئر لائنز کو خدمات کی فراہمی کے لئے ایک یحصہ شعبہ قائم کیا گیا جو انجینئرنگ وینڈرنگ اور خدمات فراہم کرے گا۔ جس کی وجہ سے قطر ایئر ویز اور فلپینی ایئر لائن کے ذریعے نئے سسٹم کا اضافہ ہووا جب کہ ساتھ ہی ساتھ EASA-145 کا ہدف پورا کیا گیا۔

پی آئی اے انجینئرنگ نے نہ صرف ڈریم لائنر، A-350، A-330B-787 پر تربیت حاصل کی جبکہ بطور قرضہ پارٹی ایک طویل المیعاد معاہدے کے ذریعے سعودی ایئر لائن کی وینڈرنگ کے ذریعے نئے اہداف تلاش کئے جس سے صارفین کا اعتماد بحال ہوا اور انہوں نے پی آئی اے پر سطر کرتے میں اطمینان اور اعتماد محسوس کیا۔

مارکیٹنگ کی نئی حکمت عملی:

سوشل اور ڈیجیٹل میڈیا کے ذریعے ڈیجیٹل دور کی مارکیٹنگ اور صارفین کا اعتماد حاصل کرنے کے بعد سال 2018، 2017 میں پی آئی اے کو سماجی میڈیا کی موجودگی اور ڈیجیٹل شعبہ میں صارفین کے ساتھ تعلقات میں بہتری یونیشن حاصل ہوئی۔ پی آئی اے نے خود مختار طرز زندگی اور سفری برانڈ کے ذریعے خود کو بہتری کی جانب لے جانے کے سلسلے میں متعدد اقدامات کیے ہیں۔ پی آئی اے نے اپنے ان فنانس میگزین "ہمسفر" کے اجراء کو از سر نو بحال کیا۔

مندرجات	مختتم سال 31 دسمبر 2017 (امریکی ڈالر ہزاروں میں)	مختتم سال 31 دسمبر 2016 (امریکی ڈالر ہزاروں میں)
آمدن	121,384	122,834
خدمات کی لاگت	(84,611)	(87,455)
مجموعی منافع	36,772	35,379
مارکیٹنگ اور دیگر اخراجات	(31,274)	(32,042)
آپریٹنگ منافع	5,499	3,336
مالی لاگت	(6,219)	(4,982)
منوثر شدہ ٹیکس	2,140	2,382
منافع بعد از ٹیکس	1,420	736

اسکاٹی رومز پرائیویٹ لمیٹڈ:

مالی سال 2017 کے منافع میں 18 فی صد اضافہ ہوا جو کہ 350.5 ملین روپے تھا نسبت 297.2 ملین روپے برائے سال 2016 کے جو کہ ٹیکسوں کی ادائیگی کے بعد 5.7 گنا زیادہ رہا۔ 2017 میں 54.2 ملین روپے جبکہ 2016 میں صرف 8.4 ملین روپے تھا۔

مندرجات	مختتم سال 31 دسمبر 2017 (پاکستانی روپے ہزاروں میں)	مختتم سال 31 دسمبر 2016 (پاکستانی روپے ہزاروں میں)
خالص آمدن اور دیگر آمدنی	350,548	297,215
اخراجات کی لاگت	(278,374)	(283,872)
خالص منافع قبل از ٹیکس	72,174	13,343
ٹیکس	(18,005)	(4,937)
خالص منافع بعد از ٹیکس	54,169	8,406

قابل ذکر خدشات اور غیر یقینی کی صورتحال:

ہوا بازی کی صنعت ہمیشہ اندرونی و بیرونی خطرات کا سامنا کرتی رہی ہے جس کی وجہ کاروبار میں مقابلہ بازی کے رجحانات اور مختلف بین الاقوامی قوانین ہیں جو مختلف ممالک میں رکاوٹ کا سبب بنتے ہیں۔ ہمیں یقین ہے کہ ہماری مارکیٹ میں موجودگی کے لیے ضروری ہے کہ بہتر سے بہتر سہولیات اپنے صارفین کو مہیا کریں اور منوثر طریقے سے پیشہ ورانہ فرائض سرانجام دیں تاکہ کاروباری خطرات کا منظر کم سے کم ہو۔ ہمارا مقصد ایسے مستحکم و تشکیل دینا ہے جو عصر حاضر اور مستقبل دونوں میں ہمارے کام کے اعتبار سے سودمند ہو اور تواتر کے ساتھ برقرار رہے۔

مالی خدشات سے نمٹنے کا انتظام:

پی آئی اے کے بے شمار کاروباری معاملات میں مالی امور کو خطرات درپیش رہتے ہیں جن میں مارکیٹ اور کرنسی کا اتار چڑھاؤ شامل ہے۔ اس کے علاوہ شرح سود، ایندھن اور دیگر اشیاء کی قیمتوں کے اتار چڑھاؤ کا خدشہ۔ ادھار کی وصولی اور سیالیت کا خدشہ وغیرہ شامل ہیں۔ کمپنی کے انتظامی امور کی توجہ زیادہ تر مالی منڈیوں پر مرکوز رہتی ہے اور اس کی کوشش ہوتی ہے کہ مارکیٹ میں ہونے والی تبدیلی کے منفی اثرات سے کمپنی کے مالی قوانین و ضوابط کے مطابق نمٹا جائے جس کی منظوری بورڈ آف ڈائریکٹرز اور سینئر انتظامی ممبران نے دی ہے اور جہاں بھی مالی خدشات ہوتے ہیں ان کا جائزہ لیا جاتا ہے اور ان سے بچاؤ کے طریقہ کار جو ضروری ہوں پر عمل درآمد کیا جاتا ہے۔

ایک باہم مربوط نظام میں بین الاقوامی اطلاعاتی نظام منسوخ اور داخلی نگرانی اور جہز وقت فیصلوں کے لیے لازمی ہے۔ اس سلسلہ میں پہلی نے 2017 کے دوران نمایاں اقدامات کئے جن کا مقصد مستقبل میں کمپنی کو بہتر فیصلے کرنے کے لیے منسوخ پورٹلنگ کے طور پر ان اقدامات کے مکمل فائدہ حاصل کرنا ہے۔

اور ریگس پٹنی ای آر پی کے نظام کو نافذ کرنے کا عمل سال 2016 میں شروع کیا گیا تھا۔ جس کے بنیادی ماڈلز کو 2017 میں فعال کیا گیا۔ ابتدائی مراحل میں اس نظام کو نافذ کرنے میں انتظامیہ کو لا تعداد مسائل کا سامنا کرنا پڑا، ہم مشترکہ کوششوں سے ان مسائل کو حل کر لیا گیا۔

نیا آمدنی کے حسابات کا نظام (RAPID (Mercator Solution)) جولائی 2017 میں کامیابی سے نافذ کیا گیا تھا۔ Mercator ہوا بازی کی صنعت میں ایک معروف سونٹ ویئر اور کاروباری معاملات میں مدد فراہم کرنے والی کمپنی ہے۔ دنیا بھر میں 70 سے زائد دفعتی کمپنیاں اس کی صارف ہیں۔ RAPID ایک مکمل کاروباری معاملات کے اختتام تک تعاون فراہم کرتی ہے جس میں اندراج و شمار کو ایک قابل قدر مالی اور انتظامی معلومات میں تبدیل کرنے کا ایک سلسلہ موجود ہے۔

تجارت کا مجموعہ (unconsolidated) مالی گوشوارہ کے قوت 2017 میں کہا گیا ہے کہ زیست کا تصور سوزوں ہے جس کی بنیاد حکومت پاکستان کی طرف سے ملنے والا تعاون ہے۔ حکومت پاکستان کی جانب سے بذریعہ براہ راست تعاون 19 فروری 2018 کو جاریہ تصور زیست کو برقرار رکھنے کے لیے مجموعی برتوانہ کی یقین دہانی کروائی گئی۔ اس کے علاوہ نقد خسارہ کو پورا کرنے کے لیے حکومت پاکستان نے ضمانت کی حد 178,085 ملین روپے (31 دسمبر 2017) سے 222,107 ملین روپے (31 مئی 2019) تک بڑھا دی۔

بہرِ آف ڈائریکٹرز کی تہدیلیاں:

پی آئی اے کی سالانہ رپورٹ برائے سال 2016 کے شائع ہونے کے بعد سے 31 دسمبر 2017 تک جناب طارق محمود پاشا (نیکریٹری انکسٹاک انٹرن ڈویرن) ، محترمہ فریال جمہ ، جناب علی سلیمان حبیب ، جناب شامیہ محمود نیکریٹری فنانس ڈویرن ، جناب عدنان احمد خان اور جناب عارف احمد خان (نیکریٹری انکسٹاک انٹرن ڈویرن و نیکریٹری فنانس) کی ففٹی ڈائرکٹر کے عہدے سے رخصت ہوئے ۔ جناب محمد عرفان الہی (نیکریٹری ایوینی ایشن ڈویرن) نے چیئر مین اور ڈائرکٹر کے عہدے سے استعفی دیا ۔

جناب شرف رسول سیان نے بطور چیف ایگزیکٹو آفیسر اور ڈائریکٹر شمولیت اختیاری اور بعد ازاں ان دنوں عہدوں سے رخصت ہوئے۔ سید غنیمت عباس چیلانی (میکریٹری اکھامک انفیر ڈیویژن) اور جناب محمد یونس (ایکسٹرنل میکرٹری) نے بطور ڈائریکٹر شمولیت اختیاری اور بعد ازاں رخصت ہو گئے۔

۱۔ کٹر اٹھانے والا (کٹر ٹری ایوی ایشن) اور جناب محمد قاسم علیہ (کٹر ٹری ایوی ایشن) کے بطور اراکین اور چیئرمین شمولیت اختیار کی اور بعد ازاں رخصت ہو گئے۔

دورانش ارشد ملک نے بطور چیف ایگزیکٹو آفیسر اور ڈائریکٹر شمولیت اختیار کی۔ جناب حق کوثر، جناب کورامو (یکٹر پیری اکٹاٹک انٹرفرومیشن) جناب شاد رخ نصرت (یکٹر پیری ایوی ایشن ڈویژن) اور جناب انوید کامران بلوچ (یکٹر پیری فائٹس) نے بطور ڈائریکٹر شمولیت اختیار کی۔

یہ رہا جسے منظر آنے والے ڈائریکٹر اور چیف ایگزیکٹو آفیسر کا غیر مقدمہ کیا اور جے ڈالے ڈائریکٹر اور چیف ایگزیکٹو آفیسر کی خدمات کا اعتراف کیا اور ان کی سزا سنائی گئی۔

ذیلی اواروں نکالنا مایہ تجزیہ:

لی آئی اسے انوکھٹا کر لیا۔

2017 کا مجموعی منافع 36.8 ملین امریکی ڈالر تھا جبکہ 2016 کے اعداد 35.4 ملین امریکی ڈالر کا منافع حاصل ہوا تھا۔ اس طرح اس میں 4 فی صد کا اضافہ دیکھنے میں آیا۔ 2017 میں آپریٹنگ منافع 5.5 ملین امریکی ڈالر تھا (جو کہ 2016 میں 3.3 ملین امریکی ڈالر تھا) اور بعد ازاں ٹیکس منافع 1.4 ملین امریکی ڈالر تھا (جو کہ 2016 میں 0.7 ملین امریکی ڈالر تھا) اور اس طرح اس میں بالترتیب 65 فی صد اور 93 فی صد منافع حاصل ہوا۔

محترم حصص یافتگان!

پاکستان انٹرنیشنل ایئر لائنز کا رپورٹیشن لمیٹڈ (پی آئی اے سی ایل) یا ہولڈنگ کمپنی کے ڈائریکٹرز پی آئی اے سی ایل کی سالانہ رپورٹ بشمول مالیاتی گوشوارے برائے سال جس کا اختتام 31 دسمبر 2017 کو ہوا، پیش کرتے ہیں۔

صنعتی جائزہ:

سال 2017 میں فضائی سفر کی طلب میں نمایاں استحکام حاصل رہا جس کے باعث آمدن فی کلومیٹر (آر۔ پی۔ کے) میں 8.1 فی صد اضافہ ہوا جس کی وجہ 2017 کے دوران بہتر عالمی معاشی حالات میں بہتری اور فضائی کرایوں میں کمی تھی۔ سال 2017 کو فضائی کمپنیوں نے دنیا بھر میں ریکارڈ نمبر سے منسلک کیا جس کے تحت 20,000 سے زائد شہروں میں باقاعدہ خدمات فراہم کی گئیں جو 1995 میں فراہم کردہ خدمات کا دو گنا تھیں۔ عالمی تجارتی حجم میں اضافہ کی وجہ سے فضائی کارگو کے کرایوں میں بھی اضافہ ہوا۔

کاروباری جائزہ:

2017 کے دوران انتظامیہ نے مسافروں کی تعداد بڑھانے پر توجہ مرکوز کی اور پاکستانیوں کے ایک خوش خوراک قوم ہونے کی وجہ سے دوران سفر فراہم کردہ گھانوں کی بہتری پر انتظامیہ نے بھرپور توجہ دی۔ مزید برآں فضائی عمل کی صلاحیتوں کو بڑھانے کے لیے انہیں خصوصی تربیت دی گئی تاکہ قابل قدر مسافروں کی خدمت میں مزید بہتری لائی جاسکے۔

مارکیٹ کے رجحانات اور پیش گوئی کے مطابق 2017 میں فضائی بیڑے میں ایک مزید B777-300 طیارے کو شامل کیا گیا اور یہ شمولیت اس بات کو ثابت کرتی ہے کہ آئندہ سال 2016 کے مقابلے میں 2.1 فی صد اضافہ ہوا۔ گزشتہ سال کے مقابلے میں آمدن فی کلومیٹر میں 1.7 فی صد اضافہ ہوا اور منسختی شرح میں 1.6 فی پی ایس کا اضافہ ہوا جس کے نتیجے میں 5.3 ملین مسافروں کو سفر کی سہولیات فراہم کی گئیں۔

مالی جائزہ:

سال 2017 کے دوران قبل از ٹیکس خسارہ 46.76 ارب روپے رہا جو گزشتہ سال کے مقابلے میں 4.4 فی صد زیادہ تھا۔ اس نقصان کی بڑی وجہ سال 2016 کے مقابلے میں ایئر مین کی قیمت میں 13.9 فی صد اضافہ اور مالی اخراجات میں 15.9 فی صد اضافہ تھا۔ زرمبادلہ کا نقصان 1.893 ارب روپے تک تنجاء نہ کر گیا جو سال 2017 میں خسارے کا باعث رہا۔

رقم پاکستانی روپے ملین میں

تفصیلات	غیر منصف برائے سال ختم دسمبر 2017	غیر منصف برائے سال ختم دسمبر 2016	منصف برائے سال ختم دسمبر 2017	منصف برائے سال ختم دسمبر 2016
خالص آمدنی	90,844	88,997	104,198	102,426
ایئر مین کے اخراجات	(30,941)	(27,153)	(30,940)	(27,152)
عمل کی اگت اور اخراجات	(89,777)	(93,935)	(102,648)	(106,923)
دیگر آمدنی	549	750	461	658
مبادلہ کا قطع (نقصان)	(2,188)	(295)	(2,203)	(298)
مالی اخراجات	(15,247)	(13,160)	(15,781)	(13,585)
قبل از ٹیکس خسارہ	(46,760)	(44,796)	(46,918)	(44,877)

BOARD MEETINGS ATTENDANCE

Meetings Date Attended by	BM 009 23/1/2017	BM 010 9/3/2017	BM 011 18/4/2017	BM 012 10/5/2017	BM 013 7/7/2017	BM 014 25/8/2017	BM 015 12/10/2017	BM 016 27/10/2017	BM 017 15/11/2017	BM 018 26/12/2017
Mr Muhammad Irfan Elahi Federal Secretary Aviation & Chairman-PIACL Member	✓	✓	✓	✓	Retired 03/06/2017 Elected 04/06/2017	✓	✓	✓	✓	✓
Mr Ghlasuddin Ahmed	✓	✓	✓	✓	Retired 03/06/2017	-	-	-	-	-
Malik Nazir Ahmed	✓	✓	✓	Leave of Absence	Retired 03/06/2017	-	-	-	-	-
Syed Yowar Ali	✓	✓	Leave of Absence	✓	Retired 03/06/2017	-	-	-	-	-
Mr Atif Aslam Bajwa	✓	Leave of Absence	Resigned 07/04/2017	-	Leave of Absence Nominated 07/06/2017	✓	Leave of Absence	Leave of Absence	✓	Leave of Absence
Mr Aslam Khaliq	✓	Leave of Absence	✓	Leave of Absence	Retired 03/06/2017	-	-	-	-	-
Mr Yousaf Waqar	✓	Leave of Absence	✓	Leave of Absence	Retired 03/06/2017	-	-	-	-	-
Dr Waqar Masood Khan Federal Secretary Finance	Leave of Absence	✓	✓	✓	Retired 03/06/2017	-	-	-	-	-
Mr Navaid H Malik	-	✓	✓	✓	Retired 03/06/2017 Nominated 07/06/2017	✓	✓	Leave of Absence	✓	✓
Mr Ali Suleman Habib	-	-	-	-	Leave of Absence Nominated 07/06/2017	✓	Leave of Absence	Leave of Absence	Leave of Absence	-
Ms Faryal Jooma	-	-	-	-	✓ Nominated 07/06/2017	✓	✓	✓	✓	Relinquished 20/11/2017
Mr Adnan Ahmed Khan	-	-	-	-	✓ Nominated 07/06/2017	Leave of Absence	✓	✓	✓	Leave of Absence
Mr Farrukh H Khan	-	-	-	-	✓ Nominated 07/06/2017	✓	✓	✓	Leave of Absence	✓
Mr Tariq Kirmani	-	-	-	-	✓ Nominated 07/06/2017	✓	✓	✓	✓	Leave of Absence
Mr Shahid Mahmood Federal Secretary Finance & Economic Affairs	-	-	-	-	✓ Nominated 07/06/2017	Leave of Absence	Leave of Absence	✓	Leave of Absence	Leave of Absence
Mr Muhammad Ali Tabba	-	-	-	-	✓ Nominated 07/06/2017	Leave of Absence	✓	Leave of Absence	✓	✓
Dr Musharraf Rasool Cyan President & CEO - PIACL Director as per Section 188 (3) of Companies Act 2017	-	-	-	-	-	-	✓ Appointed 10/08/2017	✓	✓	✓
Mr Arif Ahmed Khan Federal Secretary Economic Affairs Division	-	-	-	-	-	-	Leave of Absence Nominated 19/09/2017	✓	Leave of Absence	✓
Mr Haque Nawaz	-	-	-	-	-	-	-	-	-	✓ Nominated 20/11/2017

ATTENDANCE OF DIRECTORS AT AUDIT COMMITTEE MEETINGS

Meetings Date Attended by	05th 09/05/2017	06th 23/05/2017	07th 11/10/2017	08th 27/11/2017
Mr Waqar Masood Khan	✓	✓	-	-
Mr Ghiasuddin Ahmed	✓	✓	-	-
Malik Nazir Ahmed	Leave of Absence	✓	-	-
Mr Yousaf Waqar	Leave of Absence	Leave of Absence	-	-
Mr Atif Aslam Bajwa	-	-	✓	✓
Ms Faryal Jooma	-	-	✓	-
Mr Adnan Ahmed Khan	-	-	✓	Leave of Absence
Mr Farrukh H Khan	-	-	✓	✓
Mr Tariq Kirmani	-	-	✓	Leave of Absence

ATTENDANCE OF DIRECTORS AT HR COMMITTEE MEETINGS

Meetings Date Attended by	02nd 13/01/2017	03rd 18/04/2017	04th 10/05/2017	05th 23/05/2017	06th 05/12/2017
Malik Nazir Ahmed	✓	✓	Leave of Absence	✓	-
Mr Muhammad Irfan Elahi	✓	✓	✓	✓	✓
Mr Ghiasuddin Ahmed	Leave of Absence	✓	✓	✓	-
Mr Aslam Khaliq	Leave of Absence	✓	Leave of Absence	✓	-
Mr Navaid Malik	-	✓	✓	✓	Leave of Absence
Mr Tariq Kirmani	-	-	-	-	✓
Mr Musharraf Rasool Cyan	-	-	-	-	✓
Mr Farrukh H Khan	-	-	-	-	Leave of Absence



Review Report to the Members On the Statements of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as "Codes") prepared by the Board of Directors of Pakistan International Airlines Corporation Limited ("the company") for the year ended December 31, 2017 to comply with the requirements of Clause No. 5.19.24 of Listing Regulation of the Pakistan Stock Exchange Limited where the Company is listed and provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed on arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended 31 December 2017.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the paragraph reference where these are stated in the Statement of Compliance:

i.	S.No. 16	5 (8)	The Board has not quantified the outlay of service delivered by the Company as a public service obligation and has not submitted its request for appropriate compensation to the Government for consideration.
ii.	S.No. 18	6 (3)	The minutes of the 13th Board meeting were not appropriately circulated.
iii.	S.No. 19	8 (2)	The board has not monitored and assessed the performance of senior management on annual basis.
iv.	S.No. 20	9	Details of the related party transactions were not placed before the Board Audit Committee and the Board for the recommendation / review and approval.
v.	S.No. 21 (a)	10	Quarterly financial statements were approved after lapse of 30 days.
vi.	S.No. 21 (b)	10	The board did not get the half yearly accounts reviewed by the auditors within specified time.
vii.	S.No. 36 (a)	5 (10)	The Board has not defined the level of materiality during the year 2017. However, the materiality was defined subsequently in the meeting of the Board of Directors held on 05 July 2018.
viii.	S.No. 36 (b)	21 (9)	The minutes of the 7th BAC meeting were not circulated within 14 days of the date of the meeting.
ix.	Paragraph 3	5, 19, 17	Meetings of the audit committee were not held in the 1st and 3rd quarter.
x.	Paragraph 6	5, 19, 17 (c)	Certain material / price sensitive information were not disseminated to all material participants through stock exchange.
xi.	Paragraph 7	5, 19, 23	The company has not complied with the requirements relating to maintenance of register of persons having access to inside information.

STATEMENT OF COMPLIANCE

with Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance

Name of company: **Pakistan International Airlines Corporation Limited (PIACL)**
 Name of the line ministry: **Aviation Division, Cabinet Secretariat**
 For the year ended: **December 31, 2017**

This statement is being presented to comply with Public Sector Companies (Corporate Governance) Rules, 2013 ("Rules") and Code of Corporate Governance ("CCG") contained in Pakistan Stock Exchange Limited Regulations issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the CCG, the provisions of Rules shall prevail.

Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (the Act). With effect from April 19, 2016, the Corporation was converted from a statutory corporation into a public limited company by shares namely Pakistan International Airlines Corporation Limited ("the Company" or "PIACL"), through Act No. XIV of 2016, Pakistan International Airlines Corporation (Conversion) Act, 2016, (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Airlines Corporation Act, 1956 and the Corporation is now governed under the repealed Companies Ordinance, 1984 (New Companies Act, 2017). Accordingly Public Sector Companies (Corporate Governance) Rules, 2013 have been applied on or after April 19, 2016.

During the year ended December 31, 2017, the company has complied with the provisions of Rules in the following manner:

S.No.	Provision of Rules	Rule No	Tick the relevant box																										
			Y	N	N/A																								
1.	Independent directors meet the criteria of independence, as defined, under the Rules.	2(a)	✓																										
2.	Board has at least one-third of its total members as independent Directors. During the period, Board included: <table><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr><tr><td rowspan="5">Independent Directors</td><td>Adnan Ahmed Khan</td><td rowspan="5">June 7, 2017</td></tr><tr><td>Atif Aslam Balwa</td></tr><tr><td>Faruq H. Khan</td></tr><tr><td>Taha Kimani</td></tr><tr><td>Naveed H. Malik</td></tr><tr><td></td><td>Muhammad Ali Tabba</td><td rowspan="2">November 20, 2017</td></tr><tr><td></td><td>Faheem Nawaz</td></tr><tr><td>Executive Directors</td><td>Musharraf Rasool Gyan</td><td>August 25, 2017</td></tr><tr><td rowspan="3">Non-Executive Directors</td><td>Muhammad Iftikhar</td><td>June 4, 2017</td></tr><tr><td>Arif Ahmed Khan</td><td>September 19, 2017</td></tr><tr><td>Shahid Mahmood</td><td>June 7, 2017</td></tr></table> <i>Note: PIACL has complied with this provision during the year when Board was reconstituted. However, during the initial part of year, the non-compliance remained as brought forward from the previous year.</i>	Category	Names	Date of Appointment	Independent Directors	Adnan Ahmed Khan	June 7, 2017	Atif Aslam Balwa	Faruq H. Khan	Taha Kimani	Naveed H. Malik		Muhammad Ali Tabba	November 20, 2017		Faheem Nawaz	Executive Directors	Musharraf Rasool Gyan	August 25, 2017	Non-Executive Directors	Muhammad Iftikhar	June 4, 2017	Arif Ahmed Khan	September 19, 2017	Shahid Mahmood	June 7, 2017	3(2)	✓	
Category	Names	Date of Appointment																											
Independent Directors	Adnan Ahmed Khan	June 7, 2017																											
	Atif Aslam Balwa																												
	Faruq H. Khan																												
	Taha Kimani																												
	Naveed H. Malik																												
	Muhammad Ali Tabba	November 20, 2017																											
	Faheem Nawaz																												
Executive Directors	Musharraf Rasool Gyan	August 25, 2017																											
Non-Executive Directors	Muhammad Iftikhar	June 4, 2017																											
	Arif Ahmed Khan	September 19, 2017																											
	Shahid Mahmood	June 7, 2017																											
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(4)	✓																										
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Directors under the provisions of the Ordinance. <i>Note: Ten out of eleven Directors PIACL Board are nominated by the Federal Government.</i>	3(6)			✓																								
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓																										



S.No.	Provision of Rules	Rule No	Y N N/A		
			Tick the relevant box		
6.	The chairman of the Board has been elected by the Board of Directors of the Public Sector Company.	4(4)	✓		
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓		
8.	a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	✓		
	b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.pdc.aero).		✓		
	c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.		✓		
9.	The Board has established a system of sound internal control to ensure compliance with the fundamental principles of propriety and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	4(b) (b) (ii)	✓		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) (b) (vi)	✓		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c) (ii)	✓		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (ii)	✓		
14.	The Board has developed vision or mission statement, corporate strategy and significant policies of the Company.	5(6)	✓		
15.	The Board has developed significant policies of the Company. A complete record of the particulars of the significant policies together with the dates on which they were approved or amended, has been maintained.	5(7)	✓		
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		✓	
17.	The Board has ensured compliance with policy directions/requirements received from the Government.	5(11)	✓		
18.	a) The Board has met at least four times during the year.	6 (1)	✓		
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6 (2)	✓		
	c) The Minutes of the meetings were appropriately recorded and circulated.	6 (3)		✓	
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)		✓	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9		✓	

S.No.	Provision of Rules	Rule No	Y	N	N/A													
			Tick the relevant box															
21.	a) The Board has approved the Profit and Loss Account for, and Balance Sheet as at the end of, the first, second and third quarter of the year as well as the financial year end. b) The Board has ensured preparation of half yearly accounts and undertaken limited scope review by the auditors. c) The Board has placed the Annual Financial Statements on the Company's website.	10		✓														
22.	All the Directors underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓															
23.	a) The Board has formed the requisite committees, as specified in the Rules. b) The committees were provided with written term of reference defining their duties, authority and composition. c) The Minutes of the meetings of the committees were circulated to all the Directors except for Procurement Committee, refer 23(d) below. d) The committees were chaired by the following non-executive directors: <table border="1"><thead><tr><th>Board Committee</th><th>Number of Members</th><th>Name of Chair</th></tr></thead><tbody><tr><td>Audit Committee</td><td>5</td><td>Alif Aslam Bajwa</td></tr><tr><td>Risk Management Committee</td><td>5</td><td>Shahid Mahmood</td></tr><tr><td>HR Committee</td><td>5</td><td>Tariq Kirmani</td></tr><tr><td>Procurement Committee</td><td>5</td><td>Not elected as at December 31, 2017</td></tr></tbody></table> <i>Note: No meeting of Board Procurement Committee was held during 2017.</i>	Board Committee	Number of Members	Name of Chair	Audit Committee	5	Alif Aslam Bajwa	Risk Management Committee	5	Shahid Mahmood	HR Committee	5	Tariq Kirmani	Procurement Committee	5	Not elected as at December 31, 2017	12	✓
Board Committee	Number of Members	Name of Chair																
Audit Committee	5	Alif Aslam Bajwa																
Risk Management Committee	5	Shahid Mahmood																
HR Committee	5	Tariq Kirmani																
Procurement Committee	5	Not elected as at December 31, 2017																

S.No.	Provision of Rules	Rule No	Y N N/A															
			Tick the relevant box															
31.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members during the period:	21(1)	✓															
	<table><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr><tr><td>Afil Aslam Balwa</td><td rowspan="5">Independent Directors</td><td>Banker</td></tr><tr><td>Adnan Ahmed Khari</td><td>Businessman</td></tr><tr><td>Farukh H. Khan</td><td>Finance Professional</td></tr><tr><td>Mr Tariq Kimani</td><td>Business Manager</td></tr><tr><td>Mr Haque Nowaz</td><td>Civil Servant (Retired)</td></tr></table>	Name of Member	Category	Professional Background	Afil Aslam Balwa	Independent Directors	Banker	Adnan Ahmed Khari	Businessman	Farukh H. Khan	Finance Professional	Mr Tariq Kimani	Business Manager	Mr Haque Nowaz	Civil Servant (Retired)			
	Name of Member	Category	Professional Background															
	Afil Aslam Balwa	Independent Directors	Banker															
	Adnan Ahmed Khari		Businessman															
	Farukh H. Khan		Finance Professional															
	Mr Tariq Kimani		Business Manager															
Mr Haque Nowaz	Civil Servant (Retired)																	
The chief executive and chairman of the Board are not members of the audit committee.	21(2)	✓																
32.	a) The Chief Financial Officer, the Chief Internal Auditor and a representative of the External Auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed.	21(3)	✓															
	b) The Audit Committee met on January 19, 2018 with the External Auditors without the presence of the Chief Financial Officer, the Chief Internal Auditor and other Executives to discuss audit and accounts related matters for the year 2017.		✓															
	c) The Audit Committee met on January 19, 2018 with the Chief Internal Auditor and other members of the Internal Audit Function without the presence of Chief Financial Officer and the External Auditors to discuss internal audit related matters for the year 2017.		✓															
33.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	✓															
	b) The Chief Internal Auditor has requisite qualification and experience prescribed in the rules.		✓															
	c) The Internal Audit Reports have been provided to the external auditors for their review.		✓															
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓															
35.	The Auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓															
36.	The company has complied with all the corporate and financial reporting requirements of the Rules except for the following:																	
	a) The Board has not defined the level of materiality, keeping in view the specific context of the Public Sector Company and the recommendations of any committee of the Board that may be set up for the purpose.	5(10)		✓														
	b) The audit committee shall appoint a secretary of the Committee, who shall circulate Minutes of its meetings to the all members, directors and the chief financial officer, within fourteen days of the meeting.	21(9)		✓														

Additional requirements under Code of Corporate Governance-2012

Clause 2(5) of the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 issued by the Commission requires that any disclosure required under any other directive, code, regulation or rules shall also be made in the statement of compliance, notwithstanding anything contained in the statement. Accordingly, below are the requirements of Regulation No. 5.19 of Listing Regulations of Pakistan Stock Exchange applicable for listed companies for which parallel provisions do not exist in Public Sector Companies (Corporate Governance) Rules, 2013:

1. All Directors of ACL Board are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DF or an NFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
2. All powers of Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and non-executive directors, have been taken by this Board.
3. The meetings of the audit committee were held at least once every quarter except 1st and 3rd quarter. The terms of reference of the committee have been formed and advised to the committee for compliance.
4. Statutory auditors of ACL have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP; that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
5. The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and PSX.
6. Material price sensitive information has been disseminated among all market participants at once through stock exchange(s), except for the following:
 - Financing facility obtained from various commercial banks.
 - Addition of 9 airplanes to fleet.
7. The company has not complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
8. We confirm that all other applicable material principles enshrined in the Code have been complied with.

Explanation For Non-compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance.

S. No.	Rule	Reasons for non-compliance	Future course of action
16	5(8)	The Board has not quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has not submitted its request for appropriate compensation to the Government for consideration.	Noted for compliance in future.
18	6(3)	Minutes of 13th Board Meeting held on July 7, 2017 were circulated more than 14 days after their confirmation.	Noted for compliance in future.
19	8(2)	The Board has not monitored and assessed the performance of senior management on annual basis.	All out efforts shall be made to monitor and assess the performance of senior management on an annual basis.



S. No.	Rule	Reasons for non-compliance	Future course of action
20	9	Details of the related party transactions were not placed before the Board Audit Committee and the Board for the recommendation / review and approval.	Noted for compliance in future.
21 (a)	10	Quarterly accounts were not approved within one month time due to non-finalization of Financial Statements.	Board has emphasized the timely completion of Financial Statements in future so that compliance of regulatory framework can be ensured.
21 (b)	10	The Board did not get the half yearly accounts reviewed by the auditors within specified time.	
36	5(10)	The Board has not defined the level of materiality	Subsequent to the year end, the Board, in a meeting held on 05 July 2018, has defined the level of materiality
36	21(9)	The Minutes of 7th BAC Meeting held on October 11, 2017 were circulated more than 14 days after its confirmation.	Noted for compliance in future.

For and on behalf of the Board


Air Marshal Arshad Malik
Chief Executive Officer


Atif Aslam Bajwa
Director

July 18, 2019

PATTERN OF SHAREHOLDINGS

As at December 31, 2017

Shareholding		No. of Shareholders	Ordinary 'A' Class	Ordinary 'B' Class
From	To		Total Shares Held	Total Shares Held
1	to	13,893	266,279	13,187
101	to	30,181	8,436,204	9,971
501	to	4,742	4,067,761	1,840
1001	to	5,356	13,522,719	12,486
5001	to	1,206	9,709,333	-
10001	to	346	4,456,378	-
15001	to	303	5,681,717	-
20001	to	192	4,611,258	-
25001	to	99	2,860,883	-
30001	to	58	1,959,251	-
35001	to	52	2,028,000	-
40001	to	35	1,519,503	-
45001	to	146	7,248,456	-
50001	to	29	1,547,247	-
55001	to	30	1,773,500	-
60001	to	18	1,140,000	-
65001	to	14	962,304	-
70001	to	23	1,719,600	-
75001	to	19	1,486,500	-
80001	to	8	668,500	-
85001	to	17	1,506,500	-
90001	to	7	649,000	-
95001	to	85	8,488,500	-
100001	to	11	1,131,158	-
105001	to	7	754,678	-
110001	to	6	679,000	-
115001	to	9	1,075,000	-
120001	to	14	1,735,500	-
125001	to	6	769,000	-
130001	to	6	803,922	-
135001	to	4	552,500	-
140001	to	2	288,126	-
145001	to	27	4,036,500	-
150001	to	1	151,500	-
155001	to	3	480,000	-
165001	to	2	338,000	-
170001	to	3	519,451	-
175001	to	2	356,000	-
180001	to	1	185,000	-
185001	to	4	755,000	-
190001	to	2	387,500	-
195001	to	30	5,998,000	-
200001	to	3	610,150	-
205001	to	2	416,000	-
210001	to	2	426,440	-
215001	to	2	437,000	-
220001	to	4	888,245	-
225001	to	1	226,000	-
235001	to	1	237,000	-
240001	to	1	242,500	-
245001	to	5	1,250,000	-
250001	to	1	252,500	-
260001	to	1	262,500	-
265001	to	1	266,500	-
270001	to	5	1,366,179	-
275001	to	2	559,635	-
290001	to	1	295,000	-
295001	to	7	2,099,000	-
300001	to	3	908,000	-
315001	to	1	320,000	-
320001	to	1	325,000	-
330001	to	2	666,500	-
345001	to	3	1,045,500	-
355001	to	1	358,500	-
375001	to	1	380,000	-



PATTERN OF SHAREHOLDING

As at December 31, 2017

Shareholding			Ordinary "A" Class		Ordinary "B" Class
From	To	No. of Shareholders	Total Shares Held		Total Shares Held
390001	to	395000	1	393,000	-
395001	to	400000	5	1,997,000	-
400001	to	405000	2	807,500	-
415001	to	420000	1	420,000	-
420001	to	425000	1	425,000	-
425001	to	430000	1	427,500	-
445001	to	450000	1	447,500	-
455001	to	460000	1	460,000	-
460001	to	465000	1	461,500	-
470001	to	475000	1	475,000	-
485001	to	490000	1	486,000	-
490001	to	495000	2	987,500	-
495001	to	500000	9	4,500,000	-
500001	to	505000	2	1,005,500	-
515001	to	520000	1	520,000	-
545001	to	550000	1	550,000	-
560001	to	565000	1	563,500	-
565001	to	570000	1	567,504	-
595001	to	600000	2	1,200,000	-
605001	to	610000	2	1,214,000	-
610001	to	615000	1	614,000	-
620001	to	625000	1	625,000	-
630001	to	635000	1	630,047	-
645001	to	650000	3	1,950,000	-
695001	to	700000	1	700,000	-
765001	to	770000	1	770,000	-
785001	to	790000	2	1,571,500	-
825001	to	830000	1	827,635	-
845001	to	850000	1	850,000	-
855001	to	860000	1	859,500	-
905001	to	910000	1	907,500	-
930001	to	935000	1	932,500	-
955001	to	960000	1	955,668	-
995001	to	1000000	2	2,000,000	-
1045001	to	1050000	1	1,050,000	-
1095001	to	1100000	1	1,100,000	-
1110001	to	1115000	1	1,113,500	-
1220001	to	1225000	1	1,225,000	-
1250001	to	1255000	1	1,251,787	-
1480001	to	1485000	1	1,481,000	-
1555001	to	1560000	1	1,559,000	-
1795001	to	1800000	1	1,800,000	-
1995001	to	2000000	1	2,000,000	-
2005001	to	2010000	1	2,006,500	-
2070001	to	2075000	1	2,073,100	-
2195001	to	2200000	1	2,200,000	-
2245001	to	2250000	1	2,248,500	-
2700001	to	2705000	1	2,704,000	-
2725001	to	2730000	1	2,728,000	-
2895001	to	2900000	1	2,900,000	-
2995001	to	3000000	1	3,000,000	-
3280001	to	3285000	1	3,282,500	-
4725001	to	4730000	1	4,730,000	-
4795001	to	4800000	1	4,800,000	-
5810001	to	5815000	1	5,810,500	-
5840001	to	5845000	1	5,843,500	-
231855001	to	231860000	1	231,855,493	-
4791750001	to	4791755000	1	4,791,752,087	1,462,515
Total		57,129		5,233,761,118	1,499,999

CATEGORIES OF SHAREHOLDERS

As at December 31, 2017

Categories of Shareholders	Number of Shareholders	Number of Shares Held		Percentage
		Ordinary "A" Class	Ordinary "B" Class	
Government of Pakistan Federal Government which holds more than five percent voting rights Shares are held in the name of Secretary, Ministry of Defence, and Secretary, Aviation Division	1	4,791,752,087	1,462,515	91.56
PIA Employees Empowerment Trust (PEET)	1	231,855,493	-	4.43
Associated Companies, undertakings and related parties	-	-	-	-
Mutual Funds CDC - Trustee National Investment (unit) Trust	1	202,650	-	0.00
Directors and their spouse(s) and minor children Mr Muhammad Irfan Elahi, Director Mr Musharraf Rasool Cyan	1 1	- 5,000	- -	0.00 0.00
Executives	17	2,577	-	0.00
Public Sector Companies and Corporations	17	5,047,970	100	0.10
Banks, development finance institutions, non-bank finance companies, insurance companies, takaful, modarabas and pension funds	26	4,681,050	3	0.09
Individual	56,827	181,680,344	34,454	3.47
Others	237	18,533,946	2,927	0.35
Totals	57,129	5,233,761,118	1,499,999	100.00

The above two statements include 9,342 Shareholders holding 188,657,611 Ordinary 'A' Class Shares and 2,622 Ordinary 'B' Class Shares through the Central Depository Company of Pakistan Limited.



SHARE CAPITAL

AS AT DECEMBER 31, 2017

December 2017 December 2016
----- Number of Shares -----

December 2017 December 2016
---- (Rupees in '000) ----

		<u>Authorised capital</u>			
		<u>Ordinary share capital</u>			
5,349,250,000	5,349,250,000	'A' class shares of Rs.10/- each	53,492,500	53,492,500	
1,500,000	1,500,000	'B' class shares of Rs.5/- each	7,500	7,500	
5,350,750,000	5,350,750,000		53,500,000	53,500,000	
		<u>Preference share capital</u>			
50,000,000	50,000,000	Preference shares of Rs.10/- each	500,000	500,000	
5,400,750,000	5,400,750,000		54,000,000	54,000,000	
		<u>Issued, subscribed and paid up share capital</u>			
		<u>Ordinary share capital</u>			
		'A' class shares of Rs.10/- each			
*4,998,895,608	2,642,351,960	Issued for consideration in cash	*49,988,955	26,423,519	
931,028	931,028	Issued for consideration other than cash for acquisition of shares	9,310	9,310	
233,934,482	233,934,482	Issued as bonus shares	2,339,345	2,339,345	
---	2,356,543,648	To be Issued against advance from GoP	---	23,565,436	
5,233,761,118	5,233,761,118		52,337,610	52,337,610	
		'B' class shares of Rs.5/- each			
1,003,374	1,003,374	Issued for consideration in cash	5,017	5,017	
2,625	2,625	Issued for consideration other than cash for acquisition of shares	13	13	
494,000	494,000	Issued as bonus shares	2,470	2,470	
1,499,999	1,499,999		7,500	7,500	
			52,345,110	52,345,110	

* Share Certificate for 2,356,543,648 Ordinary 'A' Class Shares of par value of Rs.10/- each issued to Secretary, Aviation Division, Government of Pakistan.

SIX-YEAR SUMMARY

	2017	2016 (Restated)	2015	2014 (Restated)	2013 (Restated)	2012 (Restated)
OPERATION						
Route Kilometers	360,937	382,057	367,251	389,445	411,936	448,120
Revenue Kilometers Flown (000)	75,207	79,842	67,630	61,389	63,144	75,750
Revenue Hours Flown	122,081	131,838	111,455	101,556	106,476	127,268
Available Tonne Kilometers A.T.K (000)	2,658,974	2,797,976	2,435,908	2,395,855	2,471,474	2,859,450
Available Seat Kilometers A.S.K (000)	19,108,047	19,201,564	16,666,536	16,536,888	17,412,376	19,849,470
TRAFFIC						
Revenue Passengers Carried (000)	5,342	5,486	4,394	4,202	4,449	5,236
Revenue Passengers Kilometers (000)	13,988,804	13,750,669	11,711,353	11,903,317	12,237,251	13,873,760
Passenger Load Factor (%)	73.21	70.30	70.30	72.00	70.00	70.00
Revenue Freight Tonne Kilometers (000)	206,695	132,894	125,590	156,285	235,605	273,414
Kgs. of Excess Baggage & Cargo (000)	38,975	37,674	41,013	51,257	82,155	98,348
Kgs. of Mail (000)	241	225	283	378	648	891
Revenue Tonne Kilometers (000)	1,468,861	1,375,423	1,191,362	1,241,933	1,350,629	1,513,041
Revenue Load Factor (%)	55	49	49	52	55	53
Avg. Kilometer Per Passenger	2,619	2,506	2,666	2,833	2,751	2,650
FINANCIAL						
Operating Revenue (Rs. in million)	90,843.729	88,997.379	91,268.545	99,519.057	95,771.130	112,130.060
Operating Expenses (Rs. in million)	122,357.270	120,633.000	107,704.441	114,457.874	129,557.900	129,450.000
Operating Profit/(loss) (Rs. in million)	(31,513.541)	(31,636.144)	(16,435.896)	(14,938.817)	(33,786.770)	(17,319.940)
Profit/(loss) after tax (Rs. in million)	(47,760.712)	(44,900.315)	(32,529.560)	(31,744.564)	(44,322.040)	(33,844.000)
Fixed Assets (Rs. in million)	67,157.187	68,838.645	76,647.952	84,102.15	90,452.07	97,437.67
Current Assets (Rs. in million)	32,067.872	29,449.080	25,079.416	24,733.53	22,737.68	22,586.37
Current Liabilities (Rs. in million)	244,231.290	213,702.122	205,571.050	216,451.94	189,491.25	167,479.93
Long-Term Debts (Rs. in million)	102,242.918	74,829.943	49,766.421	36,087.55	31,409.00	13,957.20
Net Worth (Rs. in million)	(291,471.632)	(243,927.154)	(208,363.983)	(174,651.719)	(110,735.907)	(109,678.615)
RATIOS						
Loss per share (Rs.)	(9.12)	(8.58)	(6.39)	(6.90)	(12.51)	(11.00)
Current ratio	0.13	0.14	0.12	0.11	0.13	0.13
SHARE PRICES (Rs. 10 Share)						
High	10.21	13.55	12.10	10.55	4.76	4.76
Low	3.80	6.50	6.69	5.13	1.75	1.75
Closing	4.02	9.16	8.46	7.45	4.03	4.03
PERSONNEL						
Average No. of Employees	13,592	13,947	16,271	17,383	16,604	17,439
Revenue per Employee (Rs. in million)	6.68	6.38	5.61	5.73	5.77	6.43



UNCONSOLIDATED

FINANCIAL

STATEMENT



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan International Airlines Corporation Limited (the Company) as at 31 December 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. Except for the matters referred to in paragraphs (a) and (b) below, we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matters as stated in paragraphs (a) and (b) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) as disclosed in notes 5.1 and 11.2 to the unconsolidated financial statements, due to non-availability of adequate human resources and other operational problems, the exercise of physical verification could not be completed by management to a reasonable extent at year end and subsequently. Consequently, we were unable to observe the physical count of capital assets of Rs. 3,544 million and states and shares of Rs. 3,093 million as at 31 December 2017 or satisfy ourselves by any other alternative means. Further, since the closing inventories form part of determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the unconsolidated balance sheet as at 31 December 2017, loss for the year reported in the unconsolidated profit and loss account and unconsolidated statement of comprehensive income and the net cash flows from operating activities reported in the unconsolidated cash flow statement.
- b) unearned revenue from transportation services was estimated by the Company using consistent methodology on year to year basis at each reporting date upto year ended 31 December 2016. This methodology involved using of sales and ticket utilization data for a particular year to arrive at unearned revenue for such year. However, in the absence of an Revenue Accounting System (RAPID) to track unearned revenue on a ticket wise basis, it was impracticable for the Company to determine unearned revenue other than using the methodology as describe above.

Upon implementation of RAPID in year 2017, the Company has been able to determine unearned revenue on ticket wise basis and also has been able to track the utilization of tickets upto December 2016. As a result of the exercise the management determined an unidentified balance relating to unearned revenue amounting to Rs. 3,985 million as referred in note 5.1 to the unconsolidated financial statements.

Further, the management has also carried out an exercise subsequent to year ended 31 December 2017 to determine the balances of revenue related taxes as at 31 December 2017. As a result of the exercise the management determined an unidentified balance relating to revenue related taxes amounting to Rs. 4,700 million as referred in note 5.1 to the unconsolidated financial statements.

While these exercises have reasonably established the unearned revenue and revenue related taxes as at 31 December 2017, it could not be determined in appropriate manner whether sufficient and reliable information / data was available based on the accounting and reporting system of the Company as implemented in 2016 and earlier years. Accordingly, we were not able to satisfy ourselves whether these adjustments should have been classified as an error or estimate in terms of the requirement of International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".

If this adjustment had been recorded as an estimate, the loss for year would have been lower by Rs 8,685 million and the opening retained earnings as of January 01, 2017 would have been higher by corresponding effect.



- c) In our opinion, except for the effects of the matters stated in the paragraphs (a) and (b) above, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984,
- d) In our opinion except for the effects of the matters stated in the paragraphs (a) and (b) above:
- i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- e) In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters stated in paragraphs (a) and (b) above, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof are in conformity with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the loss, its comprehensive loss, cash flows and changes in equity for the year ended,
- f) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following notes to the unconsolidated financial statements:

- i) note 1.2 to the unconsolidated financial statements. As more fully explained in the said note that in view of the financial position of the Company, the Government of Pakistan has confirmed to extend necessary financial support to the Company to maintain its going concern status. Hence, the sustainability of the future operations of the Company is materially dependent on the said support.
- ii) note 26.5 to the unconsolidated financial statements which states that the Pakistani International Airlines Corporation Provident Fund's contribution of Rs. 10,997.823 million alongwith the mark-up thereon of Rs.4,854.96 million were not deposited by the Company within the stipulated time as required by Section 227 of the repealed Companies Ordinance, 1984 and Section 218 of the Companies Act, 2017.
- iii) notes 30.1 and 38.1 to the unconsolidated financial statements which relates to taxes and other contingencies and states that the ultimate outcome of the matters referred therein cannot presently be determined and, accordingly, no provision has been made in respect of these matters in the unconsolidated financial statements.

Our opinion is not qualified in respect of the above matters.

**Chartered Accountants
Engagement Partner**
Sharif Ali Zaidi

**Chartered Accountants
Engagement Partner**
Amir Jamil Abbasi

Place: Karachi

UNCONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

December 31, 2017 December 31, 2016 January 01, 2016 December 31, 2017 December 31, 2016 January 01, 2016

----- (Restated) -----

----- (Restated) -----

Note ----- (Rupees in '000) ----- (US\$ in '000) -----

ASSETS

NON-CURRENT ASSETS

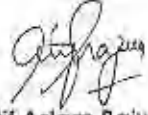
Fixed assets

- Property, plant and equipment	6	66,828,518	68,828,761	76,602,307	604,633	656,420	730,440
- Intangibles	7	328,669	7,884	45,645	2,974	75	435
		67,157,187	68,836,645	76,647,952	607,607	656,495	730,875
Long-term investments	8	4,587,663	4,569,247	4,511,581	41,507	43,577	43,020
Long-term advances	9	-	-	-	-	-	-
Long-term deposits and prepayments	10	8,011,052	7,020,724	9,602,902	72,480	66,957	91,568
Total non-current assets		79,755,902	80,426,616	90,762,435	721,594	767,029	865,463

CURRENT ASSETS

Stores and spares	11	3,092,587	2,554,584	3,039,872	27,980	24,363	28,986
Trade debts	12	10,345,748	8,751,598	9,294,690	93,603	83,464	88,629
Advances	13	2,640,948	2,154,433	1,574,020	23,894	20,547	15,009
Trade deposits and short-term prepayments	14	4,109,283	3,891,662	2,355,635	37,179	37,115	22,462
Other receivables	15	7,666,385	8,629,470	6,154,674	69,362	82,299	58,688
Short-term investment	16	19,220	19,220	19,220	174	183	183
Cash and bank balances	17	4,193,701	3,448,113	2,641,305	37,943	32,888	25,186
Total current assets		32,067,872	29,449,080	25,079,416	290,135	280,856	239,143
TOTAL ASSETS		111,823,774	109,875,696	115,841,851	1,011,729	1,047,885	1,104,606


Air Marshal Arshad Malik
Chief Executive Officer


Alif Aslam Bajwa
Director



AS AT DECEMBER 31, 2017

		December 31, 2017	December 31, 2016	January 01, 2016	December 31, 2017	December 31, 2016	January 01, 2016
			(Restated)			(Restated)	
Note		(Rupees in '000)			(US\$ in '000)		
EQUITY AND LIABILITIES							
SHARE CAPITAL AND RESERVES							
Issued, subscribed and paid-up share capital	18	52,345,110	52,345,110	52,345,110	473,594	499,215	499,136
Reserves	19	4,450,703	4,432,287	4,374,621	40,268	42,271	41,714
Accumulated losses		(353,888,173)	(305,457,190)	(268,728,033)	(3,201,814)	(2,913,145)	(2,562,451)
Total shareholders' equity		(297,092,360)	(248,679,793)	(212,008,302)	(2,687,952)	(2,371,659)	(2,021,601)
Surplus on revaluation of property, plant and equipment - net	20	5,620,728	4,752,639	4,863,889	50,854	45,326	46,380
NON-CURRENT LIABILITIES							
Long-term financing	21	102,242,918	74,829,943	49,766,421	925,046	713,653	474,547
Term finance and sukuk certificates	22	17,072,007	25,289,606	26,707,209	154,460	241,187	254,666
Liabilities against assets subject to finance lease	23	1,781,163	5,811,849	13,218,479	16,115	55,428	126,045
Advance from a subsidiary	24	4,436,041	4,208,390	4,209,056	40,135	40,135	40,135
Deferred liabilities	25	33,531,987	29,960,940	24,732,719	303,382	286,737	236,838
Total non-current liabilities		159,064,116	140,100,728	118,633,884	1,439,138	1,336,140	1,131,231
CURRENT LIABILITIES							
Trade and other payables	26	138,593,340	119,232,228	107,280,026	1,253,927	1,137,117	1,022,966
Accrued interest	27	14,586,792	13,320,144	11,965,110	131,974	127,034	114,093
Taxation - net		760,447	561,255	231,779	6,880	5,355	2,210
Short-term borrowings	28	34,358,474	34,351,311	36,940,201	310,859	327,608	352,243
Current maturity of non-current liabilities	29	55,932,237	46,237,184	47,935,264	506,049	440,964	457,034
Total current liabilities		244,231,290	213,702,122	204,352,380	2,209,689	2,038,078	1,948,596
TOTAL LIABILITIES		403,295,406	353,802,850	322,986,264	3,648,827	3,374,218	3,079,827
TOTAL EQUITY AND LIABILITIES		111,623,774	109,875,696	115,841,851	1,011,729	1,047,885	1,104,606
Contingencies and commitments	30						

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik
Chief Executive Officer

Atif Aslam Bajwa
Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016	2017	2016
			(Restated)		(Restated)
	Note	----- (Rupees in '000) -----		----- (US\$ in '000) -----	
Revenue - net	31	90,843,729	88,997,379	821,911	848,767
Cost of services					
Aircraft fuel		(30,940,544)	(27,152,814)	(279,936)	(258,956)
Others	32	(76,836,830)	(76,040,362)	(695,184)	(725,196)
		(107,777,374)	(103,193,176)	(975,120)	(984,152)
Gross loss		(16,933,645)	(14,195,797)	(153,209)	(135,385)
Distribution costs	33	(4,760,127)	(4,831,766)	(43,067)	(46,081)
Administrative expenses	34	(6,287,515)	(6,318,631)	(56,886)	(60,261)
Other provisions and adjustments	35	(1,892,356)	(6,744,575)	(17,121)	(64,323)
Exchange loss - net		(2,188,460)	(294,981)	(19,800)	(2,813)
Other Income	36	548,562	749,606	4,963	7,149
		(14,579,896)	(17,440,347)	(131,911)	(166,329)
Loss from operations		(31,513,541)	(31,636,144)	(285,120)	(301,714)
Finance costs	37	(15,246,640)	(13,159,579)	(137,944)	(125,503)
Loss before taxation		(46,760,181)	(44,795,723)	(423,064)	(427,217)
Taxation	38	(1,000,531)	(104,592)	(9,052)	(997)
Loss for the year		(47,760,712)	(44,900,315)	(432,116)	(428,214)
		----- (Rupees) -----		----- (US\$) -----	
Loss per share - basic and diluted					
Loss attributable to:					
'A' class ordinary shares of Rs. 10 each	39	(9.12)	(8.58)	(0.08)	(0.08)
'B' class ordinary shares of Rs. 5 each	39	(4.56)	(4.29)	(0.04)	(0.04)

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik
Chief Executive Officer

Atif Aslam Bajwa
Director



UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016	2017	2016
		(Restated)		(Restated)
	----- (Rupees in '000) -----		----- (US\$ in '000) -----	
Loss for the year	(47,760,712)	(44,900,315)	(432,116)	(428,214)
Other comprehensive income:				
<i>Items that will be reclassified subsequently to consolidated profit and loss account</i>				
Unrealised gain on re-measurement of available-for-sale investments	18,416	57,666	167	550
<i>Items that will be reclassified subsequently to profit and loss account</i>				
Remeasurement of post retirement defined benefits obligation	(917,792)	(2,469,843)	(8,304)	(23,555)
Effect of deferred tax	220,949	46,172	1,999	440
	(696,843)	(2,423,671)	(6,305)	(23,115)
	(678,427)	(2,366,005)	(6,138)	(22,565)
Total comprehensive income - loss	(48,439,139)	(47,266,320)	(438,254)	(450,779)

Surplus / (deficit) arising on revaluation of property, plant and equipment has been reported in accordance with the requirements of the repealed Companies Ordinance, 1984, in a separate account below equity and accordingly changes therein are reported directly into equity.

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Atif Aslam Bajwa
Director

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016	2017	2016
			(Restated)		(Restated)
Note		(Rupees in '000)		(US\$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	40.1	(1,967,730)	2,664,901	(17,803)	25,415
Profit on bank deposits received		48,392	75,024	438	716
Finance costs paid		(13,979,998)	(11,653,830)	(126,484)	(111,143)
Taxes paid		(255,021)	(135,440)	(2,307)	(1,292)
Employees benefits paid		(909,043)	(856,521)	(8,225)	(8,169)
Long-term deposits and prepayments - net		(990,328)	508,591	(8,960)	4,850
Net cash used in operating activities		(18,053,728)	(9,397,365)	(163,341)	(89,623)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(3,547,866)	(1,495,221)	(32,099)	(14,260)
Purchase of intangibles		(409,507)	(1,678)	(3,705)	(16)
Proceeds from sale of property, plant and equipment		255,440	2,654	2,311	25
Net cash used in investing activities		(3,701,933)	(1,494,245)	(33,493)	(14,251)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term financing		(26,944,671)	(31,111,079)	(243,783)	(296,706)
Proceeds from long-term financing		63,006,250	57,554,136	570,051	548,894
Repayment of term finance certificates - net		(6,163,202)	(6,396,419)	(55,762)	(61,003)
Repayment of obligations under finance lease - net		(7,336,941)	(7,210,999)	(66,381)	(68,771)
Proceeds from short-term borrowings		315,285	-	2,853	-
Net cash from financing activities		22,876,721	12,835,639	206,978	122,414
Increase in cash and cash equivalents		1,121,060	1,944,029	10,144	18,540
Cash and cash equivalents at beginning of the year		(99,504)	(1,995,052)	(901)	(19,027)
Effects of exchange rate changes on cash and cash equivalents		-	(102)	-	(1)
Restatement in cash and cash equivalent [see notes 5.2 and 5.3(a)]		-	(48,379)	-	(461)
Cash and cash equivalents at end of the year		1,021,556	(99,504)	9,243	(949)
Cash and cash equivalents					
Cash and bank balances		4,193,701	3,448,113	37,943	32,885
Running finance under mark-up arrangements	17 28	(3,172,145)	(3,547,617)	(28,700)	(33,834)
		1,021,556	(99,504)	9,243	(949)

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik
Chief Executive Officer

Ahif Aslam Bajwa
Director



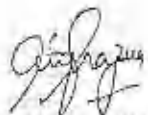
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

		Reserves					
	Issued, subscribed, and paid-up share capital	Capital reserves	Revenue reserves	Unrealised gain on remeasurement of investments	Subtotal	Accumulated losses	Total
	(Rupees in '000)						
Balance as at December 31, 2015 as previously reported	52,345,110	2,501,038	1,779,674	93,909	4,374,621	(269,946,703)	(213,226,972)
Effect of restatement - notes 5.2 and 5.3	-	-	-	-	-	1,218,670	1,218,670
Balance as at December 31, 2015 - as restated	52,345,110	2,501,038	1,779,674	93,909	4,374,621	(268,728,033)	(212,008,302)
Total comprehensive income for the year ended December 31, 2016:							
Loss for the year	-	-	-	-	-	(44,900,315)	(44,900,315)
Other comprehensive income for the year	-	-	-	57,666	57,666	(2,423,671)	(2,366,005)
Total comprehensive income for the year	-	-	-	57,666	57,666	(47,323,986)	(47,266,320)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	74,829	74,829
Surplus on revaluation of property, plant and equipment realised during the year on account of aircraft retired / written off - net of tax	-	-	-	-	-	938,411	938,411
Balance as at December 31, 2016 as restated (note 5)	52,345,110	2,501,038	1,779,674	151,575	4,432,287	(315,038,779)	(258,261,362)
Balance as at December 31, 2016 as previously reported	52,345,110	2,501,038	1,779,674	151,575	4,432,287	(316,738,170)	(259,960,773)
Effect of restatement - notes 5.1, 5.2 and 5.3	-	-	-	-	-	11,280,980	11,280,980
Balance as at December 31, 2016 as restated (note 5)	52,345,110	2,501,038	1,779,674	151,575	4,432,287	(305,457,190)	(248,679,793)
Total comprehensive income for the year ended December 31, 2017:							
Loss for the year	-	-	-	-	-	(47,760,712)	(47,760,712)
Other comprehensive income for the year	-	-	-	18,416	18,416	(696,643)	(678,227)
Total comprehensive income	-	-	-	18,416	18,416	(48,457,355)	(48,439,139)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	23,612	23,612
Surplus on revaluation of property, plant and equipment realised during the year on account of aircraft retired / written off - net of tax	-	-	-	-	-	2,760	2,760
Balance as at December 31, 2017	52,345,110	2,501,038	1,779,674	169,991	4,450,703	(353,888,173)	(297,092,360)

The annexed notes 1 to 47 form an integral part of these unconsolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Atif Aslam Bajwa
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Pakistan International Airlines Corporation Limited ("the Company") was incorporated on January 10, 1955 under the Pakistan International Airlines Company Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Company Act, 1956 (the Act). With effect from April 19, 2016, the Company has been converted from a statutory company into a public limited company by shares, Pakistan International Airlines Company Limited ("the Company"), through Act No. XV of 2016 'The Pakistan International Airlines Company (Conversion) Act, 2016' (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Company Act, 1956 and the Company is now governed under the Companies Act, 2017 (previously repealed Companies Ordinance, 1984). According to the Conversion Act, all assets, rights, license, privileges and benefits of which the Company was entitled were transferred to the Company and the Company has assumed all liabilities and obligations of the Company. However, the management believes that in substance there is no change (except for the legal status and application of provisions of the Companies Act, 2017 (previously repealed Companies Ordinance, 1984)).

The principal activity of the Company is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Company include provision of engineering and allied services. The head office of the Company is situated at PIA Building, Jinnah International Airport, Karachi.

- 1.2 During the current year, the Company incurred a net loss of Rs. 47,760,712 million (2016: Rs. 42,900.315 million) resulting in accumulated losses of Rs. 355,555,173 million as of December 31, 2017 (2016: Rs. 305,457,190 million). Further, as of December 31, 2017, current liabilities of the Company exceeded its current assets by Rs. 212,163,418 million (December 31, 2016: Rs. 184,253,042 million).

In view of the situation described above, the management has made an assessment of the Company's ability to continue as a going concern and based on the below mitigating factors, the management believes that though the sustainability of the future operations of the Company is materially dependent on the support of the Government of Pakistan, no material uncertainty exist and going concern assumption is appropriate. Accordingly, the unconsolidated financial statements are prepared on a going concern basis.

- a) Government of Pakistan (GoP), being the major shareholder of the Company, through its finance division's letter dated September 02, 2008 communicated that it would extend all maximum support to maintain the Company's going concern status. Since then it has been extending support to the Company through following measures to ensure that the Company continues and sustains in the long term as a viable business entity:
- long-term financing to meet working capital requirements of the Company;
 - issuance / renewal of guarantees to financial institutions, both local and foreign, enabling the Company to raise / rollover funds;
 - approval for extending readyment period of the term finance certificates;
 - provided funds for acquisition of narrow body aircraft on dry lease;
 - reimbursement of financial charges on term finance and sukuk certificates;
- b) In a meeting with the Honorable Prime Minister of Pakistan on December 30, 2017, it was agreed that mark-up support would be provided for the five years starting from July 2018 and short-term loans would be converted to long-term with a possibility of grace period. Therefore, subsequent to December 31, 2017 following decisions / steps have been taken by the GoP to support the Company:
- approval for reimbursement of markup for five years, accordingly an amount of Rs. 16,019 million has been provided by GoP during the fiscal year 2018-19 in respect of markup support;
 - through a letter dated February 19, 2018, GoP has reiterated its maximum support to maintain the Company's going concern;



- GoP guarantee limit enhanced from Rs. 178,585 million (December 31, 2017) to Rs. 222,107 million (May 31, 2019) to meet the cash deficit.

- (c) Further, in a meeting with the Honorable Prime Minister of Pakistan (PM) on April 4, 2019, the Company presented its Strategic business plan 2019-23 which was approved and during that meeting PM assured GoP's full support to the Company in terms of provision of funds/equity in order to increase its potential to compete in the Aviation market. Thereafter, in Finance Bill 2019, GoP has allocated Rs. 24,500 million in respect of mark-up support to the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act, 2017 (the Act) has been promulgated, however Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance). Accordingly, the Company's financial statements for the year ended December 31, 2017 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984 shall prevail. (see note 2.5.18)

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except that:

- certain items of property, plant and equipment are stated at revalued amount;
- certain financial assets are carried at fair value;
- liability on account of frequent flyer programme is recognised at fair value; and
- defined benefit obligations are stated at present value.

2.3 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. The unconsolidated financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

The US Dollar amounts reported in the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are stated as additional information, solely for the convenience of the users of these unconsolidated financial statements. The US Dollar amounts in the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement have been translated into US Dollar at the rate of Rs. 110.5274 = US\$ 1 (2018: Rs. 104.8548 = US\$ 1).

2.4 New standards, amendments to approved accounting standards and new interpretation to existing standards that are effective for the year ended December 31, 2017

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2017 but are considered not to be relevant or do not have any significant effect on the Company's unconsolidated financial statements and are therefore not stated in these unconsolidated financial statements.

2.5 New standards, amendments to approved accounting standards and new interpretations to existing standard that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2018.

- 2.5.1 Amendments to IFRS 2 – Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2019. The amendments cover three accounting areas:

(a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

- 2.5.2 IFRS 4 Insurance Contracts:** Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments) becomes effective from annual period beginning on or after January 01, 2018 with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. IFRS 4 will be replaced by IFRS 17 as of January 01, 2021 and will not have any impact on the Company's unconsolidated financial statements.
- 2.5.3 IFRS 9 'Financial Instruments'** (effective for annual periods beginning on or after July 01, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement mode and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option of adoption to present changes in fair value in OCI and not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit and loss. The Company is currently evaluating its impact on the unconsolidated financial statements.
- 2.5.4 IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments** to IFRS 10 and IAS 28. The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments are not likely to have any material impact on the Company's unconsolidated financial statements.
- 2.5.5 IFRS 15 'Revenue from contracts with customers'** (effective for annual periods beginning on or after July 01, 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The Company is currently evaluating its impact on the unconsolidated financial statements.
- 2.5.6 IFRS 16 'Leases'** (effective for annual period beginning on or after January 01, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases - Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease-accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of its right to use assets and liabilities on adoption of the standard.
- 2.5.7 Transfers of Investment Property (Amendments to IAS 40 'Investment Property')** - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.
- 2.5.8** Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards

IASB Effective date (annual periods beginning on or after)

IFRS 14 – Regulatory Deferral Accounts
IFRS 17 – Insurance Contracts

January 01, 2016
January 01, 2021

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5.9 Annual Improvements 2014-2016 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:

2.5.10 Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 01, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Further, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture's interests in subsidiaries. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

2.5.11 IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

2.5.12 IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

2.5.13 The Companies Ordinance, 1984 was repealed by the enactment of the Companies Act, 2017 (the Act) on May 30, 2017. SECP vide its Circular no. 23/2017 dated October 04, 2017 in continuation of its Circular 17 of 2017 dated July 20, 2017 has clarified that the companies whose financial year closes after December 31, 2017, shall prepare financial statements in accordance with the Act. Hence, the provisions of Companies Act, 2017 will be applicable for the preparation of financial statements for the year ended on December 31, 2017. The Act requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Act. The application of the Act would have significant impact on the Company's unconsolidated financial statements for the year ended December 31, 2018. The Company would be required to give extended disclosures and change its existing accounting policy relating to surplus on revaluation of fixed assets (see note 4.7) and preference shares to bring it in line with the requirements of IAS 16 – "Property, plant and equipment".

IAS 16 requires that any deficit arising on revaluation of an item of fixed assets is recognised in profit and loss account and any increase in carrying value of an item of fixed assets is recognised in other comprehensive income and accumulated in equity under the heading of surplus reserve.

Based on preliminary assessment of changes in the Act if applied at December 31, 2017, would have had a material impact on its accounting for surplus / deficit on revaluation of fixed assets. Loss and other comprehensive income net of tax for the year ended December 31, 2017 would have been higher by Rs. 3,593,016 million and Rs. 4,834,946 million, respectively, accumulated losses and surplus reserve in equity would have been higher by Rs. 17,102,411 million and Rs. 22,765,409 million respectively and resultant net equity as at December 31, 2017 would have been higher by Rs. 4,662,977 million. The impact of preference shares is considered to be immaterial by the management in the overall context of the unconsolidated financial statements. (see note 18)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these unconsolidated financial statements.

3.1 Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation / useful lives and residual values used in the calculation of depreciation at each financial year end. Further, the Company estimates revalued amounts and useful life of aircraft fleet, leasehold land and buildings on leasehold land based on the annual and periodic valuations carried out by independent professional valuers. Any change in estimate in future might affect the carrying amounts of the respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, surplus on revaluation and annual transfer of incremental / detrimental effect of depreciation from surplus on revaluation of property, plant and equipment account to accumulated loss directly in equity.

Change in accounting estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2016, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in useful lives and residual values of aircraft, the related capital spares and depreciation expense pertaining to aircraft fleet with the related capital spares for the year would have been higher by Rs. 32,482 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of aircraft fleet, the related capital spares under the revaluation model and inherent uncertainties attached thereto.

3.2 Stores and spares

The Company at each reporting date reviews the net realisable value of stores and spares to assess any diminution in their respective carrying values. Due to the complex nature and huge quantum of the items of stores and spares, the net realisable value is derived at by estimating the provision against slow moving stores and spares, which is made in proportion to the estimated utilised life of the relevant category of the aircraft attained up to the reporting date.

3.3 Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess the adequacy of the provision there against. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

3.4 Employee benefits

The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases, mortality rates, future increase in medical costs and future pension increases. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 25 to these unconsolidated financial statements.

3.5 Taxation

In making estimate for income tax payable by the Company, the Company takes into account the applicable tax laws. Deferred tax asset is recognised for unused tax losses and available credits to the extent that it is probable that

sufficient taxable temporary differences and taxable profits will be available against which such losses and credits can be utilised. Significant judgment is exercised to determine the amount of deferred tax asset to be recognised.

3.6 Liability on account of frequent flyer programme

The Company operates a frequent flyer programme that provides travel awards to members of the programme based on accumulated mileage. The Company accounts for award credits as separately identifiable component of the sales transaction in the period in which they are granted. The consideration in respect of initial sale is allocated to award credits based on their fair value and is accounted for as a liability in these unconsolidated financial statements. The fair value of credits awarded is estimated by reference to the fair value of the services for which the award credits may be redeemed. Determination of the fair value of the award credit involves estimations, based on the average of air fares, the value of each award credit assuming a 100% redemption rate, and estimating the expected award credit redemption rate. These estimates are reviewed as and when a significant change in the assumptions used is observed and the liability is adjusted annually as appropriate. The provision for frequent flyer programme is determined based on the valuation carried out by an independent professional valuer.

3.7 Revenue recognition

Revenue for passenger tickets and cargo airway bills is recognised when the transportation services are provided. The passenger tickets and Cargo Airway Bills that are not utilised, are recognised as unearned revenue on the basis of sale value of those documents.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below are consistently applied for all periods presented in these unconsolidated financial statements.

4.1 Fixed assets

Property, plant and equipment

Owned

Land classified as 'others' in note 6.7 are stated at cost, whereas buildings classified as 'others' in the aforesaid note are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and buildings thereon and aircraft fleet are initially recognised at cost and are subsequently measured at revalued amounts, which are the fair values at the date of revaluation, less accumulated depreciation and impairment, if any.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Aircraft and related equipment acquired on an exchange basis are stated at amounts paid plus the fair value of the fixed asset traded-in.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is derecognised.

Major renewals, improvements and overhauls are capitalised and depreciated over the period to the next major overhaul. All other repairs and maintenance including cost incurred under 'power-by-the-hour' contracts are charged to the unconsolidated profit and loss account during the financial period in which they are incurred.

Depreciation is charged to the unconsolidated profit and loss account, applying the straight-line method whereby the cost or revalued amount of asset, less their residual values, is written down over their expected useful lives. The rates of depreciation are disclosed in note 6.7 to these unconsolidated financial statements.

In respect of additions and disposals of assets, depreciation is charged from the month in which the asset is available for use until it is derecognised, i.e. up to the month preceding the disposal.

Useful lives (except for aircraft fleet and buildings at revaluation model) are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence and other similar factors. The useful lives of aircraft fleet and buildings at revaluation model are determined by the management based on the appraisal of an independent valuer. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate, at each financial year end.

Surplus on revaluation of aircraft fleet, land and buildings is credited to the surplus on revaluation of property, plant and equipment account and is shown in the unconsolidated balance sheet below share capital and reserves. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Cost / revalued amount at the date of the revaluation is adjusted / eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Surplus/deficit arises on different class of assets are offset in line with the requirements of the repealed Companies Ordinance-1984. To the extent of the incremental / reduced depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the unconsolidated profit and loss account in the year the asset is derecognised.

Gains or losses on disposal of assets are taken to the unconsolidated profit and loss account. When revalued assets are sold or retired from operation, the relevant remaining deficit and surplus is transferred to unconsolidated profit and loss account and to retained earnings, respectively.

Leased

Leased assets under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance lease

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments. Initial direct costs are added to the amount of the asset. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

Operating lease

Payments made under operating leases (net of any incentives received from the lessor) along with related costs are charged to the unconsolidated profit and loss account on a straight-line basis over the lease term.

Capital spares

Rotable and repairable spares are stated at cost less accumulated impairment losses, if any, and treated as property, plant and equipment and are depreciated based on the average remaining useful life of the related aircraft. Capital spares which are not useable are treated as scrap and charged to unconsolidated profit and loss account.

Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any, and consist of expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. The assets are transferred to relevant category of property, plant and equipment when they are available for intended use.

4.2 Intangibles

Intangible assets are measured on initial recognition at cost. Costs that are directly associated with identifiable software products / licenses controlled by the Company and that have probable economic benefit beyond one year are recognised as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 7.2 to these unconsolidated financial statements.



Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in consolidated profit or loss account when the asset is derecognised.

4.3 Investments

Subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity, for which the Company has the ability to hold them till maturity, are classified as held to maturity investments. These investments are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using effective interest method. All investments categorised under held to maturity are subject to annual review for impairment. Provision for impairment in value, if any is taken to the consolidated profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, interest accrued, other receivables and cash and bank balances as at the reporting date. These are stated at amortised cost less accumulated impairment losses, if any.

Available-for-sale

Investments classified as available-for-sale are initially recognised at fair value, plus transaction costs and are subsequently marked to market using year end bid prices from stock exchange quotations and quotations from brokers and in case of unquoted investments, at cost, less impairment. Any resultant unrealised gain or loss is recognised in consolidated other comprehensive income. When these investments are sold or impaired, the accumulated fair value adjustments recognised in consolidated other comprehensive income are reclassified in the consolidated profit and loss account. Impairment losses recognised on equity securities in the consolidated profit and loss account are not reversed subsequently.

4.4 Stores and spares

These are stored at lower of cost and net realisable value, less impairment, if any. Goods-in-transit are valued at cost plus other charges incurred thereon. Cost is determined as follows:

Fuel and medical inventories	first-in-first-out basis
Other stores and spares	weighted moving average cost

Provision against slow moving stores and spares is made in proportion to the estimated utilised life of the relevant category of the aircraft attained up to the reporting date.

4.5 Trade debts and other receivables

These are recognised initially at fair value (original invoice / ticket amount) plus directly attributable transaction costs (if any) and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and other receivables considered irrecoverable are written off.

4.6 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks. Cash and cash equivalents also include running finance that are repayable on demand and form an integral part of the Company's cash management.

4.7 Trade and other payables

Liabilities for trade creditors and other amounts payable are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost.

4.8 Loans and borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs, if any. Subsequently, these are measured at amortised cost using the effective interest method.

4.9 Employee benefits

Provident fund

The Company operates a defined contribution provident fund scheme for all its permanent employees. Equal monthly contributions are required to be made to the Fund by the Company and the employees in accordance with the Fund's Rules. The Company's required contribution to the Fund is charged to the unconsolidated profit and loss account.

Pension funds

For all the permanent employees hired prior to July 1, 2008, the Company operates a funded benefit pension scheme for its three categories of employees. Pension scheme is a final salary pension scheme and is invested through three funds namely Pakistan Airline Pilot Association (PALPA), Flight Engineering Association (FENA) and Employees' Pension Funds. Under the PALPA and FENA pension fund, employees are entitled to basic salary and flight allowance whereas under Employees' Pension Fund, employees are entitled to basic salary and certain other allowances. Contributions are made to the scheme at the advice of actuary. For all the permanent employees hired on or after July 1, 2008 in lieu of the pension funds as described above, the Company operates a defined contribution pension fund whereby a contribution of 5% of the pensionable benefits is made to the Fund in accordance with the relevant rules.

Actuarial valuation that is carried out annually. Net interest expense, current service cost and any past service cost are recognised in unconsolidated profit and loss account whereas any actuarial gains / (losses) and the return on plan assets (excluding interest) are recognised immediately in unconsolidated other comprehensive income.

Post-retirement medical benefits

The Company operates an unfunded defined benefit medical scheme and provides medical allowances and free hospitalisation benefits to all its retired employees and their spouses in accordance with their service regulations. The post-retirement medical benefit is accounted for on the basis of actuarial valuation that is carried out annually. Net interest expense, current service cost and any past service cost are recognised in unconsolidated profit and loss account and any actuarial gains / (losses) are recognised immediately in unconsolidated other comprehensive income.

Compensated absences

The Company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences on the basis of actuarial valuation that is carried out annually.

4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the unconsolidated profit and loss account except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover basis, whichever is higher. It also includes any adjustment to tax payable in respect of prior years.

Deferred taxation

Deferred income tax is recognised using the balance sheet liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable timing differences will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset is reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits or taxable temporary differences will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in other comprehensive income is recognised in unconsolidated statements of comprehensive income and not in unconsolidated profit and loss account.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.17 Revenue recognition

The Company principally earns revenue from the carriage of passengers, cargo, mail and excess baggage and provision of handling services to other airlines, engineering services, air charters and related activities.

Passenger and cargo revenue

Passenger and cargo revenue is recognised when the transportation service is provided. The value of unused tickets and airway bills is included in current liabilities as 'advance against transportation' until recognised as revenue. The estimates involved in revenue recognition are disclosed in note 3.7 to these unconsolidated financial statements.

Engineering and other services

Revenue from repairs and maintenance and overhaul services of engine and component to other airlines is recognised when such services are rendered.

Frequent flyer programme revenue

The Company operates two principal loyalty programmes. The airline's 'frequent flyer programme' allows frequent travellers to accumulate travel miles that entitle them to a choice of various awards, primarily free travel. The fair value attributed to the awarded mileage credits is deferred as a liability and recognised as revenue on redemption of the miles by the participants to whom the miles are issued, when the miles expire or when they are not expected to be redeemed.

In addition, miles are sold to a commercial partner to use in promotional activity. The fair value of the miles sold is deferred and recognised as revenue on redemption of the miles by the participants to whom the miles are issued. The cost of redemption of miles is recognised when miles are redeemed. The estimates involved in recognising revenue from frequent flyer programme are disclosed in note 3.6 to these unconsolidated financial statements.

Interest / mark-up and dividend income

The Company recognises interest income / mark-up on short-term bank deposits, interest bearing advances and held-to-maturity investments on time proportion basis using effective interest method.

Dividend income is recognised when the Company's right to receive dividend is established.

4.12 Borrowing costs

The Company recognises the borrowing costs as an expense in the period in which these costs are incurred, except the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset.

4.13 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

4.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of the asset which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the consolidated profit and loss account. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated profit and loss account.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in reserves in equity to consolidated profit and loss account. The cumulative losses that is reclassified from equity to consolidated profit and loss account is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognised previously in consolidated profit and loss account.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.15 Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates approximating those ruling on the last week of the preceding month's average rate of exchange. Monetary assets and liabilities in foreign currencies are translated at the rates using the average spot rate on the reporting date. Gains and losses on translation are taken to the consolidated profit and loss account currently.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items, measured at fair value in a foreign currency, are translated using the exchange rates at the date when the fair value was determined.

4.16 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value and subsequently at fair value or amortised cost as the case may be. Financial assets are de-recognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the consolidated profit and loss account immediately.

4.17 Earnings per share

The Company presents basic and diluted earnings / (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.18 Derivative financial instruments

Derivatives that do not qualify for hedge accounting recognised at estimated fair value with corresponding effect to consolidated profit and loss account. Derivatives financial instruments are carried as assets when fair value is positive and as liability when fair value is negative.

4.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

4.20 Dividend and reserves

Dividend and appropriation to / from reserves are recorded when approved. However, if these are approved after the reporting date but before the financial statements are authorised for issue, they are disclosed in notes to these consolidated financial statements.

5. RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS

5.1 Migration to new ERP system

As disclosed in note 5.3 to the half yearly financial statements for the period ended June 30, 2017, during the year the Company migrated from its legacy accounting system (COSSAP) to new ERP system (Oracle Financials) and also migrated from legacy revenue accounting system (AVRA) to new revenue accounting system (RAPID). During aforesaid migration and implementation of ERP and RAPID, management faced numerous challenges including migration of data and reconciliation of balances in new system, personnel training and dissemination of system understanding to the users of new system. The aforementioned challenges manifested in significant system deficiencies, errors and unidentified balances, which could not be completely addressed before conclusion of the half yearly financial statements for the period ended June 30, 2017. In order to resolve the subject problems before finalising annual financial statements for the year ended 2017, management carried out an exercise focusing on following key areas:

Migration of closing balances appearing in the legacy system to ERP as opening balance with invoice level details.

Reconciliation of the general ledger balances with their respective subsidiary ledgers

Compilation of complete record of sales from sales reports and computation of unearned revenue by extracting data of tickets utilized during the year from the revenue accounting system. This resulted in arriving at the balance of Advance Against Transportation (Unearned Revenue) with ticket wise breakup as at December 31, 2017 which is also traceable to the actual utilisation of those tickets in the subsequent period.

Identification of amounts payable to various foreign Airport Authorities in respect of taxes collected at the time of sale of tickets, including balance of taxes payable against tickets not utilised till December 31, 2017

Above mentioned activity resulted in identification of following balances which were appearing in financial statements as at December 31, 2016 for which no information / supporting record could be identified:

- The amount of unidentified balances of Rs. 915 million in different heads could not be traced against any vendor. In this respect, management believes, that these unidentified balances are a result of incorrect adjustment and / or over accrual of liabilities in previous years.
- While computing detailed breakup of Advance Against Transportation (unearned revenue), an amount of Rs. 3,985 million, which was being carried forward from previous years, could not be related to any ticket utilised during the current financial year and future available record. No breakup or information is available to support this amount and the management believes that this amount is a result of error in recording unearned revenue in prior years including time barred tickets.
- Based on detailed scrutiny of amount payable to various authorities in respect of taxes collected at foreign stations against sale of tickets, an amount of Rs. 4,700 million was identified being unallocated to any related agency / authority. Management believes that this amount has accumulated over the previous periods owing to incorrect accounting adjustments.

In order to depict correct position, the amounts of Rs. 915 million, Rs. 3,985 million and Rs. 4,700 million in respect of unidentified balances in different heads, Advance Against Transportation (unearned revenue) and foreign taxes payable respectively which were being carried forward from previous years, have been reversed by adjusting opening balance of accumulated losses. As it was not possible to ascertain the impact for the year 2016 and for earlier years, therefore amounts have been adjusted / restated as at January 01, 2017.

5.2 Obligation for compensated absences

During the current year, the management as a part of reconciliation exercise, also reviewed the primary data used for actuarial valuation. As a result, of such exercise, management identified certain errors in understanding of actuary in respect of unvalued leaves data used for actuarial valuation. Consequently, the Company has restated its liability on account of 'Obligation for compensated absences' with a corresponding effect on shareholders' equity.

The above error has been corrected retrospectively in these unaudited financial statements in accordance with the requirements of IAS 8 – 'Accounting Policies Change in Accounting Estimates and Errors' by restating the balance sheet for the year ended December 31, 2016 and January 01, 2017. Due to this restatement, the Company has presented the balance sheet as at the beginning of the earliest comparative period i.e. January 01, 2016, and related notes in accordance with the requirement of IAS 1 – Presentation of Financial Statements

	December 31, 2016	January 01, 2016
	----- (Rupees in '000) -----	
The rectification of error has resulted in:		
Decrease in accumulated losses	-	1,218,670
Decrease in liability for compensated absences	(480,721)	(1,218,670)
Decrease in expense charged to profit and loss account	480,721	-



5.3 The effect of above stated errors are as follows:

(a) Effect on unconsolidated balance sheet of December 31, 2016 and earliest period presented i.e. January 01, 2016.

	December 31, 2016			January 1, 2016		
	Balance as previously reported	Effect of restatement (Note 5.1 & 5.2)	Balance after restatement	Balance as previously reported	Effect of restatement (Note 5.2)	Balance after restatement
(Rupees in '000)						
Trade and other payables	130,734,207	11,501,979	142,236,186	108,498,696	1,218,670	109,717,366
Accrued interest	13,320,252	108	13,320,360	11,965,110	-	11,965,110
Taxation - net	541,326	(19,929)	521,397	231,779	-	231,779
Liabilities	144,595,785	11,482,158	156,077,943	120,695,585	1,218,670	121,914,255
Property, plant and equipment	431,882	(2,353)	429,529	197,505	-	197,505
Long Term deposits and prepayments	7,032,142	(11,418)	7,020,724	9,602,902	-	9,602,902
Stores and Spares	2,556,206	(1,622)	2,554,584	3,039,872	-	3,039,872
Trade debts	8,566,349	185,249	8,751,598	9,294,690	-	9,294,690
Advances	2,289,346	(134,913)	2,154,433	1,574,020	-	1,574,020
Trade deposits and short term prepayments	3,891,575	87	3,891,662	2,355,635	-	2,355,635
Other receivables	8,817,299	(187,829)	8,629,470	6,154,674	-	6,154,674
Cash and bank balances	3,496,492	(48,379)	3,448,113	2,641,305	-	2,641,305
Assets	37,081,291	(201,178)	36,880,113	34,860,603	-	34,860,603
Equity						
Accumulated losses	316,738,170	11,280,980	328,019,150	269,946,703	1,218,670	271,165,373

(b) Effect on unconsolidated profit and loss account for the year ended December 31, 2016:

	As previously reported	Effect of restatement (Note 5.2)	After restatement
(Rupees in '000)			
Cost of services	103,539,296	(346,120)	103,193,176
Distribution costs	4,889,452	(57,686)	4,831,766
Administrative expenses	6,395,546	(76,915)	6,318,631
Taxation	104,592	-	104,592
	114,928,886	(480,721)	114,448,165
Effect on earnings per share			
A' class ordinary shares of Rs. 10 each	(8.67)	0.09	(8.58)
B' class ordinary shares of Rs. 10 each	(4.33)	0.04	(4.29)

6. PROPERTY, PLANT AND EQUIPMENT

		2017	2016 (Restated)
Operating fixed assets	Note	(Rupees in '000)	
- owned	6.1	41,068,930	30,562,152
- leased	6.3	24,510,897	37,837,080
		65,579,827	68,399,232
Capital work-in-progress	6.8	1,248,691	429,529
		66,828,518	68,828,761

6.1 Owned fixed assets

	2017				
	Land		Buildings on:		Workshops and hangar
	Leasehold (notes 6.1.1 and 6.3)	Others (note 6.1.2)	Leasehold land (notes 6.1.1 and 6.3)	Other land	
(Rupees in '000)					
As at December 31, 2016					
Cost or revalued amount	6,897,860	24,400	2,660,573	1,787,458	913,604
Accumulated depreciation	-	-	(1,265,284)	(1,277,001)	(818,642)
Net book value	6,897,860	24,400	1,395,289	510,457	94,962
Year ended December 31, 2017					
Opening net book value	6,897,860	24,400	1,395,289	510,457	94,962
Additions / transfers	-	-	-	62	-
Revaluation					
Cost or revalued amount	1,794,740	-	1,329,942	-	-
Accumulated depreciation	-	-	-	-	-
	1,794,740	-	1,329,942	-	-
Adjustments / transfer					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Disposals					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation charge for the year	-	-	(219,000)	(40,590)	(10,610)
Closing net book value	8,692,600	24,400	2,506,231	469,929	84,352
As at December 31, 2017					
Cost or revalued amount	8,692,600	24,400	3,990,515	1,787,520	913,604
Accumulated depreciation	-	-	(1,484,284)	(1,317,591)	(829,252)
Net book value	8,692,600	24,400	2,506,231	469,929	84,352
Annual depreciation rate (%)	-	-	2.5	2.5	5

- 6.1.1** These represent leasehold land and buildings owned by the Company that are freely transferable and can be disposed off as and when required.
- 6.1.2** Land classified as 'Others' are amenity plots licensed from Pakistan Civil Aviation Authority (CAA). These are non-transferable as these were allotted at below market price.
- 6.1.3** During the year, the Company has retired / written off aircrafts fleet and engines having net book value of Rs. 232.272 million (2016: Rs. 2,726.058 million). The related deficit amounting to Rs. 70.739 million (2016: Rs. 971.386 million) included in surplus on revaluation has been released to unconsolidated profit and loss account (see note 35).
- 6.1.4** Aircraft fleet includes one engine (2016: Nil) held by a third party for overhauling purpose as at December 31, 2017. The carrying value of this engine at year end is Rs. 404.501 million (2016: Rs. Nil).



Aircraft fleet (note 6.1.3, 6.4 and 6.5)	Equipment	Engineering equipment and tools	Vehicles	Furniture, fixtures and fittings	Computer and office automation	Capital spares (note 11.2)	Total
(Rupees in '000)							
23,235,778 (6,314,129)	3,163,863 (2,604,294)	1,766,371 (1,568,720)	2,543,392 (2,459,294)	956,479 (850,153)	1,771,401 (1,673,858)	7,093,574 (3,421,226)	52,814,753 (22,252,601)
16,921,649	559,569	197,651	84,098	106,326	97,543	3,672,348	30,562,152
16,921,649	559,569	197,651	84,098	106,326	97,543	3,672,348	30,562,152
850,382	17,614	128,742	58,123	12,889	172,843	203,098	1,443,753
(2,346,146)	-	-	-	-	-	-	778,536
-	-	-	-	-	-	-	-
(2,346,146)	-	-	-	-	-	-	778,536
16,160,592 (4,992,430)	-	-	-	-	-	-	16,160,592 (4,992,430)
11,168,162	-	-	-	-	-	-	11,168,162
(277,545) 45,273 (232,272)	(130) 130 -	(7,533) 7,533 -	(27,218) 27,047 (171)	(18,058) 18,058 -	(6,081) 6,081 -	- - -	(336,565) 104,122 (232,443)
(1,683,033)	(123,648)	(79,000)	(78,251)	(26,677)	(60,505)	(329,916)	(2,651,230)
24,678,742	453,535	247,393	63,799	92,538	209,881	3,545,530	41,068,930
37,623,061 (12,944,319)	3,181,347 (2,727,812)	1,887,580 (1,640,187)	2,574,297 (2,510,498)	951,310 (858,772)	1,938,163 (1,728,282)	7,296,672 (3,751,142)	70,861,069 (29,792,139)
24,678,742	453,535	247,393	63,799	92,538	209,881	3,545,530	41,068,930
4 - 100	5 - 10	10	10 - 25	10	5 - 10	4 - 100	

Owned fixed assets

2016

	Land		Buildings on:		Workshops and hangar
	Leasehold (notes 6.1.1 and 6.3)	Others (note 6.1.2)	Leasehold land (notes 6.1.1 and 6.3)	Other land	
	(Rupees in '000)				
As at December 31, 2015					
Cost or revalued amount	6,897,860	24,400	2,660,573	1,755,056	913,499
Accumulated depreciation	-	-	(1,045,463)	(1,233,967)	(814,532)
Net book value	6,897,860	24,400	1,615,110	521,089	98,967
Year ended December 31, 2016					
Opening net book value	6,897,860	24,400	1,615,110	521,089	98,967
Additions / transfers	-	-	-	32,681	105
Revaluation					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Adjustments / transfer					
Cost or revalued amount	-	-	-	(1,081)	6,926
Accumulated depreciation	-	-	-	(1,081)	6,926
Disposals					
Cost or revalued amount	-	-	-	(279)	-
Accumulated depreciation	-	-	-	279	-
Write off / Retirement					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation charge for the year	-	-	(219,821)	(42,232)	(11,036)
Closing net book value	6,897,860	24,400	1,395,289	510,457	94,962
As at December 31, 2016					
Cost or revalued amount	6,897,860	24,400	2,660,573	1,787,458	913,604
Accumulated depreciation	-	-	(1,265,284)	(1,277,001)	(818,642)
Net book value	6,897,860	24,400	1,395,289	510,457	94,962
Annual depreciation rate (%)	-	-	2.5	2.5	5

Aircraft fleet (note 6.1.3, 6.4 and 6.5)	Equipment	Engineering equipment and tools	Vehicles	Furniture, fixtures and fittings	Computer and office automation	Capital spares	Total
(Rupees in '000)							
15,912,619 (6,493,017)	3,119,929 (2,302,243)	1,674,977 (1,528,166)	2,548,655 (2,266,984)	922,596 (809,552)	1,757,272 (1,669,207)	8,571,056 (4,795,915)	46,758,492 (22,959,046)
9,419,602	817,686	146,811	281,671	113,044	88,065	3,775,141	23,799,446
9,419,602	817,686	146,811	281,671	113,044	88,065	3,775,141	23,799,446
629,170	50,988	91,394	9,133	34,849	27,972	363,272	1,239,564
(50,709)	-	-	-	-	-	-	(50,709)
(50,709)	-	-	-	-	-	-	(50,709)
13,048,597 (1,121,645)	- (165,300)	- 30,246	- (168,941)	- (9,856)	- 15,344	(30,881) 16,865	13,017,716 (1,397,442)
11,926,952	(165,300)	30,246	(168,941)	(9,856)	15,344	(14,016)	11,620,274
(1,117,695)	(7,054)	-	(14,396)	(966)	(13,843)	(6,716)	(1,160,949)
107,706	7,035	-	14,135	937	13,828	5,447	149,367
(1,009,989)	(19)	-	(261)	(29)	(15)	(1,269)	(1,011,582)
(5,186,204)	-	-	-	-	-	(1,803,157)	(6,989,361)
3,470,135	-	-	-	-	-	1,607,565	5,077,700
(1,716,069)	-	-	-	-	-	(195,592)	(1,911,661)
(2,277,308)	(143,786)	(70,800)	(37,504)	(31,682)	(33,823)	(255,188)	(3,123,180)
16,921,649	559,569	197,651	84,098	106,326	97,543	3,672,348	30,562,152
23,235,778 (6,314,129)	3,163,863 (2,604,294)	1,766,371 (1,568,720)	2,543,392 (2,459,294)	956,479 (850,153)	1,771,401 (1,673,858)	7,093,574 (3,421,226)	52,814,753 (22,252,601)
16,921,649	559,569	197,651	84,098	106,326	97,543	3,672,348	30,562,152
4 - 100	5 - 10	10	10 - 25	10	5 - 10	4 - 100	

- 6.2 During the year, upon implementation of new ERP, the Company has made following changes in classification of asset categories:

Reclassified from	Reclassified to				
	Buildings on other land	Equipment	Vehicles	Furniture, fixtures and fittings	Computer and office automation
Renovation and Improvements	54,840	-	-	-	-
Operating ground, catering, communication and meteorological equipment	-	48,919	-	-	-
Traffic equipment	-	-	75,851	-	-
Motor transport	-	-	6,045	-	-
Office equipment	-	-	-	-	21,555
Precision engineering equipment	-	1,781	2,202	311	266
Other equipment	-	508,868	-	-	-

6.3 Leased fixed assets

	Aircraft fleet	Ground equipment	Total
Note	-----	(Rupees in '000)	-----
As at January 01, 2016			
Cost or revalued amount	65,126,560	-	65,126,560
Accumulated depreciation	(12,521,204)	-	(12,521,204)
Net book value	52,605,356	-	52,605,356
Year ended December 31, 2016			
Opening-net book value	52,605,356	-	52,605,356
Additions / transfers	-	75,387	75,387
Revaluation			
Cost or revalued amount	367,879	-	367,879
Accumulated depreciation	-	-	-
	367,879	-	367,879
Transfer to owned fixed assets			
Cost or revalued amount	(15,764,571)	-	(15,764,571)
Accumulated depreciation	3,837,619	-	3,837,619
	(11,926,952)	-	(11,926,952)
Depreciation charge for the year	(3,283,962)	(628)	(3,284,590)
Closing net book value	37,762,321	74,759	37,837,080
As at December 31, 2016			
Cost or revalued amount	49,729,868	75,387	49,805,255
Accumulated depreciation	(11,967,547)	(628)	(11,968,175)
Net book value	37,762,321	74,759	37,837,080

	Aircraft fleet	Ground equipment	Total
Note	(Rupees in '000)		
Year ended December 31, 2017			
Opening net book value	37,762,321	74,759	37,837,080
Additions / transfers	1,071,203	213,744	1,284,947
Revaluation			
Cost or revalued amount	6.4.2 (279,977)	-	(279,977)
Accumulated depreciation	-	-	-
	(279,977)	-	(279,977)
Transfer to owned fixed assets			
Cost or revalued amount	(16,160,592)	-	(16,160,592)
Accumulated depreciation	4,992,430	-	4,992,430
	(11,168,162)	-	(11,168,162)
Depreciation charge for the year	(3,123,671)	(39,320)	(3,162,991)
Closing net book value	24,261,714	249,183	24,510,897
As at December 31, 2017			
Cost or revalued amount	34,360,502	289,131	34,649,633
Accumulated depreciation	(10,098,788)	(39,948)	(10,138,736)
Net book value	24,261,714	249,183	24,510,897
Annual depreciation rate (%)	4 - 17	10	

- 6.3.1 Aircraft fleet includes one engine (2016: Nil) held by a third party for overhauling purpose as at December 31, 2017. The carrying value of this engine at year end is Rs. 391,364 million (2016: Rs. Nil).

6.4 Revaluation of property, plant and equipment

6.4.1 Revaluation of leasehold land and buildings

The leasehold land and buildings on leasehold land were revalued by the following independent professional valuers as of December 31, 2017:

Oceanic Services Private Limited, based in Pakistan
Cosmos Developers Private Limited, based in India
Subash Shah and Associates based in India
Skyline Appraisals Inc, based in USA
Colliers International Valuation B.V, based in Netherland

The valuation was carried out on the basis of professional assessment of fair values with reference to market based evidence, based on active market prices, and adjusted for any difference in nature, location or condition of specific property and resulted in a net revaluation surplus of Rs. 3,124.682 million as at December 31, 2017 except for certain buildings on leasehold land aggregating to the carrying value of Rs. 18.950 million at year end which were subsequently revalued by the Company. The revaluation impact of buildings subsequently revalued amounting to Rs. 179.097 million have not been recorded in these unconsolidated financial statements.

6.4.2 Aircraft fleet

The aircraft fleet of the Company was revalued by an independent valuer, Ascend Flight Global Consultancy (UK), on the basis of professional assessment of current market values as of December 31, 2017. The current market value represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of market activity and known transaction data involving the subject aircraft types, covering 'open' market and financial sales. It additionally considers the perceived demand for each type, its availability in the market and further takes into account the expressed views of informed industry sources.

The appraisal has taken into account the age, specification, accrued hours and cycles of the aircraft and produced Current Market Half Life Values (CMHLV). Half life or mid-time assumes that the airframe, engine, landing gears and all major components are half way between major overhauls or in the mid point of their useful lives for the life limited parts. CMHLV has then been adjusted to account for the maintenance status of the aircraft in accordance with the information supplied. The determination of such values involves a multiplicity of variables and some variation in perceived value must be expected.

The valuer has conducted an extended desktop appraisal of the aircraft and engines. This does not include an inspection of the aircraft or engines nor their records, but does take into account the maintenance status of the airframe, engine, landing gear, auxiliary power unit (APUs) and engine limited life parts (LLPs).

- 6.4.3** The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties. The fair value of leasehold land and building on leasehold land falls under level 2 of fair value hierarchy (i.e. significant observable inputs).
- 6.5** Had there been no revaluation, the written down value of the revalued assets in the balance sheet would have been as follows:

	2017			2016		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
----- (Rupees in '000) -----						
Leasehold land	44,166	-	44,166	44,166	-	44,166
Buildings on leasehold land	258,148	146,420	111,728	258,148	136,918	121,230
Aircraft fleet	102,045,764	46,445,634	55,600,130	100,581,255	41,621,719	58,959,536
	102,348,078	46,592,054	55,756,024	100,883,569	41,758,637	59,124,932

- 6.6** Depreciation charge for the year has been allocated as under:

	Note	2017	2016
		----- (Rupees in '000) -----	
Cost of services - others	32	5,783,512	6,375,932
Distribution costs	33	11,972	12,145
Administrative expenses	34	18,741	19,693
		5,814,225	6,407,770

6.7 Following operating fixed assets were disposed off during the year:

Description	Sold to	Method of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/loss on disposal
----- (Rupees in '000) -----							
Vehicles							
Toyota Corolla XLI Car	Mr. Amir Ali	Company's policy	1,361	1,191	170	159	(11)
Reg. No. BBE-380			1,361	1,191	170	159	(11)
Aircraft engines							
	Pratt Whitney Canada (S.E.A) Pte Limited	Exchange basis	277,545	45,273	232,272	232,272	-
Aggregate value of items where NBV is less than Rs. 50,000 - Various Vendors							
			57,658	57,658	-	23,008	23,008
2017			336,564	104,122	232,442	255,440	22,997
2016			1,160,949	149,367	1,011,582	1,260,949	249,367

Sale of operating fixed assets is made through a disposal committee in accordance with the prescribed procedures.

6.8 Capital work-in-progress

Note	Aircraft fleet	Others	Total
----- (Rupees in '000) -----			
Year ended December 31, 2017			
Balance as at January 1, 2017	-	429,529	429,529
Additions during the year	1,054,074	159,918	1,213,992
Transfer to operating assets	-	(394,830)	(394,830)
Balance as at December 31, 2017	1,054,074	194,617	1,248,691
Year ended December 31, 2016			
Balance as at January 1, 2016	155,106	42,399	197,505
Adjustment	(155,106)	-	(155,106)
Additions during the year	629,170	708,564	1,337,734
Transfer to operating assets	(629,170)	(319,081)	(948,251)
Adjustment due to restatement	-	(2,353)	(2,353)
Balance as at December 31, 2016 - Restated	-	429,529	429,529

7. INTANGIBLES

Computer software

Note	2017	2016
----- (Rupees in '000) -----		
Cost	776,474	366,967
Accumulated amortisation	(447,805)	(359,083)
	328,669	7,884

7.1	Cost	Note	2017	2016
			----- (Rupees in '000) -----	
	Opening balance		366,967	365,289
	Additions during the year		409,507	1,678
	Closing balance		776,474	366,967
7.2. Accumulated amortisation				
	Opening balance		359,083	319,644
	Amortisation for the year	7.2.1	88,722	17,816
	Adjustment		-	21,623
	Closing balance		447,805	359,083
	Useful life		5 years	5 years
7.2.1 Amortisation charge for the year has been allocated as under:				
	Cost of services - others	32	7,098	1,425
	Administrative expenses	34	81,624	16,391
			88,722	17,816
8. LONG-TERM INVESTMENTS				
Unquoted - at cost				
	Subsidiaries	8.1	4,415,714	4,415,714
	Associate	8.2	396	396
			4,416,110	4,416,110
	Other investments	8.3	171,553	183,137
			4,587,663	4,599,247
8.1 Subsidiaries				
PIA Investments Limited (PIAIL)				
792,000 (2016: 792,000) fully paid ordinary shares of AED 100 each. Equity held 100% (2016: 100%). Break-up value of each ordinary share of AED 100: Rs. 85,160 (2016: Rs. 69,302) per ordinary share based on the audited (2016: audited) financial statements for the year ended December 31, 2017.			4,415,712	4,415,712
Skyrooms (Private) Limited				
4,000,000 (2016: 4,000,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2016: 100%). Break-up value of each ordinary share is negative Rs. 23 (2016: negative Rs. 16) per ordinary share based on the unaudited (2016: unaudited) financial statements for the year ended December 31, 2017.			40,000	40,000
Midway House (Private) Limited (under winding-up)				
2,960,000 (2016: 2,960,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2016: 100%). Break-up value of each ordinary share of Rs. Nil (2016: Rs. Nil) per ordinary share. Financial statements are not available.			28,520	28,520
Abacus Distribution Systems Pakistan (Private) Limited (formerly Sabre Travel Network Pakistan (Private) Limited)				
312,586 (2016: 312,586) fully paid ordinary shares of Rs. 100 each. Equity held 70% (2016: 70%) Break-up value of each ordinary share of Rs. 982 (2016: Rs. 858) per ordinary share based on the unaudited (2016: unaudited) financial statements for the year ended December 31, 2017.			2	2
Provision for diminution in value of investments			68,522 (68,520)	68,522 (68,520)
			2	2
			4,415,714	4,415,714

- 8.1.1 All subsidiaries were incorporated in Pakistan except for PIALL, which was incorporated in Sharjah, United Arab Emirates. However, subsequently it was registered in British Virgin Islands.

			2017 ----- (Rupees in '000) -----	2016
8.2	Associate	Note		
	Minhal Incorporated - Sharjah			
	1,600 fully paid ordinary shares (2016: 1,600) of AED 100 each. Equity held 40% (2016: 40%). Break-up value of each ordinary share of Rs. 47,197 (2016: Rs. 45,391) per ordinary share based on the unaudited financial statements for the year ended December 31, 2017.		396	396
8.3	Other investments			
	Available for sale	8.3.1	171,553	153,137
8.3.1	Available for sale			
	Quoted			
	Pakistan Services Limited			
	172,913 (2016: 172,913) ordinary shares of Rs. 10 each having market value per ordinary share of Rs. 990 (2016: Rs. 883) each		171,184	152,768
	Unquoted			
	Pakistan Tourism Development Corporation Limited			
	10,000 (2016: 10,000) ordinary shares of Rs. 10 each		100	100
	Duty Free Shops (Private) Limited			
	87,512 (2016: 87,512) ordinary shares of Rs. 100 each		269	269
			171,553	153,137
9.	LONG-TERM ADVANCES			
	Subsidiaries - considered doubtful			
	Skyrooms (Private) Limited		37,042	37,042
	Midway House (Private) Limited		82,476	82,476
			119,518	119,518
	Provision for doubtful long-term advances		(119,518)	(119,518)
			-	-

		2017	2016 (Restated)
	Note	----- (Rupees in '000) -----	
10. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits			
<i>Considered good</i>			
Aircraft fleet lease deposits		6,134,148	5,079,150
Maintenance reserve	10.1	1,576,622	1,559,638
Engine maintenance		132,412	115,690
Deposits to service providers		73,497	73,497
Guarantee deposits		55,204	55,204
		<u>7,971,883</u>	<u>6,883,179</u>
<i>Considered doubtful</i>			
Less: provision against doubtful deposits	10.2	<u>(318,051)</u>	<u>(318,051)</u>
		<u>7,971,883</u>	<u>6,883,179</u>
Prepayments			
Exposure fee to support financing	10.3	<u>174,775</u>	<u>363,840</u>
Less: Current portion	14.2	<u>(135,606)</u>	<u>(226,295)</u>
		<u>39,169</u>	<u>137,545</u>
		<u>8,011,052</u>	<u>7,020,724</u>

10.1 This represents the remaining balance of maintenance reserve which was required to be kept by the Company with a lessor under the terms of the lease agreement that was terminated in the year 2012 which will be utilised for future purchases.

		2017	2016
	Note	----- (Rupees in '000) -----	
10.2 Movement in provision is as follows:			
Balance at beginning of the year		<u>318,051</u>	<u>189,461</u>
Provision for the year		<u>-</u>	<u>128,590</u>
Balance at the end of the year		<u>318,051</u>	<u>318,051</u>

10.3 Movement in Exposure fee to support financing			
Balance at the beginning of the year		<u>363,840</u>	<u>501,177</u>
Additions during the year		<u>59,829</u>	<u>116,694</u>
Amortised during the year	37	<u>(248,894)</u>	<u>(254,031)</u>
		<u>174,775</u>	<u>363,840</u>

10.3.1 This represents consideration paid to various finance providers for the purpose of guarantees issued in favour of the Company, which is being amortised over the lease term.

		2017	2016 (Restated)
	Note	----- (Rupees in '000) -----	
11. STORES AND SPARES			
Stores		<u>829,811</u>	<u>675,162</u>
Spare parts		<u>7,341,712</u>	<u>6,762,352</u>
Inventory held for disposal - adjusted to net realisable value		<u>252,859</u>	<u>252,859</u>
		<u>8,424,382</u>	<u>7,690,373</u>
Provision for slow moving and obsolete spares	11.1	<u>(5,331,795)</u>	<u>(5,135,789)</u>
		<u>3,092,587</u>	<u>2,554,584</u>

		2017	2016
11.1	Movement in provision is as follows:	Note	----- (Rupees in '000) -----
	Balance at the beginning of the year		5,135,789 4,448,636
	Provision for the year	35	196,006 687,153
	Balance at the end of the year		5,331,795 5,135,789

- 11.2 The Company has a practice of conducting physical verification of items of capital stores and stores and spares on a cyclic basis covering the stores at various locations in a manner to cover all stores over a maximum period of three years. Due to non-availability of adequate human resources and other operational problems, the aforementioned exercise of physical verification could not be completed. However all the transactions for receipt and issuance of inventories were executed through Oracle EBS (ERP) system implemented during the year.

The management of the Company is, at present, in the process of devising a plan to undertake the physical verification of capital stores and stores and spares covering all stores on a cyclic basis.

		2017	2016 (Restated)
12.	TRADE DEBTS	Note	----- (Rupees in '000) -----
	Considered good		10,345,748 8,751,598
	Considered doubtful		2,692,530 2,392,530
	Less: provision for doubtful debts	12.2	(2,692,530) (2,392,530)
			- -
			10,345,748 8,751,598

- 12.1 The aging analysis of these trade debts is as follows:

	2017		2016	
	Trade debts Gross	Impaired	Trade debts Gross	Impaired
	----- (Rupees in '000) -----			
Within current year	9,734,682	1,072,750	8,650,651	211,760
1 year old	1,921,545	861,539	318,823	302,704
2 years old	368,190	123,815	161,582	153,755
Over 3 years old	1,013,861	634,426	2,013,072	1,724,311
	13,038,278	2,692,530	11,144,128	2,392,530

		2017	2016
12.2	Movement in provision is as follows:	Note	----- (Rupees in '000) -----
	Balance at beginning of the year		2,392,530 1,901,132
	Provision for the year	35	300,000 538,915
	Write off during the year		- (47,517)
	Balance at the end of the year		2,692,530 2,392,530

- 12.3 Certain portion of trade debts is secured by cash and bank guarantees received from agents but due to very large number of agents all over the world the amount of secured trade debts is not determinable.

		2017	2016 (Restated)
	Note	----- (Rupees in '000) -----	
13. ADVANCES			
Considered good			
Employees		148,925	86,632
Fuel suppliers		602,142	77,899
Other suppliers	13.1	1,889,881	1,985,842
Others		-	4,060
		<u>2,640,948</u>	<u>2,154,433</u>
Considered doubtful			
Subsidiary - Skyrooms (Private) Limited	13.2	174,146	174,146
Employees		102,890	102,890
Other suppliers		809,268	809,268
		<u>1,086,304</u>	<u>1,086,304</u>
Provision for doubtful advances	13.3	(1,086,304)	(1,086,304)
		<u>2,640,948</u>	<u>2,154,433</u>

13.1 This includes advance of Rs. 816,248 million in respect of inflight entertainment system to be installed in Boeing 777.

13.2 Maximum aggregate gross amount due from the subsidiary at any month end was Rs. 174,146 million (2016: Rs. 174,146 million).

		2017	2016
	Note	----- (Rupees in '000) -----	
13.3 Movement in provision is as follows:			
Balance at beginning of the year		1,086,304	834,820
Provision for the year	35	-	251,484
Balance at end of the year		<u>1,086,304</u>	<u>1,086,304</u>

		2017	2016 (Restated)
	Note	----- (Rupees in '000) -----	
14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Considered good		3,806,031	3,553,505
Considered doubtful	14.1	46,462	46,462
Less: provision against doubtful deposits		(46,462)	(46,462)
		<u>-</u>	<u>-</u>
		<u>3,806,031</u>	<u>3,553,505</u>
Prepayments	14.2	303,252	338,157
		<u>4,109,283</u>	<u>3,891,662</u>



		2017	2016 (Restated)
	Note	----- (Rupees in '000) -----	
14.1 Movement in provision is as follows:			
Balance at beginning of the year		46,462	58,694
Reversal of provision		-	(12,232)
Balance at the end of the year		46,462	46,462

14.2 Prepayments

Current portion of exposure fee to support financing	10	135,606	226,295
Rental on leased aircraft		35,940	54,949
Others		131,706	56,913
		303,252	338,157

15. OTHER RECEIVABLES

Considered good

Claims receivable	15.1	9,084	1,340,938
Excise duty	30.1.1 (a)	100,000	100,000
Sales tax receivable	15.2	4,954,893	4,878,835
Receivables from GoP	15.3	720,817	536,272
Others	15.4	1,881,591	1,773,425
		7,666,385	8,629,470

Considered doubtful

Less: provision for doubtful other receivables	15.5	(272,909)	(216,756)
		272,909	216,756
		7,666,385	8,629,470

15.1 The insurance claim amounting to Rs. 1,258,295 million in respect of aircraft bearing tail number AP-BHO, which was crashed on December 07, 2016, near Havelian Tehsil, Abbottabad has been received during the year ended December 31, 2017.

15.2 This includes sales tax refundable aggregating Rs. 4,745,637 million (2016: Rs. 4,745,637 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Company has filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has Interalia stated that as the Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of Rule 41A(14) of the Federal Excise Rules, 2005 [see note 30.1.1 (e)].

The Company in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case Interalia, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(I)/2006, which is applicable to the Company being registered as a Service Provider in transportation business and registered as service provider under the Act. The management has represented its view to the tax authorities. Therefore, the management is confident that sales tax was not payable on such imports and the amounts collected from the Company at the import stage shall be eventually recovered / adjusted.

15.3 This represents receivable in respect of charter revenue, maintenance and other charges

15.4 This includes receivable from lessor amounting to Rs. 1,082,017 million (2016: Rs. 1,592,043) in respect of overhauling incurred by the Company on aircrafts under operating lease as per lease agreement. This also includes balance of Rs. 17,582 million receivable from certain parties against which cheques have been received but not encashed at the year end and subsequently.

		2017	2016
	Note	----- (Rupees in '000) -----	
15.5 Movement in provision is as follows:			
Balance at beginning of the year		216,756	194,334
Provision for the year	35	56,153	22,422
Balance at end of the year		272,909	216,756

16. SHORT-TERM INVESTMENT

Available-for-sale - Unquoted

SITA INC N.V.

325,491 (2016: 325,491) ordinary shares

16.1	19,220	19,220
------	--------	--------

16.1 These shares are held by SITA INC. N.V. on behalf of the Company and are transferable subject to certain specified conditions.

		2017	2016
	Note	----- (Rupees in '000) -----	(Restated)
17. CASH AND BANK BALANCES			

In hand		16,334	11,924
With banks:			
- in current accounts	17.1, 17.4, 17.5 & 17.6	3,331,332	2,729,446
- in deposit accounts	17.2, 17.3 & 17.5	846,035	706,743
		4,177,367	3,436,189
		4,193,701	3,448,113

17.1 This has been adjusted by an aggregate amount of Rs. 1,359,668 million (2016: Rs. 1,402,586 million), representing bank overdrafts.

17.2 These carry interest ranging from 0.1% to 7.5% (2016: 0.1% to 7.5%) per annum.

17.3 This has been adjusted by an aggregate amount of Rs. 38,738 million (2016: Rs. 39,517 million), representing bank overdrafts.

17.4 This includes restricted balances amounting to Rs. 432,414 million (2016: Rs. 448,885 million).

17.5 This includes a bank balance of BDT 607,690 million (Rs. 823,209 million) held at National Bank of Pakistan, Dhaka and Habib Bank Limited, Dhaka. The management of the Company is currently facing challenges in remittance of such balance to Pakistan due to compliance / procedural matters. However, the Company holds clean and absolute title of subject bank accounts, being free to make payments / transfers within Bangladesh territory.

17.6 This includes bank overdrafts balance of Rs. 165,376 million reflecting the balances held in banks at Gawadar, Panjgur and Turbat. Bank reconciliation statements of balances held at banks on these stations have not been prepared either due to subsequent closure of the station or inability to retrieve records due to political and other inherent limitations. However, the net exposure (i.e. the difference between the bank balance and ledger balance) of balances held with these banks is not material in the overall context of these unconsolidated financial statements.



18. SHARE CAPITAL

2017	2016		2017	2016
(No. of shares)			(Rupees in '000)	
Authorised capital				
Ordinary share capital				
5,349,250,000	5,349,250,000	A' class shares of Rs. 10 each	53,492,500	53,492,500
1,500,000	1,500,000	B' class shares of Rs. 5 each	7,500	7,500
5,350,750,000	5,350,750,000		53,500,000	53,500,000
Preference share capital				
50,000,000	50,000,000	Preference shares of Rs. 10 each	500,000	500,000
5,400,750,000	5,400,750,000		54,000,000	54,000,000
Issued, subscribed and paid up share capital				
Ordinary share capital				
'A' class shares of Rs. 10 each				
4,998,895,608	4,998,895,608	Issued for consideration in cash	49,988,955	49,988,955
		Issued for consideration other than cash		
931,028	931,028	- for acquisition of shares	9,310	9,310
233,934,482	233,934,482	Issued as bonus shares	2,339,345	2,339,345
5,233,761,118	5,233,761,118		52,337,610	52,337,610
'B' class shares of Rs. 5 each				
1,003,374	1,003,374	Issued for consideration in cash	5,017	5,017
		Issued for consideration other than cash		
2,625	2,625	- for acquisition of shares	13	13
494,000	494,000	Issued as bonus shares	2,470	2,470
1,499,999	1,499,999		7,500	7,500
5,235,261,117	5,235,261,117		52,345,110	52,345,110

- 18.1 At December 31, 2017, the GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2016: 4,791,752,087 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively) representing 92% and 98% holding.

2017	2016
(Rupees in '000)	
19. RESERVES	
Capital reserves	
Reserve for replacement of fixed assets	19.1 1,966,779 1,966,779
Capital redemption reserve fund	250,000 250,000
General capital reserve	284,259 284,259
	2,501,038 2,501,038
Revenue reserve	1,779,674 1,779,674
	4,280,712 4,280,712
Unrealised gain on remeasurement of investments	169,991 151,576
	4,450,703 4,432,287

- 19.1 Upto June 1988, depreciation on fully depreciated aircraft was charged and credited to the reserve for replacement of fixed assets and excess of sale proceeds over cost of fixed assets disposed off was also credited to the aforesaid account. With effect from 1989-90, the Company changed this policy to comply with the requirements of IFRSs and the depreciation and excess proceeds over cost of relevant assets are recorded in the unconsolidated profit and loss account.

20.	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net	Note	2017	2016
			----- (Rupees in '000) -----	
	Surplus on revaluation at beginning of the year		3,852,187	4,011,116
	Surplus / (deficit) arising during the year on:			
	Aircrafts		(2,626,123)	317,171
	Lands		1,794,740	-
	Buildings		1,329,942	-
	Deficit released to unconsolidated profit and loss on account of aircraft retired / written off during the year	6.1.3	70,739	971,386
			4,421,485	5,299,673
	Less: transferred to accumulated loss:			
	- Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax		(23,812)	(74,829)
	- Surplus on revaluation of property, plant and equipment released during the year on account of aircraft retired / written off - net of tax		(2,760)	(938,411)
	Related deferred tax		(10,853)	(434,246)
			(37,425)	(1,447,486)
			4,384,060	3,852,187
	Related deferred tax asset on:			
	- Revaluation at beginning of the year		900,452	852,773
	- Deficit / (surplus) arising on property, plant and equipment during the year		375,892	(95,151)
	- Deficit released to unconsolidated profit and loss on aircraft retired / written off		(20,514)	(291,416)
	- Incremental depreciation charged during the year on related assets transferred to unconsolidated profit and loss account		9,726	32,070
	- Surplus released during the year on account of aircraft retired / written off		1,127	402,176
	Effect of change in tax rate		(30,015)	-
	- Deferred tax on revaluation at the end of the year		1,236,668	900,452
	Surplus on revaluation at the end of the year		5,620,728	4,752,639

21. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installment/ Mode	2017 ----- (Rupees in '000) -----	2016
Secured - from banking companies							
Askari Bank Limited	21.2	Term Finance	PKR 3000	2017 - 2019	36 Monthly	2,000,000	3,000,000
Al Baraka Bank (Pakistan) Limited	21.2 & 21.11	Islamic Term finance	PKR 4500	2018 - 2021	36 Monthly	4,500,000	4,500,000
Bank Islami Pakistan Limited	21.3	Islamic Term finance	PKR 1500	2019 - 2021	6 Quarterly	1,500,000	1,500,000
The Bank of Punjab	21.2	Term Finance	PKR 5000	2016 - 2021	60 Monthly	3,250,000	4,250,000
The Bank of Punjab	21.2	Term Finance	PKR 5000	2016 - 2021	60 Monthly	3,583,333	4,583,333
The Bank of Punjab	21.2 & 21.12	Demand Finance	PKR 30000	2016 - 2023	84 Monthly	25,658,848	18,237,524
Faysal Bank Limited	21.2	Term Finance	PKR 2000	2015 - 2018	12 Quarterly	333,333	1,000,000
Faysal Bank Limited	21.2	Term Finance	PKR 2000	2016 - 2019	12 Quarterly	833,333	1,500,000
Faysal Bank Limited	21.2	Islamic Term finance	PKR 1000	2017 - 2019	12 Quarterly	666,667	1,000,000
Faysal Bank Limited	21.2	Term Finance	PKR 4000	2017 - 2022	14 Quarterly	3,428,571	4,000,000
National Bank of Pakistan	21.4	Term Finance	PKR 3000	2016 - 2019	36 Monthly	2,083,333	3,080,000
National Bank of Pakistan	21.2	Term Finance	PKR 2175	2018 - 2020	12 Quarterly	2,175,000	2,175,000
National Bank of Pakistan	21.2	Term Finance	PKR 2825	2018 - 2021	12 Quarterly	2,825,000	2,825,000
United Bank Limited	21.2	Term Finance	PKR 5000	2015 - 2020	54 monthly	2,592,592	3,703,704
United Bank Limited	21.2	Term Finance	PKR 1500	2016 - 2021	54 monthly	972,222	1,305,556
National Bank of Pakistan - Bahrain	21.2 & 21.5	Syndicate Finance	US \$ 120	2013 - 2023	40 Quarterly	11,622,747	11,617,923
Abu Dhabi Islamic Bank	21.6	Islamic Term finance	US\$ 70.7	2016 - 2019	4 half yearly	2,309,824	4,838,240
Citibank, N.A.	21.7	Demand Finance	US \$82	2006 - 2017	20 half yearly	-	226,601
Citibank, N.A.	21.8	Term Finance	US \$ 54.2	2015 - 2018	8 Quarterly	390,243	1,259,314
Citibank Mashreq	21.9	Term Finance	US \$ 120	2016 - 2018	32 monthly	4,144,778	8,650,529
Standard Chartered Bank (Pakistan) Limited	21.10	Syndicate Finance	US \$ 137.5	2014 - 2017	33 Monthly	-	436,895
Standard Chartered Bank (Pakistan) Limited	21.10	Syndicate Finance	US \$ 150	2017 - 2021	39 Monthly	16,154,021	-
United Bank Limited	21.13	Syndicate Finance	US\$ 180	2017 - 2019	33 Monthly	10,014,452	13,631,157
JS Bank Limited	21.2 & 21.12	Term Finance	PKR 15000	2017 - 2023	66 Monthly	14,318,181	-
Faysal Bank Limited	21.2	Term finance	PKR 4000	2019 - 2022	36 Monthly	4,000,000	-
Sonnet Bank Limited	21.2 & 21.12	Term finance	PKR 5000	2019 - 2022	36 Monthly	5,000,000	-
The Bank of Punjab	21.2	Term finance	PKR 2500	2017 - 2022	60 Monthly	2,500,000	-
Al Baraka Bank (Pakistan) Limited	21.2 & 21.14	Term finance	PKR 2500	2020 - 2022	36 Monthly	2,500,000	-
Askari Bank Limited	21.2	Term finance	PKR 6000	2019 - 2023	48 Monthly	6,000,000	-
Others - unsecured							
Long term loan - GoP	21.15	Term Finance	PKR 8000	2011 - 2020	14 half yearly	8,000,000	8,000,000
						143,556,478	105,242,758
Current maturity shown under current liabilities						(41,313,560)	(30,412,818)
						102,242,918	74,829,940

- 21.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2016: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.45% over 1 month KIBOR to 2% over 1 month KIBOR (2016: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 5.28% (2016: 5.28%) whereas variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4% over 1 month LIBOR (2016: 0.7% over 3 month LIBOR to 4% over 1 month LIBOR).
- 21.2 The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.
- 21.3 The facility was converted from short-term loan to long-term financing on Diminishing Musharakah basis. The finance is secured by way of lien over Musharakah Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 21.4 The finance was secured by letter of Comfort from GoP, ranking charge over current and fixed asset of Company amounting to Rs. 4,000 million inclusive of 25% margin, and lien and specific right to set off over all receivables in connection with the Company's sales routed through collection account NBP Airport Branch, Karachi. However, as the letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP. Furthermore, principal amounting to Rs. 166.667 million due as at December 31, 2017 has been paid by the Company during the extended period on January 09, 2018.
- 21.5 The following are the participating banks in this syndicated finance facility:
- National Bank of Pakistan (NBP) - Bahrain; and
 - Habib Bank Limited (HBL)
- 21.6 The finance is secured against ICIEC / GoP guarantee for loans outstanding at any given point of time.
- 21.7 The finance is secured by way of:
- Mortgage over each of the five ATR aircrafts and two spare engines purchased, and
 - European Credit Agencies / GoP Guarantee.
- 21.8 The finance is secured against EXIM / GoP guarantee for loan outstanding at any given point of time.
- 21.9 The finance is secured by way of collection routed through the offshore bank account maintained with Citl Musharaka.
- 21.10 The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:
- Standard Chartered Bank - United Kingdom
 - Masrafqbank psc - United Arab Emirates
- The finance is secured by first priority security over the collection account and facility service account and legally enforceable assignments of tickets sales collection for the UK sector through IATA with appropriate acknowledgments.
- 21.11 The finance is secured by way of:
- 1st exclusive hypothecation charge over five engines with 10% margin, and
 - Irrevocable assignment instruction from the Company to Bank of Punjab for transfer of funds to ABPL on fortnightly basis.
- 21.12 The finance is secured by way of lien over IATA ticket sales of the Company, receivables or assignment.
- 21.13 The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:
- United Bank Limited (UBL), and
 - Credit Suisse AG, Singapore Branch
- The finance is secured by way of:
- 1st priority security over the master collection account, facility service account,
 - legally enforceable assignment of the ticket sales collection for the select BSP agreement sector through IATA with appropriate acknowledgment; and
 - Irrevocable and unconditional instruction to IATA and GSA in the Kingdom of Saudi Arabia to pay all proceeds from the sales abroad the Company flights into master collection account. The account bank shall transfer funds received to the master collection account into the facility service account also maintained with the account bank.
- 21.14 The finance is secured by way of hypothecation of Boeing 777-300 ER aircraft.
- 21.15 The Company has not paid any installment since due date of installment, i.e. October 23, 2017. The over due principal and markup due as at December 31, 2017 is Rs. 6,062.50 million (Rs. 5,062.50 million) and Rs. 6,700 million (Rs. 5,900 million), respectively. The over due principal amount is included in current maturity.

	Note	Security	Repayment period	Number of installments	Mark-up (%)	2017	2016
							----- (Rupees in '000) -----
Term finance certificates	22.1	GoP Guarantee	2014 - 2020	16 Quarterly	6 month KIBOR +1.25%	20,544,007	26,707,209
Sukuk certificates	22.2	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR +1.75%	6,800,000	6,800,000
						27,344,007	33,507,209
Less: current maturity						(10,272,000)	(8,217,603)
						17,072,007	25,289,606

22.1 The ECC on July 03, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by Ministry of Finance (the Ministry). On December 01, 2014, the Ministry approved the terms and conditions of new TFCs, amounting Rs. 32,870 million, including the conversion of short term loan of Rs. 20,080 million on the terms, applicable from February 20, 2014. Principal amounting to Rs. 2,054 Million due on November 20, 2017 and interest amounting to Rs. 366.03 million due on August 17, 2017 and Rs. 383.187 million due on November 19, 2017 have been paid by the Company during the extended period on January 05, 2018.

22.2 The Company had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31, 2009. The principal amount was payable after grace period of two years in six equal half yearly instalments, however, the Company had not made any principal payments that were due until December 30, 2013. The Sukuk investors were requested to re-profile the principal repayment schedule alongwith other terms of Sukuk Certificates, with the assistance of Ministry of Finance. On December 30, 2013, the Sukuk agreement with Sukuk investors was rescheduled by virtue of which the Company was required to pay the entire principal on October 20, 2014. However, on December 24, 2014, the Sukuk investors agreed to further extend the term of Sukuk Certificates for a period of further five years starting from October 20, 2014 and the Company will be required to pay the entire principal on October 20, 2019. The markup rate and security will remain unchanged. The Ministry of Finance has approved the restructuring and new agreement was signed on June 30, 2016. Accordingly, the same has been classified as non-current liability.

	Note	2017	2016
23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		----- (Rupees in '000) -----	
Present value of minimum lease payments - aircraft fleet			
B-777-200 LR	23.2	-	2,841,122
B-777-300 ER	23.3	5,962,231	10,375,265
Technical ground equipments	23.4	165,609	202,230
		6,127,840	13,418,617
Less: current maturity		(4,346,677)	(7,606,768)
		1,781,163	5,811,849

23.1 The amount of future payments and the year in which they will become due are:

	2017			2016		
	Minimum lease payments	Finance costs	Present value of minimum lease payments	Minimum lease payments	Finance costs	Present value of minimum lease payments
----- (Rupees in '000) -----						
Not later than one year	4,524,775	178,098	4,346,677	8,102,581	495,813	7,606,768
Later than one year but not later than five years	1,828,456	47,293	1,781,163	6,028,335	216,486	5,811,849
	6,353,231	225,391	6,127,840	14,130,916	712,299	13,418,617

23.1.1 The above schedule is made as per the rate implicit in the lease and the payment is made as per the rates mentioned in the notes 23.2, 23.3 and 23.4 to these unconsolidated financial statements. The resulting difference between both in the current year is Rs. 106,851 million (2016: Rs.516,722 million).

23.2 During the year 2006, the Company arranged an EXIM Bank guaranteed financing of US\$ 266 million to acquire two Boeing B 777-200 LR aircrafts and one propulsor from Taxila - 2 Limited, a special purpose entity incorporated in Cayman Islands. The guaranteed lender is Citibank N.A. The lease term of propulsor has expired during the year 2014. The salient features of the lease are as follows:

	2017	2016
Discount rate - aircraft and propulsor	Three month LIBOR - 0.02%	Three month LIBOR - 0.02%
Lease period - aircraft	144 months	144 months
Lease period - propulsor	96 months	96 months
Security deposits (Rupees in '000)	846,178	802,750

23.3 During the year 2006, the Company arranged an EXIM Bank guaranteed financing of US\$ 472 million to acquire three Boeing B 777-300 ER aircrafts and one engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is Royal Bank of Scotland. The lease term of spare engine has expired during the year 2014. The salient features of the lease are as under:

Discount rate - one aircraft	5.25%	5.25%
Discount rate - two aircraft	Three month LIBOR - 0.04%	Three month LIBOR - 0.04%
Lease period - aircraft	144 months	144 months
Lease period - engine	96 months	96 months
Security deposits (Rupees in '000)	1,700,597	1,613,318

23.4 During the year ended December 31, 2016, the Company arranged a letter of credit (LC) limit of Rs. 500 million for the purpose of acquisition of technical ground equipments. On the maturity of LC, the amount of LC is converted into finance lease, having a limit of Rs. 500 million with lease period of 48 months. The lease arrangement is secured by GoP guarantee (carry markup at the rate of 2% spread over one month KIBOR). The Company has utilised the LC balance of Rs. 260,557 million and converted it into finance lease.

23.5 The Company has an option to acquire the ownership of the aircraft and engines mentioned in notes 23.2 to 23.4 to these unconsolidated financial statements, at the end of lease term.

24. ADVANCE FROM A SUBSIDIARY

This represents advance of US\$ 10 million, US\$ 1 million, US\$ 3 million, US\$ 10 million, US\$ 10 million, US\$ 2.5 million, US\$ 0.675 million, US\$ 0.96 million and US\$ 2 million received on March 02, 2011, September 12, 2011, July 26, 2013, May 08, 2014, July 11, 2014, September 01, 2014, December 02, 2014, April 27, 2015 and May 07, 2015, respectively from PIA Investments Limited (PIAL), a wholly owned subsidiary of the Company which will be adjusted against future dividends, if any, distributed by PIAL. The advance carries mark-up at the rate of 1 month LIBOR plus 1.75% per annum.

		2017	2016
25.	DEFERRED LIABILITIES	Note	----- (Rupees in '000) -----
	Post retirement medical benefits	25.2	11,785,642
	Pension obligation	25.3	21,746,345
			33,531,987
25.1	General description of the type of defined benefit plans and accounting policy for remeasurement of the net defined benefit obligation / asset is disclosed in note 4.9 to these unconsolidated financial statements.		
25.2	Post retirement medical benefits		
	Liability recognised in the balance sheet		
	Present value of defined benefit obligation		11,785,642
	Movement in liability during the year		
	Balance at the beginning of the year		10,927,712
	Expense recognised in profit or loss	25.2.1	939,396
	Total remeasurements recognised in other comprehensive income	25.2.2	761,893
	Payments made during the year		(843,359)
	Balance at the end of the year		11,785,642
25.2.1	Expense recognised in profit and loss account		
	Current service cost		98,913
	Interest cost		840,483
			939,396
25.2.2	Total remeasurements recognised in other comprehensive income		
	Actuarial loss on liability arising on		
	- financial assumptions		32,422
	- experience adjustments		729,471
			761,893

25.3 Pension obligation

The details of three different categories of plans are as follows:

	PALPA		FENA		MAIN PENSION		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)								
Liability / (asset) recognised								
Present value of defined benefit obligation	2,283,950	2,554,113	457,055	455,917	27,162,805	26,092,541	29,903,810	29,102,571
Fair value of plan assets	(1,653,466)	(1,693,082)	(963,654)	(986,095)	(5,540,343)	(7,390,165)	(8,157,465)	(10,099,343)
	630,482	861,031	(506,599)	(530,178)	21,622,462	18,702,375	21,746,345	19,003,228
Movement in liability / (asset) during the year								
Opening liability / (asset)	861,031	868,239	(530,178)	(659,898)	18,702,375	18,171,282	19,033,228	14,480,623
Expense recognised in profit or loss	116,589	122,170	(42,415)	(56,052)	2,463,045	2,267,866	2,557,219	2,333,964
Total remeasurements recognised in other comprehensive income	(347,138)	(115,179)	65,994	86,101	437,043	2,343,013	155,899	2,315,930
Employer contributions	-	(14,199)	-	(3,329)	-	(79,786)	-	(97,314)
Closing liability / (asset)	630,482	861,031	(506,599)	(530,178)	21,622,462	18,702,375	21,746,345	19,003,228
Movement in the defined benefit obligation								
Obligation at beginning of the year	2,554,113	2,574,493	455,917	492,196	26,092,541	23,208,226	29,102,571	26,275,315
Current service cost	34,549	36,056	-	-	654,079	654,728	688,628	890,788
Post service cost	13,158	-	-	-	332,776	-	345,934	-
Interest cost	196,678	280,097	34,626	45,890	1,997,861	2,341,357	2,229,365	2,538,304
Benefits paid	(191,266)	(147,848)	(41,176)	(47,398)	(2,238,568)	(1,589,303)	(2,471,010)	(1,788,149)
Remeasurement due to:								
- Actuarial losses from changes in financial assumptions	12,246	179,989	1,131	39,429	382,877	1,484,529	396,254	1,703,947
- Experience adjustments	(335,528)	(338,634)	6,357	(75,604)	(58,761)	(106,976)	(387,932)	(521,234)
Obligation at end of the year	2,283,950	2,554,113	457,055	455,917	27,162,805	26,092,541	29,903,810	29,102,571
Movement in fair value of plan assets								
Fair value at beginning of the year	1,693,082	1,706,254	986,095	1,051,494	7,390,167	9,036,946	10,069,344	11,794,692
Interest income	127,796	163,943	77,241	102,946	501,671	828,219	706,708	1,095,108
Employer contributions	-	14,199	-	3,329	-	79,786	-	97,314
Benefits paid	(191,266)	(147,848)	(41,176)	(47,398)	(2,238,568)	(1,589,303)	(2,471,010)	(1,788,149)
Return on plan assets excluding amount included in interest income	23,856	(43,466)	(58,506)	(124,276)	(112,927)	(965,490)	(147,577)	(1,133,222)
Fair value at end of the year	1,653,466	1,693,082	963,654	986,095	5,540,343	7,390,165	8,157,465	10,099,343
Expense recognised in profit and loss account								
Current service cost	34,549	36,056	-	-	654,079	654,728	688,628	890,788
Post service cost	13,158	-	-	-	332,776	-	345,934	-
Net interest expense / (income)	68,882	66,114	(42,415)	(56,056)	1,496,190	1,413,138	1,522,657	1,443,196
	116,589	122,170	(42,415)	(56,052)	2,463,045	2,267,866	2,557,219	2,333,964
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on:								
- financial assumptions	12,246	179,989	1,131	39,429	382,877	1,484,529	396,254	1,703,947
- demographic assumptions	-	-	-	-	-	-	-	-
- experience adjustments	(335,528)	(338,634)	6,357	(75,604)	(58,761)	(106,976)	(387,932)	(521,234)
	(323,282)	(158,645)	7,488	(36,175)	324,116	1,377,553	8,322	1,182,713
Return on plan assets excluding amount included in interest income	(23,856)	43,466	58,506	124,276	(112,927)	(965,490)	(147,577)	(1,133,222)
	(347,138)	(115,179)	65,994	86,101	437,043	2,343,013	155,899	2,315,930
The plan assets comprise of								
Debt instruments	1%	19%	0%	0%	1%	11%	1%	10%
Others including cash and cash equivalents	99%	81%	100%	100%	99%	89%	99%	90%
	100%	100%	100%	100%	100%	100%	100%	100%
Actual return on plan assets	161,652	120,477	18,735	(21,530)	388,744	(137,261)	559,131	(29,114)

- 25.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 26.3) were carried out at December 31, 2017. The valuations have been carried out using Projected Unit Credit method and the following significant actuarial assumptions have been used:

	2017	2016
	----- (Percentage) -----	
Valuation discount rate	8.25%	8.00%
Salary increase rate	7.25%	7.00%
Pension indexation rate	1.75%	1.50%
Medical inflation rate	2.00%	1.75%
Mortality table	Adjusted SLIC 2001-2005 with one year age set back	

- 25.5 Number of employees covered by the various schemes are as follows:

	2017	2016
	(Number)	
Pension scheme		
Active employees	12,993	14,191
Beneficiaries	22,178	15,104
Post retirement medical benefit scheme	22,178	15,104

25.6 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Increase / (decrease) in defined benefit obligation of					
		PALPA Fund		FENA Fund		Main Pension Fund	
Change in assumption		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----							
Valuation discount rate	1%	(158,786)	184,457	(30,042)	34,220	(2,248,165)	2,662,216
Salary increase rate	1%	no change	no change	no change	no change	1,033,536	(929,173)
Medical inflation rate	1%	176,901	(154,808)	38,854	(34,442)	(13,223,415)	(15,346,756)

		Increase / (decrease) in defined benefit obligation of			
		Post retirement medical benefits		Compensated absences	
Change in assumption		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----					
Valuation discount rate	1%	(991,985)	1,173,629	(407,111)	462,878
Salary increase rate	1%	no change	no change	456,975	(408,923)
Medical inflation rate	1%	1,100,723	(961,856)	not applicable	not applicable

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the unconsolidated balance sheet.

25.7 The employee benefit plans exposes the Company to the following risks:

Mortality risk: The risk that the actual mortality rate is different. The effect depends on the beneficiaries service / age distribution and the benefit.

Investment risk: The risk of the investment underperforming and being not sufficient to meet the liabilities.

Final salary risk: The risk that the final salary at the time of cessation of service is greater than what is assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk: The risk of higher or lower withdrawal experienced than assumed. The final effect could go either way depending on the beneficiaries service/age distribution and the benefit.

25.8 The fair value of plan assets of pension funds includes investment in the Company's shares, amounting to Rs. 3,281 million (2016: Rs. 4,846 million).

25.9 The weighted average duration of the benefit obligations as at December 31, 2017 is as follows:

	Years
Post retirement medical benefits	9
PALPA fund	7
FENA fund	7
Main Pension fund	7
Compensated absences	7

25.10 The expected pension and medical expense for the next one year from January 01, 2018 amounts to Rs. 8,812,728 million and Rs. 1,044,466 million respectively. The expected amount of Pension fund is the amount which the Company has to contribute for the next one year.

25.11 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 1,886,172 million (2016: Rs. 1,947,764 million), Rs. 979,053 million (2016: Rs. 1,009,951 million) and Rs. 629,391 million (2016: Rs. 649,255 million) respectively.

		December 31, 2017	December 31, 2016	January 01, 2016
			(Restated)	
25. TRADE AND OTHER PAYABLES	Note	(Rupees in '000)		
Trade creditors				
Goods	26.1	19,653,399	17,357,512	15,807,236
Services		9,125,879	5,832,620	4,322,860
Airport related charges		26,755,234	20,212,685	16,525,429
		55,534,512	43,402,817	36,655,525
Accrued liabilities	26.2	4,090,685	6,461,938	4,900,439
Advance against transportation (unearned revenue)		9,319,302	7,295,097	10,864,375
Obligation for compensated absences	26.3	6,146,468	6,443,331	5,166,886
Unredeemed frequent flyer liabilities	26.4	623,527	755,829	744,008
		852,517	687,112	1,007,858
Advances from customers		10,997,823	10,202,468	10,470,475
Employees Provident Fund	26.5	3,297	3,297	8,493
Unclaimed dividend - Preference shares		36,586,870	28,944,630	24,608,025
Collection on behalf of others	26.6	2,608,207	3,581,117	2,855,999
Customs, federal excise duty and sales tax		9,612,369	8,900,499	7,811,194
Federal excise duty - International travel		1,276,319	1,941,709	1,327,034
Income tax deducted at source		570,781	612,384	859,715
Short-term deposits		370,463	-	-
Others	26.7	138,593,340	119,232,228	107,280,026

26.1 This includes an amount of Rs. 16,141,669 million payable to Pakistan State Oil Limited (PSO) which comprises of principal balance of Rs. 12,783,020 million and late payment interest balance of Rs. 3,358,648 million. There is a dispute over the adjustment of payments made by the Company. PSO adjusts the late payment interest first and then the principal while the management considers that based on the interpretation of agreement with PSO all payments made should be adjusted first with principal and once the whole principal balance is paid off, the remaining payments will be adjusted against late payment interest balance. The disagreed recorded amount in this respect as at December 31, 2017 is Rs. 912,890 million.

26.2 This includes total management fee upto December 31, 2017 amounting to Rs. 225 million (2016: Rs. 122 million) payable to PIA Investments Limited, a subsidiary company.



		December 31, 2017	December 31, 2016	January 01, 2016	
			(Restated)		
26.3	Obligation for compensated absences	Note	(Rupees in '000)		
Liability recognised in the balance sheet					
	Balance at the beginning of the year		6,443,331	5,166,886	5,337,919
	Expense recognised during the year	32.2	(231,180)	1,765,094	1,055,565
	Benefits paid during the year		(65,683)	(7,928)	(7,928)
	Adjustment due to restatement	5.3	-	(480,721)	(1,218,670)
	Balance at the end of the year		6,146,468	6,443,331	5,166,886

26.3.1 Number of employees covered by the compensated absences are 12,993 (2016: 14,191). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 25.4, 25.6 and 25.9 respectively to these unconsolidated financial statements.

26.3.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. (156.16) million (2016: Rs. 924.748 million), Rs. (31.135) million (2016: Rs. 154.125 million) and Rs. (43.885) million (2016: Rs. 205.50 million) respectively.

26.4 The liability for frequent flyer programme is based on the valuation carried out by an independent professional valuer. Significant assumptions include:

- ticket inflation rate at the rate of 8% (2016: 7%);
- discount rate at the rate of 8% (2016: 8%);
- expiry of unavailed points after three years; and
- accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.

26.5 This represents amount deducted from employees on account of contribution to Provident Fund, the Company's own contribution and deductions from employees on account of loan recoveries on behalf of Provident Fund which is payable to Pakistan International Airlines Company Provident Fund (PF), which could not be paid to PF within 15 days as required by Section 227 of the repealed Companies Ordinance, 1984 and Section 218 of Companies Act, 2017 due to the liquidity constraints. Hence, mark-up thereon have been accrued based on the discount rate as announced by the State Bank of Pakistan upto April 19, 2016 and thereafter based on 1 month KIBOR.

26.6 This includes taxes payable at foreign stations and amount payable to CAA relating to embarkation, security and infrastructure charges.

26.7 This represents balance payable to various vendors against which cheques have been issued but not encashed as of December 31, 2017 and subsequently.

		2017	2016
			(Restated)
27.	ACCRUED INTEREST	Note	(Rupees in '000)
Mark-up / profit payable on:			
	- long-term financing		7,449,568
	- term finance certificates		1,087,768
	- sukuk certificates		107,712
	- liabilities against assets subject to finance lease		36
	- short-term borrowings		647,096
	- provident fund	26.5	4,854,960
	- advance from a subsidiary		439,652
			14,586,792
			13,320,144

		2017	2016
28.	SHORT-TERM BORROWINGS - secured	Note	----- (Rupees in '000) -----
	Short-term loans	28.1	31,186,329 30,803,694
	Running finance under mark-up arrangements	28.2	3,172,145 3,547,617
			<u>34,358,474</u> <u>34,351,311</u>

28.1 Short-term loans - secured

Financier	Note	Security	Facility amount (million)	Expiry date	2017	2016
--- (Rupees in '000) ---						
From Banking Companies						
Habib Bank Limited	28.1.2	First charge by way of hypothecation over all present and future moveables and receivables of the company in favor of the bank.	12 USD	30-Sep-18	1,326,329	-
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	30-Sep-18	5,000,000	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	30-Sep-18	5,000,000	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	30-Sep-18	5,000,000	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	4,360 PKR	30-Sep-18	4,360,000	4,360,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	30-Sep-18	3,500,000	3,500,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	30-Sep-18	3,000,000	3,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	30-Sep-18	2,000,000	2,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	30-Sep-18	2,000,000	2,000,000
Habib Allied International Bank Limited - London	28.1.2	Euro receivables	4 & 5 USD	-	-	943,694
					<u>31,186,329</u>	<u>30,803,694</u>

28.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (2016: spread of 1.5% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (2016: a spread of 3.5% over 3 months LIBOR).

28.1.2 During the year, short-term loan and running finance facility of USD 9 million and USD 3 million respectively have been transferred from Habib Allied International Bank Limited - London to Habib Bank Limited as a short-term loan of USD 12 million.

28.1.3 The agreements of these borrowings have expired on their maturity, however, these were renewed on their respective maturity dates.



28.2 Running finance under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit amount (million) (Note 28.2.2)	Expiry date	2017	2016
---(Rupees in '000)---							
Secured							
Habib Bank Limited		Hypothecation charge on all present and future spare parts, accessories of aircraft assets of present and future receivables of the company for PKR 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	350 PKR	257 PKR	30-Sep-18	93,706	321,829
National Bank of Pakistan		First pari passu hypothecation charge of PKR 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 701 million payable on demand.	575 PKR	78 PKR	30-Sep-18	496,689	292,031
United Bank Limited - Karachi		Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	71 PKR	31-Jul-18	2,499,015	2,515,108
Habib Allied International Bank Limited - London	28.1.2	EURO receivables	3 USD	Nil	On Demand	-	315,285
Un-secured							
Habib American Bank		-	1.5 USD	0.74 USD	On Demand	82,735	103,364
						3,172,145	3,547,617

28.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.0% over 1 month KIBOR (2016: 1.5% to 2.0% over 1 month KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up of the rate of 3.25% (2016: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 3 month LIBOR (2016: spread of 3.5% over 3 month LIBOR).

28.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at December 31, 2017.

28.2.3 The agreements of these facilities have expired on their maturity, however, these were renewed on their respective maturity dates.

		2017	2016
		----- (Rupees in '000) -----	
29. Current maturity of non-current liabilities	Note		
Long-term financing	21	41,313,560	30,412,813
Term finance and sukuk certificates	22	10,272,000	8,217,603
Liabilities against assets subject to finance lease	23	4,346,677	7,606,768
		55,932,237	46,237,184

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 Sales tax and Federal Excise Duty

- a) The tax department had raised demand of Rs. 566,544 million (2016: Rs. 566,544 million) in December 1998, on Federal Excise Duty (FED) along with penalty of Rs. 1 million (2016: Rs. 1 million) and additional duty of Rs. 2,923,005 million (2016: Rs. 2,923,005 million) on the contention that the Company had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Company has paid Rs. 100 million (note 13) against this subject demand which is considered fully recoverable from the department. This case is currently under adjudication before Appellate Tribunal Inland Revenue (ATIR). Based on consultation with legal advisor, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.
- b) The tax department had also raised demands of Rs. 6,804 million (2016: Rs. 6,804 million) and Rs. 277,621 million (2016: Rs. 277,621 million) on March 11, 2008 as FED and sales tax respectively along with penalty of Rs. 14,416 million (2016: Rs. 14,416 million) and additional duty / default surcharge of Rs. 17,911 million (2016: Rs. 17,911 million) during the tax audit of the Company for the periods 2004-2005 and 2005-2006. These demands were raised on the issues of late payment of FED, collection of FED at incorrect rate, incorrect apportionment of input tax and failure to collect FED on carriage of goods / mail of Pakistan Post. The Company has paid an amount of Rs. 25 million (2016: Rs. 25 million) in this regard which is considered fully recoverable. The Company filed an appeal with the Collector of Customs, Sales tax and Federal Excise (Appeals), which was decided partially in its favor, partially against it and partially remanded back. The Company and the department both have filed appeals at the ATIR which are pending adjudication. Based on consultation with legal advisor, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.
- c) The tax department has raised demands of Rs. 2,065 million (2016: Rs. 2,065 million) and Rs. 1,319,101 million (2016: Rs. 1,319,101 million) as FED and sales tax respectively along with penalty of Rs. 66,058 million (2016: Rs. 66,058 million) and additional duty / default surcharge of Rs. 534,412 million (2016: Rs. 534,412 million) during the tax audit of the Company for the period 2007-2008. These demands were raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Company filed appeal at Commissioner Inland Revenue (Appeals) (CIR (A)), which was decided in favor of the tax department. The Company has filed appeal against this at ATIR and a rectification application with CIR (A). The Tribunal has disposed of the Company's appeal, vide appellate order SIA No. 08/KB/2011 dated September 26, 2013, remanded back the issues of incorrect rates of FED charged on excess baggage and disallowance of claim of input tax. Further, tribunal has deleted the penalty. Based on consultation with tax advisor, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.
- d) The tax department through orders dated March 06, 2009, December 04, 2010 and May 30, 2011 levied penalties of Rs. 5,877,351 million (2016: Rs. 5,877,351 million), Rs. 5,679,110 million (2016: Rs. 5,679,110 million) and Rs. 7,025,270 million (2016: Rs. 7,025,270 million), respectively, on account of delayed payment of sales tax and FED for the month of November - December 2008, January - March 2010 and November 2010 - January 2011, respectively. In addition to this, the tax department levied default surcharge and 5% penalty on the unpaid FED and sales tax amounting to Rs. 38.88 million, Rs. 21.11 million and Rs. 74 million, respectively. The Company filed application for waiver of penalty for the months November - December 2008 before Federal Board of Revenue (FBR) on which the decision is pending.

The CIR (A) deleted the penalties of Rs. 5,679,110 million and Rs. 7,025,270 million, respectively, through its order dated September 19, 2011. However, default surcharge and 5% penalty on the unpaid FED and sales tax were maintained. The Company and the department have filed appeals with ATIR, which were decided in favor of the Company. Further, for the months of January - March 2010 and November 2010 - January 2011, the Company had filed an application for rectification which was disposed off by ATIR on July 22, 2012 while maintaining the default surcharge.

On April 30, 2013, the Additional Commissioner Inland Revenue (ACIR) levied penalty of Rs. 4,745,852 million (2016: Rs. 4,745,852 million) in respect of short payment of sales tax and FED for the tax periods April 2012 to January 2013. In addition, the tax department levied default surcharge on unpaid sales tax and FED amounting to Rs. 400,446 million (2016: Rs. 400,446 million). The Company filed an appeal against the said orders before CIR (A) which was decided in favour of the department. Subsequently, the Company has filed an appeal against this at ATIR level. Tribunal has deleted the penalty but maintained default surcharge which is challenged by the Company in Sindh High Court. The decision is pending adjudication.

The ECC communicated its decision through its letter dated July 12, 2013, ordering the Company and the FBR to reconcile the outstanding amounts and meanwhile the date for payment of outstanding dues in respect of FED, shall be deemed to be extended till further consideration by the ECC. Further, based on consultation with legal advisor, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision is required to be recognized in these unconsolidated financial statements in respect of penalties and default surcharge.



- e) On February 22, 2016, DCIR issued a show cause notice on the same grounds as involved in sales tax refund (refer note 15.2) which was contested by the Company before the Honorable High Court Sindh (SHC) and obtained stay order in favor of the Company. Subsequently on November 01, 2016, DCIR issued an order amounting to Rs. 6,747,669 million (2016: Rs. 6,747,669 million) under Section 11 of the Sales Tax Act, 1990 in respect of tax years 2010, 2011 and 2012 on the contention that the Company has adjusted excess input tax amounting to Rs. 2,603,502 million, Rs. 2,629,350 million and Rs. 1,514,818 million in its returns for tax year 2010, 2011 and 2012 respectively without considering that the matter was in court. Being aggrieved, the Company has filed appeal before CIR(A) against the said DCIR order, which was decided by CIR(A) in the favor of the Company through their order dated June 29, 2017 remanded back the case to DCIR and accordingly, the Company has withdrawn the appeal filed before SHC. Later, the department has issued hearing notice in January 2019 for remand back proceedings.
- f) DCIR passed orders dated March 04, 2016 and November 30, 2015 and raised demand of Rs. 24,086 million and Rs. 55,891 million respectively, while disallowing input tax claimed, demand for sales tax along with default surcharge and penalty for periods February 2014, March 2014, and July 2014 on the contention that the Company has claimed additional input tax. The management has filed an application for condonation of time limit and issuance of necessary directions for the activation of option for revision of returns which is pending. Based on legal advice, the management is confident that the matter will ultimately be decided in the Company's favor, hence no provision is made in these unconsolidated financial statements in this respect.
- g) During the year DCIR passed order dated September 29, 2017 and raised a demand of Rs. 257,431 million for the short payment of Federal Excise Duty for the month of January 2017 along with penalty of Rs. 1,287,147 million. The Company has filed an appeal with CIR(A) against the order since it did not take into account the payment already made on June 30, 2017 and September 16, 2017 which were before the date of order. Subsequently, CIR(A) vide order dated March 27, 2018 decided the matter in favor of the Company and deleted the penalty.

30.1.2 Other Contingencies

- i) Competition Commission of Pakistan (CCP) vide its order dated November 20, 2009 has imposed a token penalty of Rs. 10 million on account of unreasonable increase in Hajj rate during the year 2008 as compared to Hajj season 2007. Further, on account of discrimination between Hajj passengers and regular passengers the Company was directed to work out an amount of refund to be paid back to Hajj taxed on the difference of fare between regular passengers and short duration Hajj who flew during Hajj season 2008. The total amount of refund estimated by the Company is Rs. 417 million. The Company has filed appeals simultaneously in Lahore High Court and the Supreme Court of Pakistan. However, after the order of the Honourable Supreme Court in July, 2017, the appeal has been transferred to the Competition Appellate Tribunal, Islamabad. Management believes that both appeals will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

- ii) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As of December 31, 2017, the excessive amounts claimed by CAA which are not acknowledged by the Company aggregated to Rs. 16,792,894 million (2016: Rs. 12,246,350 million) including late payment surcharge and interest thereon amounting to Rs. 11,732,904 million (2016: Rs. 7,754,263 million). In view of the understanding reached through a Memorandum of Understanding (MoU) which was concluded in the meeting held on January 24, 2011 between the representatives of the Company and CAA. The management does not accept the higher amounts being claimed by CAA.

During the aforementioned meeting, the matter of chargeability of rates for non-aeronautical services was amicably resolved whereby it was agreed that CAA shall charge rates as were decided in the arbitration award of 1998. The MoU was signed in the form of minutes of the meeting, however, CAA has continued to charge higher rates for non-aeronautical services rather than those agreed by virtue of the said MoU. However, the management maintains its position on the chargeability of rates based on arbitration award of 1998 and the Understanding (MoU) reached between the representatives of CAA and the Company during January 25, 2011.

Further, in relation to the aforementioned surcharge and interest payable, the management considered that the same are not part of the Company's agreement with CAA and accordingly in view of the management such surcharge and interest payable shall never be paid by the Company. The Company is considering to take up this matter again with the Aviation Division of Government of Pakistan for resolution in the light of the previous understanding reached with CAA. Accordingly, no excessive amount shall eventually become payable to CAA and therefore, no provision for the excessive amount has been made in these unconsolidated financial statements.

- j) Various ex-employees of the Company have lodged claims against the Company for their dues specifically relating to their reinstatements aggregating to Rs. 2,235,743 million (2016: Rs. 2,235,743 million). The management believes the claims to be frivolous, therefore, no provision has been made in these unconsolidated financial statements.
- k) The Company is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance or servicing stipulations due to negligence or otherwise. The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialize. Accordingly, no provision has been made in these unconsolidated financial statements against these claims amounting to Rs. 735,877 million (2016: Rs. 232,556 million).
- l) Outstanding letters of guarantee amounted to Rs. 202,661 million (2016: Rs. 195,146 million).
- m) Contingencies relating to income tax matters are disclosed in note 68 to these unconsolidated financial statements.

30.2 Commitments

- a) Commitments for capital expenditure amounted to Rs. 253,777 million (2016: Rs. 324,443 million).
- b) Outstanding letters of credit amounted to Rs. 0.449 million (2016: Rs. 143,512 million).
- c) The Company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to US\$ 1,527,904 million (2016: US\$ 1,527,904 million) equivalent to Rs. 168,875,257 million (2016: Rs. 161,489,521 million) based on catalogue prices. The Company has not made certain payments on its due dates as per the terms of the agreement.
- d) The amount of future payments in operating lease arrangement relating to aircrafts 777-200 ER, 777-240 ER, ATR 72-500, A-320-211, A330-300 and A 320-200 and the period in which these payments will become due is as follows:

	2017	2016
Note	----- (Rupees in '000) -----	
Not later than one year	8,223,239	7,235,512
Later than one year but not later than five years	24,750,051	25,070,274
Later than five years	1,152,042	3,737,597
	<u>34,125,332</u>	<u>36,043,383</u>

31. REVENUE - NET

Passenger	81,324,660	80,426,927
Cargo	4,191,830	3,686,515
Excess baggage	732,615	815,488
Charter services	490,645	653,342
Engineering services	708,616	1,094,838
Handling and related services	379,788	422,994
Mail	263,872	288,401
Others	2,751,703	1,608,874
31.1	<u>90,843,729</u>	<u>88,997,379</u>

31.1 Revenue by geographical segments

Revenue analysis

USA / Canada	4,778,366	5,593,835
Europe	18,236,577	15,879,688
Middle East / Africa	13,627,976	18,701,168
Asia (excluding Pakistan)	5,096,934	4,296,337
Pakistan	49,103,876	44,526,351
	<u>90,843,729</u>	<u>88,997,379</u>

The analysis of revenue by origin is derived by allocating revenue to the area in which the sale was made.

31.2 Gross Revenue

Revenue	102,350,564	101,451,875
Less: Federal Excise Duty	(11,455,722)	(12,408,783)
Provincial sales tax	(51,113)	(45,713)
Net Revenue	<u>90,843,729</u>	<u>88,997,379</u>



32. COST OF SERVICES - OTHERS

	Note	2017	2016 (Restated)
		----- (Rupees in '000) -----	
Salaries, wages and allowances		15,088,346	15,169,210
Welfare and social security costs		2,117,261	2,387,526
Retirement benefits	32.1	2,181,156	2,241,221
Compensated absences	26.3.2, 32.2 & 5.3	(156,160)	924,748
Legal and professional charges		22,413	21,555
Stores and spares consumed		1,161,597	1,421,594
Maintenance and overhaul		10,147,456	10,098,314
Flight equipment rental		11,616,526	9,069,290
Landing and handling- Passenger services		15,090,364	14,468,149
Crew layover		3,292,508	2,987,437
Staff training		3,182,122	2,882,160
Utilities		103,761	128,674
Communication		41,195	36,641
Insurance		3,797,222	3,609,593
Rent, rates and taxes		1,459,810	1,166,914
Printing and stationery		689,162	2,062,708
Depreciation	6.6	149,142	181,685
Amortisation	7.2.1	5,783,512	6,375,932
Others		7,098	1,425
		1,062,339	805,586
		76,836,830	76,040,362

32.1 The Company's staff retirement benefits includes provident fund - a defined contribution plan. The Company has established a separate provident fund. Following information of the provident fund has been derived from the unaudited financial statements of the provident fund as at December 31, 2017 and 2016.

The information related to provident fund established by the Company is as follows:

	2017	2016
	----- (Rupees in '000) -----	
Size of provident fund	22,365,052	22,890,155
Cost of investments made	8,223,744	14,065,162
Percentage of investments made	45.80%	60.70%
Fair value of investment	10,241,430	13,883,570

The break-up of fair value of investments is as follows:

	2017 -----Percentage-----	2016	2017 ----- (Rupees in '000) -----	2016
Term finance certificates	14.2%	17.6%	3,175,694	4,037,235
Pakistan Investment Bonds	0.2%	2.5%	41,881	565,013
Islamic bonds	8.9%	9.2%	1,984,561	2,102,911
Bank deposits	-0.2%	5.4%	(44,276)	1,232,546
PIACL shares	0.0%	0%	2,530	5,765
Special Savings Certificate	22.7%	26.0%	5,081,040	5,940,100
Total	45.80%	60.70%	10,241,430	13,883,570

32.1.1 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and Section 216 of Companies Act, 2017 and the rules formulated for this purpose.

32.1.2 Number of employees of the Company:

	2017	2016
	(Number)	
Average number of employees during the year	13,268	14,280
Number of employees as at year end	12,993	14,191

32.2 This includes reversal of Rs. 1,267,379 million due to experience adjustment based on actuarial assumptions.

33. DISTRIBUTION COSTS	Note	2017	2016 (Restated)
		----- (Rupees in '000) -----	
Salaries, wages and allowances		1,747,891	1,756,042
Welfare and social security costs		264,900	298,714
Retirement benefits		1,130,970	1,162,115
Compensated absences	26.3.2, 32.2 & 5.3	(31,135)	154,126
Distribution and advertising expenses		768,626	649,988
Legal and professional charges		39,846	38,320
Insurance		14,805	12,323
Printing and stationery		70,947	84,271
Communication		162,247	171,610
Staff training		35,962	42,805
Rent, rates and taxes		246,077	242,649
Utilities		20,597	18,320
Depreciation	6.6	11,972	12,145
Others		276,422	188,339
		<u>4,760,127</u>	<u>4,831,766</u>

34. ADMINISTRATIVE EXPENSES

Salaries, wages and allowances		2,718,638	2,686,413
Welfare and social security costs		391,664	441,659
Retirement benefits		727,052	747,074
Compensated absences	26.3.2, 32.2 & 5.3	(43,885)	205,500
Legal and professional charges		186,778	179,626
Insurance		28,563	22,972
Printing and stationery		32,306	31,340
Staff training		137,458	155,407
Rent, rates and taxes		572,413	553,206
Utilities		968,082	861,063
Auditors' remuneration	34.1	17,200	17,200
Communication		106,305	101,092
Depreciation	6.6	18,741	19,693
Amortisation	7.2.1	81,624	16,397
Donations	34.2	3,602	3,600
Others		340,974	276,395
		<u>6,287,515</u>	<u>6,318,631</u>

34.1 Auditors' remuneration

	2017			2016		
	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total
----- (Rupees in '000) -----						
Audit fee	5,334	5,334	10,668	5,334	5,334	10,668
Fee for review of Interim financial information	1,599	1,599	3,198	1,599	1,599	3,198
Consolidated financial statements	793	793	1,586	793	793	1,586
Code of corporate governance	274	274	548	274	274	548
Out of pocket expenses	600	600	1,200	600	600	1,200
	<u>8,600</u>	<u>8,600</u>	<u>17,200</u>	<u>8,600</u>	<u>8,600</u>	<u>17,200</u>

- 34.2 Donations represents payments aggregating Rs. 3.6 million (2016: Rs. 3.6 million) to its CSR setup viz Al-Shifa Trust, situated at Terminal 2, Road, Karachi Airport, Pakistan in which the Chief Executive Officer of the Company acts as a Trustee / Chairman. Besides this, none of the directors or their spouse have any interest in the donee.



		2017	2016
		----- (Rupees in '000) -----	
35. OTHER PROVISIONS AND ADJUSTMENTS	Note		
Property, plant and equipment		-	195,592
- capital spares written off		-	308,272
- Other assets written off	6.1.3	70,739	971,386
- deficit released from surplus on aircraft written off / retired	5.1	-	1,716,176
- aircraft fleet written off / retired		70,739	3,191,426
Provision for slow moving and obsolete spares	11.1	196,006	687,153
Provision for doubtful debts	12.2	300,000	538,915
Provision against doubtful advances	13.3	-	251,484
Provision against doubtful deposits	10.2 & 14.1	-	116,358
Provision against other receivables	15.5	56,153	22,422
Late payment surcharge on fuel		1,232,315	1,363,416
Late payment surcharge on maintenance reserve		-	560,563
Others		37,143	12,838
		1,892,356	6,744,575
36. OTHER INCOME			
Income from financial assets			
Profit on bank deposits		48,392	75,024
Interest on maintenance reserve		21,061	5,903
		69,453	80,927
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		22,997	249,367
Insurance claims		-	234,323
Others		456,112	184,989
		479,109	668,679
		548,562	749,606
37. FINANCE COSTS			
Mark-up on:			
- long-term financing		8,395,871	5,563,179
- term finance certificates		1,689,629	2,413,416
- short-term borrowings		2,575,383	2,613,439
- advance from a subsidiary		119,614	96,000
		12,780,497	10,686,034
Profit on sukuk certificates		535,441	558,147
Interest on liabilities against assets subject to finance lease		242,292	319,400
Discounting on deposits		(117,547)	(103,424)
Interest on provident fund	26.5	669,617	656,790
Arrangement, agency and commitment fee		785,976	716,912
Amortisation of prepaid exposure fee	10.3	248,894	254,031
Bank charges, guarantee commission and other related charges		101,470	76,689
		15,246,640	13,159,579
38. TAXATION			
Current - for the year	38.1	454,219	444,967
Deferred	38.2.2	546,312	(340,395)
		1,000,531	104,592

38.1 Current

- 38.1.1** In the view of accounting and tax law for this year, provision for current taxation is based on minimum tax in accordance with Section 113 of the Income Tax Ordinance, 2001.

Minimum tax rate under Section 113 of Income Tax Ordinance, 2001 (I.T.O.) for tax year 2018 is 1% of turnover, however the rate for the Company is 0.5% in accordance with the Division IX of First Schedule of I.T.O. 2001.

No numerical tax rate reconciliation is given as the Company is liable for turnover tax only and deferred tax asset have been recognized to the extent of deferred tax liability (refer note 38.2.2).

- 38.1.2** The Company has filed tax returns for tax years up to tax year 2017. The tax returns from tax years 2003 to 2016 have been filed under self assessment scheme. All assessments for tax years 1991 to 2002 have been finalized by the department. The minimum tax liability under section 80D of the I.T.O. 2001 had been levied by the department (for assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover or estimated costs. The Company had filed appeals against the above demands which had been decided in favor of the Company at ATR level. The department had filed appeal against the decision before Sindh High Court which was decided on few grounds in favor of the Company. Thereafter, the department has filed an appeal against the decision of Sindh High Court before Supreme Court which is pending to date. Based on consultation with legal advisor, the management believes that this issue will be decided in favor of the Company without any additional tax liability.

- 38.1.3** A demand of Rs. 898,177 million (2016: Rs. 695,177 million) was raised by the Deputy Commissioner (Income Tax) (DCIR) by issuing an amended order in relation to the tax year 2006. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Company claimed the depreciation on the contention that those aircraft were obtained under hire purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48,235 million was also recovered by DCIR in this respect. The Company filed an appeal at CIR (A) level which was decided partially in favor of the Company. Being further aggrieved, the Company has filed appeal at Income Tax Appellate Tribunal (ITAT) level which is partially heard on September 27, 2016. Based on consultation with legal advisor, the management is confident that this issue will ultimately be decided in its favor and the amount will be recovered.

Further, the ACIR has issued orders under section 122 (5A) of the I.T.O. 2001 in respect of tax years 2006 and 2007 disallowing the depreciation claimed on leased aircraft and other provisions amounting to Rs. 3,480,442 million and Rs. 20,462,797 million, respectively. The Company has filed an appeal CIR (A) against the said orders. CIR(A) in its Appellate order dated September 10, 2015 disposed off the appeal and maintain partial disallowance of depreciation and deleted other provision amount. The Company has filed an appeal to ATR against the decision of CIR(A), however, the matter is still pending for adjudication.

- 38.1.4** ACIR had issued an order dated June 30, 2014 in respect of tax year 2008 on appeal of disallowance of depreciation on leased aircraft and other provisions amounting to Rs. 18,899,227 million. Subsequently, CIR(A) vide its order dated January 17, 2018 had annulled the ACIR's order as it was time barred. ACIR has filed an appeal before ATR against the above order.

ACIR has passed an order dated December 19, 2016 under section 124(12)(5A) of the I.T.O. 2001 in respect of tax year 2009 and raised a demand of Rs. 109,428 million while maintaining the disallowance of depreciation, exchange loss and tax credit amounting to Rs. 17,049,522 million, 6,030 million and 168,744 million respectively, demanded in the earlier order dated June 15, 2016. The Company filed an appeal before CIR(A) and CIR(A) vide its order dated February 14, 2018 maintained the disallowance of depreciation, deleted the disallowance of exchange loss and remanded back the short allowed tax credit under various sections. Both the Company and the department have filed appeals before ATR under section 131 of the I.T.O. 2001 against the order dated February 14, 2018.

ACIR issued an order dated June 30, 2016 under section 122 (5A) of the I.T.O. 2001 in respect of tax year 2010 and raised a demand of Rs. 143,075 million, disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 17,810 million. The Company filed a rectification application against the above order and ACIR vide its order dated December 12, 2017 maintained the disallowance of depreciation and other provisions and allowed certain tax credit and revised a tax demand of Rs. 109,463 million. The Company filed an appeal before CIR(A) against these above order whereas CIR(A) vide its order dated January 01, 2018 upheld the matter related to disallowance of depreciation and remanded back disallowance of other provisions and tax credits.

The CIR(A) disposed off corporation appeal and issue Combined appellate order dated October 30, 2016 through which it maintain disallowance depreciation and deleted other provision. Corporation has filed an appeal against the CIR(A) decision at ATR. However, the matter is still pending for adjudication and the Company is confident that this issue will ultimately be decided in its favour. The ACIR issued an order dated June 20, 2016 for tax year 2011 and raised a demand of Rs. 327,535 million by applying 1% minimum tax rate against the Company contention of 0.5%. In addition to disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 7,692,342 million. The Company has filed an appeal before CIR(A) against the said orders whereas CIR(A) vide its order dated October 30, 2016 upheld the matter related to minimum tax and disallowance of depreciation and remanded back disallowance of other provisions and tax credits. Both the Company and the department have filed appeals before ATR under section 131 of the I.T.O. 2001 against the order which is pending for hearing.

The ACR has issued the orders dated June 30, 2018 & February 14, 2018 under section 122(5A) of the ITO, 2001 in respect of tax years 2012 & 2014 and disallowed depreciation on leased aircraft and other provisions amounting to Rs. 4,725,915 million and Rs.11,007,920 million respectively. The Company has filed an appeal before CIR(A) against these said orders. Subsequently, CIR(A) issued Appellate order dated February 14, 2018 in respect of FY 2014 and disposed the appeal by deleting the demand maintaining the disallowed depreciation on leased aircraft and other provisions. The Company has filed an appeal to ATR against the decision of CIR(A), however, the matter is still pending for adjudication.

However, if the above matters are decided against the Company, it may erode the benefit of tax depreciation, which remains available for an indefinite period, compared to business losses.

- 38.1.5** The tax department has also issued order under section 161/205 of the ITO, 2001 pertaining to tax year 2011 and raised a demand of Rs. 324,319 million. The Company has filed an appeal against the order before CIR(A) which are pending adjudication.
- 38.1.6** The tax department has also issued a showcase under section 151 / 205 of the Income Tax Ordinance, 2001 pertaining to tax year 2015 to provide reconciliations under rule 44(4) of the income tax rules, 2002, of the amounts shown in the statement of accounts and amounts reflected in the monthly/annual statements filed under section 165 of this Ordinance. The Company has responded the showcase.
- 38.1.7** Tax department of Afghanistan has audited income tax returns of the Company's Kabul station for tax years 2006 to 2014 and raised a demand of AFN 238.01 million (equivalent to Rs. 376,294 million). On request of the Company, the Ministry of Finance of Afghanistan (MoFA) has constituted an Objection Review Unit (ORU) to review the disputed matters. On advice of MoFA, the Company has paid the principal tax demand recomputed by the ORU in its interim report amounting to AFN 41,098 million (equivalent to Rs. 64,976 million) under protest and subject to the final amount of tax to be determined by ORU. Appeal has also been filed with the Commercial Courts in Kabul, Afghanistan which is pending for adjudication. The Company has availed Tax Amnesty Scheme 2018 announced by Afghanistan Government to pay off the tax liability for tax years 2006 to 2013 by paying AFN 78 million (equivalent to Rs. 125,750 million) including AFN 41,098 million as mentioned above. Based on legal advice, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision has been made in these unconsolidated financial statements.

	2017	2016
	----- (Rupees in '000) -----	
38.2 Deferred taxation		
Deferred tax credits:		
Accelerated tax depreciation	15,374,443	15,049,336
Surplus on revaluation of property, plant and equipment	(1,236,652)	(900,452)
	14,137,775	14,148,884
Deferred tax debits:		
Unused tax losses	(5,629,955)	(4,494,246)
Provisions for liabilities and to write down other assets	(8,507,820)	(9,664,638)
	(14,137,775)	(14,148,884)

- 38.2.1** In accordance with the accounting policy of the Company (see note 4 (i)), deferred tax asset of Rs. 90,414.33 million (2016: (restated) Rs. 83,489,204 million) has not been recognised in these unconsolidated financial statements due to uncertainty in availability of sufficient future taxable profits.

38.2.2 Movement in temporary differences during the year

	Balance as of December 31, 2015	Recognised in profit and loss account (Note 38.2.2.1)	Recognised in equity (Note 35.2.2.1)	Balance as of December 31, 2016	Recognised in profit and loss account	Recognised in equity	Balance as of December 31, 2017
Deferred tax credits:							
Accelerated tax depreciation	15,581,741	(1,632,405)	-	15,049,336	325,107	-	15,374,443
Surplus on revaluation of property, plant and equipment	(652,773)	(434,246)	346,567	(900,452)	(10,853)	(325,363)	(1,236,652)
	15,728,968	(11,966,651)	346,567	14,148,884	314,254	(325,363)	14,137,775
Deferred tax debits:							
Unused tax losses	(7,934,719)	3,439,871	-	(4,494,246)	(1,135,709)	-	(5,629,955)
Provisions for liabilities and to write down other assets	(7,794,665)	(1,813,814)	(46,122)	(9,654,601)	1,367,767	(220,949)	(8,507,820)
	(15,729,384)	1,626,057	(46,122)	(14,148,684)	232,058	(220,949)	(14,137,775)
	-	(340,395)	340,395	-	546,312	(546,312)	-

- 38.2.2.1** This includes effect of change in tax rate from 30% to 29% amounting to Rs. 30,075 million.

		2017	2016 (Restated)
39. LOSS PER SHARE - BASIC AND DILUTED	Note		
Loss for the year (Rupees in '000)		(47,760,712)	(44,900,315)
Weighted average number of ordinary shares outstanding	18	5,235,261,117	5,235,261,117
Loss per share attributable to			
'A' class ordinary share (Rupees)		(9.12)	(8.58)
'B' class ordinary share (Rupees)		(4.56)	(4.29)

		2017	2016 (Restated)
40. OPERATING AND FINANCING CASH FLOWS			
		----- (Rupees in '000) -----	
40.1 Cash (used in) / generated from operations			
Loss before taxation		(46,760,181)	(44,795,723)
Adjustments for:			
Depreciation		5,814,225	6,407,770
Gain on disposal of property, plant and equipment - net		(22,997)	(249,367)
Amortisation of intangibles		88,722	39,439
Provision for slow moving and obsolete spares		196,006	687,153
Provision for doubtful debts		300,000	538,915
Property, plant and equipment retired/written off - net of insurance claim		-	2,373,552
Provision against doubtful advances		-	251,484
Provision against doubtful deposits		-	116,358
Provision against other receivables		56,153	22,422
Provision for employee benefits		3,265,435	4,891,345
Finance costs		15,246,640	13,159,579
Unrealised exchange loss / (gain)		2,593,308	(4,217)
Profit on bank deposits		(48,392)	(75,024)
Deficit released on write off of aircraft		70,739	971,386
		(19,200,342)	(15,664,928)
Working capital changes			
Increase in stores and spares		(734,009)	(203,487)
(Increase) / decrease in trade debts		(1,894,150)	189,426
Increase in advances		(486,515)	(966,810)
(Increase) / decrease in trade deposits and prepayments		(217,621)	259,108
Decrease / (Increase) in other receivables		906,932	(1,426,752)
Increase in trade and other payables		19,657,975	20,478,344
		17,232,612	18,329,829
Cash (used in) / generated from operations		(1,967,730)	2,664,901

40.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2017					
	Liabilities			Equity		
	Short term running finance (including accrued markup)	Other loans and borrowings (including accrued markup)	Finance lease liabilities	Share capital	Reserves	Accumulated loss
Balance as at 1 January 2017	3,547,617	82,896,554	13,418,912	52,345,110	4,432,287	(305,457,190)
Changes from financing cash flows						
Proceeds from loans and borrowings	-	63,321,365	-	-	-	-
Transfer to Short term borrowings	(315,285)	-	-	-	-	-
Repayment of loans and borrowings	-	(38,107,873)	-	-	-	-
Payments of finance lease liabilities	-	-	(7,290,777)	-	-	-
Total changes from financing cash flows	(315,285)	30,213,512	(7,290,777)	-	-	-
Changes in fair value	-	-	-	-	18,416	-
Other changes - liability related						
Change in running finance	(60,187)	-	-	-	-	-
New finance leases	-	-	-	-	-	-
Interest expense	-	14,251,250	242,292	-	-	-
Interest paid	-	(11,106,665)	(242,551)	-	-	-
Total liability - related other changes	(60,187)	3,144,585	(259)	-	-	-
Total equity - related other changes	-	-	-	-	-	(48,430,983)
Balance as at 31 December 2017	3,172,145	216,254,651	6,127,876	52,345,110	4,450,703	(353,888,173)

41 REMUNERATION OF CHIEF EXECUTIVE, HEAD OF DEPARTMENTS AND EXECUTIVES

(Key Management Personnel)

	Chief Executive Officer		Head of Department		Executives	
	2017 (note 41.1)	2016	2017	2016	2017	2016
	(Rupees in '000)					
Managerial remuneration	22,693	30,002	78,873	135,401	9,439,285	7,480,999
Company's contribution to provident fund	-	270	1,610	2,014	306,606	239,856
Other perquisites	1,070	1,918	36,278	28,647	1,154,711	1,059,765
	23,763	32,190	116,761	166,062	10,900,602	8,780,620
Number (as at December 31, 2017)	1	1	16	23	4,849	3,832

41.1 Aggregate amount charged in these unconsolidated financial statements for fee to directors was Rs. 0.191 million (2016: Rs. 0.286 million). Chief Executive and certain executives are also provided with the Company's maintained cars and facilities as per the Company's rules.

41.2 The number of persons does not include those who left during the year but remuneration paid to them is included in the above amounts.

42. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, fuel price risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's senior management carries out financial risk management under governance approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks, wherever necessary.

42.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as fuel price and equity price risk. Financial instruments affected by market risk include loans and borrowings, bank deposits, available-for-sale investments and derivative financial instruments, if any.

a) Fuel price risk

The Company's earnings are affected by changes in price of aircraft fuel. The Company hedges fuel prices to a limited extent through use of derivative contracts. There are no derivative contracts outstanding as of year end.

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's revenue streams are denominated in a number of foreign currencies resulting in exposure to foreign exchange rate fluctuations. In addition, the Company has substantial foreign currency borrowings and lease liabilities that are primarily denominated in US Dollar (US\$), Saudi Riyal (SAR), United Arab Emirates Dirham (AED) and Great Britain Pound (GBP). The Company can experience adverse or beneficial effects arising from foreign exchange rate movements. The Company manages some of its currency risk by utilising its foreign currency receipts to satisfy its foreign currency obligations. The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in the foreign currency exchange rates, with all other variables held constant, on loss before tax:

	2017	2016	2017	2016
	(Rupees in '000)			
	+5%			-5%
Change in US\$ rate (Increase) / Decrease in loss before tax	(2,646,618)	(2,743,109)	2,646,618	2,743,109
	+5%			-5%
Change in SAR rate (Increase) / Decrease in loss before tax	34,327	15,853	(34,327)	(15,853)
	+5%			-5%
Change in AED rate (Increase) / Decrease in loss before tax	34,460	33,375	(34,460)	(33,375)
	+5%			-5%
Change in GBP rate (Increase) / Decrease in loss before tax	46,356	7,263	(46,356)	(7,263)

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the following:



Variable rate instruments at carrying amount:

Financial liabilities

Long-term financing	135,556,478	97,016,155
Term finance and sukuk certificates	27,344,007	33,507,209
Liabilities against assets subject to finance lease	4,786,925	10,525,657
Advance from a subsidiary	4,436,041	4,208,390
Short-term borrowings	34,275,739	34,247,947
	<u>206,399,190</u>	<u>179,505,358</u>

Financial assets

Long-term deposits and prepayments	(1,576,622)	(1,559,638)
	<u>204,822,568</u>	<u>177,945,720</u>

Fixed rate instruments at carrying amount:

Financial liabilities

Long-term financing	8,000,000	8,226,601
Liabilities against assets subject to finance lease	1,340,915	2,892,960
Short-term borrowings	82,735	103,364
	<u>9,423,650</u>	<u>11,222,925</u>

Financial assets

Bank deposits	(846,035)	(706,743)
	<u>8,577,615</u>	<u>10,516,182</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, change in interest rates at the reporting date would not affect unconsolidated profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Company's loss before tax:

	KIBOR		LIBOR	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Change in interest rate	+1%		+0.25%	
Increase in loss before tax	(1,621,773)	(1,334,830)	(134,108)	(136,663)
Change in interest rate	-1%		-0.25%	
Decrease in loss before tax	1,621,773	1,334,830	134,108	136,663

d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk); whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not significantly exposed to equity securities price risk as majority of its investments are in subsidiaries and associated companies which are stated at cost.

42.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset. The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents, financing facilities and through support of GoP either in the form of capital / loans or in the form of guarantee to obtain financing from lenders (refer note 1.2).

The following table shows the Company's remaining contractual maturities of financial liabilities, including estimated interest payments:

	Carrying Amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
	(Rupees in '000)				
2017					
Long-term financing	143,556,478	170,471,486	54,830,493	105,262,754	10,378,239
Term finance and sukuk certificates	27,344,007	30,513,666	12,333,319	18,180,347	-
Liabilities against assets subject to finance lease	6,127,840	6,353,231	4,524,775	1,828,456	-
Advance from a subsidiary	4,436,041	4,436,041	-	4,436,041	-
Trade and other payables	90,298,834	90,298,834	90,298,834	-	-
Accrued interest / mark-up / profit	9,731,832	9,731,832	9,731,832	-	-
Short-term borrowings	34,358,474	34,358,474	34,358,474	-	-
	315,853,506	346,163,564	206,077,727	129,707,598	10,378,239
	Carrying Amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
	(Restated)				
	(Rupees in '000)				
2016					
Long-term financing	105,242,756	143,580,913	44,404,076	90,999,795	8,177,042
Term finance and sukuk certificates	33,507,209	38,499,370	10,467,332	28,032,038	-
Liabilities against assets subject to finance lease	13,418,617	14,130,916	8,102,581	6,028,335	-
Advance from a subsidiary	4,208,390	4,208,390	-	4,208,390	-
Trade and other payables	79,421,769	79,421,769	79,421,769	-	-
Accrued interest / mark-up / profit	9,134,800	13,320,144	13,320,144	-	-
Short-term borrowings	34,351,311	34,351,311	34,351,311	-	-
	279,284,852	327,512,813	190,067,213	129,268,558	8,177,042

42.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2017 represents the maximum credit exposure, which is as follows:

	2017	2016
	(Rupees in '000)	
Long-term deposits	7,971,883	6,883,179
Trade debts	10,345,748	8,751,598
Advances	-	4,060
Trade deposits	3,806,031	3,553,505
Other receivables	2,338,583	3,433,879
Bank balances	4,177,367	3,436,189
	28,639,612	26,062,410



Trade debts

The Company has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Company normally grants a credit term of 30 to 60 days to customers and in certain circumstances such exposure is partially protected by bank guarantees. Trade debtors mainly represent passenger and freight sales due from agents and government organizations. The majority of the agents are connected to the settlement systems operated by the International Air Transport Association ("IATA") who is responsible for checking the credit worthiness of such agents and collecting bank guarantees or other monetary collateral according to local industry practice. In most cases amounts due from airlines are settled on net basis via an IATA clearing house. The credit risk with regard to individual agents and airlines is relatively low.

Ageing of trade debts is disclosed in note 12 to these unconsolidated financial statements.

Other financial assets

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably good credit rating i.e. at least "A3" or equivalent for short term and "BBB" or equivalent for long term.

There is no credit risk on aircraft lease deposits because they are secured against the finance lease obligation. Other deposits are not significantly exposed to credit risk as they have been paid as security deposits to receive future services.

There is no significant credit risk against other receivables as majority of the receivable is from GoP.

42.4 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company has incurred losses in recent years and the disclosure in respect of the Company's ability to continue as a going concern is disclosed in note 1.2 to these unconsolidated financial statements.

43 FAIR VALUES

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Level 1: Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2017				Fair value			
	Carrying amount			Total	Level 1	Level 2	Level 3	Total
	Available-for-Sale	Loans and receivables	Other financial assets					
(Rupees in '000)								
Financial assets measured at fair value								
Long-term investments	171,184	-	-	171,184	171,184	-	-	171,184
Financial assets not measured at fair value								
Non-current assets								
Investments in unquoted securities	-	-	369	369	-	-	-	-
Long-term deposits	-	7,971,883	-	7,971,883	-	-	-	-
Current assets								
Trade debts	-	10,345,748	-	10,345,748	-	-	-	-
Trade deposits	-	3,806,031	-	3,806,031	-	-	-	-
Other receivables	-	2,338,683	-	2,338,683	-	-	-	-
Short-term investment	19,220	-	-	19,220	-	-	19,220	19,220
Cash and bank balances	-	4,177,367	16,334	4,193,701	-	-	-	-
	190,404	28,639,612	16,703	28,846,719	171,184	-	19,220	190,404

2017

Carrying amount				Fair value			
Available- for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

(Rupees in '000)

Financial liabilities not measured at fair value

Long-term financing	-	143,556,478	143,556,478	-	-	-	-
Term finance and sukuk certificates	-	27,344,007	27,344,007	-	-	-	-
Liabilities against assets subject to finance lease	-	6,127,840	6,127,840	-	-	-	-
Advances from subsidiary	-	4,436,041	4,436,041	-	-	-	-
Trade and other payables	-	90,298,834	90,298,834	-	-	-	-
Accrued interest	-	9,731,832	9,731,832	-	-	-	-
Short-term borrowings	-	34,358,474	34,358,474	-	-	-	-
	-	315,853,506	315,853,506	-	-	-	-

2016

Carrying amount				Fair value			
Available- for-sale	Loans and receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total

(Rupees in '000)

Financial assets measured at fair value

Long term investments	152,768	-	152,768	152,768	-	-	152,768
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Financial assets not measured at fair value**Non current assets**

Investment in unquoted securities	-	-	369	369	-	-	-
Long-term deposits	-	6,883,179	6,883,179	-	-	-	-

Current assets

Trade debts	-	8,751,598	8,751,598	-	-	-	-
Trade deposits	-	3,553,505	3,553,505	-	-	-	-
Other receivables	-	3,433,879	3,433,879	-	-	-	-
Short-term investment	19,220	-	19,220	-	-	-	-
Cash and bank balances	-	343,618	343,618	-	-	-	-
	171,988	26,058,350	26,230,338	152,768	-	-	152,768

2016

Carrying amount				Fair value			
Available- for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

(Rupees in '000)

Financial liabilities not measured at fair value

Long-term financing	-	105,242,756	105,242,756	-	-	-	-
Term finance and sukuk certificates	-	33,507,209	33,507,209	-	-	-	-
Liabilities against assets subject to finance lease	-	13,418,617	13,418,617	-	-	-	-
Advances from subsidiary	-	4,208,390	4,208,390	-	-	-	-
Trade and other payables	-	79,421,769	79,421,769	-	-	-	-
Accrued interest	-	9,134,800	9,134,800	-	-	-	-
Short-term borrowings	-	34,351,311	34,351,311	-	-	-	-
	-	279,284,852	279,284,852	-	-	-	-



The related parties comprise of subsidiaries, profit oriented state-controlled entities, directors, key management personnel and employee benefit funds. The Company in the normal course of business carries out transactions with various related parties. The transactions with related parties, other than those relating to issuance of tickets at concessional rates to employees and directors according to the terms of employment / regulations and those not mentioned elsewhere in these unconsolidated financial statements are as follows:

	2017	2016
	----- (Rupees in '000) -----	
Skyrooms (Private) Limited – Subsidiary		
Payments made against in-transit passengers	275,062	184,712
Advances extended	-	1,833
Services hired	337,583	-
PIA Investments Limited – Subsidiary		
Management fee expense	70,897	66,955
Finance cost on advance	119,613	96,000
Minhaj France S.A. – Sub-subsidiary		
Management fee income	73,763	71,119
Sabre Travel Network Systems (Private) Limited Pakistan – Subsidiary		
Charges in respect of courier services	125	123
Retirement funds		
Contribution to provident fund and others	2,455,502	3,476,668
Interest on overdue balance of provident fund	669,616	656,790
Profit oriented state-controlled entities – common ownership		
Purchase of fuel	11,876,178	10,807,888
Late Payment interest	1,232,315	1,363,416
Airport related charges	10,433,978	10,952,243
Insurance premium	1,223,800	985,139
Finance costs	4,744,992	4,530,853
GoP – Major shareholder		
Finance costs	800,000	802,192
Hajj revenue	3,511,599	2,443,746

- 44.1 Transactions with the directors, chief executive and key management personnel have been disclosed in note 41 to these unconsolidated financial statements.
- 44.2 Details of balances held with the aforementioned related parties excluding profit oriented state-controlled entities have been disclosed in respective notes.
- 44.3 The Company's sales of transportation services to subsidiaries, associates, directors and key management personnel are not determinable.

45. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

On August 14, 2009, GoP launched the BESOS for employees of certain State Owned Enterprises (SOEs) including the Company and Non-State Owned Enterprises (Non-SOEs) where GoP holds significant investments. BESOS is applicable to permanent and contractual employees who were in employment of these entities on its launch date, subject to completion of five years' vesting period by all contractual employees and by permanent employees in certain instances.

BESOS provides for a cash payment to employees on retirement or termination based on the price of shares of the Company. Under the scheme, Pakistan Employees Empowerment Trust (PEET) was formed and 12% of the shares held by the Ministry of Defence were transferred to the Trust. The eligible employees have been allotted units by PEET in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from PEET in exchange for the surrendered units as would be determined based on market price of shares of the Company. The shares relating to the surrendered units would be transferred back to GoP.

BESOS also provides that 50% of dividend related to shares transferred to PEET would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by PEET to the Central Revolving Fund managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in PEET to meet the repurchase commitment would be met by GoP.

BESOS which has been developed in compliance with the policy of the GoP for empowerment of employees of SOEs needs to be accounted for by the covered entities, including the Company, under the provisions of the IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under BESOS, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under BESOS and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 in respect of BESOS vide SRO 587 (i) 2011 dated June 07, 2011.

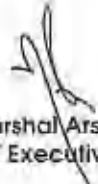
Had the exemption not been granted, the accumulated losses as at December 31, 2017 would have been higher by Rs. 725.707 million (2016: Rs. 725.707 million), staff costs and loss after taxation of the Company for the year ended would have been higher by Rs. 66,684 million (2016: Rs. 66,684 million) while earnings per share would have been lower by Rs. 0.018 and Rs. 0.009 per share (2016: Rs. 0.012 and Rs. 0.006 per share) for class 'A' and 'B' shareholders respectively.

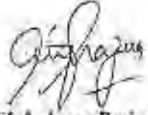
46. GENERAL

Corresponding figures have been reclassified wherever necessary, however, there are no material reclassifications to report.

47. AUTHORISATION OF FINANCIAL STATEMENTS

These unconsolidated financial statements were authorised for issue by the Board of Director in their meeting held on July 18, 2019.


Air Marshal Arshad Malik
Chief Executive Officer


Afif Aslam Bajwa
Director



CONSOLIDATED
FINANCIAL
STATEMENT



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan International Airlines Corporation Limited (the Holding Company) and its subsidiary companies (the Group) as at 31 December 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Holding Company. The consolidated financial statements of PIA Investments Limited (PIAL) - a subsidiary company was audited by one of the joint auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiary company, is based solely on the report of that joint auditor. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on the annexed consolidated financial statements based on our audit.

2. Except as stated in paragraphs 3 and 4 below, our audit was conducted in accordance with the auditing standards as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

3. We have qualified our opinion on the financial statements of the Holding Company as follows:

- a) as disclosed in note 12.2 to the consolidated financial statements, due to non-availability of adequate human resources and other operational problems, the exercise of physical verification could not be completed by management to a reasonable extent at year end and subsequently. Consequently, we were unable to observe the physical count of capital spares of Rs. 3,546 million and stores and spares of Rs. 3,093 million as at 31 December 2017 or satisfy ourselves by any other alternative means. Further, since the closing inventories form part of determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the consolidated balance sheet as at 31 December 2017, loss for the year reported in the consolidated profit and loss account and consolidated statement of comprehensive income and the net cash flows from operating activities reported in the consolidated cash flow statement.
- b) unearned revenue from transportation services was estimated by the Holding Company using consistent methodology on year to year basis at each reporting date upto year ended 31 December 2018. This methodology involved using of sales and ticket utilization data for a particular year to arrive at unearned revenue for such year. However, in the absence of Revenue Accounting System (RAPID) to track unearned revenue on a ticket wise basis, it was impracticable for the Holding Company to determine unearned revenue other than using the methodology as described above.

Upon implementation of RAPID in year 2017, the Holding Company has been able to determine unearned revenue on ticket wise basis and also has been able to track the utilization of tickets up to December 2018. As a result of the exercise the management determined an unidentified balance relating to unearned revenue amounting to Rs. 3,985 million as referred in note 5.1 to the consolidated financial statements.

Further, the management has also carried out an exercise subsequent to year ended 31 December 2017 to determine the balances of revenue related taxes as at 31 December 2017. As a result of the exercise the management determined an unidentified balance relating to revenue related taxes amounting to Rs. 4,700 million as referred in note 5.1 to the consolidated financial statements.

While these exercises have reasonably established the unearned revenue and revenue related taxes as at 31 December 2017, it could not be determined in an appropriate manner whether sufficient and reliable information / data was available based on the accounting and reporting system of the Holding Company as implemented in 2016 and earlier years. Accordingly, we were not able to satisfy ourselves whether these adjustments should have been classified as an error or estimate in terms of the requirement of International Accounting Standards (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".

If these adjustments had been recorded as an estimate, the loss for year would have been lower by Rs. 8,688 million and the opening retained earnings as at 1 January 2017 would have been higher by corresponding effect.

4. The auditors of PIIL have qualified their opinion as follows:

- a) as more fully explained in note 4.4.3 of the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence about the carrying value of property, plant and equipment of Roosevelt Hotel Corporation N.V., reported at Rs. 70,094 million (\$684 million) as at 31 December 2017, because the Group's management did not take into consideration any costs associated with closing down the operations of the hotel property as well as the salvage value of the contents of the building. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- b) as more fully explained in note 9.1 to the consolidated financial statements, receivable from Centre Hotel comprises of the share of joint venture's net current assets amounting to Rs. 835 million (US\$ 7,664 million) as at 21 April 1997, the date when joint venture period expired. The share has been incorporated based on joint venture's management accounts as at 21 April 1997. The arbitration proceedings concluded during the year 2012, and the Arbitrator ordered Sheikh Khalifa to pay PIIL a sum of Rs. 702 million (US\$ 6,355 million) along with interest at the rate of 6% from the date of the issuance of judgment. The said order was ratified by Abu Dhabi commercial court during the year 2013. However, because the eventual outcome / resolution of certain matters as stated in this said note are pending to date, it is not possible to determine with reasonable certainty, the amount which would be recovered.
- c) as more fully explained in note 11.3.1 to the consolidated financial statements, during the year ended 31 December 2012, the Group had recognised long term prepayment in respect of a lease amounting to Rs. 81 million (US\$ 733,280), representing consideration paid to Pakistan Cricket Board (PCB), by way of settlement of amounts due from PCB, for acquiring the right to use a parcel of land for 66 years, which right is vested through execution of sub-lease deed in favour of Avant Hotels (Private) Limited. The Group and PCB agreed to settle the outstanding amounts against sub-lease of the aforementioned parcel of land. The process of carrying out an independent exercise to ascertain the fair value of the subject rights to use the land remains to be completed. Based on the fair value to be determined, Avant will evaluate the recognition of the transaction in accordance with its accounting framework. Because of pending results of these said exercises, we were unable to determine, with reasonable certainty, the carrying value that should have been recognised in respect of the asset and its corresponding effect on equity of the Group.

5. In our opinion, except for the possible effect of the matters stated in paragraphs 3 and 4 above, the consolidated financial statements present fairly the financial position of the Group as at 31 December 2017 and the results of their operations for the year then ended.

6. We draw attention to the following notes to the consolidated financial statements:

- i) note 1.2 to the consolidated financial statements: As more fully explained in this said note that in view of the financial position of the Holding Company, the Government of Pakistan has confirmed to extend necessary financial support to the Holding Company to maintain its going concern status. Hence, the sustainability of the future operations of the Holding Company is materially dependent on the said support;
- ii) note 27.5 to the consolidated financial statements which states that the Pakistan International Airlines Corporation Provident Funds contribution of Rs. 10,498 million along with the mark-up thereon of Rs. 4,855 million were not deposited by the Holding Company within stipulated time as required by Section 227 of the repealed Companies Ordinance, 1984 and section 218 of the Companies Act, 2017; and
- iii) notes 30.1 and 38.1 to the consolidated financial statements which relates to taxes and other contingencies and states that the ultimate outcome of the matters referred therein cannot presently be determined and, accordingly, no provision has been made in respect of these matters in the consolidated financial statements.

Our opinion is not qualified in respect of above matters.

Chartered Accountants
Engagement Partner
Shahid Ali Zaidi

Chartered Accountants
Engagement Partner
Amli Jamil Abbas

Place: Karachi

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

		December 31, 2017	December 31, 2016	January 01, 2016	December 31, 2017	December 31, 2016	January 01, 2016
			(Restated)			(Restated)	
Note		(Rupees in '000)			(US\$ in '000)		
ASSETS							
NON - CURRENT ASSETS							
Fixed assets							
- Property, plant and equipment	6	165,978,765	160,597,360	138,098,487	1,501,698	1,531,615	1,316,835
- Intangibles	7	3,937,693	3,444,521	3,490,204	35,626	32,850	33,281
		169,916,458	164,041,881	141,588,691	1,537,324	1,564,465	1,360,116
Long-term investments	8	243,039	221,960	164,897	2,199	2,117	1,572
Receivable in respect of Centre Hotel	9	834,947	792,096	792,329	7,554	7,554	7,555
Long-term loans and advances	10	-	520	-	-	5	-
Long-term deposits and prepayments	11	8,212,449	9,318,291	10,723,347	74,302	88,868	102,252
Total non-current assets		179,206,893	174,374,748	153,269,264	1,621,379	1,663,009	1,461,495
CURRENT ASSETS							
Stores and spares	12	3,138,003	2,596,696	3,092,446	28,391	24,765	29,488
Trade debts	13	10,989,041	9,403,911	9,870,517	99,424	89,685	94,120
Short-term loans and advances	14	2,642,118	2,156,722	1,580,917	23,905	20,569	15,075
Trade deposits and short-term prepayments	15	7,202,642	4,516,584	3,130,516	65,166	43,075	29,851
Other receivables	16	7,704,303	8,882,877	6,445,893	69,705	84,716	61,466
Short-term investment	17	19,220	24,981	208,066	174	239	1,985
Cash and bank balances	18	9,716,786	8,175,442	7,625,242	87,913	77,969	72,710
Total current assets		41,412,113	35,767,213	31,953,597	374,678	341,018	304,694
TOTAL ASSETS		220,619,006	210,131,961	185,222,861	1,996,057	2,004,027	1,766,189

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Atif Aslam Bajwa
Director

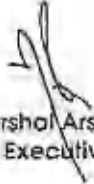


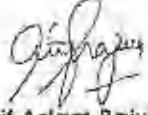
CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

	December 31, 2017	December 31, 2016	January 01, 2016	December 31, 2017	December 31, 2016	January 01, 2016
		(Restated)			(Restated)	
Note	(Rupees in '000)			(US\$ in '000)		
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Issued, subscribed and paid-up share capital	19	52,345,110	52,345,110	52,345,110	473,594	499,215
Reserves	20	5,703,208	4,325,092	4,395,485	51,600	41,248
Accumulated losses		(344,141,438)	(296,299,590)	(280,313,615)	(3,113,630)	(2,482,215)
Attributable to the Holding Company's shareholders		(286,093,120)	(239,629,388)	(203,573,020)	(2,566,436)	(2,285,342)
Non-controlling interest		2,084,069	1,774,904	1,657,742	18,856	16,927
Total equity		(284,009,051)	(237,854,484)	(201,915,278)	(2,569,580)	(2,268,415)
Surplus on revaluation of property, plant and equipment - net	21	59,494,897	48,260,378	30,949,467	538,282	460,259
NON-CURRENT LIABILITIES						
Long-term financing	22	102,242,918	89,339,698	64,362,044	925,046	852,032
Term finance and sukuk certificates	23	17,072,007	25,289,606	26,707,209	154,460	241,187
Liabilities against assets subject to finance lease	24	1,781,163	5,811,849	13,218,479	16,115	55,428
Long-term advances and deposits		106,534	84,537	99,611	964	806
Deferred taxation	25	28,833,563	33,512,827	20,450,267	260,873	319,611
Deferred liabilities	26	33,722,950	30,124,728	24,862,040	305,109	297,299
Total non-current liabilities		183,759,135	184,163,245	149,699,650	1,662,567	1,756,363
CURRENT LIABILITIES						
Trade and other payables	27	140,919,420	121,450,924	109,315,077	1,274,972	1,156,276
Accrued interest	28	14,185,034	13,052,047	11,790,141	128,340	124,477
Provision for taxation - net		550,062	321,581	79,177	4,977	3,067
Short-term borrowings	29	34,358,474	34,351,311	36,940,201	310,859	327,608
Current maturities of:						
- Long-term financing	22	56,742,358	30,562,588	27,963,991	513,378	291,475
- Term finance and sukuk certificates	23	10,272,000	8,917,603	13,196,419	92,936	78,371
- Liabilities against assets subject to finance lease	24	4,346,677	7,606,768	7,204,016	39,326	72,546
Total current liabilities		261,974,025	215,562,822	206,489,022	2,364,788	2,055,820
TOTAL LIABILITIES		445,133,160	399,726,067	356,188,672	4,027,355	3,812,183
TOTAL EQUITY AND LIABILITIES		220,619,006	210,131,961	185,222,861	1,996,057	2,004,027
Contingencies and commitments	30					

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


 Air Marshal Arshad Malik
 Chief Executive Officer


 Atif Aslam Bajwa
 Director

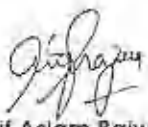
CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016	2017	2016
			(Restated)		(Restated)
Note		----- (Rupees in '000) -----		----- (US\$ in '000) -----	
Revenue - net	31	104,198,821	102,426,552	942,742	976,841
Cost of services					
Aircraft fuel		(30,940,544)	(27,152,814)	(279,936)	(258,956)
Others	32	(85,843,907)	(85,378,710)	(776,675)	(814,256)
		(116,784,451)	(112,531,524)	(1,056,611)	(1,073,212)
Gross loss		(12,585,630)	(10,104,972)	(113,869)	(96,371)
Distribution costs	33	(5,493,562)	(5,599,538)	(49,703)	(53,403)
Administrative expenses	34	(9,216,245)	(9,198,376)	(83,384)	(87,725)
Other provisions and adjustments	35	(2,096,526)	(6,748,311)	(18,968)	(64,359)
Exchange loss - net		(2,203,396)	(298,940)	(19,937)	(2,851)
Other income	36	461,148	658,786	4,172	6,283
		(18,548,581)	(21,186,379)	(167,820)	(202,055)
Loss from operations		(31,134,211)	(31,291,351)	(281,689)	(298,426)
Finance costs	37	(15,781,979)	(13,585,691)	(142,788)	(129,567)
Share of loss in an associate	8.1	(2,034)	(338)	(18)	(3)
Loss before taxation		(46,918,224)	(44,877,380)	(424,495)	(427,996)
Taxation	38	(817,948)	117,916	(7,400)	1,125
Loss for the year		(47,736,172)	(44,759,464)	(431,895)	(426,871)
Attributable to:					
Equity holders of the Holding Company		(47,756,323)	(44,767,638)	(432,077)	(426,948)
Non-controlling interest		20,151	8,174	182	78
		(47,736,172)	(44,759,464)	(431,895)	(426,871)
Loss per share - basic and diluted					
		----- (Rupees) -----		----- (US\$) -----	
Loss attributable to:					
'A' class Ordinary shares of Rs 10 each	39	(9.12)	(8.55)	(0.09)	(0.08)
'B' class Ordinary shares of Rs 5 each	39	(4.56)	(4.28)	(0.05)	(0.04)

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Aliif Aslam Bajwa
Director



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ANNUAL REPORT 2017

 **PAKISTAN**
International Airlines
Great People to Fly With

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016	2017	2016
		(Restated)		(Restated)
	----- (Rupees in '000) -----		----- (US\$ in '000) -----	
Loss for the year	(47,736,172)	(44,759,464)	(431,895)	(426,871)
Other comprehensive income				
<i>Items that will be reclassified subsequently to consolidated profit and loss account</i>				
Unrealised gain on remeasurement of available for sale investment	18,416	57,666	167	550
Exchange differences on translation of foreign operations	1,686,016	(142,761)	15,254	(1,362)
	1,704,432	(85,095)	15,421	(812)
<i>Items that will not be reclassified subsequently to consolidated profit and loss account</i>				
Remeasurement of post retirement defined benefits obligation	(917,792)	(2,505,797)	(8,304)	(23,898)
Effect of deferred tax	220,949	46,172	1,999	440
	(696,843)	(2,459,625)	(6,305)	(23,458)
Total comprehensive income - loss	(46,728,583)	(47,304,184)	(422,779)	(451,141)
Attributable to:				
Equity holders of the Holding Company	(47,075,050)	(47,297,656)	(425,914)	(451,079)
Non-controlling interest	346,467	(6,528)	3,135	(62)
	(46,728,583)	(47,304,184)	(422,779)	(451,141)

Surplus / (deficit) arising on revaluation of property, plant and equipment has been reported in accordance with the requirements of the repealed Companies Ordinance, 1984, in a separate account below equity and accordingly changes therein are reported directly into equity.

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer

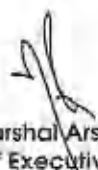

Atif Aslam Bajwa
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016	2017	2016
			(Restated)		(Restated)
Note		(Rupees in '000)		(US\$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
	40.1	(255,060)	5,165,130	(2,306)	49,260
Cash (used in) / generated from operations		48,392	75,024	438	716
Profit on bank deposits received		(14,517,645)	(12,173,178)	(131,349)	(116,095)
Finance costs paid		(582,091)	(536,956)	(5,266)	(5,121)
Taxes paid		(917,823)	(858,008)	(8,304)	(8,183)
Employee benefits paid		1,756	2,260	16	22
Proceeds from long-term loans and advances		(1,119,746)	(671,457)	(10,131)	(6,404)
Long-term deposits and prepayments - net		(17,342,219)	(8,997,184)	(156,902)	(85,805)
Net cash used in operating activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
		(4,206,540)	(1,923,253)	(38,059)	(18,342)
Purchase of property, plant and equipment		(409,686)	(4,728)	(3,707)	(45)
Purchase of intangibles		260,203	7,156	2,354	68
Proceeds from sale of property, plant and equipment		5,761	183,085	52	1,746
Proceeds from short-term investments		(4,350,262)	(1,737,737)	(39,360)	(16,573)
Net cash used in investing activities					
CASH FLOWS FROM FINANCING ACTIVITIES					
		(38,189,151)	(31,473,955)	(345,518)	(300,167)
Repayments of long-term financing		75,019,998	57,554,136	678,746	548,893
Proceeds from long-term financing		(6,163,202)	(6,396,419)	(55,762)	(61,003)
Repayment of term finance certificates		21,997	(14,965)	199	(143)
Proceeds from/(repayment of) long-term deposits		(37,302)	(34,942)	(337)	(333)
Payment of dividend to non-controlling interest		(7,336,941)	(7,210,999)	(66,382)	(68,772)
Repayments of obligations under finance lease - net		23,315,399	12,422,856	210,946	118,476
Net cash from financing activities		1,622,918	1,687,935	14,684	16,098
Increase in cash and cash equivalents					
Cash and cash equivalents at beginning of the year		4,627,825	2,968,685	41,870	28,505
Effects of exchange rate changes on cash and cash equivalents		293,898	(616)	2,659	(6)
Restatement in cash and cash equivalent [see notes 5.2 & 5.3(a)]		-	(48,379)	-	(462)
Cash and cash equivalents at end of the year		6,544,641	4,627,825	59,213	44,135
Cash and cash equivalents					
Cash and bank balances	18	9,716,786	8,175,442	87,913	77,969
Running finance under mark-up arrangements	29	(3,172,145)	(3,547,617)	(28,700)	(33,834)
		6,544,641	4,627,825	59,213	44,135

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Afif Aslam Bajwa
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed, and paid-up capital	Attributable to the Holding Company's shareholders					Accumulated losses	Non - controlling interest	Total
		Capital reserves	Revenue reserves	Unrealised gain on remeasur- ement of investment	Foreign currency translation reserves	Legal reserve	Subtotal		

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Atif Aslam Bajwa
Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. THE GROUP AND ITS OPERATIONS

- 1.1 The 'Group' consists of Pakistan International Airlines Corporation Limited, i.e. the Holding Company, its subsidiaries and an associate.

Pakistan International Airlines Corporation Limited - Holding Company

Pakistan International Airlines Corporation Limited ('the Holding Company') was incorporated on January 10, 1955 under the Pakistan International Airlines Company Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Company Act, 1956 (the Act). With effect from April 19, 2016, the Company has been converted from a statutory company into a public limited company by shares, Pakistan International Airlines Company Limited ('the Company'), through Act No. XV of 2016 The Pakistan International Airlines Company (Conversion) Act, 2016 (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Company Act, 1956 and the Company is now governed under the Companies Act, 2017 (previously repealed Companies Ordinance, 1984). According to the Conversion Act, all assets, rights, license, privileges and benefits of which the Company was entitled were transferred to the Company and the Company has assumed all liabilities and obligations of the Company. However, the management believes that in substance there is no change except for the legal status and application of provisions of the Companies Act, 2017 (previously repealed Companies Ordinance, 1984).

The principal activity of the Holding Company is to provide commercial air transportation, which includes passenger cargo and postal carriage services. Other activities of the Holding Company include provision of engineering and allied services. The head office of the Holding Company is situated at PIA Building, Jinnah International Airport, Karachi.

Subsidiaries

PIA Investments Limited (PIAIL) was incorporated on September 10, 1977 in Sharjah, United Arab Emirates as a limited liability company under a decree issued by H. H., The Ruler of Sharjah. During 1986, PIAIL was registered in British Virgin Islands under International Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act, 2012) as a company limited by shares. The principal activity of PIAIL is to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. The Holding Company's controlling interest in PIAIL is 100% (2016: 100%). The registered office of PIAIL is situated at Citico Building, Wickham Cay, Road Town, Tortola, British Virgin Islands.

Following are the details of PIAIL's subsidiaries:

	Place of incorporation	Nature of business	Effective ownership and voting power of PIAIL (%)	Effective ownership and voting power of the Holding Company (%)
- Roosevelt Hotel Company, N.V. (RHC)	Netherlands - Antilles	See note (A)	100	100
- RHC Operating LLC	State of Delaware, USA	Owner of Roosevelt Hotel, New York	100	100
- Minhal France S.a.r.l.	Luxembourg	See note (B)	100	100
- Minhal France B.V.	Netherlands	See note (B)	100	100
- PIA Hotels Limited	British Virgin Islands	See note (B)	100	100
- PIA Aviation Limited (PAL)	British Virgin Islands	See note (B)	100	100
- Avant Hotels (Private) Limited	Pakistan	See note (C)	62.5	62.5
- Minhal France S.A. (MFSA)	France	See note (D)	90	90



Note (A): Roosevelt Hotel Company N.V. (RHC) is the intermediary Holding Company and a sole member of RHC Operating LLC, a company which owns the Roosevelt Hotel, New York. During the year 2014, to comply with the requirements of then outstanding loans, RHC transferred the net operating assets of the Roosevelt Hotel to RHC Operating LLC.

Note (B): These companies are intermediary holding companies except PIA Hotels Limited and PIAL which are dormant companies.

Note (C): Avant Hotels (Private) Limited (Avant) is a joint venture between PIAL and Pakistan Cricket Board (PCB) being subscribers to 62.5% and 37.5% respectively of Avant's shares. However, Avant is at its planning phase and has not started its commercial activities.

Note (D): Minhal France SA is a subsidiary of Minhal France BV, whose registered office is in Rotterdam, Netherlands. MFSA's activities are principally in the hotel and restaurant sector. MFSa also earns rental income from leasing shop space. The management of the hotel is undertaken by ACCOR with the assistance of PIAL.

PIAL has been consolidated in these consolidated financial statements on the basis of its audited consolidated financial statements for the year ended December 31, 2017.

Skyrooms (Private) Limited (SRL) was incorporated on May 29, 1975 in Pakistan as a private limited company under the Companies Act, 1913 (now repealed Companies Ordinance, 1984). SRL owns and manages Airport Hotel, Karachi. SRL is a wholly owned subsidiary of the Holding Company. SRL has been consolidated on the basis of its management accounts for the year ended December 31, 2017 as the same is not considered to be material to these consolidated financial statements.

Sabre Travel Network Pakistan (Private) Limited (Sabre) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares. Under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), Sabre markets and distributes a computer reservation system to subscribers in Pakistan, under a sub-distribution agreement with Sabre Asia Pacific (Pte.) Limited (Sabre TN APAC) (an associated Company and joint venture partner), that incorporates a software package which performs various functions including real-time airlines seat reservations, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding Company's controlling interest in Sabre is 70%. Sabre has been consolidated on the basis of its unaudited financial statements for the year ended December 31, 2017 as the same is not considered material to these consolidated financial statements.

The other subsidiaries of the Holding Company, PIA Holding (Private) Limited, Midway House (Private) Limited, PIA Shaver Poultry Breeding Farms (Private) Limited and PIA Hotels Limited, had applied under the 'Easy Exit Scheme' announced by the Securities and Exchange Commission of Pakistan (the SECP) for voluntary winding up. Assets and liabilities of these subsidiaries were taken over by the Holding Company, and, accordingly, have not been consolidated in these consolidated financial statements.

The Special Purpose Entities (SPE) formed for acquiring aircrafts have not been consolidated in these consolidated financial statements as the shareholding, controlling interest and risk and rewards of SPE rests with the trustees representing foreign banks.

Associate

Minhal Incorporated (Minhal), Sharjah was incorporated on January 1, 1977 in Sharjah, United Arab Emirates as a limited liability company and is currently registered in British Virgin Islands. The principal activities of Minhal are to carry on business as promoters and the managers of projects related to construction, development and operation of hotels, restaurants and clubs throughout the world. The Holding Company's interest in Minhal is 40%.

- 1.2** During the current year, the Group incurred a net loss of Rs. 47,736,172 million (2016: Rs. 44,759,284 million) resulting in accumulated losses of Rs. 344,141,439 million as of December 31, 2017 (2016: Rs. 296,299,591 million). Further, as of December 31, 2017, current liabilities of the Group exceeded its current assets by Rs. 219,961,914 million (2016: Rs. 179,805,501 million).

In view of the situation described above, the management has made an assessment of the Holding Company's ability to continue as a going concern and based on the below mitigating factors, the management believes that no material uncertainty exist and going concern assumption is appropriate. Accordingly, these consolidated financial statements are prepared on a going concern basis.

a) Government of Pakistan (GoP), being the major shareholder of the Holding Company, through its finance division's letter dated September 02, 2008 communicated that it would extend all maximum support to maintain the Holding Company's going concern status. Accordingly, since then it has been extending support to the Holding Company through the following measures to ensure that the Holding Company continues and sustains in the long-term as a viable business entity:

- long-term financing to meet working capital requirements of the Holding Company.
- issuance / renewal of guarantees to financial institutions, both local and foreign, enabling the Holding Company to raise / rollover funds.
- approval for extending repayment period of the term finance certificates.
- provided funds for acquisition of narrow body aircraft on dry lease.
- reimbursement of financial charges on term finance and sukuk certificates.

b) In a meeting with the Honorable Prime Minister of Pakistan on December 30, 2017, it was agreed that mark-up support would be provided for the five years starting from July 2018 and short-term loans would be converted to long term with a possibility of grace period. Further, subsequent to December 31, 2017 following decisions/steps have been taken by the GoP to support the Holding Company:

- approval for reimbursement of markup for five years, accordingly an amount of Rs. 16,019 million has been provided by GoP during the fiscal year 2018-19 in respect of markup support.
- through a letter dated February 19, 2018, GoP has reiterated its maximum support to maintain the Holding Company's going concern.
- GoP guarantee limit enhanced from Rs.176,085 million (December 31, 2017) to Rs 222,107 million (May 31, 2019) to meet the cash deficit.

c) Further, in a meeting with the Honorable Prime Minister of Pakistan (PM) on April 4, 2019, the Holding Company presented its strategic business plan 2019-23 which was approved and during that meeting PM assured GoP's full support to the Holding Company in terms of provision of funds/equity in order to increase its potential to compete in the Aviation market. Thereafter, in Finance Bill 2019, GoP has allocated Rs. 24,500 million in respect of mark-up support to the Holding Company.

In view of the above mitigating factors, the management believes that the going concern assumption is appropriate and accordingly, has prepared these consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act, 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance). Accordingly, these consolidated financial statements for the year ended December 31, 2017 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 shall prevail. (refer note 2.6.13)

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that:

- certain items of property, plant and equipment are stated at revalued amount;
- certain financial assets are carried at fair value;
- liability on account of frequent flyer programme is recognised at fair value; and
- defined benefit obligations are stated at present value.



2.3 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Holding Company operates. The consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

The US Dollar amounts reported in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as an additional information solely for the convenience of the users of these consolidated financial statements. The US Dollar amounts in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement have been translated into US\$ at the rate of Rs. 110.6274 = US\$ 1 (2016: Rs. 104.8549 = US\$ 1).

2.4 Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries and its associate as at and for the year ended December 31, 2017.

2.4.1 Subsidiaries

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which the control is transferred to the Group. They are derecognised from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the addressee on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of addressee's identifiable net assets.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the addressee over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised in consolidated profit and loss.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements. All material intra-group transactions and balances are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting year as the Holding Company. The accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Holding Company, where necessary.

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated profit and loss account and within equity in the consolidated balance sheet, separately from Holding Company shareholders' equity. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

2.4.2 Associates

Associated companies are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of another entity.

The associate of the Group is accounted for using the equity method (equity accounted investees), and is recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment loss. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align with the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of loss exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further loss is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The carrying amount of investment in associate is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investment is estimated which is higher of its value through use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to the consolidated profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the consolidated profit and loss account.

2.5 New standards, amendments to approved accounting standards and new interpretation to existing standards that are effective for the year ended December 31, 2017

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2017 but are considered not to be relevant or do not have any significant effect on the Group's consolidated financial statements and are therefore not stated in these consolidated financial statements.

2.6 New standards, amendments to approved accounting standards and new interpretations to existing standard that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2018.

2.6.1 Amendments to IFRS 2- Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2018. The amendments cover three accounting areas: (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment (from cash-settled to equity-settled). The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Group's consolidated financial statements.

2.6.2 IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments) becomes effective from annual periods beginning on or after January 01, 2021 with limited exceptions. In all insurance contracts (including reinsurance contracts) that an entity issues and to which insurance contracts that it holds. IFRS 4 will be replaced by IFRS 17 as of January 01, 2021 and will not have any impact on the Group's consolidated financial statements.

2.6.3 IFRS 9 Financial Instruments (effective for annual periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in OCI and not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income. For liabilities designated at fair value through profit and loss. The Group is currently evaluating its impact on the consolidated financial statements.

2.6.4 IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: Amendments to IFRS 10 and IAS 28. The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investor's interest in the associate or joint venture. In December 2015, the IASB postponed

the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Group is currently evaluating its impact on the consolidated financial statements.

- 2.5.5** IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is currently evaluating its impact on the consolidated financial statements.
- 2.5.6** IFRS 16 'Leases' (effective for annual period beginning on or after January 01, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of its right to use assets and liabilities on adoption of the standard.
- 2.5.7** Transfers of Investment Property (Amendments to IAS 40 'Investment Property') - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- 2.5.8** Further, the following new standards have been issued by IASB which are yet to be notified by the SEC/P for the purpose of applicability in Pakistan.

IASB Effective date (annual periods beginning standards on or after)

Standards

IFRS 14 – Regulatory Deferral Accounts
IFRS 17 – Insurance Contracts

01 January 2016
01 January 2021

The Group expects that above new standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

- 2.6.9** Annual Improvements 2014-2016 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:
- 2.6.10** Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 01, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- 2.5.11** IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on the Group's consolidated financial statements.

2.6.12 IFRIC 23 'Uncertainty over income tax treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on the Group's consolidated financial statements.

2.6.13 The Companies Ordinance, 1984 was repealed by the enactment of the Companies Act, 2017 (the Act) on May 30, 2017. Securities and Exchange Commission of Pakistan (the Commission) vide its Circular no. 23/2017 dated October 04, 2017 in continuation of its Circular 17 of 2017 dated July 20, 2017 has clarified that the companies whose financial year closes after December 31, 2017, shall prepare financial statements in accordance with the Act. Hence, the provisions of Companies Act, 2017 will be applicable for the preparation of financial statements for the year ended on December 31, 2017. The Act requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Act. The application of the Act would have significant impact on the Group's consolidated financial statements for the year ended December 31, 2018. The Group would be required to give extended disclosures and change its existing accounting policy relating to surplus on revaluation of fixed assets (see note 4.1) to bring it in line with the requirements of IAS 16 - "Property, plant and equipment".

IAS 16 requires that any deficit arising on revaluation of an item of fixed assets is recognised in profit and loss account and any increase in carrying value of an item of fixed assets is recognised in other comprehensive income and accumulated in equity under the heading of surplus reserve.

Based on preliminary assessment of changes in the Act if applied at December 31, 2017, would have had a material impact on its accounting for surplus / deficit on revaluation of fixed assets. Loss and other comprehensive income net of tax for the year ended December 31, 2017 would have been higher by Rs. 3,698,016 million and Rs. 4,834,984 million, respectively, accumulated losses and surplus reserve in equity would have been higher by Rs. 17,102,411 million and Rs. 22,766,409 million respectively and resultant net equity as of December 31, 2017 would have been higher by Rs. 59,494,897 million.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to these consolidated financial statements:

3.1 Property, plant and equipment

The Group reviews appropriateness of the rates of depreciation / useful lives and residual values used in the calculation of depreciation at each financial year end. Further, the Group estimates revalued amount and useful life of aircraft fleet, leasehold land and buildings and hotel property based on the annual and periodic valuations carried out by independent professional valuers. Any change in estimate in future might affect the carrying amounts of the respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, surplus on revaluation and annual transfer of incremental / decremental effect of depreciation from surplus on revaluation of property, plant and equipment account to accumulated loss in equity directly.

Change in accounting estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2016, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in useful lives and residual values of aircraft, the related capital spares and depreciation expense pertaining to aircraft fleet with the related capital spares for the year would have been higher by Rs. 32,482 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of aircraft fleet, the related capital spares under the revaluation model and inherent uncertainties attached thereto.



3.2 Stores and spares

The Group at each reporting date, reviews the net realisable values of stores and spares to assess any diminution in their respective carrying values. Due to the complex nature and huge quantum of the items of stores and spares, the net realisable value is arrived at by estimating the provision against slow moving stores and spares, which is made in proportion to the estimated utilised life of the relevant category at the aircraft attained up to the reporting date.

3.3 Trade debts

The Group reviews doubtful trade debts at each reporting date to assess the adequacy of the provision there against. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

3.4 Employee benefits

The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases, mortality rates, future increase in medical costs and future pension increases. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 24 to these consolidated financial statements.

3.5 Taxation

In making the estimate for income tax payable by the Group, the Group takes into account the applicable tax laws. Deferred tax asset is recognised for unused tax losses and available credits to the extent that it is probable that sufficient taxable temporary differences and taxable profits will be available against which such losses and credits can be utilised. Significant judgment is exercised to determine the amount of deferred tax asset to be recognised.

3.6 Liability on account of frequent flyer programme

The Holding Company operates a frequent flyer programme that provides travel awards to members of the programme based on accumulated mileage. The Holding Company accounts for award credits as separately identifiable component of the sales transaction in the period in which they are granted. The consideration in respect of initial sale is allocated to award credits based on their fair value and is accounted for as a liability in these consolidated financial statements. The fair value of credits awarded is estimated by reference to the fair value of the services for which the award credits may be redeemed. Determination of the fair value of the award credits involves estimations, based on the average of air fares, the value of each award credit assuming a 100% redemption rate, and estimating the expected award credit redemption rate. These estimates are reviewed as and when a significant change in the assumptions used is observed and the liability is adjusted annually as appropriate. The provision for frequent flyer programme is determined based on the valuation carried out by an independent professional valuer.

3.7 Revenue recognition

Revenue for passenger tickets and cargo airway bills is recognised when the transportation services are provided. The passenger tickets and Cargo Airway Bills that are un-utilised, are recognised as unearned revenue on the basis of sale value of those documents.

3.8 Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment loss, if any, resulting from such review is charged to the consolidated profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below are consistently applied for all periods presented in these consolidated financial statements.

4.1 Fixed assets

Property, plant and equipment

Operating fixed assets - owned

Land classified as 'others' in note 6.1 are stated at cost, whereas buildings classified as 'others' in the aforesaid note are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and buildings thereon, hotel properties and aircraft fleet are initially recognised at cost and are subsequently measured at revalued amounts, which are the fair values at the date of revaluation less accumulated depreciation and impairment, if any.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Aircraft and related equipment acquired on an exchange basis are stated at amounts paid plus the fair value of the fixed asset traded in.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is derecognised.

Major renewals, improvements and major overhauls to aircraft are capitalised and depreciated over the period to the next major overhaul. All other repairs and maintenance including cost incurred under 'power by the hour' contracts in relation to aircraft are charged to the consolidated profit and loss account during the financial period in which they are incurred.

Depreciation is charged to the consolidated profit and loss account, applying the straight-line method whereby the cost or revalued amount of assets, less their residual values, is written down over their expected useful lives. The rates of depreciation are disclosed in note 6.1 to these consolidated financial statements.

In respect of additions and disposals of assets, depreciation is charged from the month in which the asset is available for use until it is derecognised, i.e. up to the month preceding the disposal.

Useful lives (except for aircraft fleet, hotel property and building at revaluation model) are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence and other similar factors. The useful lives of aircraft fleet, hotel property and building at revaluation model are determined by management based on the appraisal of an independent valuer. The assets' residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each reporting date.

Surplus on revaluation of aircraft fleet, leasehold land and buildings and hotel property is credited to the surplus on revaluation of property, plant and equipment account and is shown in the consolidated balance sheet below share capital and reserves. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Cost / revalued amount at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. To the extent of the incremental / reduced depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit and loss account in the year the asset is derecognised.

Gains or losses on disposal of assets are taken to the consolidated profit and loss account. When revalued assets are sold or retired from operation, the relevant remaining deficit and surplus is transferred to consolidated profit and loss account and to retained earnings, respectively.



Leased

Leased assets under which the Holding Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance lease

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments. Initial direct costs are added to the amount of the asset. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

Operating lease

Payments made under operating leases (net of any incentives received from the lessor) along with related costs are charged to the consolidated profit and loss account on a straight-line basis over the lease term.

Capital spares

Rotable and repairable stores are stated at cost and treated as property, plant and equipment and are depreciated based on the average remaining useful life of the related aircraft. Capital spares which are not useable are treated as scrap and charged to the consolidated profit and loss account.

Capital work-in-progress

These are stated at cost less impairment, if any, and consist of expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. The assets are transferred to relevant category of property, plant and equipment when they are available for intended use.

4.2 Intangibles

Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a company and the value of the Group's share of its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment loss, if any, resulting from such review is charged to the consolidated profit and loss account. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Other intangible assets

Other intangible assets are measured on initial recognition at cost. Costs that are directly associated with identifiable software products / licenses controlled by the Group and that have probable economic benefit beyond one year are recognised as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 7 to these consolidated financial statements.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit and loss account when the asset is derecognised.

4.3 Investments

At fair value through profit or loss - held for trading

These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are initially recorded at fair value and attributable transaction costs are recognised in consolidated profit and loss account. Subsequently, these are carried at market value, with the related surplus / (deficit) being taken to the consolidated profit and loss account.

Held to maturity

Investments with fixed or determinable payments and fixed maturity, for which the Group has the ability to hold them till maturity, are classified as held to maturity investments. These investments are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using effective interest method. All investments categorized under held to maturity are subject to annual review for impairment. Provisions for impairment in value, if any is taken to the consolidated profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, interest accrued, other receivables and cash and bank balances as at the reporting date. These are stated at amortised cost less impairment, if any.

Available for sale

Investments not classified in above categories are considered as available for sale. Other investments are classified as available for sale. Investments classified as available for sale are initially recognised at fair value, plus transaction costs and are subsequently marked to market using year end bid prices from stock exchange quotation and quotations from brokers and in case of unquoted investments, at cost, less impairment. Any resultant unrealised gain or loss is recognised in other comprehensive income. When these investments are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the consolidated profit and loss account. Impairment losses recognised as equity securities in the consolidated profit and loss account are not reversed subsequently.

4.4 Stores and spares

These are stated at lower of cost and net realisable value, less impairment, if any. Goods-in-transit are valued at cost plus other charges incurred thereon. Cost is determined as follows:

- | | |
|--|------------------------------------|
| - Fuel and medical inventories | first-in-first-out basis |
| - Other stores and spares including food and beverages | weighted moving average cost basis |

Provision against slow moving stores and spares related to aircraft fleet is made in proportion to the estimated useful life of the relevant category of the aircraft attained up to the reporting date.

4.5 Trade debts and other receivables

These are recognised initially at fair value (i.e. original invoice / ticket amount) plus directly attributable transaction costs (if any) and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and other receivables considered irrecoverable are written off.

4.6 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks. Cash and cash equivalents also include running finance that are repayable on demand and form an integral part of the Group's cash management.

4.7 Trade and other payables

Liabilities for trade creditors and other amounts payable are recognised initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortised cost.

4.8 Loans and borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs, if any. Subsequently, these are measured at amortised cost using the effective interest method.

4.9 Employee benefits

4.9.1 The Holding Company

Provident fund

The Holding Company operates a defined contribution provident fund scheme for all its permanent employees. Equal monthly contributions are required to be made to the Fund by the Holding Company and the employees in accordance with the Fund's Rules. The Holding Company's required contribution to the Fund is charged to these consolidated profit and loss account.

Pension funds

For all the permanent employees hired prior to July 01, 2008, the Holding Company operates a funded benefit pension scheme for its three categories of employees. Pension scheme is a final salary pension scheme and is invested through three funds namely Pakistan Airline Pilot Association (PALPA), Flight Engineering Association (FENA) and Employees' Pension Funds. Under The PALPA and FENA pension fund, employees are entitled to basic salary and flight allowance whereas under Employees' Pension Fund, employees are entitled to basic salary and certain other allowances. Contributions are made to the scheme at the advice of actuary. For all the permanent employees hired on or after July 01, 2008 in lieu of the pension funds as described above, the Holding Company operates a defined contribution pension fund whereby a contribution of 5% of the pensionable benefits is made to the Fund in accordance with the relevant rules.

Actuarial valuation that is carried out annually. Net interest expense, current service cost and any past service cost are recognised in consolidated profit and loss account whereas any actuarial gains / losses and the return on plan assets (excluding interest) are recognised immediately in statement of comprehensive income.

Post-retirement medical benefits

The Holding Company operates an unfunded defined benefit medical scheme and provides medical allowances and free hospitalisation benefits to all its retired employees and their spouses in accordance with their service regulations. The post-retirement medical benefit is accounted for on the basis of actuarial valuation that is carried out annually. Net interest expense and current service cost (B695) are recognised in consolidated profit and loss account and any actuarial gains / (losses) are recognised immediately in statement of comprehensive income. B701

Compensated absences

The Holding Company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences on the basis of actuarial valuation that is carried out annually.

4.9.2 Skyrooms (Private) Limited (SRL)

Defined benefit plan - gratuity

SRL operates an unfunded defined benefit gratuity scheme for all its permanent employees who have completed the prescribed qualifying period of service. Provision for gratuity is made in accordance with actuarial valuation to cover obligation under the scheme in respect of employees who have completed the minimum qualifying period.

Defined contribution plan - provident fund

SRL also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by SRL and employees, in accordance with Fund's rules.

4.9.3 PIA Investments Limited (PIAIL)

Gratuity fund scheme

PIAIL operates a funded gratuity scheme for its permanent employees who have completed one year of service. An accrual is made for maximum benefit that is payable to employees based on their number of years of service as at reporting date, as the management of PIAIL believes that the liability amount is not material in the overall context of PIAIL's consolidated financial statements.

Provident fund scheme

PIAIL also operates a provident fund scheme as a contribution plan for its permanent employees. Equal contributions are made, both by PIAIL and the employees to the provident fund at the rate of 10% of basic salary.

4.9.4 Roosevelt Hotel Corporation N.V. (RHC)

Defined contribution retirement benefit plan

RHC is a party to the Industry wide Collective Bargaining Agreement between the New York Hotel Trades Council (Union) and the Hotel Association of New York City, Inc., which provides a Union sponsored multi-employer defined benefit plan (the plan). The Multi-employer Pension Plan Amendments Act of 1980 imposes certain liabilities upon employers associated with a plan upon withdrawal from or termination of the said plan.

Further, all RHC staff, both union and non-union, are employees of RHC's management company, Interstate Hotels and Resorts Corporation (IHC). RHC reimburses the management company for matching contributions it makes on behalf of the Hotel's non-union staff to the management company's 401(k) pension plan.

Payments to defined contribution retirement benefit plan is charged as an expense as they fall due.

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation and bonuses), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

4.9.5 Minhaj France S.A. (MFSA)

Employees pension plan

On retirement, MFSA's employees are entitled to an indemnity under the law and in accordance with hotel industry labour agreements. Provision is made for the liability at the reporting date in accordance with the agreements.

4.9.6 Sabre Travel Network Pakistan (Private) Limited (Sabre)

Provident fund

Sabre operates an approved contributory provident fund for its employees. Equal monthly contributions are made, both by Sabre and the employees, to the provident fund at the rate of 10% of basic salary. Sabre's contribution is charged to consolidated profit and loss account.

4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover basis, whichever is higher. It also includes any adjustment to tax payable in respect of prior years.

Deferred taxation

Deferred income tax is recognised using the balance sheet liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable timing differences will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset is reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits or taxable temporary differences will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in other comprehensive income is recognised in consolidated statement of comprehensive income and not in consolidated profit and loss account.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.11 Revenue recognition

The Group principally earns revenue from the carriage of passengers, cargo, mail and excess baggage, provision of handling services to other airlines, engineering services, air charters, hotel operations, distribution of a computer reservation system and related activities.

Passenger and cargo revenue

Passenger and cargo revenue is recognised when the transportation service is provided. The value of unused tickets and airway bills is included in current liabilities as "advance against transportation" until recognised as revenue. The estimates involved in revenue recognition are disclosed in note 3.7 to these consolidated financial statements.

Room, food and beverages

Revenue from room and shop, food, beverages and other related services is recognised as and when services are rendered.

Income from shop rentals is recognised on a straight line basis over the lease term.

Engineering and other services

Revenue from repair and maintenance and overhaul services of engine and component to other airlines is recognised when such services are rendered.

Frequent flyer programme revenue

The Holding Company operates two principal loyalty programmes. The airline's 'frequent flyer programme' allows frequent travelers to accumulate travel miles that entitle them to a choice of various awards, primarily free travel. The fair value attributed to the awarded mileage credits is deferred as a liability and recognised as revenue on redemption of the miles by the participants to whom the miles are issued. When the miles expire or when they are not expected to be redeemed.

In addition, miles are sold to commercial partner to use in promotional activity. The fair value of the miles sold is deferred and recognised as revenue on redemption of the miles by the participants to whom the miles are issued. The cost of redemption of miles is recognised when miles are redeemed. The estimates involved in recognizing revenue from frequent flyer programme are disclosed in note 3.6 to these consolidated financial statements.

Interest / mark-up and dividend income

The Group recognises interest income / mark-up on short-term bank deposits, interest bearing advances and held-to-maturity investments on a time proportion basis using effective interest method.

Dividend income is recognised when the Group's right to receive dividend is established.

4.12 Borrowing Costs

The Group recognises the borrowing costs as an expense in the period in which these costs are incurred, except the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset.

4.13 Provisions

Provisions are recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

4.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of the asset which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the consolidated profit and loss account. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated profit and loss account.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in reserves in equity to consolidated profit and loss account. The cumulative loss that is reclassified from equity to consolidated profit and loss account is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognised previously in consolidated profit and loss account.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



4.15 Foreign currency

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates approximating those ruling on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates using the average spot rate on the reporting date. Gains and losses on translation are taken to consolidated profit and loss account currently.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items, measured at fair value in a foreign currency, are translated using the exchange rates at the date when the fair value was determined.

Foreign operations

Assets including goodwill and liabilities of foreign entities are translated into Pakistani Rupees at reporting date exchange rates. Income and expense items are translated at exchange rates approximating the rates of exchange at the dates of the transactions. Items of equity are carried at their historical values. Differences in exchange rates are recognised as foreign currency translation reserve and are included in other comprehensive income.

4.16 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value and subsequently at fair value or amortised cost as the case may be. Financial assets are de-recognised at the time when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the consolidated profit and loss account immediately.

4.17 Earnings per share

The Group presents basic and diluted earnings / (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.18 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognised at estimated fair value with corresponding effect to the consolidated profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

4.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet only when there is a legally enforceable right to set-off the recognised amounts and the Group intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

4.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

4.21 Dividend and reserves

Dividend and appropriation to / from reserves are recorded when approved. However, if these are approved after the reporting date but before the financial statements are authorised for issue, they are disclosed in notes to these consolidated financial statements.

data of tickets utilized during the year from the revenue accounting system). This statement summarizing the balance of Advance Against Transport (Unearned Revenue) with ticket wise breakup as at December 31, 2017 which is also traceable to the actual utilization of those tickets in the subsequent period.

- Identification of amounts payable to various foreign Airport Authorities in respect of taxes collected at the time of sale of tickets, including balance of taxes payable against tickets not utilized till December 31, 2017.

Above mentioned activity resulted in identification of following balances which were appearing in the consolidated financial statements as at December 31, 2016 for which no information/supporting record could be identified.

The amount of unidentified balances of Rs. 915 million in different heads could not be traced against any vendor. In this respect, management believes, that these unidentified balances are a result of incorrect adjustment and/or over accrual of liabilities in previous years.

- While compiling detailed breakup of Advance against transportation (unearned revenue), an amount of Rs. 3,985 million, which was being carried forward from previous years, could not be related to any ticket utilized during the current financial year and future available record. No breakup or information is available to support this amount and the management believes that this amount is a result of error in recording unearned revenue in prior years including time barred tickets.

Based on detailed scrutiny of amount payable to various authorities in respect of taxes collected at foreign stations against sale of tickets, an amount of Rs. 4,700 million was identified being unallocated to any related agency / authority. Management believes that this amount has accumulated over the previous periods owing to incorrect accounting adjustments.

In order to depict correct position, the amounts of Rs. 915 million, Rs. 3,985 million and Rs. 4,700 million in respect of unidentified balances in different heads, Advance Against Transportation (unearned revenue) and foreign taxes payable respectively which were being carried forward from previous years, have been reversed by adjusting opening balance of accumulated losses. As it was not possible to ascertain the impact for the year 2016 and for earlier years, therefore amounts have been adjusted / restated as at January 01, 2017.

5.2 Obligation for compensated absences

During the current year, the management as a part of reconciliation exercise, also reviewed the primary data used for actuarial valuation. As a result, of such exercise, management identified certain items in understanding of actuary in respect of unavailed leaves data used for actuarial valuation. Consequently, the Holding Company has restated its liability on account of 'Obligation for compensated absences' with a corresponding effect on shareholders' equity.

The above error has been corrected retrospectively in these consolidated financial statements in accordance with the requirements of IAS 8 - 'Accounting Policies Change in Accounting, Estimates and Errors' by restating the balance sheet for the year ended December 31, 2016 and January 01, 2016. Due to this restatement, the Group has presented the balance sheet as at the beginning of the earliest comparative period i.e. January 01, 2016, and related notes in accordance with the requirement of IAS 1 - Presentation of Financial Statements.



December 31, 2016 January 01, 2016

----- (Rupees in '000) -----

The rectification of error has resulted in:

Decrease in accumulated losses	-	1,218,670
Decrease in liability for compensated absences	(480,721)	(1,218,670)
Decrease in expense charged to profit & loss account	480,721	-

5.3 The effect of above stated errors are as follows:

a) Effects on consolidated balance sheet of December 31, 2016 and earliest period presented i.e. January 01, 2016:

	December 31, 2016			January 1, 2016		
	As previously reported	Effects of restatement (Note 5.1 & 5.2)	After restatement	As previously reported	Effects of restatement (Note 5.1)	After restatement
	----- (Rupees in '000) -----					
Trade and other payables	132,952,903	11,601,979	121,450,924	110,533,748	(1,218,671)	109,315,077
Accrued interest	13,052,047	108	13,051,939	11,790,141	-	11,790,141
Taxation - net	542,149	(19,929)	562,078	232,263	-	232,263
Liabilities	146,547,099	11,482,158	135,064,941	122,556,152	(1,218,671)	109,315,077
Property, plant and equipment	160,599,713	(2,353)	160,597,360	138,098,487	-	138,098,487
Long Term deposits and prepayments	9,329,709	(11,418)	9,318,291	10,723,347	-	10,723,347
Stores and Spares	2,598,318	(1,622)	2,596,696	3,092,446	-	3,092,446
Trade debts	9,218,662	185,249	9,403,911	9,870,517	-	9,870,517
Short-term loans and advances	2,291,636	(134,913)	2,156,722	1,580,917	-	1,580,917
Trade deposits and short term prepayments	4,516,497	87	4,516,584	3,130,516	-	3,130,516
Other receivables	9,070,706	(187,829)	8,882,877	6,445,893	-	6,445,893
Cash and bank balances	8,223,821	(48,379)	8,175,442	7,625,242	-	7,625,242
Assets	205,649,061	(201,178)	205,647,883	180,567,365	-	180,567,365
Accumulated losses	307,580,570	11,280,980	296,299,590	261,532,286	(1,218,671)	260,313,615

b) Effect on unconsolidated profit and loss account for the year ended December 31, 2016:

	As previously reported	Effect of restatement (Note 5.2)	After restatement
	----- (Rupees in '000) -----		
Cost of services	112,877,644	(346,120)	112,531,524
Distribution costs	5,657,224	(57,686)	5,599,538
Administrative expenses	9,275,291	(76,915)	9,198,376
Taxation	(117,916)	-	(117,916)
	127,692,243	(480,721)	127,211,522

c) Effect on earnings per share

A' class ordinary shares of Rs. 10 each	(8.64)	0.09	(8.55)
B' class ordinary shares of Rs. 10 each	(4.32)	0.04	(4.28)

6. PROPERTY, PLANT AND EQUIPMENT

		2017	2016 (Restated)
		----- (Rupees in '000) -----	
Operating fixed assets	Note		
- owned	6.1	140,027,160	122,023,247
- leased	6.3	24,510,897	37,837,080
		164,538,057	159,860,327
Capital work-in-progress	6.8	1,440,708	737,033
		165,978,765	160,597,360

6.1 Owned fixed assets

2017

	Land		Buildings on:		Hotel property (note 6.5)	Workshops and hangar	Aircraft fleet (notes 6.1.3, 6.4 and 6.6)
	Leasehold (notes 6.1.1 and 6.3)	Others (note 6.1.2)	Leasehold land (notes 6.1.1 and 6.3)	Other land			
(Rupees in '000)							
As at December 31, 2016							
Cost or revalued amount	6,897,860	24,400	2,738,329	1,787,458	105,447,248	913,604	23,235,778
Accumulated depreciation	-	-	(1,305,205)	(1,277,001)	(15,588,585)	(816,642)	(6,314,129)
Net book value	6,897,860	24,400	1,433,124	510,457	89,858,663	94,962	16,921,649
Year ended December 31, 2017							
Opening net book value	6,897,860	24,400	1,433,124	510,457	89,858,663	94,962	16,921,649
Additions / transfers	-	-	-	62	549,135	-	850,382
Revaluation							
Cost or revalued amount	1,794,740	-	1,329,942	-	-	-	(2,346,146)
Accumulated depreciation	-	-	-	-	-	-	-
	1,794,740	-	1,329,942	-	-	-	(2,346,146)
Translation adjustments							
Cost or revalued amount	-	-	-	-	10,160,888	-	-
Accumulated depreciation	-	-	-	-	(1,966,152)	-	-
	-	-	-	-	8,194,736	-	-
Adjustments / transfer							
Cost or revalued amount	-	-	(1,180)	-	-	-	16,160,592
Accumulated depreciation	-	-	(2,995)	-	-	-	(4,992,430)
	-	-	(4,175)	-	-	-	11,168,162
Disposals							
Cost or revalued amount	-	-	-	-	(3,794)	-	(277,545)
Accumulated depreciation	-	-	-	-	-	-	45,273
	-	-	-	-	(3,794)	-	(232,272)
Depreciation charge for the year	-	-	(221,241)	(40,590)	(1,281,672)	(10,610)	(1,683,033)
Closing net book value	8,692,600	24,400	2,537,650	469,929	97,317,068	84,352	24,678,742
As at December 31, 2017							
Cost or revalued amount	8,692,600	24,400	4,067,091	1,787,520	116,153,477	913,604	37,623,061
Accumulated depreciation	-	-	(1,529,441)	(1,317,591)	(18,836,409)	(829,252)	(12,944,319)
Net book value	8,692,600	24,400	2,537,650	469,929	97,317,068	84,352	24,678,742
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	4 - 100

- 6.1.1 These represent leasehold land and buildings owned by the Holding Company that are freely transferable and can be disposed off as and when required.
- 6.1.2 Land classified as 'Others' are amenity plots licensed from Pakistan Civil Aviation Authority (CAA). These are non-transferable as these were allotted at below market price.
- 6.1.3 During the year, the Holding Company has retired / written off aircraft fleet and engines having net book value of Rs. 232,272 million (2016: Rs. 2,726,058 million). The related deficit amounting to Rs. 70,739 million (2016: Rs. 971,386 million) included in surplus on revaluation has been released to consolidated profit and loss account (refer note 35).
- 6.1.4 Aircraft fleet includes one engine (2016: Nil) held by a third party for overhauling purpose as at December 31, 2017. The carrying value of this engine at year end is Rs. 404,501 million (2016: Rs. Nil).



Equipment	Engineering equipment and tools	Vehicle	Furniture, fixtures and fittings	Computer and office automation	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Capital spares (note 12.2)	Total
(Rupees in '000)									
3,196,076 (2,631,263)	1,766,371 (1,568,720)	2,556,272 (2,465,489)	9,023,805 (7,420,171)	1,941,474 (1,795,935)	18,785 (12,205)	6,217 (5,440)	2,710 (2,703)	7,093,574 (3,421,226)	166,649,961 (44,626,714)
564,813	197,651	90,783	1,603,634	145,539	6,580	777	7	3,672,348	122,023,247
564,813	197,651	90,783	1,603,634	145,539	6,580	777	7	3,672,348	122,023,247
21,389	128,742	58,123	225,043	181,944	-	-	+	203,098	2,217,918
-	-	-	-	-	-	-	+	-	778,536
-	-	-	-	-	-	-	+	-	-
-	-	-	-	-	-	-	-	-	778,536
-	-	606 (243)	904,068 (713,731)	-	-	-	-	-	11,065,562 (2,680,126)
-	-	363	190,337	-	-	-	+	-	8,385,436
551 (244)	-	-	1,124 (72)	-	1,400 (1,609)	-	-	-	16,162,467 (4,997,373)
307	-	31	1,052	(3)	(209)	(50)	(1)	-	11,165,114
(667)	(7,533)	(27,263)	(34,974)	(9,422)	-	-	-	-	(361,196)
615	7,533	27,092	34,057	9,422	-	+	+	+	123,992
(52)	-	(171)	(917)	-	-	-	-	-	(237,206)
(124,685)	(79,000)	(78,288)	(370,624)	(84,895)	(1,238)	(91)	(2)	(329,916)	(4,305,885)
461,772	247,393	70,841	1,648,525	242,585	5,133	636	4	3,545,530	140,027,160
3,217,349 (2,755,577)	1,887,580 (1,640,187)	2,587,738 (2,516,897)	10,119,066 (8,470,541)	2,113,996 (1,871,411)	20,185 (15,052)	6,217 (5,581)	2,710 (2,706)	7,296,672 (3,751,142)	196,513,266 (56,486,106)
461,772	247,393	70,841	1,648,525	242,585	5,133	636	4	3,545,530	140,027,160
10	10	10	25	15	10	10	20	4 - 100	

Owned fixed assets

2016

	Land		Buildings on		Hotel property	Workshop and hangar	Aircraft fleet
	Leasehold (notes 6.1.1 and 6.3)	Others (note 6.1.2)	Leasehold land (notes 6.1.1 and 6.3)	Other land	(note 6.5)		(notes 6.1.3, 6.4 and 6.6)
(Rupees in 000)							
As at December 31, 2015							
Cost or revalued amount	6,897,860	24,400	2,736,929	1,755,056	73,863,865	913,499	15,912,619
Accumulated depreciation	-	-	(1,084,214)	(1,233,967)	(14,270,125)	(514,532)	(6,493,017)
Net book value	6,897,860	24,400	1,652,715	521,089	59,593,740	98,967	9,419,602
Year ended December 31, 2016							
Opening net book value	6,897,860	24,400	1,652,715	521,089	59,593,740	98,967	9,419,602
Additions / transfers	-	-	1,400	32,681	-	105	629,170
Revaluation							
Cost or revalued amount	-	-	-	-	31,895,620	-	(50,709)
Accumulated depreciation	-	-	-	-	31,895,620	-	(50,709)
Translation adjustments							
Cost or revalued amount	-	-	-	-	(312,237)	-	-
Accumulated depreciation	-	-	-	-	114,171	-	-
Adjustments / transfer							
Cost or revalued amount	-	-	-	-	-	-	13,048,897
Accumulated depreciation	-	-	-	(1,081)	-	6,926	(1,121,645)
Disposals							
Cost or revalued amount	-	-	-	(279)	-	-	(1,117,695)
Accumulated depreciation	-	-	-	279	-	-	107,706
Write off / settlement							
Cost or revalued amount	-	-	-	-	-	-	(5,186,204)
Accumulated depreciation	-	-	-	-	-	-	3,470,135
Depreciation charge for the year	-	-	(220,991)	(42,232)	(1,432,631)	(11,036)	(2,277,308)
Closing net book value	6,897,860	24,400	1,433,124	510,457	89,858,653	94,962	16,921,649
As at December 31, 2016							
Cost or revalued amount	6,897,860	24,400	2,738,329	1,787,656	105,447,248	913,604	23,235,778
Accumulated depreciation	-	-	(1,305,205)	(1,277,001)	(15,588,585)	(818,642)	(6,314,129)
Net book value	6,897,860	24,400	1,433,124	510,457	89,858,653	94,962	16,921,649
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	4 - 100



2016

Equipment	Engineering equipment and tools	Vehicle	Furniture, fixtures and fittings	Computer and office automation	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Capital spares	Total
(Rupees in '000)									
3,151,344 (2,328,235)	1,674,977 (1,528,166)	2,561,919 (2,273,535)	8,878,299 (7,116,170)	1,694,714 (1,771,083)	15,366 (11,474)	6,217 (5,354)	2,710 (2,701)	8,571,056 (4,795,915)	126,860,850 (43,728,488)
823,109	146,811	288,384	1,762,129	123,631	3,912	863	9	3,775,141	85,132,362
823,109	146,811	288,384	1,762,129	123,631	3,912	863	9	3,775,141	85,132,362
51,787	91,394	11,298	278,097	60,753	3,399	-	-	363,272	1,523,356
-	-	-	-	-	-	-	-	-	(31,644,911)
-	-	-	-	-	-	-	-	-	31,644,911
-	-	(2)	(103,963)	-	-	-	-	-	(416,202)
-	-	1	74,012	-	-	-	-	-	185,184
-	-	(1)	(29,951)	-	-	-	-	-	(228,018)
-	-	-	-	-	-	-	-	(30,881)	(3,037,716)
(165,300)	30,246	(168,941)	(9,854)	15,345	-	-	-	16,855	(1,397,439)
(165,300)	30,246	(168,941)	(9,854)	15,345	-	-	-	(14,016)	11,620,277
(7,054)	-	(16,943)	(28,637)	(13,993)	-	-	-	(6,716)	(1,191,317)
7,035	-	16,682	24,106	15,978	-	-	-	5,447	175,233
(19)	-	(261)	(4,531)	(15)	-	-	-	(1,269)	(1,016,084)
-	-	-	-	-	-	-	-	(1,803,157)	(6,989,361)
-	-	-	-	-	-	-	-	1,607,565	5,077,700
-	-	-	-	-	-	-	-	(195,592)	(1,911,661)
(144,764)	(70,800)	(39,696)	(392,256)	(54,175)	(731)	(86)	(2)	(255,188)	(4,941,896)
564,813	197,651	90,783	1,603,634	145,539	6,580	777	7	3,672,348	122,023,247
3,196,077 (2,631,264)	1,766,371 (1,568,720)	2,556,272 (2,465,489)	9,023,796 (7,420,162)	1,941,474 (1,795,935)	18,785 (12,205)	6,217 (5,440)	2,710 (2,703)	7,093,574 (3,421,226)	166,649,953 (44,626,706)
564,813	197,651	90,783	1,603,634	145,539	6,580	777	7	3,672,348	122,023,247
5 - 10	10	10 - 25	10	5 - 10	10	10	20	4 - 100	

- 6.2 During the year, upon implementation of new ERP, the Company has made following changes in classification of asset categories:

Reclassified from	Reclassified to				
	Buildings on other land	Equipment	Vehicles	Furniture, fixtures and fittings	Computer and office automation
	(Rupees in '000)				
Renovation and Improvements	54,840	-	-	-	-
Operating ground, catering, communication and meteorological equipment	-	48,919	-	-	-
Traffic equipment	-	-	75,851	-	-
Motor transport	-	-	6,045	-	-
Office equipment	-	-	-	-	21,555
Precision engineering equipment	-	1,781	2,202	311	266
Other equipment	-	508,868	-	-	-

		Aircraft fleet	Ground equipment	Total	
		(Rupees in '000)			
6.3	Leased fixed assets	Note			
As at January 01, 2016					
	Cost or revalued amount	65,126,560	-	65,126,560	
	Accumulated depreciation	(12,521,204)	-	(12,521,204)	
	Net book value	52,605,356	-	52,605,356	
Year ended December 31, 2016					
	Opening net book value	52,605,356	-	52,605,356	
	Additions / transfers	-	75,387	75,387	
Revaluation					
	Cost or revalued amount	6.4.2	367,879	-	367,879
	Accumulated depreciation		-	-	-
			367,879	-	367,879
Transfer to owned fixed assets					
	Cost or revalued amount		(15,764,571)	-	(15,764,571)
	Accumulated depreciation		3,837,619	-	3,837,619
			(11,926,952)	-	(11,926,952)
	Depreciation charge for the year		(3,283,962)	(628)	(3,284,590)
	Closing net book value		37,762,321	74,759	37,837,080
As at December 31, 2016					
	Cost or revalued amount		49,729,868	75,387	49,805,255
	Accumulated depreciation		(11,967,547)	(628)	(11,968,175)
	Net book value		37,762,321	74,759	37,837,080

		Aircraft fleet	Ground equipment	Total
	Note	-----	(Rupees in '000)	-----
Year ended December 31, 2017				
Opening net book value		37,762,321	74,759	37,837,080
Additions / transfers		1,071,203	213,744	1,284,947
Revaluation				
Cost or revalued amount	6.4.2	(279,977)	-	(279,977)
Accumulated depreciation		-	-	-
		(279,977)	-	(279,977)
Transfer to owned fixed assets				
Cost or revalued amount		(16,160,592)	-	(16,160,592)
Accumulated depreciation		4,992,430	-	4,992,430
		(11,168,162)	-	(11,168,162)
Depreciation charge for the year		(3,123,671)	(39,320)	(3,162,991)
Closing net book value		24,261,714	249,183	24,510,897
As at December 31, 2017				
Cost or revalued amount		34,360,502	289,131	34,649,633
Accumulated depreciation		(10,098,788)	(39,948)	(10,138,736)
Net book value		24,261,714	249,183	24,510,897
Annual depreciation rate (%)		4 - 17	10	

6.3.1 Aircraft fleet includes one engine (2016: Nil) held by a third party for overhauling purpose as at December 31, 2017. The carrying value of engine at year end is Rs. 391,364 million (2016: Rs. Nil).

6.4 Revaluation of property, plant and equipment

6.4.1 Revaluation of leasehold land and buildings

The leasehold land and buildings were revalued by the following independent professional valuers, as of December 31, 2017:

- Oceanic Services Private Limited, based in Pakistan
- Cosmos Developers Private Limited, based in India
- Subash Shan and Associates based in India
- Skyline Appraisals Inc, based in USA
- Colliers International Valuation B.V, based in Netherland

The valuation was carried out on the basis of professional assessment of fair values with reference to market based evidence, based on active market prices, and adjusted for any difference in nature, location or condition of specific property and resulted in a net revaluation surplus of Rs. 3,124,682 million as at December 31, 2017 except for certain buildings on leasehold land aggregating to the carrying value of Rs. 18,950 million at year end which were subsequently revalued by the Holding Company. The revaluation impact of buildings subsequently revalued amounting to Rs. 179,097 million have not been recorded in these consolidated financial statements.

5.4.2 Aircraft fleet

The aircraft fleet of the Holding Company was revalued by an independent valuer, Ascend Flight Global Consultancy (UK), on the basis of professional assessment of current market values as of December 31, 2017. The current market value represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of market activity and known transaction data involving the subject aircraft types, covering open market and financial sales. It additionally considers the perceived demand for each type, its availability in the market and further takes into account the expressed views of informed industry sources.

The appraisal has taken into account the age, specification, accrued hours and cycles of the aircraft and produced Current Market Half Life Values (CMHLV). Half life or mid-life assumes that the airframe, engine, landing gear and all major components are half way between major overhauls or in the mid point of their useful lives for the life limited parts. CMHLV has then been adjusted to account for the maintenance status of the aircraft in accordance with the information supplied. The determination of such values involves a multiplicity of variables and some variation in perceived value must be expected.

The valuer has conducted an extended desktop appraisal of the aircraft and engines. This does not include an inspection of the aircraft or engines nor their records, but does take into account the maintenance status of the airframe, engine, landing gear, auxiliary power units and engine limited life parts.

5.4.3 Hotel properties

Roosevelt Hotel Corporation N.V.

In 2017, the Company engaged an independent third party appraiser, HVS Consulting and Valuation ("HVS"), to perform a valuation of the property as of December 31, 2016. HVS concluded that the highest and best use of the property would be as if vacant land and available to be redeveloped as a mixed use Class "A" office development.

The 2016 highest and best use determination was based on HVS' evaluation of comparable sales for mixed use Class "A" office and retail development in the midtown area of New York City. In connection with the valuation, HVS concluded its value of the land to be US\$ 1,000 (Rs. 104,855) per square foot of developed area, or US\$ 137 million (Rs. 66,793 million). The "as is" value determined by HVS is significantly less than the highest and best use value as a result of the age of the hotel building and the hotel operations.

The concluded value incorporated an estimated cost of US\$ 12,695 million (Rs. 1,320,647 million) to demolish the existing improvements, but did not take into consideration any costs associated with closing down the operations of the Hotel, including payments to employees or other requirements under collective bargaining agreements, nor had consideration been given to salvage value to the contents of the building. The Management considers that in order to determine the said closing/exit costs, RHC would have to engage various sets of professionals which would entail a major expense for RHC and therefore it is currently difficult to determine.

In addition, HVS concluded in its 2016 valuation the "as is" market value of the Hotel as of December 31, 2016 including its real and personal property and excess development capacity (in the form of transferable development rights), assuming continued operation as a Hotel was US\$ 302.6 million (Rs. 31,729,093 million).

The 2016 "as is" valuation was performed using the income capitalization approach, which is based on the principle that the value of a property is indicated by its net return. The future benefits of income producing properties such as hotels, are net income before debt service and depreciation and any anticipated reversionary proceeds from a sale. These future benefits can be converted into an indication of market value through a capitalization process and discounted cash flow analysis. In connection therewith, the following assumptions were used for the 2016 "as is" valuation:

- Discount rate	8.25%
- Stabilized year	2021
- Rate of inflation	3%
- Terminal Cap Rate	4%

RHC recorded the value determined as the highest and best use of the property, which represents only the value of the land. Therefore, this value has been allocated to building and furniture and fixtures based on the fair value of their current use "as is" in order to reflect the use of these assets in the current operations of RHC. The remaining balance of the total value was allocated to land.



RHC applied a methodology consistent with allocations of the components of the hotel's property, plant and equipment in its 2016 revaluation based on HVS' opinion. Of the "as is" value of US\$ 302.6 million (Rs. 31,729.093 million). Resultantly, US\$ 127.76 million (Rs. 13,396,262 million) was allocated to land, US\$ 165,357 million (Rs. 17,338,514 million) was allocated to building, US\$ 6,550 million (Rs. 686,813 million) was allocated to furniture and fixtures and US\$ 2,933 million (Rs. 307,504 million) was allocated to renovations in process. The excess of the concluded value between the highest and best use and "as is" valuations, US\$ 334.4 million (Rs. 35,063,478 million), was allocated to land.

As at December 31, 2017 RHC's management in consultation with HVS reviewed the independent revaluation performed as at December 31, 2016 and determined that there has been no material change to the fair value of the RHC in the intervening twelve-month period. Accordingly, no revaluation adjustment has been made in consolidated financial statements as at December 31, 2017. The management has not determined the costs associated with closing down (closing / exit costs) the operations of Hotel due to the reasons stated above. Therefore, the carrying value of the hotel properties as at December 31, 2017 was \$ 634.175 million (Rs. 70,093,661 million) without adjustment of closing / exit costs.

Minhal France S.A.

The latest valuation of the Scribe Hotel was carried out as at December 31, 2016 by an independent appraiser. The appraiser determined that the market value of the freehold interest in Scribe Hotel as at December 31, 2016 amounted to Euro 225 million (US \$ 237.173 million) (2016: Euro 225 million) approximately Rs. 25,214,066 million using Discounted Cash flow (DCF) method with an exit cap of 5.4% and discount rate of 6.4% which is higher than their alternative and recorded accordingly. This valuation includes lands, buildings and improvements and furniture and equipment. However, fair value of furniture and equipment approximates its carrying value resulting in the entire revaluation surplus allocated to lands, buildings and improvements. Before revaluation the carrying value of lands, buildings and improvements at December 31, 2016 amounted to US \$ 206.177 million approximately Rs. 22,788,263 million and accordingly during the year 2016 a surplus of US \$ 22.692 million approximately Rs. 2,505,129 million was credited to surplus on revaluation of operating fixed assets.

As of December 31, 2017 Minhal France S.A.'s management in consultation with Deloitte reviewed the independent revaluation performed as at December 31, 2016 and determined that there has been no material change to the fair value of the Scribe hotel in the intervening twelve-month period. Accordingly, no revaluation adjustment has been made in consolidated financial statements as December 31, 2017. Therefore the carrying value of the Hotel properties as at December 31, 2017 was \$ 261.850 million approximately Rs. 28,941,632 million.

6.4.4 The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties. The fair value of eachhold land and building on leasehold, and falls under level 2 of fair value hierarchy (i.e. significant observable inputs).

6.5 The carrying amount of the assets as at December 31, 2017 had the assets been carried at historical cost, would have been as follows:

	2017			2016		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
(Rupees in '000)						
Leasehold land	44,166	-	44,166	44,166	-	44,166
Buildings on leasehold land	258,148	146,420	111,728	258,148	136,918	121,230
Hotel properties	32,530,893	15,670,112	16,860,781	20,172,332	8,590,556	11,581,776
Aircraft fleet	102,045,754	46,445,634	55,600,130	100,581,255	41,621,719	58,959,536
	134,678,971	62,262,166	72,416,805	121,055,301	48,349,193	72,706,108

6.6 Depreciation charge for the year has been allocated as under:

	Note	2017 ----- (Rupees in '000) -----	2016
Cost of services - others	32	7,433,543	8,190,633
Distribution costs	33	13,358	13,369
Administrative expenses	34	21,978	22,484
		<u>7,468,879</u>	<u>8,226,486</u>

6.7 Following operating fixed assets were disposed off during the year:

Description	Sold to	Method of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/loss on Disposal
----- (Rupees in '000) -----							
Vehicles							
Toyota Corolla XLI Car Reg. No. BBE-380	Mr. Amir Ali	Company's policy	1,361	1,191	170	159	(11)
			<u>1,361</u>	<u>1,191</u>	<u>170</u>	<u>159</u>	<u>(11)</u>
Aircraft engines	Pratt Whitney Canada (S.E.A) Pte Limited	Exchange basis	277,545	45,273	232,272	232,272	-
Aggregate value of items where NBV is above Rs 50,000 - Various*			82,292	77,528	4,764	4,764	-
NBV is less than Rs 50,000 - Various			52,894	52,894	-	23,008	23,008
2017			<u>414,092</u>	<u>176,886</u>	<u>237,206</u>	<u>260,203</u>	<u>22,997</u>
2016			<u>1,191,318</u>	<u>175,233</u>	<u>1,016,085</u>	<u>1,265,452</u>	<u>249,367</u>

Sale of operating fixed assets of the Holding Company is made through a disposal committee in accordance with the prescribed procedures.

6.8 Capital work-in-progress

	Note	Aircraft fleet	Others	Total
----- (Rupees in '000) -----				
Year ended December 31, 2017				
Balance at beginning of the year		-	737,033	737,033
Additions during the year		1,054,074	370,084	1,424,158
Transfer to operating assets	6.1	-	(720,483)	(720,483)
Balance at end of the year		<u>1,054,074</u>	<u>386,634</u>	<u>1,440,708</u>
Year ended December 31, 2016				
Balance at beginning of the year		155,106	205,663	360,769
Adjustment / provision		(155,106)	-	(155,106)
Additions during the year		629,170	852,804	1,481,974
Transfer to operating assets	6.1	(629,170)	(319,081)	(948,251)
Adjustment due to restatement	5.3	-	(2,353)	(2,353)
Balance at end of the year - Restated		<u>-</u>	<u>737,033</u>	<u>737,033</u>

7. INTANGIBLES

		Computer software	Goodwill	Total
	Note	-----	(Rupees in '000)	-----
As at December 31, 2015				
Cost		410,907	3,405,784	3,816,691
Less: accumulated amortisation		(326,487)	-	(326,487)
Net book value		<u>84,420</u>	<u>3,405,784</u>	<u>3,490,204</u>
Year ended December 31, 2016				
Opening net book value		84,420	3,405,784	3,490,204
Additions during the year		4,725	-	4,725
Translation and other adjustments		(21,626)	(541)	(22,167)
Amortisation charge for the year	7.1	(28,241)	-	(28,241)
Net book value		<u>39,278</u>	<u>3,405,243</u>	<u>3,444,521</u>
As at December 31, 2016				
Cost		415,632	3,405,243	3,820,875
Less: accumulated amortisation		(376,354)	-	(376,354)
Net book value		<u>39,278</u>	<u>3,405,243</u>	<u>3,444,521</u>
Year ended December 31, 2017				
Opening net book value		39,278	3,405,243	3,444,521
Additions during the year		409,686	-	409,686
Translation adjustment		-	184,221	184,221
Amortisation for the year	7.1	(100,735)	-	(100,735)
Net book value		<u>348,229</u>	<u>3,589,464</u>	<u>3,937,693</u>
As at December 31, 2017				
Cost		825,318	3,405,243	4,230,561
Less: accumulated amortisation		(477,089)	184,221	(292,868)
Net book value		<u>348,229</u>	<u>3,589,464</u>	<u>3,937,693</u>
Useful Life				
		5 years		

		2017	2016	
	Note	----- (Rupees in '000) -----		
7.1	Amortisation for the year has been allocated as under:			
Cost of services - others	32	18,677	11,396	
Administrative expenses	34	82,058	16,845	
		100,735	28,241	

8.	LONG - TERM INVESTMENTS	Note	2017	2016
			----- (Rupees in '000) -----	
	Associate	8.1 & 8.2	71,486	68,823
	Other investments	8.3	171,553	153,137
			<u>243,039</u>	<u>221,960</u>

8.1 Movement in investment in an Associate - unquoted

Balance at beginning of the year	68,823	69,426
Share of profit during the year	(2,034)	[338]
	<u>66,789</u>	<u>69,088</u>
Translation adjustment	4,697	(265)
Balance at end of the year	<u>71,486</u>	<u>68,823</u>

8.2 Associate - unquoted

Summarised financial information of the associate along with the Group's respective share is as follows:

	Name of associate	Country of incorporation	Total assets	Total liabilities	Revenue	Loss	Interest held by the Group (%)
			----- (Rupees in '000) -----				
2017	Minhal Incorporated	British Virgin Islands	192,370	3,593	-	(5,085)	40%
2016	Minhal Incorporated	British Virgin Islands	184,586	3,023	-	(846)	40%

8.3	Other investments	Note	2017	2016
			----- (Rupees in '000) -----	
	Available for sale	8.3.1	<u>171,553</u>	<u>153,137</u>

8.3.1 Available for sale

Quoted

Pakistan Services Limited
172,913 (2016: 172,913) ordinary shares of Rs. 10 each
having market value per ordinary share of Rs. 990
(2016: Rs. 883) each

171,184	152,768
100	100
269	269
<u>171,553</u>	<u>153,137</u>

Unquoted

Pakistan Tourism Development Corporation Limited
10,000 (2016: 10,000) ordinary shares of Rs. 10 each

Duty Free Shops (Private) Limited - Pakistan
87,512 (2016: 87,512) ordinary shares of Rs. 100 each



7.	RECEIVABLE IN RESPECT OF CENTRE HOTEL	Note	2017	2016
			----- (Rupees in '000) -----	
		9.1	834,947	792,096

9.1 This represents PIAL's share of net assets of Centre Hotel, Abu Dhabi, a joint venture between the Holding Company and H. H. Sheikh Hamdan Bin Mohammed Al Nahyan. The parties entered into a Partnership Agreement on June 08, 1977 and simultaneously entered in a Joint Venture Agreement on the same day to construct and operate a hotel on a land owned by Sheikh Hamdan, to be known as Centre Hotel. Subsequently, under a Supplemental Agreement dated January, 1978 the rights and obligations of Sheikh Hamdan and the Holding Company under both the agreements were assigned to Sheikh Khalifa and PIAL, respectively, however, this assignment to PIAL was not registered.

The joint venture was for a period of 1 1/2 years, which expired on April 21, 1997, in accordance with the terms of the agreement, net current assets of the joint venture at the end of the term were to be distributed to joint venture partners in the ratio of their investment. However, a dispute arose between the parties over a renovation program initiated by Sheikh Khalifa prior to the expiry of the joint venture term. PIAL disputed the said renovation on the grounds that there was no obligation on the joint venture to renovate or reinstate the hotel premises prior to its reversion to Sheikh Hamdan and recognised an amount of AED 27,746,614 as asset representing PIAL's share of net assets as at April 21, 1997 on the basis of unaudited management accounts of the joint venture.

The parties could not reach an amicable agreement as far the above and on February 23, 1997, a Notice of Arbitration was sent to Sheikh Khalifa. Subsequently an application was submitted to the Abu Dhabi Courts for an order to appoint an arbitrator. PIAL won the case at various courts in Abu Dhabi and finally in March 2010, the Supreme Court of Abu Dhabi advised the Federal Supreme Judicial Council to appoint one of its judges as an Arbitrator in the subject dispute. In August 2010, Judge Ahmed Al Mulla of Al Shaijah Court was appointed as the Judge Arbitrator. The arbitration proceedings concluded during the year 2012, and the Arbitrator, based on the reports submitted by a panel of three experts from the Ministry of Justice, ordered Sheikh Khalifa to pay PIAL a sum of AED 23,842 million (US\$ 6,355 million) along with interest at the rate of 6% from the date of the issuance of judgment.

PIAL, in order to have the Arbitrator's aforesaid award ratified, filed a ratification claim with the Court of First Instance, Abu Dhabi. However, Sheikh Khalifa also filed a claim for nullification of Arbitrator's aforesaid Award. The Court of First Instance, Abu Dhabi adjudicated that it did not have the jurisdiction to decide in the matter and referred it to the competent court of the Abu Dhabi judicial department i.e. Abu Dhabi Commercial Court (the Court) for carrying out further proceedings. The Court conducted a hearing on May 14, 2013 and accepted PIAL's claim for ratification of Arbitration Award of AED 23,842 million (US\$ 6,355 million), along with interest at the rate of 6%, and dismissed Sheikh Khalifa's claim for nullification of award.

Sheikh Khalifa challenged the decision of the Court in Abu Dhabi Appeals Court which through its order dated July 23, 2013 decided the case in favor of PIAL. In response to this decision, Sheikh Khalifa filed an appeal against the said decision in the Cassation Court.

On October 02, 2013 PIAL submitted a response to the appeal filed by Sheikh Khalifa in the Cassation Court which gave its final decision through its order dated January 08, 2014 in PIAL's favor. During March 2014, the execution was served on Sheikh Khalifa as required under the local laws, and thereafter, on account of failure by Sheikh Khalifa to make the payment, the Execution Judge ordered the attachment of Sheikh Khalifa's bank accounts, shares in Dubai and Abu Dhabi stock markets and also addressed a letter to the land department inquiring on the lands owned or registered under the Sheikh's name.

However, Sheikh Khalifa filed a grievance against the said execution order, and on December 23, 2014, the Execution Judge ordered the suspension of execution proceedings on the ground that Abu Dhabi Economic Department had advised that since the Centre Hotel was owned by the heirs of Sheikh Hamdan Al Nahyan, therefore, its title could not be transferred to Sheikh Khalifa alone as he had several other legal heirs as well. Based on the same, the Execution Court could not execute the arbitration award i.e. to pay the amount awarded by the arbitrator to PIAL. PIAL filed an appeal against this said suspension, however, the court disallowed the same.

During the year 2016, based on PIAL's application, the Execution Department re-opened the case, and various hearings were held in the matter. Finally, on February 28, 2017, the Execution judge ordered to resume the execution proceedings against Sheikh Khalifa, whereby, the Court has decided to approach various competent authorities to attach Sheikh Khalifa's assets, bank accounts, cars and shares in Dubai and Abu Dhabi stock markets after determination of amount to be executed by the Court accountant. Sheikh Khalifa has not filed an appeal against the said order. As per court order, the Court accountant has determined the PIAL's claim amount along with interest in the sum of AED 29,940 million. Subsequently, the Court issued a letter to Abu Dhabi's Identity Department to get a copy of Sheikh Khalifa's ID and passport in order to process the letters to various competent authorities. On 31 October 2017 the Court issued an order to the management of Centre Hotel to attach Sheikh Khalifa's share in the profits of the Hotel to settle PIAL's arbitration amount.

On 27 February 2018, the Company's representatives had a meeting with Sheikh Khalifa's representatives whereby Sheikh Khalifa's representatives offered the following proposal to settle the principal amount of AED 23,341 million if the interest amount of approximately AED 8 million to be waived by PIAL:

- AED 20 million (US\$ 5.45 million) to be paid upfront as a full and final settlement; or
- AED 18 million (US\$ 4.93 million) to be paid upfront, and the balance amount of AED 5,341 million (US\$ 1.46 million) to be settled in equal annual instalments over a period of 5-6 years via Post Dated Cheques.

PIAL's management at present considering and evaluating above options.

The management is confident that the amount of AED 23,342 million along with interest at the rate of 6% from the issuance of the aforementioned judgement will eventually be received by PIAL. Accordingly, it (the management) has continued to recognise the subject amount of AED 27,747 million (i.e. US\$ 7,554 million), i.e. the amount initially recognised based on PIAL's share of net assets as at 21 April 1997, as an asset in the enclosed consolidated financial statements as it believes that the eventual receipt against the arbitration award will not be materially different from the amount recognised as asset.

		2017	2016
	Note	(Rupees in '000)	
LONG-TERM LOANS AND ADVANCES			
Secured, considered good			
Employees	10.1	791	2,547
Current maturity shown under short-term loans and advances	14	(791)	(2,027)
		-	520

- 10.1 This represents loans given by SRL to its employees which are secured against gratuity fund balances of respective employees. The loans carry interest at the rate of 8% to 20% (2016: 8% to 20%) per annum and is receivable within four years from the date of disbursement. There are no loans to directors, chief executive officer or other executives.



11.	LONG-TERM DEPOSITS AND PREPAYMENTS	Note	2017	2016 (Restated)
			----- (Rupees in '000) -----	
	Deposits			
	<i>Considered good</i>			
	Aircraft fleet lease deposits		6,134,153	5,052,938
	Maintenance reserve	11.1	1,576,622	1,559,638
	Engine maintenance		132,412	141,902
	Other lease and utilities		82,340	86,503
	Deposit to service providers		73,497	73,497
	Guarantee deposit		55,199	55,204
	Others		-	2,095,161
			8,054,223	9,064,843
	<i>Considered doubtful</i>		318,051	318,051
	Less: provision against doubtful deposits	11.2	(318,051)	(318,051)
			-	-
			8,054,223	9,064,843
	Prepayments			
	Rental commission		25,268	23,035
	Prepayment in respect of lease	11.3	72,915	70,304
	Premium on acquisition of leased land	11.4	50,778	50,778
	Less: amortisation to date		(28,711)	(27,082)
			22,067	23,696
	Exposure fee to support financing	11.5	174,775	363,840
			295,025	480,875
	Current portion shown under short-term prepayments	15.3	(136,799)	(227,427)
			158,226	253,448
			8,212,449	9,318,291

- 11.1 This represents the remaining balance of maintenance reserve which was required to be kept by the Holding Company with a lessor, under the terms of the lease agreement that was terminated in the year 2012 which will be utilised against future purchases.

11.2	Movement in provision is as follows:	Note	2017	2016
			----- (Rupees in '000) -----	
	Balance at beginning of the year		318,051	189,461
	Provision for the year	35	-	128,590
	Balance at end of the year		318,051	318,051

		2017	2016
11.3	Movement in prepayment in respect of lease is as follows:	Note	----- (Rupees in '000) -----
	Balance at beginning of the year	11.3.1	70,304
	Amortisation for the year	34	(1,606)
	Translation adjustment		4,217
	Balance at end of the year		72,915

- 11.3.1 Up to December 31, 2012, PIAL was claiming an aggregate amount of US\$ 743,280 from Pakistan Cricket Board (PCB), formerly Board of Control for Cricket in Pakistan (BCCP), on account of various payments made during the calendar years from 1980 to 1985 in form of agreement dated October 07, 1980 and Promissory Note dated December 04, 1980, signed between PIAL and PCB. According to the agreement, PCB had agreed to pay PIAL all sums including outstanding principal amount along with interest thereon. In order to settle PIAL's aforesaid claim, PCB initially executed a sub-lease for transfer of Land of 5 acres (settlement plot) in the name of Holding Company on September 13, 1987, and later PCB and PIAL entered into a Joint Venture Agreement dated October 11, 2007, whereby, PCB offered PIAL another piece of land as an alternate to the Settlement Plot measuring 5.8 acres (i.e. Alternate Plot). It was agreed that after the date of signing of the JV Agreement 2007, PCB and PIAL should form a limited liability company with ownership ratio of 42.5% and 37.5% to be held by PIAL and PCB respectively.

Accordingly, during the year 2008, a separate company was formed with the name of Avant Hotels (Private) Limited (Avant), which is owned by PIAL and PCB in the aforesaid agreed ratio. As per the JV Agreement 2007, the rights of the shareholders in Avant shall be outlined in a shareholders' agreement to be executed between PCB and PIAL, which has not been executed to date. On February 14, 2013, representatives of PCB and Avant signed the sub-lease agreement before the registrar for transfer of a plot measuring 5.8 acres to Avant. In consequence of sub-lease of the aforementioned land in favour of Avant, the receivable from PCB was derecognised and correspondingly the asset received in lieu was recognised as a long-term prepayment against Avant's right to use the land for 46 years commencing from February 14, 2013. In accordance with the sub-lease agreement, upon the expiry or termination of the said sub-lease agreement, Avant shall peacefully handover the plot to PCB including all the developments and supra structures. According to the terms of aforesaid joint venture agreement, right granted over the use of land was considered settlement of all outstanding dues of PIAL from PCB.

The process of carrying out an independent exercise to ascertain the fair value of the subject right to use the land remains to be completed. Based on the fair value to be determined, Avant will evaluate the recognition of transaction in accordance with its accounting framework. Pending results of the said fair value exercise and Avant's evaluation of the appropriate accounting policy, the financial effect of the right to use the land does not form part of the Avant's financial statements.

PIAL believes that the fair value of the aforesaid right to use the land would be sufficient to cover the principal and accrued interest thereon. However, pending results of the said exercise, as a matter of prudence, the amount of recognition of long term prepayment has been restricted to the extent of outstanding principal amount of US\$ 0.712 million only. The amount of prepayment has been classified under non-current asset in these consolidated financial statements which is being amortised over the lease term of 46 years. Appropriate accounting adjustments, if required, shall be made upon determination of the fair value of the subject right to use the land as set out above in these consolidated financial statements.

- 11.4 This represents lease rentals prepaid by SRL to Civil Aviation Authority, Pakistan (CAA) for acquisition of the right to use plot of land and hotel building which is amortised over a period of 30 years on a straight line basis.

Initial lease agreement was effective from June 3, 1981 for a period of 20 years which expired on June 02, 2001. Lease arrangement for further 30 years has been finalised between SRL and CAA in their meeting held on January 07, 2008. However, the subject agreement has not yet been registered due to disagreement between the parties over the completion of certain legal formalities. SRL is currently pursuing the subject matter with relevant government authorities and is confident that following resolution of the dispute, the lease agreement will be registered.

Amortisation charge for the year has been allocated as under:

		2017	2016
	Note	----- (Rupees in '000) -----	
Cost of services - others	32	1,693	1,693

		2017	2016
		(Rupees in '000)	
11.5 Movement in Exposure fee to support financing	Note		
Balance at beginning of the year		363,840	501,177
Additions during the year		59,829	116,694
Amortised during the year	37	(248,894)	(254,031)
Balance at end of the year		174,775	363,840

11.5.1 This represents consideration paid to various finance providers for the purpose of guarantees issued in favour of the Holding Company, which is being amortised over the finance lease term.

		2017	2016
		(Rupees in '000)	(Restated)
12. STORES AND SPARES	Note		
Stores		875,227	717,274
Spare parts		7,341,712	6,762,352
Inventory held for disposal - adjusted to net realisable value		252,859	252,859
		8,469,798	7,732,485
Provision for slow moving and obsolete spares	12.1	(5,331,795)	(5,135,789)
		3,138,003	2,596,696

		2017	2016
		(Rupees in '000)	
12.1 Movement in provision is as follows:	Note		
Balance at the beginning of the year		5,135,789	4,448,636
Provision for the year	35	196,006	687,153
Balance at the end of the year		5,331,795	5,135,789

12.2 The Company has a practice of conducting physical verification of items of capital stores and stores and spares on a cyclic basis covering the stores at various locations in a manner to cover all stores over a maximum period of three years. Due to non availability of adequate human resources and other operational problems, the aforementioned exercise of physical verification could not be completed. However all the transactions for receipt and issuance of inventories were executed through Oracle EBS (ERP) system implemented this year.

The management of the Holding Company is, at present, in the process of devising a plan to undertake the physical verification of capital stores and stores and spares covering all stores on a cyclic basis.

		2017	2016
		(Rupees in '000)	(Restated)
13. TRADE DEBTS	Note		
Considered good		10,989,041	9,403,911
Considered doubtful		2,696,500	2,395,054
Less: provision for doubtful debts	13.2	(2,696,500)	(2,395,054)
		10,989,041	9,403,911

13.1 The ageing analysis of these trade debts are as follows:

	2017		2016	
	Trade debts	Impaired	Trade debts	Impaired
	----- (Rupees in '000) -----			
Within current year	10,381,945	1,076,720	9,305,488	214,284
1 year old	1,921,545	861,539	318,823	302,704
2 years old	368,190	123,815	161,582	153,755
Over 3 years old	1,013,861	634,426	2,013,072	1,724,311
	13,685,541	2,696,500	11,798,965	2,395,054

13.2 Movement in provision is as follows:

	Note	2017 ----- (Rupees in '000) -----	2016
Balance at beginning of the year		2,395,054	1,902,112
Write off during the year		(2,193)	(51,478)
Provision for the year	35	300,000	544,484
Translation adjustment		3,639	[20]
Reversal of provision		-	[44]
Balance at end of the year		2,696,500	2,395,054

13.3 Certain portion of trade debts is secured by cash and bank guarantees received from agents but due to very large number of agents all over the world the amount of secured trade debts is not determinable.

	Note	2017 ----- (Rupees in '000) -----	2016 (Restated)
14. SHORT-TERM LOANS AND ADVANCES			
<i>Considered good</i>			
Loans - unsecured			
Current maturity of long-term loans - employees	10	791	2,027
Others			
Employees		149,304	86,894
Fuel suppliers		602,142	77,899
Other suppliers	14.1	1,889,881	1,985,842
Others		-	4,060
		2,641,327	2,154,695
<i>Considered doubtful</i>			
Employees		102,890	102,890
Other Suppliers		809,268	809,268
		912,158	912,158
Provision for doubtful advances	14.2	(912,158)	(912,158)
		2,642,118	2,156,722

14.1 This includes advance of Rs. 816.248 million in respect of inflight entertainment system to be installed in Boeing 777.

		2017	2016
	Note	----- (Rupees in '000) -----	
14.2 Movement in provision is as follows:			
Balance at beginning of the year		912,158	662,507
Provision for the year	35	-	249,651
Balance at end of the year		912,158	912,158

		2017	2016
	Note	----- (Rupees in '000) -----	(Restated)
15. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Considered good		3,809,582	3,557,055
Considered doubtful		46,462	46,462
Less: provision against doubtful deposits	15.1	(46,462)	(46,462)
		-	-
		3,809,582	3,557,055
Restricted Cash	15.2	2,449,126	-
Prepayments	15.3	943,934	959,529
		7,202,642	4,516,584

15.1 Movement in provision is as follows:			
Balance at beginning of the year		46,462	58,694
Reversal of provision	35	-	(12,232)
Balance at end of the year		46,462	46,462

15.2 This represents restricted cash balances (escrow accounts) consists of replacement and other reserves required by agreement with RHC's lenders which are held in separate bank accounts.

15.3 Prepayments			
Current portion of long-term prepayments	11	136,799	227,427
Real estate taxes		486,289	450,628
Commission		82	12,981
Rental on leased aircraft		35,940	54,949
Insurance		91,635	89,509
Rent		7,032	12,066
Others		186,157	111,969
		943,934	959,529

		2017	2016 (Restated)
		----- (Rupees in '000) -----	
16. OTHER RECEIVABLES	Note		
<i>Considered good</i>			
Claims receivable		9,084	1,340,938
Excise duty	30.1 (a)	100,000	100,000
Sales tax receivable	16.1	4,954,893	4,878,535
Rental income	16.2	190,534	173,214
Receivables from GoP	16.3	720,817	536,272
Others	16.4	1,728,975	1,853,618
		7,704,303	8,882,877
<i>Considered doubtful</i>		272,909	216,756
Less: provision for doubtful other receivables	16.5	(272,909)	(216,756)
		7,704,303	8,882,877

- 16.1** This includes sales tax refundable aggregating Rs. 4,745.637 million (2016: Rs. 4,745.637 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Holding Company has filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has interalia stated that as the Holding Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005 (refer note 30.1 (e)).

The Holding Company in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case interalia, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(1)/2006, which is applicable to the Holding Company being registered as a Service Provider in transportation business and registered as service provider under the Act. The management has represented its view to the tax authorities. Therefore, the management is confident that sales tax was not payable on such imports and the amounts collected from the Holding Company at the import stage shall be eventually recovered / adjusted.

- 16.2** RHC's commercial leases provide for scheduled rent increases and free rent periods. The rental income receivable represents pro-rata future receipts. RHC, as lessor under the various net leases at the Hotel, will receive rental income over the next five years, and thereafter as follows:

Not later than 1 year	479,077	494,769
Later than 1 year but not later than 5 years	1,652,609	1,842,554
Later than 5 years	971,387	1,119,665
	3,103,073	3,456,988

- 16.3** This represents receivable in respect of charter revenue, maintenance and other charges.

- 16.4** This includes receivable from lessor amounting to Rs. 1,082,017 million (2016: Rs. 1,592,043) in respect of overhauling incurred by the Company on aircrafts under operating lease as per lease agreement. This also includes balance of Rs. 17.582 million receivable from parties against which cheques have been received but not encashed at the year end and subsequently.

		2017	2016
		----- (Rupees in '000) -----	
16.5 Movement in provision is as follows:	Note		
Balance at beginning of the year		216,756	194,334
Provision for the year	35	56,153	22,422
Balance at end of the year		272,909	216,756



		2017	2016
	Note	----- (Rupees in '000) -----	
17. SHORT-TERM INVESTMENT			
At fair value through profit or loss			
Bred Institution Nil (2016: 36) Ordinary shares		-	5,761
Available for sale - unquoted			
SITA Inc., N.V. 325,491 (2016: 325,491)			
Ordinary shares	17.1	19,220	19,220
		<u>19,220</u>	<u>24,981</u>

- 17.1 These shares are held by SITA INC. N.V., on behalf of the Holding Company and are transferable, subject to certain specified conditions.

		2017	2016
	Note	----- (Rupees in '000) -----	(Restated)
18. CASH AND BANK BALANCES			
In hand		34,966	29,051
In transit		24,343	15,417
		<u>59,309</u>	<u>44,468</u>
With banks:			
- in current accounts	18.1, 18.2 & 18.4	4,395,574	3,363,395
- in deposit accounts	18.3, 18.5 & 18.6	5,261,903	4,767,579
		<u>9,657,477</u>	<u>8,130,974</u>
		<u>9,716,786</u>	<u>8,175,442</u>

- 18.1 This has been adjusted by an aggregate amount of Rs. 1,359.668 million (2016: Rs. 1,402.586 million), representing book overdrafts.
- 18.2 These include restricted balances amounting to Rs. 432,414 million (2016: Rs. 448.885 million).
- 18.3 This includes a balance of BDT 607.690 million (Rs. 823.209 million) held at National Bank of Pakistan, Dhaka and Habib Bank Limited, Dhaka. The management of the Corporation is currently facing challenges in remittance of such balance to Pakistan due to compliance / procedural matters. However, the Holding Company holds clean and absolute title of subject bank account, being free to make payments / transfers within Bangladesh territory.
- 18.4 This includes book overdrafts balance of Rs. 165.376 million reflecting the balances held in banks at Gawadar, Panjgur and Turbat. Bank reconciliation statements of balances held at banks on these stations have not been prepared either due to subsequent closure of the station or inability to retrieve records due to political and other inherent limitations. However, the net exposure (i.e. the difference between the bank balance and ledger balance) of balances held with these banks is not material in the overall context of these consolidated financial statements.
- 18.5 These carry interest ranging from 0.1% to 7.5% (2016: 0.1% to 7.5%) per annum for Holding Company balances and 0.08% to 1.10 % (2016: 0.04% to 0.5%) for PIAL balances.
- 18.6 This has been adjusted by an aggregate amount of Rs. 38.738 million (2016: Rs. 39.517 million), representing book overdrafts.

19. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2017	2016		2017	2016
(Number of shares)			----- (Rupees in '000) -----	
		Authorised capital		
		Ordinary share capital		
5,349,250,000	5,349,250,000	A' class shares of Rs. 10 each	53,492,500	53,492,500
1,500,000	1,500,000	B' class shares of Rs. 5 each	7,500	7,500
5,350,750,000	5,350,750,000		53,500,000	53,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs. 10 each	500,000	500,000
5,400,750,000	5,400,750,000		54,000,000	54,000,000
		Issued, subscribed and paid-up share capital		
		Ordinary share capital		
		'A' class shares of Rs. 10 each		
4,998,895,608	4,998,895,608	Issued for consideration in cash	49,988,955	49,988,955
931,028	931,028	Issued for consideration other than cash - for acquisition of shares	9,310	9,310
233,934,482	233,934,482	Issued as bonus shares	2,339,345	2,339,345
5,233,761,118	5,233,761,118		52,337,610	52,337,610
		'B' class shares of Rs. 5 each		
1,003,374	1,003,374	Issued for consideration in cash	5,017	5,017
2,625	2,625	Issued for consideration other than cash for acquisition of shares	13	13
494,000	494,000	Issued as bonus shares	2,470	2,470
1,499,999	1,499,999		7,500	7,500
5,235,261,117	5,235,261,117		52,345,110	52,345,110

19.1 At December 31, 2017, GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares (2016: 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares) representing 92% and 98% holding.

20.	RESERVES	Note	2017	2016
			----- (Rupees in '000) -----	
	Capital reserves			
	Reserve for replacement of fixed assets	20.1	1,966,779	1,966,779
	Capital redemption reserve fund		250,000	250,000
	Others		284,259	284,259
			2,501,038	2,501,038
	Revenue reserve		1,779,674	1,779,674
			4,280,712	4,280,712
	Unrealised gain on remeasurement of investment		169,991	151,575
	Foreign exchange translation reserve		1,214,850	(142,918)
	Legal reserve	20.2	37,655	35,723
			1,422,496	44,380
			5,703,208	4,325,092



- 20.1** Upto June 1988, depreciation on fully depreciated aircraft was charged and credited to the reserve for replacement of fixed assets and excess of sale proceeds over cost of fixed assets disposed off was also credited to the aforesaid account. With effect from 1989 - 90, the Holding Company changed this policy to comply with the IFRSs and the depreciation and excess proceeds over cost of relevant assets are recorded in the consolidated profit and loss account.

		2017	2016
	Note	----- (Rupees in '000) -----	
20.2 Legal reserve			
Balance at beginning of the year		35,723	38,119
Translation adjustment		1,932	1,335
		37,655	39,454
Non - controlling interest		-	(3,731)
Balance at end of the year		37,655	35,723

20.2.1 This balance comprises of legal reserve of MFSA and Minhat France S.d.r.l.

21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET

Balance at beginning of the year		78,292,209	47,823,458
Surplus arising on property, plant and equipment during the year		498,559	31,974,851
Deficit released to consolidated profit and loss on account of aircraft retired / written off during the year	6.1.3	70,739	971,386
		78,861,507	80,769,695
Less: transferred to accumulated losses:			
- Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax		(608,558)	(721,108)
- Surplus on revaluation of property, plant and equipment released during the year on account of aircraft retired / written off - net of tax		(2,760)	(938,411)
- Related deferred tax		(346,981)	(811,032)
		(958,299)	(2,470,551)
Translation and other adjustments		6,340,370	(6,935)
	21.1	84,243,578	78,292,209
Less: related deferred tax liability on:			
- Revaluation as at beginning of the year		30,031,831	16,873,991
- (Deficit) / surplus arising on property, plant and equipment during the year		(375,892)	13,680,263
- Deficit released to consolidated profit and loss on aircraft retired / written off		20,514	291,416
- Incremental depreciation charged during the year on related assets transferred to consolidated profit and loss		(345,854)	(408,856)
- Surplus released during the year on account of aircraft retired / written off		(1,127)	(402,176)
- Change of tax rate		(7,025,197)	-
- Translation and other adjustments		2,444,406	(2,807)
		24,748,681	30,031,831
Balance at end of the year		59,494,897	48,260,378

21.1 This represents the Group's share in gross surplus on revaluation of property, plant and equipment of PIAL. The share of non-controlling interest is Rs. 2,122,977 million (2016: Rs. 1,836,095 million).

22. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	2017 ----- (Rupees in '000) -----	2016
Secured Holding Company							
Askari Bank Limited	22.2	Term finance	3,000 PKR	2017 - 2019	36 monthly	2,000,000	3,000,000
Albaraka Bank (Pakistan) Limited	22.2 & 22.11	Islamic term finance	4,500 PKR	2018 - 2021	36 monthly	4,500,000	4,500,000
BankIslam Pakistan Limited	22.3	Islamic term finance	1,500 PKR	2019 - 2021	8 quarterly	1,500,000	1,500,000
The Bank of Punjab	22.2	Term finance	5,000 PKR	2016 - 2021	60 monthly	3,583,333	4,500,000
The Bank of Punjab	22.2	Term finance	5,000 PKR	2016 - 2021	60 monthly	3,250,000	4,250,000
The Bank of Punjab	22.2 & 22.12	Demand finance	30,000 PKR	2016 - 2023	84 monthly	25,658,848	18,238,524
Faysal Bank Limited	22.2	Term finance	2,000 PKR	2015 - 2018	12 quarterly	333,333	1,000,000
Faysal Bank Limited	22.2	Term finance	2,000 PKR	2016 - 2019	12 quarterly	833,333	1,500,000
Faysal Bank Limited	22.2	Islamic term finance	1,000 PKR	2017 - 2019	12 quarterly	666,667	1,000,000
Faysal Bank Limited	22.2	Term finance	4,000 PKR	2017 - 2020	14 quarterly	3,428,571	4,000,000
National Bank of Pakistan	22.4	Term finance	3,000 PKR	2018 - 2019	36 monthly	2,083,333	3,000,000
National Bank of Pakistan	22.2	Term finance	2,175 PKR	2018 - 2020	12 quarterly	2,175,000	2,175,000
National Bank of Pakistan	22.2	Term finance	2,825 PKR	2018 - 2021	12 quarterly	2,825,000	2,825,000
United Bank Limited	22.2	Term finance	5,000 PKR	2015 - 2020	64 monthly	2,592,592	3,700,704
United Bank Limited	22.2	Term finance	1,500 PKR	2016 - 2021	54 monthly	972,222	1,305,556
National Bank of Pakistan - Bahrain	22.2 & 22.5	Syndicate finance	120 USD	2013 - 2023	40 quarterly	11,822,747	11,617,923
Abu Dhabi Islamic Bank	22.6	Islamic term finance	70.7 USD	2016 - 2019	4 half yearly	2,309,824	4,838,240
Citicbank, N.A.	22.7	Demand finance	82 USD	2006 - 2017	20 half yearly	-	926,601
Citicbank, N.A.	22.8	Term finance	54.2 USD	2015 - 2018	8 quarterly	390,243	1,259,314
Citicbank, Mashteq	22.9	Term finance	120 USD	2016 - 2018	32 monthly	4,144,778	8,650,529
Standard Chartered Bank (Pakistan) Limited	22.10	Syndicate finance	137.5 USD	2014 - 2017	33 monthly	-	456,895
Standard Chartered Bank (Pakistan) Limited	22.10	Syndicate finance	160 USD	2017 - 2021	39 monthly	16,154,021	-
United Bank Limited	22.13	Syndicate finance	130 USD	2017 - 2019	33 monthly	10,014,452	13,631,137
JS Bank	22.2 & 22.12	Term finance	15,000 PKR	2017 - 2023	66 monthly	14,318,181	-
Faysal Bank Limited	22.2	Term finance	4,000 PKR	2019 - 2022	36 monthly	4,000,000	-
Sonnet Bank Limited	22.2 & 22.12	Term finance	5,000 PKR	2019 - 2022	36 monthly	5,000,000	-
Bank of Punjab	22.2	Term finance	2,500 PKR	2017 - 2022	60 monthly	2,500,000	-
Al Baraka Bank Pakistan	22.2 & 22.14	Term finance	2,500 PKR	2020 - 2022	36 monthly	2,500,000	-
Askari Bank Limited	22.2	Term finance	6,000 PKR	2020 - 2022	36 monthly	6,000,000	-
PIAL							
Hong Kong Shanghai Banking Corporation	22.16 & 22.17	Loan	28.87 Euro	2004 - 2017	Variable	-	149,775
JP Morgan Chase	22.17	Loan	140 USD	2011 - 2016	Variable	-	14,509,755
Wells Fargo Bank, N.A.	22.17	Loan	140 USD	2011 - 2016	Variable	15,428,798	-
Unsecured - Holding Company							
Long-term loan - GoP	22.18	Term finance	5,000 PKR	2011 - 2020	16 half-yearly	8,000,000	8,000,000
						158,985,276	119,903,286
Current maturity shown under current liabilities						(56,742,358)	(30,562,568)
						102,242,918	89,339,698

- 22.1** Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2016: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.45% over 1 month KIBOR to 2% over 1 month KIBOR (2016: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 5.28% (2016: 5.28%) whereas variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4% over 1 month LIBOR (2016: 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR).
- 22.2** The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.
- 22.3** The finance is secured by way of lien over Musharakah Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 22.4** The finance was secured by Letter of Comfort from GoP ranking charge over current and fixed asset of Holding Company amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with the Holding Company's sales routed through collection account NBP Airport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP. Furthermore, principal amounting to Rs. 166,667 million due as at December 31, 2017 has been paid by the company during the extended period on January 09, 2018.
- 22.5** The following are the participating banks in this syndicated finance facility:
- National Bank of Pakistan (NBP) - Bahrain; and
 - Habib Bank Limited (HBL)
- 22.6** The finance is secured against ICIEC / GoP guarantee for loans outstanding at any given point of time.
- 22.7** The finance is secured by way of:
- Mortgage over each of the six ATR aircraft and two spare engines purchased; and
 - European Credit Agencies / GoP Guarantee.
- 22.8** The finance is secured against EXIM Bank / GoP guarantee for loan outstanding at any given point of time.
- 22.9** The finance is secured by way of collection routed through the offshore bank account maintained with Citibank Mashreq.
- 22.10** The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:
- Standard Chartered Bank - United Kingdom
 - Mashreqbank plc - United Arab Emirates
- The finance is secured by first priority security over the collection account and facility service account; and legally enforceable assignments of tickets sales collection for the UK sector through IATA with appropriate acknowledgments.
- 22.11** The finance is secured by way of:
- 1st exclusive hypothecation charge over five engines with 10% margin; and
 - irrevocable assignment instruction from the Holding Company to Bank of Punjab for transfer of funds to ABPL on fortnightly basis.
- 22.12** The finance is secured by way of lien over IATA routed sales of the Company, receivable or assignment
- 22.13** The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:
- United Bank Limited (UBL); and
 - Credit Suisse AG, Singapore Branch
- The finance is secured by way of:
- 1st priority security over the master collection account, facility service account;
 - legally enforceable assignment of the ticket sales collection for the select BSP agreement sector through IATA with appropriate acknowledgment; and
 - irrevocable and unconditional instruction to IATA and GSA in the Kingdom of Saudi Arabia to pay all proceeds from the sales abroad the Holding Company flights into master collection account. The account bank shall transfer funds received to the master collection account into the facility service account also maintained with the account bank.

22.14 The finance is secured by way of hypothecation of Boeing 777-300ER aircraft.

22.15 This includes original loan amounts of Euro 12 million and Euro 16,267 million. The loan amount of Euro 12 million was obtained on March 08, 2004 for renovation works whereas loan amount of Euro 16,267 million was refinanced on March 20, 2008 with an additional loan of Euro 0.60 million obtained at that time. The refinanced loan was initially obtained to partially finance the acquisition of Scribe Gestion and Canadian National Finance. The above loans were matured on May 13, 2017 and paid accordingly. The loan carried interest at a variable rate indexed on three month EURIBOR plus 1.15% per annum.

The above loans were secured by mortgage on the building located at 1 rue Scribe amounting to Euro 15,867 million plus 10% for associated costs and Euro 12 million plus 10% for associated costs. There was a first ranking pledge of MFSA's goodwill 'Fonds de Commerce' for a total amount of Euro 12 million plus 10% related to associated costs and a third ranking pledge of MFSA's goodwill 'Fonds de Commerce' for a total amount of Euro 15,867 million plus 10% related to associated costs. The banks also hold a pledge on MFSA's cash account, further, pooled-receivables bank factoring guarantee for rental of all or part of the building and general insurance policies (in relation to loss of earnings and damage to properties) was also granted.

22.16 During the years 2007 and 2006, MFSA had entered into an interest rate cap agreements for the loan amount of Euro 12 million and Euro 16,867 million respectively with the intent of managing its exposure to interest rate risk. These interest rate cap agreements, with the same notional amounts covered by the loan expired on 13 May 2017 and effectively caps the variable rate debt at a maximum rate of 5% per annum. The costs of interest rate cap were Euro 0.16 million and Euro 0.152 million respectively.

22.17 On November 09, 2011, RHC entered into a loan agreement and two mezzanine loan agreements amounting to US \$ 75 million and US \$ 56.5 million respectively, aggregating to US \$ 131.5 million. The proceeds of these loans were primarily used to settle the then outstanding loans. On May 09, 2018, RHC refinanced its existing loans and entered into a new loan agreement with Wells Fargo Bank, N.A., increasing its borrowings to US \$ 140 million. The proceeds of this loan were used to satisfy the previously existing loans (i.e. which were obtained on November 09, 2011).

The loan has a maturity date of May 09, 2028. This loan is secured by amongst other things, RHC's property and equipment and requires payments of interest only at the annual rate of LIBOR plus 2.40% (3.85% and 3.98% at December 31, 2017 and 2016, respectively). The loan agreement contains covenants that RHC must adhere to which includes, among other things, the maintenance of cash in escrow reserved towards the payment of interest, real estate taxes and insurance.

At December 31, 2017, RHC did not meet the minimum debt yield ratio (refer note 29), as defined, in the loan agreement. Although the failure to maintain the minimum debt yield ratio (DYR) is not considered an event of default, a Lockbox Sweep Period, as defined, has commenced. During the Lockbox Sweep Period any excess cash flows, as defined, will be deposited into RHC's cash management account and held as additional security for the loan. The Lockbox Sweep Period will be cured once RHC maintains the minimum debt yield ratio for two consecutive calendar quarters. At December 31, 2017, RHC was in compliance with all other loan covenants except for maintenance of minimum DYR.

Since the interest rates on the loan is at comparable market rates, the carrying value of the loan payable to bank approximates its fair value.

RHC entered into an interest rate cap agreement on its loan with the intent to manage interest rate exposure. The interest rate cap agreement, with an aggregate notional amount of \$140 million, expires on 15 May 2018, which caps the variable rate portion of the debt at a rate of 4.00% per annum. The cost of the interest rate cap was \$61,000.

RHC considers the risk of non-performance on these agreements to be remote. Management has determined the cost of these derivatives at December 31, 2017 and 2016 approximate their fair value.

In February 2018, RHC executed a term sheet with a lender for a loan in the amount of \$105 million. It is anticipated that the loan will consist of an \$85 million initial funding ("Initial Funding") and available future advances of up to \$20 million. The proceeds of the Initial Funding will be used to partially repay the \$140 million loan payable maturing in May 2018. The repayment of the remaining \$55 million of the loan payable will be funded by RHC's cash in bank, collection of the outstanding note receivable from PIAL, additional funding from PIAL, and an anticipation of a reduction of restricted cash from the existing loan.

22.18 The Holding Company has not paid any installment since due date of installment, i.e. October 23, 2011. The over due principal and markup due as at December 31, 2017 is Rs. 6,062.30 million (2016: Rs. 5,062.50 million) and Rs. 6,700 million (2016: Rs. 5,900 million), respectively. The over due principal amount is included in current maturity.



23. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of Installments	Mark-up (%)	2017	2016
----- (Rupees in '000) -----							
Term finance certificates (TFC)	23.1	GoP Guarantee	2014-2020	16 Quarterly	6 month KIBOR + 1.25%	20,544,007	26,707,209
Sukuk certificates	23.2	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR + 1.75%	6,800,000	6,800,000
						27,344,007	33,507,209
Less: current maturity						(10,272,000)	(8,217,603)
						17,072,007	25,289,606

23.1 The ECC on July 03, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by Ministry of Finance (the Ministry). On December 01, 2014, the Ministry approved the terms and conditions of new TFCs, amounting Rs. 32,870 million, including the conversion of short term loan of Rs. 20,080 million on the terms, applicable from February 20, 2014. Principal amounting to Rs. 2,054 Million due on November 20, 2017 and interest amounting to Rs. 366.03 million due on August 19, 2017 and Rs. 383.187 million due on November 19, 2017 have been paid by the Holding Company during the extended period on January 05, 2018.

23.2 The Holding Company had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31, 2009. The principal amount was payable after grace period of two years in six half yearly instalments, however, the Holding Company had not made any principal payments that were due until December 30, 2013. The Sukuk investors were requested to re-profile the principal repayment schedule along with other terms of Sukuk Certificates, with the assistance of the Ministry. On December 30, 2013, the Sukuk agreement with Sukuk investors was rescheduled by virtue of which the Holding Company was required to pay the entire principal on October 20, 2014. However, on December 24, 2014, the Sukuk investors agreed to further extend the term of Sukuk Certificates for a period of further five years starting from October 20, 2014 and the Holding Company will be required to pay the entire principal on October 20, 2019. The markup rate and security will remain unchanged. The Ministry has approved the restructuring and new agreement has been signed on June 30, 2016. Accordingly, the same has been classified as non-current liability.

	Note	2017	2016
24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		----- (Rupees in '000) -----	
Present value of minimum lease payments			
B-777-200 LR	24.2	-	2,841,122
B-777-300 ER	24.3	5,962,231	10,375,265
Technical ground equipments	24.4	165,609	202,230
		6,127,840	13,418,617
Less: current maturity		(4,346,677)	(7,606,768)
		1,781,163	5,811,849

24.1 The amount of future payments and the year in which they will become due are:

	2017			2016		
	Minimum lease payments	Finance cost	Present value of minimum lease payments	Minimum lease payments	Finance cost	Present value of minimum lease payments
(Rupees in '000)						
Not later than one year	4,524,775	178,098	4,346,677	8,102,581	495,813	7,606,768
Later than one year but not later than five years	1,828,456	47,293	1,781,163	6,028,335	216,466	5,811,849
	6,353,231	225,391	6,127,840	14,130,916	712,299	13,418,617

24.1.1 The above schedule is made as per the rate implicit in the lease and the payment is made as per the rates mentioned in the notes 24.2, 24.3 and 24.4. The resulting difference between both in the current year is Rs. 106.851 million (2016: Rs. 516.722 million) :- %

24.2 During the year 2006, the Holding Company arranged an Ex-Im Bank guaranteed financing of US\$ 266 million to acquire two Boeing B-777-200 LR aircraft and one propulsor from Taxila - 2 Limited, a special purpose entity incorporated in Cayman Islands. The guaranteed lender is Citibank N.A. The lease term of propulsor has expired during the year 2014. The salient features of the lease are as follows:

	2017	2016
Discount rate - aircraft and propulsor	Three months LIBOR - 0.02%	Three month LIBOR - 0.02%
Lease period - aircraft	144 months	144 months
Lease period - propulsor	96 months	96 months
Security deposits (Rupees in '000)	846,178	802,750

24.3 During the year 2006, the Holding Company arranged an Ex-Im Bank guaranteed financing of US\$ 472 million to acquire three Boeing B 777-300 ER aircraft and one engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is Royal Bank of Scotland. The lease term of spare engine has expired during the year 2014. The salient features of the lease are as under:

Discount rate - one aircraft	5.25%	5.25%
Discount rate - two aircraft and spare engine	Three months LIBOR - 0.04%	Three months LIBOR - 0.04%
Lease period - aircraft	144 months	144 months
Lease period - spare engine	96 months	96 months
Security deposits (Rupees in '000)	1,700,597	1,613,318

24.4 During the year ended December 31, 2016, the Holding Company arranged a letter of credit (LC) limit of Rs. 500 million for the purpose of acquisition of technical ground equipment. On the maturity of LC, the amount of LC is converted into finance lease, having a limit of Rs. 500 million with lease period of 48 months. The lease arrangement is secured by GoP guarantee (carry markup at the rate of 2% spread over one month LIBOR). The Holding Company has utilised the LC balance of Rs. 260.557 million and converted it into finance lease.

24.5 The Holding Company has an option to acquire the ownership of the aircraft and engines mentioned in notes 24.2 to 24.4, at the end of lease term.



		2017	2016
25.	DEFERRED TAXATION	Note	----- (Rupees in '000) -----
	Roosevelt Hotel Corporation N.V.	25.1	19,556,166
	Minhal France S.A.	25.2	9,277,397
	The Holding Company	25.3	-
			<u>28,833,563</u>

The components of the net deferred tax liability are as follows:

25.1 Roosevelt Hotel Corporation N.V.

Deferred tax credit:

Revaluation of hotel property

Excess of tax over book depreciation

Deferred tax debits:

Allowance for doubtful debts

Accrued vacation

Net Operating Losses

Net deferred tax liability

396,731	456,248
19,617,054	25,422,233
<u>20,013,785</u>	<u>25,878,481</u>
(1,051)	(637)
(116,338)	(153,051)
<u>(340,230)</u>	<u>(240,218)</u>
(457,619)	(393,906)
<u>19,556,166</u>	<u>25,484,575</u>

- 25.1.1 On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Act"). The Act reduces the U.S. federal tax rate from a maximum of 35% to a flat rate of 21%, effective January 01, 2018; and on a prospective basis, starting with the year ending December 31, 2018, changes the computation of RHC's U.S. federal income tax, including the introduction of new components of income tax which may apply to RHC. As of December 31, 2017, RHC has recognized provisional tax impacts based on reasonable estimates. The ultimate tax impact may differ from these provision amounts, possibly materially, due to, among other things, additional prospective basis, starting with the year ending December 31, 2018, changes the computation of RHC's U.S. federal income tax, including the introduction of new components of income tax which may apply to RHC.

As of December 31, 2017, RHC has recognized provisional tax impacts based on reasonable estimates. The ultimate tax impact may differ from these provision amounts, possibly materially, due to, among other things, additional analysis, changes in interpretation and assumptions made incorporated in the remeasurement of deferred taxes from a tax rate of 35% to 21%.

The reduction in the U.S. federal tax rate from 35% to 21% has resulted in a tax expense of \$202,045 that is recognized in the statement of profit or loss for the year ended December 31, 2017. The reduction in the U.S. federal tax rate from 35% to 21% has also resulted in a tax benefit of \$64 million for the year ended December 31, 2017 that has been recognized directly in other comprehensive income.

25.2 Minhal France S.A.

Deferred tax credits:

Excess of book value over tax depreciation

Revaluation of hotel property

Provision for major repairs

Deferred tax debit:

Employees pension plan

Net deferred tax liability

2,205,110	1,908,662
7,075,883	6,122,278
22,307	18,600
<u>9,303,300</u>	<u>8,049,540</u>
(25,903)	(21,288)
<u>9,277,397</u>	<u>8,028,252</u>

25.3 Holding Company

----- (Rupees in '000) -----

Deferred tax credits:

Accelerated tax depreciation

15,374,443 15,049,336

Surplus on revaluation of property, plant and equipment

(1,236,668) (900,452)

14,137,775 14,148,884

Deferred tax debits:

Unused tax losses

(5,629,955) (4,494,246)

Provisions for liabilities and to write down other assets

(8,507,820) (9,654,638)

(14,137,775) (14,148,884)

- -

25.3.1 In accordance with the accounting policy of the Holding Company (note 4.10), deferred tax asset of Rs. 90,414.33 million [2016: (Restated) Rs. 83,489.204 million] has not been recognised in these consolidated financial statements due to uncertainty in availability of sufficient future taxable profits.

25.4 Movement in temporary differences during the year

	Balance as at January 01, 2016	Recognised in consolidated profit and loss (Note 25.4.1)	Translation and other adjustments	Recognised in consolidated equity (Note 25.4.1)	Balance as at December 31, 2016	Recognised in consolidated profit and loss	Translation and other adjustments	Recognised in consolidated equity	Balance as at December 31, 2017
----- (Rupees in '000) -----									
Deferred tax credits:									
Accelerated tax depreciation	19,268,010	(1,530,934)	(61,943)	-	17,675,133	169,527	392,511	-	18,237,171
Surplus on revaluation of operating fixed assets	16,873,991	(835,921)	(3,072)	14,050,987	30,085,985	(353,469)	(4,508,958)	(325,363)	24,898,195
"Amortisation of leasehold land acquisition premium"	-	-	-	-	-	-	-	-	-
Provision for major repairs	19,214	-	(614)	-	18,600	-	3,707	-	22,307
	36,161,215	(2,366,855)	(65,629)	14,050,987	47,779,718	(183,942)	(4,112,740)	(325,363)	43,157,673
Deferred tax debits:									
Unused tax losses	(2,934,116)	3,439,870	-	-	(4,494,246)	(1,135,709)	-	-	(5,629,955)
Provisions for liabilities and to write down other assets	(2,653,186)	(1,823,829)	759	(46,172)	(9,532,428)	1,409,944	(10,493)	(220,949)	(8,353,926)
Net operating losses	(113,646)	(126,533)	(36)	-	(240,217)	(82,917)	(17,095)	-	(340,229)
	(15,710,948)	1,489,508	724	(46,172)	(14,266,491)	191,318	(27,588)	(220,949)	(14,324,110)
	20,450,267	(877,347)	(64,908)	14,004,815	33,612,827	7,376	(4,140,328)	(546,312)	28,833,563

25.4.1 This includes effect of change in tax rate from 30% to 29% amounting to Rs. 30.015 million in respect of the Holding Company and from 35% to 21% amounting to Rs. 6,995.182 million in respect of RHC.

		2017	2016
26.	DEFERRED LIABILITIES	Note	----- (Rupees in '000) -----
	Post retirement medical benefits - Holding Company	26.2	11,785,642 10,927,712
	Pension obligation - Holding Company	26.3	21,746,346 19,033,228
	Staff retirement benefits - PIAL	26.12	77,708 63,863
	Unfunded staff retirement gratuity - SRL	26.13	113,254 99,925
			<u>33,722,950</u> <u>30,124,728</u>

26.1 General description of the type of defined benefit plans and accounting policy for remeasurements of the net defined benefit obligation / asset is disclosed in note 4.9 to these consolidated financial statements.

26.2	Post retirement medical benefits - Holding Company	2017	2016
		----- (Rupees in '000) -----	
	Liability recognised in the consolidated balance sheet		
	Present value of defined benefit obligation	11,785,642	10,927,712
	Movement in liability during the year		
	Balance at beginning of the year	10,927,712	10,252,096
	Expense recognised in consolidated profit and loss account	939,396	1,272,987
	Total remeasurements recognised in other comprehensive income	761,893	153,908
	Payments made during the year	(843,359)	(751,279)
	Balance at end of the year	<u>11,785,642</u>	<u>10,927,712</u>
	Expense recognised in the consolidated profit and loss account		
	Current service cost	98,913	285,341
	Interest cost	840,483	987,646
		<u>939,396</u>	<u>1,272,987</u>
	Total remeasurements recognised in other comprehensive income		
	Actuarial loss on liability arising on		
	- financial assumptions	32,422	-
	- demographic assumptions	-	-
	- experience adjustments	729,471	153,908
		<u>761,893</u>	<u>153,908</u>

26.3 Pension obligation - Holding Company

The details of three different categories of plans are as follows:

	PAFPA		FERA		MAIN PENSION		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)								
Liability / (asset) recognised								
Present value of defined benefit obligation	2,283,950	2,554,113	457,055	455,917	27,162,805	26,092,541	29,903,810	29,102,571
Fair value of plan assets	(1,653,466)	(1,693,082)	(963,654)	(986,095)	(5,540,342)	(7,890,166)	(8,167,464)	(10,069,343)
	630,482	861,031	(506,599)	(530,178)	21,622,463	18,202,375	21,746,346	19,033,228
Movement in liability / (asset) during the year								
Opening liability / (asset)	661,031	868,239	(530,178)	(558,898)	18,702,375	14,171,282	19,033,228	14,480,623
Expenses recognised in profit or loss	116,589	122,170	(42,415)	(56,052)	2,483,045	2,267,866	2,557,219	2,335,984
Total remeasurements recognised								
- in other comprehensive income	(347,138)	(115,179)	65,994	88,107	437,043	2,343,013	155,899	2,315,935
Employer contributions	-	(14,199)	-	(3,329)	-	(79,786)	-	(97,314)
Closing liability / (asset)	630,482	861,031	(506,599)	(530,178)	21,622,463	18,202,375	21,746,346	19,033,228
Movement in the defined benefit obligation								
Obligation at beginning of the year	2,554,113	2,574,493	455,917	492,596	26,092,541	23,208,226	29,102,571	25,275,315
Current service cost	34,549	36,056	-	4	654,079	654,728	688,628	690,769
Past service cost	13,158	-	-	-	332,776	-	345,934	-
Interest cost	196,678	250,057	34,826	45,890	1,997,861	2,241,367	2,229,345	2,538,801
Benefits paid	(191,266)	(147,848)	(41,176)	(47,393)	(2,238,568)	(1,589,303)	(2,471,010)	(1,784,549)
Remeasurement	(323,282)	(158,645)	7,488	(36,173)	324,116	1,377,533	6,322	1,182,713
Obligation at end of the year	2,283,950	2,554,113	457,055	455,917	27,162,805	26,092,541	29,903,810	29,102,571
Movement in fair value of plan assets								
Fair value at beginning of the year	1,693,082	1,706,254	986,095	1,061,494	7,390,166	9,036,944	10,069,343	11,494,592
Interest income	127,796	163,943	77,241	102,946	501,671	528,219	706,708	1,095,108
Employer contributions	-	14,199	-	3,329	-	79,786	-	97,314
Benefits paid	(191,266)	(147,848)	(41,176)	(47,393)	(2,238,568)	(1,589,303)	(2,471,010)	(1,784,549)
Return on plan assets excluding amount included in interest income	23,856	(43,466)	(58,506)	(124,276)	(112,927)	965,480	(147,577)	1,133,222
Fair value at end of the year	1,653,466	1,693,082	963,654	986,095	5,540,342	7,890,166	8,167,464	10,069,343
Expense recognised in consolidated profit or loss								
Current service cost	34,549	36,056	-	4	654,079	654,728	688,628	690,769
Past service cost	13,158	-	-	-	332,776	-	345,934	-
Net interest expense / (income)	68,882	85,114	(42,415)	(56,055)	1,496,190	1,413,138	1,522,657	1,443,196
	116,589	122,170	(42,415)	(56,052)	2,483,045	2,267,866	2,557,219	2,335,984
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on:								
- financial assumptions	12,246	179,989	1,131	39,429	382,877	1,484,529	396,254	1,703,947
- experience adjustments	(335,528)	(338,634)	6,357	(75,604)	(58,761)	(108,996)	(367,932)	(621,234)
	(323,282)	(158,645)	7,488	(36,173)	324,116	1,377,533	6,322	1,182,713
Return on plan assets excluding amount included in interest income	(23,856)	(43,466)	(58,506)	(124,276)	(112,927)	965,480	(147,577)	1,133,222
	(347,138)	(115,179)	65,994	88,107	437,043	2,343,013	155,899	2,315,935
The plan assets comprise of:								
Debt instruments	1%	19%	0%	0%	1%	11%	1%	10%
Others including cash and cash equivalents	99%	81%	100%	100%	99%	89%	99%	90%
	100%	100%	100%	100%	100%	100%	100%	100%
Actual return on plan assets	151,652	120,477	(6,735)	(91,330)	388,744	(137,261)	559,131	(38,114)

- 26.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 27.2) were carried out at December 31, 2017. The valuations have been carried out using Projected Unit Credit method and the following significant assumptions:

	2017	2016
	----- (Percentage) -----	
Valuation discount rate	8.25%	8.00%
Salary increase rate	7.25%	7.00%
Pension Indexation rate	1.75%	1.50%
Medical inflation rate	2.00%	1.75%
Mortality table		
	Adjusted SLIC 2001-2005 with one year age set back	

- 26.5 Number of employees covered by the various scheme are as follows:

	2017	2016
	(Number)	
Pension scheme		
Active employees	12,993	14,191
Beneficiaries	22,178	15,104
Post retirement medical benefit scheme	22,178	15,104

26.6 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

		Increase / (decrease) in defined benefit obligation of					
		PALPA Fund		FENA Fund		Main Pension Fund	
Change in assumption		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----							
Valuation discount rate	1%	(158,786)	184,457	(30,042)	34,220	(2,248,165)	2,662,216
Salary increase rate	1%	no change	no change	no change	no change	1,033,536	(929,173)
Pension indexation rate	1%	176,901	(154,808)	38,854	(34,442)	(13,223,415)	(15,346,758)

		Increase / (decrease) in defined benefit obligation of			
		Post retirement medical benefits		Compensated absences	
Change in assumption		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
----- (Rupees in '000) -----					
Valuation discount rate	1%	(991,985)	1,173,629	(407,111)	462,878
Salary increase rate	1%	no change	no change	456,975	(408,923)
Medical inflation rate	1%	1,100,723	(961,856)	not applicable	not applicable

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated balance sheet.

26.7 The employee benefit plans exposes the Holding Company to the following risks:

Mortality risk: The risk that the actual mortality rate is different. The effect depends on the beneficiaries service / age distribution and the benefit.

Investment risk: The risk of the investment underperforming and being not sufficient to meet the liabilities.

Final salary risk: The risk that the final salary at the time of cessation of service is greater than what is assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk: The risk of higher or lower withdrawal experienced than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

26.8 The fair value of plan assets of pension funds includes investment in the Holding Company's shares, amounting to Rs. 2,281 million (2016: Rs. 4,846 million).

26.9 The weighted average duration of the benefit obligations as at December 31, 2017 is as follows:

	Years
Post retirement medical benefits	9
PALPA fund	7
FENA fund	7
Main Pension fund	9
Compensated absences	7

26.10 The expected pension and medical expense for the next one year from January 01, 2018 amounts to Rs. 2,512.78 million and Rs. 1,044.466 million, respectively. The expected amount of Pension fund is the amount which the Holding Company has to contribute for the next one year.

26.11 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 1,888,172 million (2016: Rs. 1,947,764 million), Rs. 979,053 million (2016: Rs. 1,009,951 million) and Rs. 629,391 million (2016: Rs. 649,255 million) respectively.

26.12 This represents retirement benefits of PIAL, since the amount is not considered material to these consolidated financial statements, therefore detailed disclosures have not been presented / recognised in consolidated profit and loss account amount to Rs. 214.998 million (2015: Rs. 199,217 million).

26.13 The scheme provides for post employee benefits for all permanent employees of SRL who complete qualifying period of five years of service with SRL and are entitled to one month's last drawn basic salary for each completed year of service, since the amount is not considered material to these consolidated financial statements, therefore detailed disclosures have not been presented. The expense recognised in consolidated profit and loss account amount to Rs. 9.6 million (2016: Rs. 9.6 million).



		December 31, 2017	December 31, 2016	January 01, 2016
		----- (Restated) -----		
27.	TRADE AND OTHER PAYABLES	Note	----- (Rupees in '000) -----	
	Trade creditors			
	Goods	27.1	19,653,399	17,276,031
	Services		9,140,782	5,856,947
	Airport related charges		26,755,234	20,212,685
			55,549,415	43,345,663
	Other liabilities			
	Accrued liabilities		5,527,493	7,699,981
	Advance against transportation (unearned revenue)		9,319,302	7,295,097
	Obligation for compensated absences - Holding Company	27.2	6,146,468	6,443,331
	Unredeemed frequent flyer liabilities	27.3	623,527	755,829
	Advance from customers		852,517	687,112
	Amount due to associated undertaking	27.4	161,653	222,496
	Advances and deposits		164,736	187,803
	Earnest money		3,406	1,083
	Payable to Holding Company's employees' provident fund	27.5	10,997,823	10,202,468
	Unclaimed dividend - preference shares		3,297	3,297
	Collection on behalf of others	27.6	36,586,870	28,944,630
	Customs, federal excise duty and sales tax		2,608,207	3,581,117
	Federal excise duty - International travel		9,612,369	8,900,499
	Income tax deducted at source		1,282,112	1,943,584
	Sales tax payable		4,867	4,211
	Bed tax		1,181	694
	Payable to EOBI / SESSI		555	657
	Short-term deposits		570,781	612,383
	Others	27.7	902,841	618,989
			140,919,420	121,450,924

- 27.1 This includes an amount of Rs. 16,141.669 million payable to Pakistan State Oil Limited (PSO) which comprises of principal balance of Rs. 12,783.020 million and late payment interest balance of Rs. 3,358.648 million. There is a dispute over the adjustment of payments made by the Holding Company, PSO adjusted the late payment interest first and then the principal while the management considers that based on the interpretation of agreement with PSO all payments made should be adjusted first with principal and once the whole principal balance is paid off, the remaining payments will be adjusted against late payment interest balance. The disagreed recorded amount in this respect as at December 31, 2017 is Rs. 912.890 million.

		December 31, 2017	December 31, 2016	January 01, 2016
		----- (Restated) -----		
27.2	Obligation for compensated absences - Holding Company	Note	----- (Rupees in '000) -----	
	Liability recognised in the consolidated balance sheet			
	Balance at beginning of the year		6,443,331	5,166,886
	Expense recognised during the year	32.2	(231,179)	1,765,094
	Benefits paid during the year		(65,684)	(7,928)
	Effect of restatement	5.3	-	(480,721)
	Balance at end of the year		6,146,468	6,443,331

- 27.2.1** Number of employees covered by the compensated absences are 12,993 (2016: 14,191). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 26.4, 26.6 and 26.9 respectively.
- 27.2.2** The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. (156.16) million (2016: Rs. 927.748 million), Rs. (31.135) million (2016: Rs. 154.125 million) and Rs. (43.885) million (2016: Rs. 205.50 million), respectively.
- 27.3** The liability for frequent flyer programme is based on the valuation carried out by an independent professional valuer. Significant assumptions include:
- ticket inflation rate of 8% (2016: 7%);
 - discount rate of 8% (2016: 8%);
 - expiry of unavailed points after three years; and
 - accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.
- 27.4** This represents amount payable to Minhal Incorporated by PIAL.
- 27.5** This represents amount deducted from employees on account of contribution to Provident Fund, the Holding Company's own contribution and deductions from employees on account of loan recoveries on behalf of Provident Fund which is payable to Pakistan International Airlines Corporation Provident Fund (PF), which could not be paid to the PF within 15 days as required by Section 227 of the repealed Companies Ordinance, 1984 due to the liquidity constraints. Hence, mark-up thereon have been accrued based on the discount rate as announced by the State Bank of Pakistan upto 19 April and thereafter based on 1 month KIBOR.
- 27.6** This includes taxes payable at foreign stations and amount payable to CAA relating to embarkation, security and infrastructure charges.
- 27.7** This includes balance amounting to Rs. 370.463 million payable to various vendors against which cheques have been issued but not encashed as at December 31, 2017 and subsequently.

		2017	2016 (Restated)
	Note	(Rupees in '000)	
28. ACCRUED INTEREST			
Mark-up / profit payable on:			
- long-term financing		7,487,462	6,558,231
- term finance certificates		1,087,768	1,418,995
- sukuk certificates		107,712	224,953
- liabilities against assets subject to finance lease		36	295
- short-term borrowings		647,096	664,229
- provident fund		4,854,960	4,185,344
		<u>14,185,034</u>	<u>13,052,047</u>
29. SHORT-TERM BORROWINGS			
Short-term loans - secured	29.1	31,186,329	30,803,694
Running finance under mark-up arrangements	29.2	3,172,145	3,547,617
		<u>34,358,474</u>	<u>34,351,311</u>



29.1 Short-term loans - secured

Financier	Note	Security	Facility amount (million)	Expiry date	2017	2016
					---(Rupees in '000)---	
From Banking Companies						
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	30-Sep-18	5,000,000	5,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	30-Sep-18	5,000,000	5,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	30-Sep-18	5,000,000	5,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	4,360 PKR	30-Sep-18	4,360,000	4,360,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	30-Sep-18	3,500,000	3,500,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	30-Sep-18	3,000,000	3,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	30-Sep-18	2,000,000	2,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	30-Sep-18	2,000,000	2,000,000
Habib Bank Limited	29.1.2	First charge by way of hypothecation over all present and future moveables and receivables of the company in favor of the bank.	12 USD	30-Sep-18	1,326,329	-
Habib Allied International Bank Limited - London	29.1.2	First charge by way of hypothecation over all present and future moveables and receivables of the company in favor of the bank.	4 & 5 USD		-	943,694
					31,186,329	30,803,694

29.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (2016: 1.5% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (2016: a spread of 3.5% over 3 months LIBOR).

29.1.2 During the year, short term loan and running finance facility of USD 9 million and USD 3 million respectively have been transferred from Habib Allied International Bank Limited - London to Habib Bank Limited as a short term loan of USD 12 million.

29.1.3 The agreements of these borrowings have expired on their maturity, however, these were renewed on their respective maturity dates.

29.2 Running finances under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit amount (million) (Note 28.2.2)	Expiry date	2017 ---(Rupees in '000)---	2016
Secured							
Habib Bank Limited		Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the company for Rs. 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	350 PKR	28,20 PKR	30-Sep-18	93,706	321,829
National Bank of Pakistan		First pari passu hypothecation charge of Rs. 766,667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 686 million payable on demand.	575 PKR	78 PKR	30-Sep-18	496,689	292,031
United Bank Limited		Hypothecation charge of Rs. 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	71 PKR	31-Jul-18	2,499,015	2,515,108
Habib Allied International Bank Limited - London	29.1.2	EURO receivables	3 USD	NIL	On Demand	-	315,285
Un-secured						3,089,410	3,444,253
Habib American Bank			1,5 USD	0.74 USD	On Demand	82,735	103,364
						3,172,145	3,547,617

29.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.0% over 1 month and 3 months KIBOR (2016: 1.5% to 2.0% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% (2016: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 3 month LIBOR (2016: spread of 3.5% over 3 month LIBOR).

29.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at December 31, 2017.

29.2.3 The agreements of these facilities have expired on their maturity, however, these were renewed on their respective maturity dates.



30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 Sales tax and Federal Excise Duty

- a) The tax department had raised demand of Rs. 566,544 million (2016: Rs. 566,544 million) in December 1998, as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2016: Rs. 1 million) and additional duty of Rs. 2,923,005 million (2016: Rs. 2,923,005 million) on the contention that the Holding Company had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Holding Company has paid Rs. 100 million (note 16) against the subject demand which is considered fully recoverable from the department. This case is currently under adjudication before Appellate Tribunal Inland Revenue (ATR). Based on consultation with legal advisor, the management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements in this regard.
- b) The tax department had also raised demands of Rs. 6,804 million (2016: Rs. 6,804 million) and Rs. 277,627 million (2016: Rs. 277,627 million) on March 11, 2008 as FED and sales tax respectively along with penalty of Rs. 14,416 million (2016: Rs. 14,416 million) and additional duty / default surcharge of Rs. 17,91 million (2016: Rs. 17,91 million) during the tax audit of the Holding Company for the periods 2004 - 2005 and 2005 - 2008. These demands were raised on the issues of late payment of FED, collection of FED at incorrect rate, incorrect apportionment of input tax and failure to collect FED on carriage of goods / mail of Pakistan Post. The Holding Company has paid an amount of Rs. 25 million (2016: Rs. 25 million) in this regard which is considered fully recoverable. The Holding Company filed an appeal with the Collector of Customs, Sales tax and Federal Excise (Appeals), which was decided partially in its favour, partially against it and partially remanded back. The Holding Company and the department both have filed appeals at the ATR which are pending adjudication. Based on consultation with legal advisor, the management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements in this regard.
- c) The tax department has raised demands of Rs. 2,066 million (2016: Rs. 2,066 million) and Rs. 1,319,101 million (2016: Rs. 1,319,101 million) as FED and sales tax respectively along with penalty of Rs. 66,058 million (2016: Rs. 66,058 million) and additional duty / default surcharge of Rs. 534,412 million (2016: Rs. 534,412 million) during the tax audit of the Holding Company for the period 2007-2008. These demands were raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Holding Company filed appeal at Commissioner Inland Revenue (Appeals) (CIR (A)), which was decided in favour of the tax department. The Holding Company had filed appeal against this of ATR and a rectification application with CIR (A). The Tribunal has disposed of the Holding Company's appeal, vide appellate order STA No. 28/13/2011 dated September 26, 2016, remanded back the issues of incorrect rates of FED charged on excess baggage and disallowance of claim of input tax. Further, Tribunal has deleted the penalty. Based on consultation with legal advisor, the management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements in this regard.
- d) The tax department through orders dated March 06, 2009, December 04, 2010 and May 30, 2011 levied penalties of Rs. 5,877,351 million (2016: Rs. 5,877,351 million), Rs. 5,679,110 million (2016: Rs. 5,679,110 million) and Rs. 7,025,270 million (2016: Rs. 7,025,270 million), respectively, on account of delayed payment of sales tax and FED for the months of November - December 2008, January - March and November 2010 - January 2011, respectively. In addition to this, the tax department levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs. 38.88 million, Rs. 21.11 million and Rs. 74 million, respectively. The Holding Company filed application for waiver of penalty for the month of November - December 2008 before Federal Board of Revenue (FBR) on which the decision is pending.

The CIR (A) deleted the penalties of Rs. 5,679,110 million and Rs. 7,025,270 million, respectively, through its order dated September 19, 2011, however, default surcharge and 5 % penalty on the unpaid sales tax and FED were maintained. The Holding Company and the department have filed appeals with ATR, which were decided in favour of the Holding Company. Further, for the months of January - March 2010 and November 2010 - January 2011, the Holding Company had filed an application for rectification, which was disposed of by ATR on July 22, 2016 while maintaining the default surcharge.

On 30 April, 2013, the Additional Commissioner Inland Revenue (ACIR) levied penalty of Rs. 4,745,852 million (2016: Rs. 4,745,852 million) in respect of short payment of sales tax and FED for the tax periods April 2012 to January 2013. In addition, the tax department levied default surcharge on unpaid sales tax and FED amounting to Rs. 400,446 million (2016: Rs. 400,446 million). The Holding Company filed an appeal against the said orders before CIR (A), which was decided in favour of the department. Currently, the Holding Company has filed an appeal against this of ATR, which is pending adjudication.

The ECC communicated its decision through its letter dated July 13, 2013, directing the Holding Company and the FBR to reconcile the outstanding amounts and meanwhile the date for payment of outstanding dues in respect of FED, shall be deemed to be extended till further consideration by the ECC. Further, based on consultation with legal advisor, the management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision is required to be recognised in these consolidated financial statements in respect of penalties and default surcharge.

- e) On February 22, 2016, DCIR issued a show cause notice on the same grounds as involved in sales tax refund which was contested by the Holding Company before the Honorable High Court Sindh (SHC) and obtained stay order in favour of the Holding Company. Subsequently on November 01, 2016, DCIR issued an order amounting to Rs. 6,747,669 million (2016: Rs. 6,747,669 million) under Section 11 of the Sales Tax Act, 1990 in respect of tax years 2010, 2011 and 2012 on the contention that the Holding Company has adjusted excess input tax amounting to Rs. 2,003,602 million, Rs. 2,629,350 million and Rs. 1,514,818 million in the returns for tax year 2010, 2011 and 2012 respectively without considering that the matter was in court. Being aggrieved, the Holding Company has filed appeal before CIR(A) against the said DCIR order, which was decided by CIR(A) in the favor of the Holding Company through their order dated June 29, 2017 remanded back the case to DCIR and accordingly, the Holding Company has withdrawn the appeal filed before SHC. Later, the department has issued healing notice in January 2017 for remand back proceedings.
- f) DCIR passed orders dated March 04, 2016 and November 30, 2015 and raised demand of Rs. 24,082 million and Rs. 66,691 million respectively, while disallowing input tax claimed, demand for sales tax along with default surcharge and penalty for periods February 2014, March 2014, and July 2014 on the contention that the Holding Company has claimed additional input tax. The management has filed an application for condonation of time limit and issuance of necessary directions for the activation of option for revision of returns which is pending. Based on legal advice, the management is confident that this matter will ultimately be decided in the Holding Company's favour, hence no provision is made in these consolidated financial statements in this respect.
- g) During the year DCIR passed order dated September 29, 2017 and raised a demand of Rs. 257,439 million for the short payment of Federal Excise Duty for the month of January 2017 along with penalty of Rs. 1,287,197 million. The Holding Company has filed an appeal with CIR(A) against the order since it did not take into account the payment already made on June 30, 2017 and September 15, 2017 which were before the date of order. Subsequently, CIR(A) vide order dated March 27, 2018 decided the matter in favor of the Holding Company and deleted the penalty.
- h) During the year end, show cause notices were issued to Sabre by the Officer Inland Revenue (OIR) at Corporate Regional Tax Office (CRO), Karachi for tax years 2011 to 2014 wherein the OIR has alleged that the Company had paid 'rebates' to non-residents which in the opinion of OIR fall within the ambit of "Franchise" as provided in the Federal Excise Act, 2005 and attracts Federal Excise Duty (FED) at the rate of 10%. The Company has filed petition before the Honorable High Court of Sindh (SHC) against the aforementioned show-cause notice which is pending adjudication. Management believes that the matter will be decided in Company's favour, therefore, no provision has been made in these consolidated financial statements in this respect.
- i) During the previous year, Sabre received notices from the Sindh Revenue Board (SRB) for the payment of SST (including default surcharge) and filing of SST returns for the tax periods June, July and August 2016. Sabre deposited an amount of Rs. 1.4 million in respect of sales tax for the period of June 2016 in December 14, 2016. Subsequent to the year end December 31, 2017, Sabre also received show cause notice from Assistant Commissioner Sindh Revenue Board (SRB) for bringing SST on indenting services being rendered during tax periods from July 2015 to December 2016 and non filing of SST returns for the tax periods from June 2016 to March 2017. Later, an order dated February 21, 2018 was issued raising demand of Rs. 69.75 million for the tax periods July 2015 to March 2017 and penalty of Rs. 156.02 million and default surcharge to be calculated at the time of payment. On February 26, 2018, Sabre filed an appeal against said order before Commissioner (Appeals) SRB, which is pending adjudication. In addition, Sabre also filed a petition in SHC praying for speedy decision of the appeal. The court in its order dated March 02, 2018, directed Commission (Appeals) - SRB to decide the case within prescribed time limit whereas it was also agreed between the parties that no adverse action would be undertaken against Sabre till the decision of the appeal by Commissioner (Appeals) - SRB.

In respect of the above, while the SST returns have not been filed by the Sabre till yet, it has on prudent basis maintained a provision in respect of SST amounting to Rs. 35.66 million (2016: Rs. 22,906 million) for tax periods July 2015 through December 2017. This provision represents estimated liability computed on revenue earned in Sindh province at the applicable tax rate(s). Subsequent to the year on June 12, 2018, an amount of Rs. 19.52 million was paid to SRB for the tax periods July 2015 through December 2016. Based on the amounts paid, as aforementioned, and on the advice of their legal adviser, the management is hopeful of a positive outcome in respect of the appeal pending with Commissioner (Appeals) - SRB.

30.1.2 Other contingencies

- a) Competition Commission of Pakistan (CCP) vide its order dated November 20, 2009 imposed a token penalty of Rs. 10 million on account of unreasonable increase in Hajj fare during the year 2008 as compared to Hajj season 2007. Further, on account of discrimination between Hajj passengers and regular passengers the Holding Company was directed to work out an amount of refund to be paid back to Hajis based on the difference of fare between regular passengers and short duration Hajis who flew during Hajj season 2008. The total exposure of refund estimated by the Holding Company is Rs. 417 million. The Holding Company had filed appeals simultaneously in Lahore High Court and Supreme Court of Pakistan. However, after the order of the Honourable Supreme Court in July 2017, the appeal has been transferred to the Competition Appellate Tribunal, Islamabad. Management believes that both appeals will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements in this regard.

- b) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Holding Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As at December 31, 2017, the excessive amounts claimed by CAA are not acknowledged by the Holding Company aggregated to Rs. 16,792,894 million (2016: Rs. 12,249,350 million) including late payment surcharge and interest thereon amounting to Rs. 11,732,904 million (2016: Rs. 7,754,268 million). In view of the understanding reached through a Memorandum of Understanding (MoU) which was concluded in the meeting held on January 24, 2011 between the representatives of the Holding Company and CAA, the management does not accept the higher amounts being claimed by CAA.

During the aforementioned meeting, the matter of chargeability of rates for non-aeronautical services was amicably resolved whereby it was agreed that CAA shall charge rates as were decided in the arbitration award of 1998. The MoU was signed in the form of minutes of the meeting, however, CAA has continued to charge higher rates for non-aeronautical services rather than those agreed by virtue of the said MoU. However, the management maintains its position on the chargeability of rates based on arbitration award of 1998 and the understanding (MoU) reached between the representatives of CAA and the Holding Company during January 2011.

Further, in relation to the aforementioned surcharge and interest payable, the management considered that the same are not part of the Holding Company's agreement with CAA and accordingly in view of the management such surcharge and interest payable shall never be paid by the Holding Company. The Holding Company is considering to take up this matter again with the Aviation Division of Government of Pakistan for resolution in the light of the previous understanding reached with CAA. Accordingly, no excessive amount shall eventually become payable to CAA and therefore, no provision for the excessive amount has been made in these consolidated financial statements.

- c) Various ex-employees of the Holding Company have lodged claims against the Holding Company for their dues specifically relating to their reinstatements aggregating to Rs. 2,235,743 million (2016: Rs. 2,235,743 million). The management believes the claims to be frivolous, therefore, no provision has been made in these consolidated financial statements.
- d) The Holding Company is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in these consolidated financial statements against these claims amounting to Rs. 735,877 million (2016: Rs. 232,556 million).
- e) Certain lawsuits which arise in the normal course of business are pending against RHC and PIAL. The eventual disposition of these legal actions, in the opinion of management based upon available insurance coverage and the assessment of the merits of such actions by legal counsel, will not have a material adverse effect on the financial position of RHC and PIAL.
- f) Outstanding letters of guarantee amounted to Rs. 202,664 million (2016: Rs. 196,148 million).
- g) Contingencies relating to income tax matters are disclosed in note 35.1 to these consolidated financial statements.

30.2 Commitments

- a) Commitments for capital expenditure amounted to Rs. 253,777 million (2016: Rs. 324,443 million).
- b) Outstanding letters of credit amounted to Rs. 0,449 million (2016: Rs. 143,512 million).
- c) The Holding Company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to US\$ 1,527,904 million (2016: US\$ 1,527,904 million) equivalent to Rs. 168,875,257 million (2016: Rs. 161,489,521 million) based on catalogue prices. The Holding Company has not made certain payments on its due dates as per the terms of the agreement.
- d) The amount of future payments in operating lease arrangement relating to aircrafts B-777-200 ER, 777-240 ER, AIR 72-500, A-320-211, A330-300 and A 320-200 and the period in which these payments will become due is as follows: B-737-800, A-320-232 and A-320-200 and the period in which these payments will become due is as follows:

	2017	2016
	----- (Rupees in '000) -----	
Not later than one year	8,223,239	7,235,512
Later than one year but not later than five years	24,750,051	25,070,274
Later than five years	1,152,042	3,737,597
	<u>34,125,332</u>	<u>36,043,383</u>

- e) Sabre has entered into an operating lease agreement in respect of premises and vehicles. The amount of future lease payments and the period during which they fall due are as follows:

Not later than one year	22,451	4,465
Later than one year but not later than five years	37,592	-
	<u>60,043</u>	<u>4,465</u>

- f) Minhal France S.A. - financial guarantee
- | | | |
|--|---|-------|
| | - | 1,105 |
|--|---|-------|

31. REVENUE - NET

Passenger	81,324,660	80,426,927
Cargo	4,191,830	3,686,515
Excess baggage	732,615	815,488
Charter services	490,645	653,342
Engineering services	708,616	1,094,838
Handling and related services	379,788	422,994
Mail	263,872	288,401
Room, food and beverages sales	11,451,982	11,891,234
Others	4,654,813	3,146,813
	<u>104,198,821</u>	<u>102,426,552</u>

- 31.1 The analysis of revenue by geographical segment is disclosed in note 42.2 of these consolidated financial statements.

31.2 Gross Revenue

Revenue	104,198,821	102,426,552
Less: Federal Excise Duty	(11,455,722)	(12,408,783)
Provincial sales tax	(51,113)	(45,713)
Net Revenue	<u>92,691,986</u>	<u>89,972,056</u>



32. COST OF SERVICES - OTHERS	Note	2017	2016 (Restated)
		----- (Rupees in '000) -----	
Salaries, wages and allowances		20,549,896	20,580,906
Welfare and social security costs		2,159,894	2,422,119
Retirement benefits	32.1	2,181,156	2,241,221
Compensated absences	27.2.2 & 32.2	(156,160)	924,748
Legal and professional charges		22,413	21,555
Stores and spares consumed		1,167,619	1,429,499
Maintenance and overhaul		10,742,691	10,675,485
Flight equipment rental		11,616,526	9,069,290
Landing and handling		15,090,364	14,468,149
Passenger services		3,292,508	2,987,437
Crew layover		3,182,122	2,882,160
Food and beverages		460,503	514,882
Staff training		103,761	128,674
Food cost		-	-
Utilities		75,945	72,273
Communication		3,820,649	3,631,340
Insurance		1,460,003	1,167,121
Rent, rates and taxes		710,159	2,104,522
Printing and stationery		149,509	182,059
Depreciation	6.6	7,433,543	8,190,633
Amortisation of Intangibles and prepayment	7.1	18,677	13,089
Others		1,762,129	1,671,548
		85,843,907	85,378,710

32.1 The Holding Company's staff retirement benefits includes provident fund - a defined contribution plan. The Holding Company has established a separate provident fund. Following information of the provident fund has been derived from the unaudited financial statements of the provident fund as at December 31, 2017 and 2016.

The information related to provident fund established by the Holding Company is as follows:

	2017	2016
Size of provident fund	22,365,052	22,890,155
Cost of investments made	8,223,744	14,065,162
Percentage of investments made	45.8%	60.7%
Fair value of investments	10,241,430	13,883,570

The break-up of fair value of investments is as follows:

	2017 (Percentage)	2016	2017 (Rupees in '000)	2016 (Rupees in '000)
Term finance certificates	14.2%	17.6%	3,175,694	4,037,235
Pakistan Investment Bonds	0.2%	2.5%	41,881	565,013
Islamic bonds	8.9%	9.2%	1,984,561	2,102,911
Bank deposits	-0.2%	5.4%	(44,276)	1,232,546
PIACL shares	0.0%	0.0%	2,530	5,765
Special Savings Certificate	22.7%	26.0%	5,081,040	5,940,100
Total	45.8%	60.7%	10,241,430	13,883,570

32.1.1 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and section 218 of Companies Act, 2017 and the rules formulated for this purpose.

	2017	2016
32.1.2 Number of employees of the Holding Company:	(Number)	
Average number of employees during the year	13,268	14,280
Number of employees as at year end	12,993	14,191

32.2 This includes reversal of Rs. 1,267.379 million due to experience adjustment based on actuarial assumptions.

		2017	2016
		<i>(Restated)</i>	
33. DISTRIBUTION COSTS	Note	----- (Rupees in '000) -----	
Salaries, wages and allowances		2,070,772	2,112,475
Welfare and social security costs		264,900	298,714
Retirement benefits		1,130,970	1,162,115
Compensated absences	27.2.2 & 32.2	(31,135)	154,125
Distribution and advertising expenses		776,745	662,159
Legal and professional charges		39,846	38,320
Repairs and maintenance		10,830	1,454
Insurance		14,875	12,454
Printing and stationery		70,947	84,271
Communication		162,803	172,494
Staff training		35,962	42,805
Rent, rates and taxes		254,054	249,084
Utilities		21,608	19,404
Depreciation	6.6	13,358	13,369
Others		657,027	576,295
		<u>5,493,562</u>	<u>5,599,538</u>

34. ADMINISTRATIVE EXPENSES

Salaries, wages and allowances	34.1	3,752,143	3,695,500
Welfare and social security costs		396,927	446,376
Retirement benefits		727,052	747,074
Compensated absences	27.2.2 & 32.2	(43,885)	205,500
Legal and professional charges		264,538	274,248
Repairs and maintenance		1,483	6,701
Insurance		28,679	23,049
Printing and stationery		32,836	31,917
Management fee	34.2	228,317	227,848
Staff training		137,458	155,407
Municipal taxes		913,152	907,085
Rent, rates and taxes		602,691	579,349
Utilities		970,384	863,380
Remuneration of subsidiaries' auditors		809	798
Auditors' remuneration	34.3	20,386	18,248
Communication		106,906	101,872
Amortisation of intangibles and prepayment	7.1	82,058	16,845
Depreciation	6.6	21,978	22,484
Amortization in respect of long term lease - PIAL	11.3	1,606	1,331
Donations	34.4	3,602	3,600
Others		967,125	869,964
		<u>9,216,245</u>	<u>9,198,376</u>



- 34.1 These include Rs. 8,134 million (2016: Rs. 16,737 million) charge for the year in respect of employees gratuity fund, Rs. 3,999 million (2016: Rs. 3,961 million) in respect of employees' provident fund and Rs. 240,639 million (2016: Rs. 194,306 million) in respect of other retirement benefits of a subsidiary

- 34.2 The breakup of management fee expense incurred during the year is set forth below:

	Note	2017 ----- (Rupees in '000) -----	2016
(i) Interstate Hotels and Resorts Holding Company (IHC)	34.2.1	114,399	119,358
(ii) ACCOR	34.2.2	113,918	108,491
		<u>228,317</u>	<u>227,849</u>

- 34.2.1 RHC entered into a contract for management of day-to-day operations of Roosevelt Hotel with IHC. The agreement provides for a base management fee calculated at 1.20% of gross operating revenues per year and an incentive management fee calculated at 14.5% of net operating income as defined in the agreement.

- 34.2.2 MFSA entered into a management agreement with ACCOR whereby ACCOR is entitled to a basic fee of 2.625% of Scribe Hotel's turnover less lease rentals plus an incentive fee of 9% of gross operating profit subject to a cap of 4.25% of turnover less lease rentals.

34.3 Auditors' remuneration

	2017			2016		
	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total
	----- (Rupees in '000) -----					
Audit fee of the Holding Company	5,334	5,334	10,668	5,334	5,334	10,668
Fee for review of condensed						
Interim financial statements	1,599	1,599	3,198	1,599	1,599	3,198
Consolidated financial statements	793	793	1,586	793	793	1,586
Code of Corporate Governance	274	274	548	274	274	548
Audit fee of PIAL	3,186	-	3,186	1,048	-	1,048
Out of pocket expenses	600	600	1,200	600	600	1,200
	<u>11,786</u>	<u>8,600</u>	<u>20,386</u>	<u>9,648</u>	<u>8,600</u>	<u>18,248</u>

- 34.4 Donations represent payments aggregating Rs. 3.6 million (2016: Rs. 3.6 million) to its CSR setup viz Al-Shita Trust, situated at Terminal 2, Road, Karachi Airport, Pakistan in which the Chief Executive Officer of the Holding Company acts as a Trustee / Chairman. Besides this, none of the Directors or their spouse have any interest in the donee.

	Note	2017 ----- (Rupees in '000) -----	2016
35. OTHER PROVISIONS AND ADJUSTMENTS			
Property, plant and equipment			
- capital spares written off		-	195,592
- deficit released from surplus on aircraft written off	6.1.3	70,739	971,386
- aircraft fleet written off / retired		-	1,716,176
- other assets written off		-	308,272
		<u>70,739</u>	<u>3,191,426</u>
Provision for slow moving and obsolete spares	12.1	196,006	687,153
Provision for doubtful debts	13.2	300,000	544,454
Provision against doubtful advances	14.2	-	249,851
Provision against doubtful deposits	11.2 & 15.1	-	116,358
Provision against other receivables	16.5	56,153	22,422
Late payment surcharge on fuel	27.1	1,232,315	1,363,416
Late payment surcharge on maintenance reserve		-	560,563
Others		<u>241,313</u>	<u>12,838</u>
		<u>2,096,526</u>	<u>6,748,311</u>

		2017	2016
		----- (Rupees in '000) -----	
36. OTHER INCOME	Note		
Income from financial assets			
Profit on bank deposits		48,392	75,024
Interest on maintenance reserve		21,061	5,903
		69,453	80,927
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		22,997	249,367
Insurance claims		2,379	234,341
Others		366,319	94,151
		461,148	658,756
37. FINANCE COSTS			
Mark-up on:			
- long-term financing		9,050,812	6,085,288
- term finance certificates		1,689,629	2,413,416
- short-term borrowings		2,575,383	2,613,439
		13,315,824	11,112,143
Profit on sukuk certificates		535,441	553,147
Interest on liabilities against assets subject to finance lease		242,292	319,400
(Unwinding) / discounting of long term deposits		(117,547)	(103,424)
Interest on provident fund	27.5	669,617	656,790
Arrangement, agency and commitment fee		785,976	716,912
Amortisation of prepaid exposure fee	11.5	248,894	254,031
Bank charges, guarantee commission and other related charges		101,482	76,692
		15,781,979	13,585,691
38. TAXATION			
Current	38.1	810,572	759,481
Deferred	25.4	7,376	(877,347)
		817,948	(117,916)

38.1 Current

38.1.1 This includes Holding Company's provision for minimum taxation made in accordance with section 113 of the Income Tax Ordinance, 2001.

Minimum tax rate under section 113 of Income Tax Ordinance 2001 (I.T.O.) for Tax Year 2017 is 1% of turnover, however the rate for the Holding Company is 0.5% in accordance with the Division IX of First Schedule of I.T.O. 2001.

38.1.2 The Holding Company has filed tax returns for tax years up to tax year 2017. The tax returns from tax years 2003 to 2016 have been filed under self assessment scheme. All assessments for tax years 1991 to 2002 have been finalized by the department. The minimum tax liability under section 80D of the I.T.O. 2001 had been levied by the department from assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover on estimated basis. The Holding Company had filed appeals against the above demands which had been decided in favour of the Holding Company at ATIR level. The department had filed appeal against the decision before Sindh High Court which was decided on few grounds in favour of the Holding Company. Thereafter, the department has filed an appeal against the decision of Sindh High Court before Supreme Court which is pending to date. Based on consultation with legal advisor, the management believes that this issue will be decided in favour of the Holding Company without any additional tax liability.



38.1.3 A demand of Rs. 898,177 million (2016: Rs. 898,177 million) was raised by the Deputy Commissioner Inland Revenue (DCIR) by issuing an amended order in relation to the tax year 2005. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Holding Company claimed the depreciation on the contention that those aircraft were obtained under the purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48,235 million was also recovered by FBR in this respect. The Holding Company filed an appeal at CIR (A) level which was decided partially in favour of the Holding Company. Being further aggrieved, the Holding Company has filed appeal at Income Tax Appellate Tribunal (ITAT) level which is partially heard on September 27, 2016. Based on consultation with legal advisor, the management is confident that this issue will ultimately be decided in its favour and the amount will be recovered.

Further, the ACIR has issued orders under section 122 (5A) of the I.T.O. 2001 in respect of tax years 2006 and 2007 disallowing the depreciation claimed on leased aircraft and other provisions amounting to Rs. 8,480,442 million and Rs. 20,462,797 million, respectively. The Holding Company has filed an appeal CIR (A) against the said orders, however, the matter is still pending for adjudication.

38.1.4 ACIR had issued an order dated June 30, 2014 in respect of tax year 2008 on account of disallowance of depreciation on leased aircraft and other provisions amounting to Rs. 18,892,227 million. Subsequently, CIR(A) vide its order dated January 17, 2018 had annulled the ACIR's order as it was time barred. ACIR has filed an appeal before ATIR against the above order.

ACIR has passed an order dated December 19, 2016 under section 124/122 (5A) of the I.T.O. 2001 in respect of tax year 2009 and raised a demand of Rs. 109,428 million while maintaining the disallowance of depreciation, exchange loss and tax credit amounting to Rs. 17,069,522 million, 8,030 million and 168,744 million respectively, demanded in the earlier order dated June 15, 2015. The Holding Company filed an appeal before CIR(A) and CIR(A) vide its order dated February 14, 2018 maintained the disallowance of depreciation, deleted the disallowance of exchange loss and remanded back the short allowed tax credit under various sections. Both the Holding Company and the department have filed appeals before ATIR under section 131 of the I.T.O. 2001 against the order dated February 14, 2018.

ACIR issued an order dated June 30, 2016 under section 122 (5A) of the I.T.O. 2001 in respect of tax year 2010 and raised a demand of Rs. 143,075 million, disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 12,810 million. The Holding Company filed a rectification application against the above order and ACIR vide its order dated December 12, 2017 maintained the disallowance of depreciation and other provisions but allowed certain tax credits and revised a tax demand of Rs. 109,661 million. The Holding Company filed an appeal before CIR(A) against the above order whereas CIR(A) vide its order dated January 01, 2018 upheld the matter related to disallowance of depreciation and remanded back disallowance of other provisions and tax credits.

The CIR(A) disposed off corporation appeal and issue Combined appellate order dated October 30, 2015 through which he maintain disallowance depreciation and deleted other provisions. The Holding Company has filed a appeal against the CIR(A) decision at ATIR, however, the matter is still pending for adjudication and the Holding Company is confident that this issue will ultimately be decided in its favour. The ACIR issued an order dated June 20, 2015 for tax year 2011 and raised a demand of Rs. 327,535 million by applying 1% minimum tax rate against the Holding Company contention of 0.5%. In addition to disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 7,692,992 million. The Holding Company has filed an appeal before CIR(A) against the said orders whereas CIR(A) vide its order dated October 30, 2015 upheld the matter related to minimum tax and disallowance of depreciation and remanded back disallowance of other provisions and tax credits. Both the Holding Company and the department have filed appeals before ATIR under section 131 of the I.T.O. 2001 against the order which is pending for hearing.

The ACR has issued the orders dated June 30, 2018 & February 14, 2018 under section 122(5A) of the I.T.O. 2001, in respect of tax years 2012 & 2014 and disallowed depreciation on leased aircrafts and other provisions amounting to Rs. 9,725,915 million and Rs. 1,007,920 million respectively. The Holding Company has filed a appeal before CIR(A) against these said orders. Subsequently, CIR(A) issued Appellate order dated February 14, 2018 in respect of FY 2014 and disposed the appeal by deleting the demand maintaining the disallowed depreciation on leased aircrafts and other provisions. The Holding Company has filed a appeal to ATR against the decision of CIR(A), however, the matter is still pending for adjudication.

However, if the above matters are decided against the Holding Company, it may erode the benefit of tax depreciation which remains available for an indefinite period, compared to business losses.

- 38.1.5** The tax department has also issued order under section 161/205 of the I.T.O. 2001 pertaining to tax year 2011 and issued a demand of Rs. 324,319 million. The Holding Company has filed an appeal against the order before CIR(A) which are pending adjudication.
- 38.1.6** The tax department has also issued a showcase under section 161 / 205 of the Income Tax Ordinance, 2001 pertaining to tax year 2016 to provide reconciliations under rule 44(4) of the income tax rules, 2002, of the amounts shown in the statement of accounts and amounts reflected in the monthly / annual statements filed under section 165 of the Ordinance. The Holding Company has responded the showcase.
- 38.1.7** Tax department of Afghanistan has audited income tax returns of the Holding Company's Kabul station for tax years 2006 to 2014 and raised a demand of AFN 238.01 million (equivalent to Rs. 376,294 million). On request of the Holding Company, the Ministry of Finance of Afghanistan (MoFA) has constituted an Objection Review Unit (ORU) to review the disputed matters. On advice of MoFA, the Holding Company has paid the principal tax demand (recomputed by the ORU in its interim report amounting to AFN 41,098 million (equivalent to Rs. 66,976 million) under protest and subject to the final amount of tax to be determined by ORU. Appeal has also been filed with the Commercial Courts in Kabul, Afghanistan which is pending for adjudication. The Holding Company has availed Tax Amnesty Scheme 2018 announced by Afghanistan Government to payoff the tax liability for tax years 2006 to 2013 by paying AFN 78 million (equivalent to Rs. 125,780 million) including AFN 11,098 million as mentioned above. Based on legal advice, the management believes that the case will be decided in the favor of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements.
- 38.1.8** During the year 2014, the Department issued notices to Sabre under section 122 (5A) and 162 of the I.T.O. 2001, in respect of tax years 2011 and 2012 and has considered the gross income of Sabre as commission income, on which tax should be withheld @ 10% of the commission amount at the time of realisation of foreign exchange proceeds. The tax department had initiated the proceedings and passed the ex-parte order dated October 23, 2013 for both of the above tax years well before the date of Compliance of the orders. However, an appeal filed by the Company against the said orders, the Commissioner Inland Revenue (CIR) set aside both the orders on the grounds that opportunity of being heard was not provided to the Company and directed Additional CIR to initiate

On May 28, 2016, final show cause notices in respect of tax years 2011 and 2012 were issued to Sabre which were replied on May 30, 2016. On June 25, 2016, Officer Inland Revenue (OIR) issued a similar show cause notice (as above) in respect of tax year 2010 which was replied by Sabre on June 29, 2016 contending that the notice was time barred and that foreign commission income earned by Sabre was not subject to taxation under section 233 of the Ordinance. However, on June 29, 2016, CIR passed three separate orders under section 162/205 of the Ordinance rejecting Sabre's contentions and alleging that foreign commission earned by Sabre was liable to deduction of tax. The above order followed by notices of demand under section 137(2) of the Ordinance dated June 30, 2016 was issued to Sabre raising demand (including default surcharge) of Rs. 25.4 million, Rs. 13.4 million and Rs. 33.1 million for the tax years 2010, 2011 and 2012. On July 20, 2016, Sabre made an appeal with CIR (A) against the above orders and simultaneously covered itself by obtaining protection from any adverse action by the Tax Department through an interim order passed by the SHC on Sabre's request in this respect. Sabre's appeal with CIR - A against the above orders was decided in favour of the Sabre after which the Income Tax Department filed its Appeal before the ATR which is pending. Management believes that the matter will be decided in Sabre's favour. Therefore, no provision has been made in these consolidated financial statements in this respect.

The Tax Department also issued notices under section 122(9) of the Ordinance in respect of tax years 2010, 2012 and 2013. In respect of tax year 2010, Sabre filed reply to the notice and also challenged the notice before the Honorable High Court of Sindh (SHC) praying that the said notice was time barred. SHC accepted the petition and suspended the notice proceedings. In respect of the tax years 2012 and 2013, Sabre filed replies to the notices by submitting the reason for not amending the assessments, after which no communication has been received by Sabre from the Tax Department. Management believes that the matter will be decided in Sabre's favour.

38.1.9 CIR (Regional Tax Officer), Karachi issued a notice dated February 01, 2013 with respect to audit proceedings for tax year 2012 under Section 177 of the Ordinance which was responded to by Sabre. Subsequently on December 07, 2015, the Tax Department issued notices under section 177(1) of the Ordinance for selection of audit of the tax year 2010 through 2013. Such notices were challenged by Sabre in the SHC which suspended all such notices through an interim order dated January 01, 2016 and the matter is since sub-judice. Management is confident that there would not be any adverse position in respect of these notices in SHC and accordingly no provision has been made in these consolidated financial statements in this respect.

38.1.10 ACIR had served show cause notice to amend the assessment under section 122(5A) of the Ordinance for the tax year 2009 disallowing rebates to Sabre. Sabre replied to the show cause notice which was not accepted by the ACIR. The ACIR passed order dated June 29, 2015 under section 122(5A) of the Ordinance and served a tax demand of Rs. 132,263 million (including additional tax of Rs. 42,979 million) to Sabre. Sabre filed an appeal before CIR(A) which was decided against Sabre through the order dated January 14, 2016. Sabre filed an appeal before ATR against the decision of CIR(A) which was decided against Sabre on September 21, 2016. Subsequent to the year end, Sabre has filed an appeal against ATR's decision before the Honorable High Court of Sindh which is pending adjudication. Management believes that the matter will be decided in Sabre's favour. Therefore, no provision has been made in these consolidated financial statements in this respect.

38.1.11 The Officer Inland Revenue (OIR) had issued notices to Sabre under Section 176 of the Ordinance for monitoring of withholding taxes and their timely deposit for the tax year 2013. Requisite information was submitted, however, the OIR did not accept the submissions of the Sabre and passed an order whereby a tax demand of Rs. 4.46 million was created under Section 161 of the Ordinance. Sabre filed its appeal against said order with the CIR (A) which was decided in Sabre's favor. Accordingly, no provision is maintained in these consolidated financial statements in this respect.

For tax years 2014, 2015 and 2016, the OIR has issued notices under Section 176 of the Ordinance for obtaining information regarding monitoring of withholding taxes. Sabre has submitted the requisite information. Further, in respect of tax year 2015, Deputy Commissioner Inland Revenue issued a notice regarding monitoring of withholding taxes which was complied with. There is no further communication from the Tax Department in respect of aforementioned notices for tax years 2014 through 2016.

38.1.12 Tax audit for the tax year 2015 was selected through computer ballot by the FBR on January 05, 2017 under Section 214C of the Ordinance. The proceedings have been initiated and Sabre has submitted the requisite information and details as required by FBR.

39. LOSS PER SHARE - BASIC AND DILUTED

The calculation of loss per share at December 31 is based on loss attributed to owners of ordinary shares of the Holding Company.

	2017	2016 (Restated)
	----- (Rupees in '000) -----	
Loss for the year (Rupees in '000)	147,756,323	(44,767,638)
Weighted average number of ordinary shares outstanding (Numbers)	5,235,261,117	5,235,261,117
Loss per share attributable to		
'A' class Ordinary share (Rupees)	(9.12)	(8.55)
'B' class Ordinary share (Rupees)	(4.56)	(4.28)

40. OPERATION AND FINANCING CASH FLOWS

	2017	2016 (Restated)
	----- (Rupees in '000) -----	
40.1 Cash (used in) / generated from operations		
Loss before taxation	(46,918,224)	(44,877,380)
Adjustments for:		
Depreciation	7,468,879	8,226,486
Gain on disposal of property, plant and equipment - net	(22,997)	(249,367)
Property, plant and equipment written off / retired	-	2,375,146
Unrealised exchange loss / (gain)	2,252,143	(3,306)
Amortisation / adjustment of intangibles	100,735	49,868
Amortisation of long-term deposits and prepayments	3,299	2,824
Provision for slow moving stores and obsolete spares	196,006	687,153
Provision for doubtful debts	300,000	544,484
Provision for doubtful advances	-	249,651
Provision for doubtful deposits	-	116,358
Provision against other receivables	56,153	22,422
Provision for capital work in progress	-	-
Provision for staff retirement benefits	3,265,436	4,891,345
Finance cost	15,781,979	13,585,691
Share of loss / (profit) from associates	2,034	338
Profit on bank deposits	(48,392)	(75,024)
Deficit released from surplus on account of aircrafts retired / written off	70,739	971,386
Other provisions	241,313	12,838
	(17,250,897)	(13,469,088)
Working capital changes		
Increase in stores and spares	(737,313)	(193,025)
Decrease in trade debts	(1,885,130)	107,371
Increase in short-term loans and advances	(486,632)	(963,149)
Decrease / (increase) in trade deposits and prepayments	(590,897)	409,067
Increase / (decrease) in other receivables	881,108	(1,401,778)
Increase in trade and other payables	19,765,359	20,661,988
Currency translation difference	49,342	13,744
	16,995,837	18,634,218
Cash (used in)/ generated from operations	(255,060)	5,165,130



40.2 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2017							
	Liabilities			Equity				
	Short term running finance (including accrued markup)	Other loans and borrowings (including accrued markup)	Finance lease liabilities	Share capital	Reserves	Accumulated loss	Non - controlling interest	Total
Balance as at January 01, 2017	3,547,617	193,079,597	13,418,912	52,345,110	4,325,092	(296,299,590)	1,774,904	(27,808,356)
Changes from financing cash flows								
Proceeds from loans and borrowings	-	63,006,100	-	-	-	-	-	63,006,100
Transfer	(315,285)	315,285	-	-	-	-	-	-
Repayment of loans and borrowings	-	(33,107,873)	-	-	-	-	-	(33,107,873)
Payment of finance lease liabilities	-	-	(7,290,777)	-	-	-	-	(7,290,777)
Total changes from financing cash flows	(315,285)	30,213,512	(7,290,777)	-	-	-	-	22,607,450
Changes in fair value	-	-	-	-	18,416	-	-	18,416
Other changes - liability related:								
Currency translation difference	-	-	-	-	1,359,700	-	-	1,359,700
Change in running finance	(60,187)	-	-	-	-	-	-	(60,187)
New finance leases	-	14,786,577	242,292	-	-	-	-	15,028,869
Interest expense	-	(11,234,036)	(242,591)	-	-	-	-	(11,476,627)
Interest paid	-	-	-	-	-	-	-	-
Total liability - related other changes	(60,187)	3,552,541	(259)	-	1,359,700	-	-	4,651,795
Total equity - related other changes	-	-	-	-	-	(47,841,848)	309,165	(47,532,683)
Balance as at 31 December 2017	3,172,145	226,845,650	6,127,876	52,345,110	5,703,208	(344,141,438)	2,084,069	(47,663,380)

41. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	(Key Management Personnel)					
	Chief Executive Officer		Head of Department		Executives	
	2017	2016	2017	2016	2017	2016
						(Restated)
	(Rupees in '000)					
Managerial remuneration	22,693	30,002	78,873	135,401	9,481,863	7,516,734
Holding Company's contribution to provident fund	-	270	1,610	2,014	308,823	242,599
Other perquisites	1,070	1,918	36,278	28,647	1,177,916	1,087,389
	23,763	32,190	116,761	166,062	10,968,602	8,846,722
	(Number)					
Number	1	1	16	23	4,869	3,652

Aggregate amount charged in these consolidated financial statements for fee to directors was Rs. 0.191 million (2016: Rs. 0.286 million). Chief Executive Officer and certain executives are also provided with the Holding Company's maintained cars and facilities as per the Holding Company's rules. Key management personnel of PIAL are also provided with free use of company maintained cars and are entitled for reimbursement of actual medical expenditure.

41.1 The number of persons does not include those who left during the year but remuneration paid to them is included in the above amounts.

42. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services provided. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that serves different markets.

The airlines operations segment provides air transport and other allied services.

Hotel operation segment provides accommodation and related services in Pakistan, United States and Europe.

Transaction between business segments are conducted on agreed basis in a manner similar to transactions between third parties. Segment revenue, segment expenses and segment results include transaction between business segments.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

42.1 Revenue analysis

	AIRLINES OPERATIONS		HOTEL OPERATIONS		OTHERS		ELIMINATIONS / ADJUSTMENTS		CONSOLIDATED	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)										
Revenue										
External sales	90,843,729	86,997,379	13,134,189	13,170,797	496,090	443,220	-	-	104,474,008	102,611,396
Intersegment sales	-	-	-	-	-	-	(275,187)	(184,844)	(275,187)	(184,844)
Total revenue	90,843,729	86,997,379	13,134,189	13,170,797	496,090	443,220	(275,187)	(184,844)	104,198,821	102,426,552
Results										
Segment results	(31,613,541)	(31,636,144)	(623,141)	(663,084)	(80,043)	(76,766)	(323,654)	(94,797)	(31,134,213)	(31,291,171)
Interest expense	(16,246,640)	(13,159,579)	(654,951)	(622,117)	(2)	(2)	(119,614)	96,008	(16,781,979)	(13,585,691)
Interest income	67,453	50,927	-	426	-	-	-	-	67,453	51,353
Share of associates loss	(2,034)	(338)	-	-	-	-	-	-	(2,034)	(338)
Income taxes	(1,000,531)	(104,592)	207,355	(249,622)	(24,772)	(22,177)	-	-	(817,948)	(376,371)
Depreciation	(5,814,225)	(6,407,770)	(1,628,228)	(1,797,136)	(26,426)	(27,390)	-	-	(7,466,879)	(8,226,486)
Amortisation	(88,722)	(17,816)	(2,808)	-	(10,376)	(10,429)	-	-	(101,907)	(28,241)
Assets and liabilities										
Segment assets	111,823,774	109,675,696	114,771,762	105,825,635	578,352	503,861	(6,344,498)	(5,832,633)	220,829,390	210,372,459
Investment in associates	396	396	-	-	-	-	71,089	69,000	71,485	69,426
Capital expenditure	4,616,226	1,704,434	731,405	250,162	42,760	33,650	-	-	5,390,391	1,988,226
Segment liabilities	403,295,406	368,622,779	47,435,061	51,074,719	139,872	120,650	(5,626,796)	(5,041,653)	445,343,543	399,986,496

42.2 Geographical segments - by area of original sale

	2017					2016				
	PAKISTAN	UNITED STATES	EUROPE	OTHERS	TOTAL	PAKISTAN	UNITED STATES	EUROPE	OTHERS	TOTAL
(Rupees in '000)										
Segment revenue	50,025,413	14,674,058	21,151,798	16,347,552	104,198,822	45,038,527	15,712,039	18,669,960	23,016,026	102,426,552
Carrying amount of assets	112,860,242	77,815,826	29,942,939	-	220,619,006	109,731,398	69,856,000	30,985,735	-	210,573,096

The major revenue earning assets comprise the aircraft fleet, all of which are registered in Pakistan. Since the fleet of the Holding Company is deployed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

43. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, fuel price risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's senior management carries out financial risk management under governance approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks, wherever necessary.

43.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as fuel price and equity price risk. Financial instruments affected by market risk include loans and borrowings, bank deposits, available-for-sale investments, investments at fair value through profit and loss and derivative financial instruments if any.

a) Fuel price risk

The Holding Company's earnings are affected by changes in price of aircraft fuel. The Holding Company hedges fuel prices to a limited extent through use of derivative contracts. There are no derivative contracts during and at year end.

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's revenue streams are denominated in a number of foreign currencies resulting in exposure to foreign exchange rate fluctuations. In addition, the Group has substantial foreign currency borrowings and lease liabilities that are primarily denominated in US Dollar (US\$), Saudi Riyal (SAR), United Arab Emirates Dirham (AED), Euro and Great Britain Pound (GBP). The Group can experience adverse or beneficial effects arising from foreign exchange rate movements. The Group manages some of its currency risk by utilising its foreign currency receipts to satisfy its foreign currency obligations. The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in the foreign currency exchange rates, with all other variables held constant, on loss before tax:

	2017	2016	2017	2016
	(Rupees in '000)			
	+5%		-5%	
Change in US\$ rate (Increase) / decrease in loss before tax	(2,640,201)	(2,733,357)	2,640,201	2,733,357
	+5%		-5%	
Change in SAR rate (Increase) / decrease in loss before tax	34,327	15,853	(34,327)	(15,853)
	+5%		-5%	
Change in AED rate (Increase) / decrease in loss before tax	76,216	72,980	(76,216)	(72,980)
	+5%		-5%	
Change in GBP rate (Increase) / decrease in loss before tax	46,356	7,263	(46,356)	(7,263)
	+5%		-5%	
Change in Euro rate (Increase) / decrease in loss before tax	(7,379)	(2,945)	7,379	2,945

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the following:

	2017	2016
	----- (Rupees in '000) -----	
Variable rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	150,985,276	111,675,685
Term finance and sukuk certificates	27,344,007	33,507,209
Liabilities against assets subject to finance lease	4,786,925	10,525,657
Short-term borrowings	34,275,739	34,247,947
	<u>217,391,947</u>	<u>189,956,498</u>
Financial assets		
Long term deposits	(1,576,622)	(1,559,638)
	<u>215,815,325</u>	<u>188,396,860</u>
Fixed rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	8,000,000	8,226,601
Liabilities against assets subject to finance lease	1,340,915	2,892,960
Short-term borrowings	82,735	103,364
	<u>9,423,650</u>	<u>11,222,925</u>
Financial assets		
Bank balances	(5,261,903)	(4,767,579)
Long-term loans	(791)	(2,547)
	<u>4,160,956</u>	<u>6,452,799</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair values through profit and loss. Therefore, change in interest rates at the reporting date would not affect consolidated profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group loss before tax.

	KIBOR		LIBOR	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Change in interest rate	+1%		+0.25%	
Increase in loss before tax	(1,621,773)	(1,334,830)	(134,476)	(173,474)
Change in interest rate	-1%		-0.25%	
Decrease in loss before tax	1,621,773	1,334,830	134,476	173,474

d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not significantly exposed to equity securities price risk.

43.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset. The Group manages its liquidity risk by maintaining sufficient cash and cash equivalents, financing facilities and through support of GoP either in the form of capital / loans or in the form of guarantee to obtain financing from lenders (refer note 1.2).



The following table shows the Group's remaining contractual maturities of financial liabilities, including estimated interest payments:

	Carrying Amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
	(Rupees in '000)				
2017					
Long-term financing	158,985,276	187,349,994	56,750,824	119,875,315	10,723,855
Term finance and sukuk certificates	27,344,007	30,513,666	12,333,319	18,180,347	-
Liabilities against assets subject to finance lease	6,127,840	6,353,231	4,524,775	1,828,456	-
Trade and other payables	92,447,782	92,447,782	92,447,782	-	-
Accrued interest / mark-up / profit	9,330,074	9,330,074	9,330,074	-	-
Short-term borrowings	34,358,474	34,358,474	34,358,474	-	-
	328,593,453	360,353,221	209,745,248	139,884,118	10,723,855
2016					
Long-term financing	119,902,286	158,600,172	44,689,442	105,733,687	8,177,842
Term finance and sukuk certificates	33,507,209	38,499,370	10,467,332	28,032,038	-
Liabilities against assets subject to finance lease	13,418,617	14,130,916	8,102,581	6,028,335	-
Trade and other payables	75,601,091	75,601,091	75,601,091	-	-
Accrued interest / mark-up / profit	8,197,087	8,197,087	8,197,087	-	-
Short-term borrowings	34,351,311	34,351,311	34,351,311	-	-
	284,977,601	329,379,946	181,408,844	139,794,060	8,177,842

43.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2017 represents the maximum credit exposure, which is as follows:

	2017	2016
	(Rupees in '000)	
Receivable in respect of Centre Hotel	834,947	792,096
Long-term deposits	8,054,223	9,076,261
Trade debts	10,989,041	9,218,662
Short-term loans	-	5,056
Trade deposits	3,809,582	3,557,055
Other receivables	2,649,410	3,979,337
Bank balances	9,657,477	8,179,353
	35,994,680	34,807,520

Trade debts

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Holding Company normally grants a credit term of 30 to 60 days to customers and in certain circumstances such exposure is partially protected by bank guarantees. Trade debtors mainly represent passenger and freight sales due from agents and government organizations. The majority of the agents are connected to the settlement systems operated by the International Air Transport Association ("IATA") who is responsible for checking the credit worthiness of such agents and collecting bank guarantees or other monetary collateral according to local industry practice. In most cases amounts due from airlines are settled on net basis via an IATA clearing house. The credit risk with regard to individual agents and airlines is relatively low.

Ageing of past due and impaired trade debts is disclosed in note 13 to the consolidated financial statements.

Other financial assets

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a good credit rating i.e. at least "A3" or equivalent for short term and "BBB" or equivalent for long term.

There is no credit risk on aircraft lease deposits because they are secured against the finance lease obligation. Other deposits are not significantly exposed to credit risk as they have been paid as security deposits to receive future services.

There is no significant credit risk against other receivables as majority of the receivable is from GoP.

43.4 Capital management

The Holding Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Holding Company has incurred losses in recent years and the disclosure in respect of the Holding Company's ability to continue as a going concern is disclosed in note 1.2 to these consolidated financial statements.

44. Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Investments in quoted security is classified in level 1 input and other investments in unquoted securities are stated at costs. The fair values of all the financial assets and liabilities at the reporting date approximate to their carrying value (refer note 8 and 17).

	2017							
	Carrying amount				Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Loans and Receivables	Other financial assets	Total	Level 1	Level 2	Level 3
(Rupees in '000)								
Financial assets measured at fair value								
Long-term investments	171,184	-	-	-	171,184	171,184	-	-
Financial assets not measured at fair value								
<i>Non-current assets</i>								
Receivable in respect of Centre Hotel	-	-	834,947	-	834,947	-	-	-
Long-term deposits	-	-	8,054,223	-	8,054,223	-	-	-
Investments in unquoted securities	369	-	-	-	369	-	-	-
<i>Current assets</i>								
Trade debts	-	-	10,989,041	-	10,989,041	-	-	-
Trade deposits	-	-	3,809,582	-	3,809,582	-	-	-
Other receivables	-	-	2,649,410	-	2,649,410	-	-	-
Short-term investment	19,220	-	-	-	19,220	-	-	-
Cash and bank balances	-	-	9,657,477	69,309	9,716,786	-	-	-
	190,773	-	35,994,680	69,309	36,244,762	171,184	-	-

	2017							
	Carrying amount				Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Loans and Receivables	Other financial assets	Total	Level 1	Level 2	Level 3
(Rupees in '000)								
Financial liabilities not measured at fair value								
Long-term financing	-	-	-	158,985,276	158,985,276	-	-	-
Term finance and sukuk certificates	-	-	-	27,344,007	27,344,007	-	-	-
Liabilities against assets subject to finance lease	-	-	-	6,127,840	6,127,840	-	-	-
Trade and other payables	-	-	-	92,447,782	92,447,782	-	-	-
Accrued interest	-	-	-	9,330,074	9,330,074	-	-	-
Short-term borrowings	-	-	-	34,358,474	34,358,474	-	-	-
	-	-	-	328,593,453	328,593,453	-	-	-

Leasehold land and building and Aircraft fleet have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 6.3 and 6.4.

Hotel properties have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 4.1. The Scribe Hotel is a luxury 5 star hotel located at 1, rue Scribe in Paris, France. The Scribe Hotel has 213 guest rooms, including 13 suites and 4 duplex apartments. The Scribe Hotel is located in the center of Paris, between the Opera house, Place Vendôme, La Madeleine and the department stores on boulevard Haussmann. The Scribe Hotel is currently managed by Accor Hotels with the brand Sofitel. In addition to guest rooms, the Scribe Hotel has a gastronomic restaurant, a bar, a tea house with library, a wellness center, a meeting space and other typically found in a full service hotel. The Scribe Hotel is also composed off retail high street retail units on rue Scribe and the corner of boulevard des Capucines. The Roosevelt Hotel is located at 45 East 45th Street New York, New York, 10017 United State of America, which opened in 1924, features 1,025 rooms, a restaurant, a lounge, a rooftop lounge, a street level lounge, room service, approximately 28,000 square feet of meeting space, concierge services, a business center, a fitness center, valet parking, and a gift shop. In addition, the property features approximately 23,000 square feet of retail space (including storage spaces), located on the ground floor and featuring street frontage. In addition to the existing improvements, the property also includes 51,447 square feet of transferable development rights.

The valuation are conducted by the valuation experts appointed by the Group who used different approaches to arrive at the fair value including discounted cash flows, fee simple interest, recent comparable transaction approach and multiple approach and alternative use. The valuation complies with the requirements of the RICS Valuation Standards (the 'Red Book', dated January 2014) published by the Royal Institution of Chartered Surveyors (RICS). The retained approach to value the Scribe Hotel is the DCF method and for Roosevelt Hotel is fee simple interest method as if vacant and available to be redeveloped to its highest and best use. Other valuation methods were employed in order to corroborate the retained valuation approach.

Valuation Technique	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
Scribe Hotel			
The valuation model considered the present value of net cash flows to be generated from the Property taking into account the average daily rate, occupancy rate, varcoz and working capital requirements.	Average daily rate	Euro 120 thousand	The estimated fair value would increase / (decrease) if:
	Occupancy rate	74.70%	Average daily rate were higher / (lower)
	Terminal growth	7.00%	Occupancy rate were higher / (lower)
	Risk adjusted discount rate	6.40%	Growth rate were higher / (lower)
			Risk adjusted discount rate were lower / (higher)
For retail units, income Capitalization approach is used which converts anticipated cash flows into present value by capitalizing net operating income by a market derived "Capitalization rate"	Yield rate	2.90%	Yield rate were lower / (higher)
	Purchase cost	7.50%	Purchase rate were lower / (higher)
Roosevelt Hotel			
The valuation model is considered is fee simple interest method as if vacant and available to be redeveloped to its highest and best use.			The estimated fair value would increase / (decrease) if:
	Per Square foot of development zoning floor area (SFDA)	\$1,000	Per SFDA increase / (decrease)
	Max SFDA	649,699	Max SFDA increase / (decrease)

	2016						Fair value				
	Carrying amount										
	Available for sales	Held for trading or fair value through profit or loss	at Held to Maturity	Loans and Receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total	
	(Rupees in '000)										
Financial assets measured at fair value											
Long term investments	152,768	-	-	-	-	152,768	152,768	-	-	152,768	
Short term investments	-	5,761	-	-	-	5,761	5,761	-	-	5,761	
Financial assets not measured at fair value											
<i>Non current assets</i>											
Receivable in respect of Centre Hotel	-	-	-	792,096	-	792,096	-	-	-	-	
Long term deposits	-	-	-	9,064,843	-	9,064,843	-	-	-	-	
Investments in unquoted securities	369	-	-	-	-	369	-	-	-	-	
<i>Current assets</i>											
Trade debts - net	-	-	-	9,403,911	-	9,403,911	-	-	-	-	
Short-term loans and advances	-	-	-	4,060	-	4,060	-	-	-	-	
Trade deposits	-	-	-	3,557,055	-	3,557,055	-	-	-	-	
Other receivables	-	-	-	3,904,042	-	3,904,042	-	-	-	-	
Short-term investments	19,220	-	-	-	-	19,220	-	-	-	-	
Cash and bank balances	-	-	-	8,130,974	44,468	8,175,442	-	-	-	-	
	172,357	5,761	-	34,856,981	44,468	35,079,567	158,529	-	-	158,529	

	2016									
	Carrying amount					Fair value				
	Available for sales	Held for trading or fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial liabilities not measured at fair value										
Long-term financing	-	-	-	-	119,902,286	119,902,286	-	-	-	-
Term finance and sukuk certificates	-	-	-	-	33,507,209	33,507,209	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	13,418,617	13,418,617	-	-	-	-
Trade and other payables	-	-	-	-	75,601,091	75,601,091	-	-	-	-
Accrued interest	-	-	-	-	8,197,087	8,197,087	-	-	-	-
Short-term borrowings	-	-	-	-	34,351,311	34,351,311	-	-	-	-
	-	-	-	-	284,977,601	284,977,601	-	-	-	-

45. TRANSACTIONS WITH RELATED PARTY

The related parties of the Group comprises associates, profit oriented state-controlled entities, employee retirement benefit plans, directors and key management personnel. Transactions with related parties essentially entail sale and purchase of goods and services and expenses charged between these companies. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in relevant notes. Transactions with related parties are as follows:

	2017	2016
	----- (Rupees in '000) -----	
Retirement funds		
Contribution to Provident Fund and others	2,455,502	3,476,668
Interest due on outstanding balance of Provident Fund	669,616	656,790
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	11,876,178	10,807,888
Late payment interest	1,232,315	1,363,416
Airport related charges	10,433,978	10,952,243
Insurance premium	1,223,800	985,139
Finance costs	4,744,992	4,530,853
GoP - Major shareholder		
Finance cost	800,000	802,192
Haji revenue	3,511,599	2,443,746
Management fee paid to ACCOR	113,918	108,491

- 45.1 One of the hotels owned by FIHL, Hotel Scribe Paris, is managed by a related party, AOGOR. The amount of management fee is based on the agreement with the related party.
- 45.2 Transactions with the directors, chief executives and key management personnel have been disclosed in note 40 to these consolidated financial statements.
- 45.3 Details of balances held with aforementioned related parties excluding profit oriented state-controlled entities have been disclosed in respective notes.
- 45.4 The Holding Company's sales of transportation services to subsidiaries, associates, directors and key management personnel are not determinable.

46. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

On August 14, 2009, GoP launched the BESOS for employees of certain State Owned Enterprises (SOEs) including the Holding Company and Non-State Owned Enterprises (Non-SOEs) where GoP holds significant investments. BESOS is applicable to permanent and contractual employees who were in employment of these entities on its launch date, subject to completion of five years' vesting period by all contractual employees and by permanent employees in certain instances.

BESOS provides for a cash payment to employees on retirement or termination based on the price of shares of the Holding Company. Under the scheme, Pakistan Employees Empowerment Trust (PEET) was formed and 12% of the shares held by the Ministry of Defence were transferred to the Trust. The eligible employees have been allotted units by PEET in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from PEET in exchange for the surrendered units as would be determined based on market price of shares of the Holding Company. The shares relating to the surrendered units would be transferred back to GoP.

BESOS also provides that 50% of dividend related to shares transferred to PEET would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by PEET to the Central Revolving Fund managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in PEET to meet the repurchase commitment would be met by GoP.

BESOS which has been developed in compliance with the policy of GoP for empowerment of employees of SOEs needs to be accounted for by the covered entities, including the Holding Company, under the provisions of the IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under BESOS, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under BESOS and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 in respect of BESOS vide SRO-587 (I) 2011 dated June 07, 2011.

Had the exemption not been granted, the accumulated losses as at December 31, 2017 would have been higher by Rs. 725,707 million (2016: Rs. 725,707 million), staff costs and loss after taxation of the Holding Company for the year then ended would have been higher by Rs. 66,684 million (2016: Rs. 66,684 million) while earnings per share would have been lower by Rs. 0.018 and Rs. 0.009 per share (2016: Rs. 0.012 and Rs. 0.006 per share) for class 'A' and 'B' shareholders respectively.

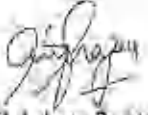
47. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, for the purpose of better presentation and comparison.

48. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Board of Directors of the Holding Company in their meeting held on **July 18, 2019**.


Air Marshal Arshad Malik
Chief Executive Officer


Atif Aslam Bajwa
Director

پراکسی فارم برائے دوسرے سالانہ اجلاس عام پاکستان انٹرنیشنل انیورسٹیز کارپوریشن لمیٹڈ

میں/ہم بن/ہمت/زہد بحیثیت حصص یافتگان پاکستان انٹرنیشنل انیورسٹیز کارپوریشن لمیٹڈ حامل

فولیو نمبر/شراکت کنندہ کا ID نمبر/اکاؤنٹ نمبر	'A' کلاس حصص	'B' کلاس حصص

پذریعہ ہذا جناب/محترمہ بن/ہمت/زہد یا ان کی غیر موجودگی میں بن/ہمت/زہد جو کہ کارپوریشن کے حصص یافتہ بھی ہے/ہیں، جسٹریٹجیڈ فلیو شراکت کنندہ کا ID نمبر اکاؤنٹ نمبر کو اپنے/ہمارے ایماء پر اپنی/ہماری غیر حاضری پر مورخہ 24 اگست 2019 بروز ہفتہ کو منعقد ہونے والے دوسرے اجلاس عام میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا/ہمارا پراکسی (مختار) مقرر کرنا/کرتی ہوں/کرتے ہیں۔

آج بروز اگست 2019 کو میرے/ہمارے بطور گواہ دستخط/امبر سے جاری ہوا۔

دستخط حصص یافتہ

گواہان:

(۱) نام:

سی این آئی سی نمبر:

پتہ:

(۲) نام:

سی این آئی سی نمبر:

پتہ:

نوٹس:

(۱) یہ پراکسی فارم باضابطہ طور پر مکمل ہوا اور میٹنگ کے مقررہ وقت سے 48 گھنٹے قبل (22 اگست 2019 بروز جمعرات) وقت صبح 10:00 بجے تک (کمپنی سیکریٹری۔ پی آئی اے سی ایل، پی آئی اے رجسٹرڈ آفس، کراچی کے دفتر میں) لازماً وصول ہو جائے۔

(۲) کارپوریشن کے غیر حصص یافتہ کو بطور پراکسی مقرر نہیں کیا جاسکتا۔ البتہ کارپوریشن انٹینی کسی غیر حصص یافتہ کو مقرر کر سکتی ہے۔

(۳) فولیو/شراکت کنندہ کا ID نمبر اور اکاؤنٹ/سب اکاؤنٹ نمبر کے بغیر پراکسیز پر غور نہیں کیا جائے گا۔

(۴) مقرر کرنے والے حصص یافتہ کے دستخط پی آئی اے سی ایل میں رجسٹرڈ دستخط کے نمونے کے مطابق ہونے چاہئیں۔

(۵) اگر حصص یافتہ ایک سے زائد پراکسی مقرر کرے اور حصص یافتہ کی جانب سے پراکسی کے ایک سے زائد انسٹرکشنس پی آئی اے سی ایل کو جمع کروائے گئے، تو ایسے تمام انسٹرکشنس کو کالعدم قرار دیا جائے گا۔

(۶) درج بالا کے ساتھ سی ڈی اکاؤنٹ ہولڈرز/کارپوریٹ انٹیلیجنس ورچوئل مطالبات پر عمل کریں:

(ا) نئی فیصل اور سی این آئی سی پاسپورٹ کی مصدقہ کاپی اور پراکسی ہولڈر پراکسی فارم کے ساتھ مہیا کرے جبکہ پراکسی ہولڈر میٹنگ کے وقت اپنا اصل سی این آئی سی پاسپورٹ دیکھائے گا۔

(ب) کارپوریٹ انٹینی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی نامزد کنندہ کے دستخط کے نمونے/اٹارنی کے ساتھ میٹنگ کے وقت مہیا کریں، بجز اسکے کہ یہ دستاویزات پہلے سے مہیا کر دیے گئے ہوں۔

(۷) تفصیلی طریقہ کار دوسرے سالانہ اجلاس عام کے نوٹس میں مہیا کر دیا گیا ہے۔

PROXY FORM FOR SECOND ANNUAL GENERAL MEETING OF PIACL

We of being Shareholder(s) of Pakistan International Airlines Corporation Limited holding the following Shares:

Folio No Participant ID No / Account No	"A" Class Shares	B" Class Shares

hereby appoint Mr / Mrs / Miss _____ of _____ or failing him / her _____ of _____ who is / are a Shareholder(s) of the PIACL vide Registered Folio/Participant ID No. _____ Account No. _____ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Second Annual General Meeting of PIACL to be held on Saturday, August 24, 2019 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of August, 2019.

Signed by Shareholder _____

WITNESSES

[illegible]

Signature
(Affix Revenue
Stamp or
appropriate
value)

NOTES

- (1) This Proxy Form, duly executed, must be lodged at the office of Company Secretary, PIACL Registered Office, Karachi, not less than 48 hours before the time fixed for holding the Meeting i.e. upto 10:00 A.M. Thursday 22, 2019.
- (2) No person shall act as Proxy unless he himself / she herself is a Shareholder of the PIACL except that a corporate entity may appoint a person who is not a Shareholder.
- (3) Proxies without Folio / Participant ID Number and Account / Sub-Account number will not be entertained.
- (4) Signature of the appointer Shareholder should agree with his / her specimen signature registered with the PIACL.
- (5) If a Shareholder appoints more than one proxy and more than one Instruments of proxy are deposited by a Shareholder with the PIACL, all such instruments shall be rendered invalid.
- (6) In addition to the above the following requirements have to be met by CDC Account Holders / Corporate Entities:
 - (i) Attested copies of CNIC or Passport of the Beneficial Owner and the Proxy holder shall be furnished with the Proxy Form whereas the Proxy holder shall also show his / her original CNIC or Passport at the Meeting.
 - (ii) In case of corporate entity, the Board's Resolution / Power of Attorney with specimen signature of the Nominee / Attorney shall be produced at the Meeting unless these documents have already been provided.
- (7) Detailed procedure is provided in the Notes to the Notice of Second AGM.