

Leading the Skies!



ATR 42



AIRBUS A320



BOEING 777

ANNUAL
REPORT
2018

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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 continue 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

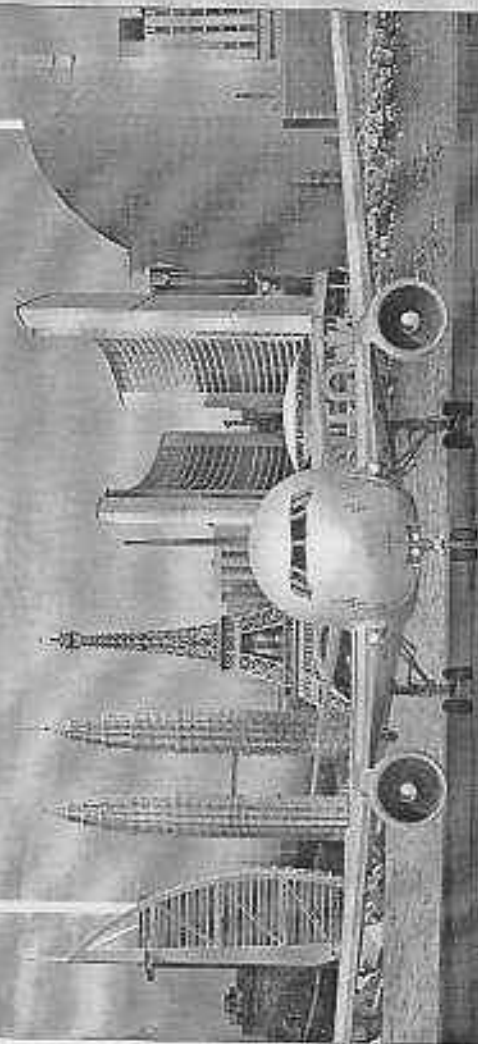
EXECUTIVE ECONOMY

WHERE COMFORT MEETS AFFORDABILITY



Fly.

Your wings already exist.
All you have to do is



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 THIRD ANNUAL GENERAL MEETING

Notice is hereby given that Third Annual General Meeting of the Shareholders of Pakistan International Airlines Corporation Limited will be held at 10:00 a.m. on Saturday, December 21, 2019 at Pool Side, Airport Hotel, 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, 2018 together with the Auditors' and Directors' Reports.
2. To appoint External Auditors for FY 2019 and fix their remuneration.
3. To transact any other business with the permission of the Chair.

By order of the Board

Karachi
November 29, 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 the same at the earliest directly to CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Foto 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, December 13, 2019 to Saturday, December 21, 2019 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of PIAC's Shares Registrar / Transfer Agent viz CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi up to 05:30 P.M. on Thursday, December 12, 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 PIA Building, Jinnah International Airport, Karachi-75200, 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 Shahrah-e-Faisal, Karachi. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the 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 individual, 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 the 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.

نوٹس برائے تیسرا سالانہ اجلاس عام

مطلع کیا جاتا ہے کہ پاکستان انٹرنیشنل ائر لائنز کا پرویشن لینڈنگ کے مخصوص (ایئر کنٹریکٹ) کا تیسرا سالانہ اجلاس 21 دسمبر 2019 بروز ہفتہ صبح 10:00 بجے برہما پور ٹرل سائیڈ، ایئر پورٹ ہسٹل، اسلام آباد کیو اے ٹرینٹل-1، جناح انٹرنیشنل ایئر پورٹ کراچی میں منعقد ہوگا جس میں درج ذیل امور زیر غور رکھے جائیں گے۔

31 نومبر 2018 کو ختم ہونے والے مالی سال کے آٹھ شدہ گھنٹوں سے بعد اڑھارہ گھنٹہ کی رچرچ کو موصول کرنا اور اختیار کرنا۔

۴۔ اپنی سالانہ 2019 کے لئے ایکسٹرنل آڈیٹرز کی تقرری اور ان کا مشاہرہ مقرر کرنا۔

۲۔ مکرری مداخلت کی اجازت سے دیگر امور طے کرتا۔

عقلم پیدا

2000

آکھنٹی میکر میٹری

2019 29

۱۔ دو حصوں میں بٹکان دیوں گے ابھی تک اپنے کارڈ ایکٹیو ہزار تو می شناختی کارڈ (سی این آئی سی) کی فوٹو کا بی شیکر رجسٹر اور اس کے تحت ایکٹ کو جمع نہیں کرائی ان کا ایک مرتبہ چھرا دیا جانی کرانی جاتی ہے کہ وہ اپنے کارڈ ایکٹیو ہزار تو می شناختی کارڈ (سی این آئی سی) پر درآمد سے بی ڈی پی ٹی خیمبر رجسٹر اور سولہ لاکھ (سی وی ایس آر اے سی ایل) بی ڈی پی ٹی کی باؤس 88-99 پاک B ایس ایم ی ایچ ایف، مین شاہد اور بعض کمرابی کاروبار میں رکھا جائے گا اور دوسروں سے درخواست ہے کہ اپنا قومی نمبر (NTN) مہیا کریں۔ برآمد صرافی سی این آئی سی اور این بی این تصدیق کی کاپی کے ساتھ فولو پھر وی سی ای کا وٹ نمبر مہیا کریں۔ ایس ای سی بی ٹی نوٹیفکیشن کے حوالے سے اس بات کو لازم قرار دیا گیا ہے کہ کم تر کاروباریت حصوں بٹکان گئے علاوہ دیگر رجسٹرڈ شخصیات وقتاً فوقتاً انحصار کے تحت ایکٹو رہیں سی این آئی سی نمبر کے ساتھ ہوں۔

۲۔ شیئر ٹرانسفر ٹیکس 13 اکتوبر 2019 بروز جمعہ سے 21 دسمبر 2019 بروز ہفتہ (بشمول دونوں دن) تک رہے گی۔ اس دوران حصص کی منتقلی کے لئے امداد قبول نہیں کیا جائے گا۔ ووٹ دینے کے عمل کی تکمیل کے لئے پینکل مولوہ 12 دسمبر 2019 بروز جمعہ شام 05:30 بجے تک اپنی آراء سے اہلی کے شیئر رجسٹر اراکین بطور نمائندہ جی پی ڈی سی کے شیئر رجسٹر اراکین اور سولہ جی پی ڈی سی آفیسر آفیسر (ای ڈی سی ڈی) کے پاس، B- انسٹیٹیوٹ آف ایس، مین شاہراہ فیصل، کراچی کے دفتر میں وصول کی جائیں گی۔

۳۔ حصص یافتہ کسی دوسرے حصص یافتہ کو اجازت میں شریک ہو سکتا ہے، دوسرے حصص یافتہ کو دینا اور دیکھ سکتا ہے، اگر کوئی شخص اس سلسلے میں پر کسی (لوا کدو) کے باشندے کو مکمل کواٹک یا ٹورنل تصدیق شدہ کالی اجلاس بدست نام از کم 48 حصے قبل کسی بھی دیگر پری ہتھام جزو اٹھس فی آئی اے ڈالٹک، جتان اکثر کھل ستر ہٹ کر آئی 75200 پاکستان کو جمع کرنا تھا۔

۴۔ خصلتیں یا فوہجیاں: کہہ کر ایک سو ایک ذرائع کے ذکر پر بعض دو رنگت کا اعتقاد اس سال لایا جائے اس عام میں حاصل نہیں ہوگا۔

3۔ کوئٹہ ایکٹ، 2017 کے سیشن 242 کے مطابق قیام حصص یافتگان کو مطلع کیا جاتا ہے کہ کسی بھی ایجووٹ کی منتقلی کے لئے حصص یافتگان کے ویٹ اکاؤنٹ کی تصدیق سے چار سو فیصد رجسٹرڈ اور انسفر ایجنٹ، سی ڈی سی منیر رجسٹرڈ اور سرحدیہ (سی ڈی سی ایس آر ایس ایل) کے پاس رجسٹرڈ ایجووٹ کی ادائیگی ہدیہ۔ ایکٹریٹ کے طریقے کا حصص یافتگان کے صیاد کردہ ویٹ اکاؤنٹ میں براہ راست منتقل کر دی جائیگی اس کے علاوہ کوئی اور طریقہ استعمال نہیں کیا جائیگا۔

[illegible]

سہولت دہانہ کی کمیٹی کے کاؤنسلر مولانا محمد حنیف نے کہا کہ پاکستان کی جانب سے وضع کردہ رہنما اصول کے مطابق علی گڑھ میں کرنا ہوگا۔

۱۔ میٹک میں شرکت کے

(د) انفرادی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر یا کوئی اور فرد جن کی حفاظت گروپ اکاؤنٹ میں موجود ہولڈران کی دستخطوں کی تصدیقات منسلک کے مطابق اپڈیٹ ہوں جس کی تصدیق بینک میں شراکت کے وقت اسمبلی قومی شہر کا رہائشی یا سہولت دہکنے کی جائے گی۔

(۱) کار جویت آباد ہوئے کیا صورت میں غفلت کے جنت پور آف ڈاکٹر کیمز کی قرار داد اس میں دے رکھنا کے ساتھ ہی پور آف ڈاکٹر کی کفایت ہوگی (اگر پہلے سے فطرتاً ہی کیا گیا ہو)۔

B۔ رائی فنی کرنے کے لیے

انگریزی، لاکھ، ڈنٹ، ہولڈر، سب اکاؤنٹ ہولڈر، ماکوئی، اور فرجن کی حیثیت گریب اکاؤنٹ میں موجود ہواوران کی رجسٹریشن کی تفصیلات ضابطے کے مطابق ایڈجسٹ ہوں و اجاں مہا سب سے پراسکی فرم منع کرانیا۔

(f) اگر کسی فارغ التحصیل ہو جائے، مستند ہو جائے، یا اسے ارتقا کی شان بخشی جائے تو فی الفور اس کو ہٹا دیا جائے گا۔

(iii) ایک اتفاقاً (مصادفہ) اور کارہا کر کے تو یہ شافعی کا زانا یا سحر ہے۔ آصفیہ کا اور اس کا قلم کے ساتھ منسلک ہے۔

(ii) مقررہ شرح پر اس کے ساتھ کوئی اضافہ نہ ہوگا۔

(۷) کاراج ریٹ ادارہ ہونے کی صورت میں پاکستانی قازم کے ساتھ بیورو آف انریکسز کی قرارداد، پاور آف اٹارنی، امپیدوار (جو کاراج ریٹ ادارہ کی اہمائی کرتے اور حق رائے دہی دینے کا جامہ بوندے) کے اختلاف کے ساتھ کبھی کاویج

CORPORATE PROFILE

As at November 21, 2019

BOARD OF DIRECTORS

Mr Shahrukh Nusrat
Secretary Aviation Division

Mr Noor Ahmed
Secretary Economic Affairs Division

Mr Atif 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 Muhammad Ali Tabba

Mr Muhammad Shuaib
Company Secretary

Mr Muhammad Javed Jameel
Acting Chief Internal Auditor

EXECUTIVE MANAGEMENT

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 Nausherwan Adil
Officiating Chief Commercial Officer

Mr Khalilullah Shaikh
Chief Financial Officer

Capt Arshad Khan
Chief Flight Operations

Mr Khalid-ul-Rehman Barlas
Chief Information Officer

Mr Jawad Zafar Chaudhry
Chief Corporate Development Officer

Mr Amer Allaf
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 Grant Thornton Anjum Rahman
Chartered Accountants

Messrs BDO Ebrahim & Co
Chartered Accountants

Legal Advisor
Mr Asim Raut

SHARE REGISTRAR

CDC 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 Islami
Bank of Punjab
Citi Bank NA
Credit Suisse AG Singapore
Emirates NBD
Faysal Bank Limited
Habib Allied International Bank, London
Habib Bank Limited
JS Bank
Masheeq Bank, Dubai
National Bank of Pakistan
Standard Chartered Bank Limited
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 Shahrukh Nusrat

Secretary Aviation Division



Mr Shahrukh 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 Avionics 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 (NAVTTTC); 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.

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 of Privatization Commission. Mr Ahmed has worked at Khushhali Bank and has also served as Vice President, SME Bank (formerly SBFC).

BOARD OF DIRECTORS

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.

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 PIACL Board Finance Committee.

BOARD OF DIRECTORS

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 PIACL Board Audit Committee as well as HR & Compensation Committee.

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 serving as an Advisor to the Board of Gas & Oil Pakistan (Pvt.) Ltd. (GO). He is Chairman of PIACL Board HR & Compensation Committee and Member of Board Audit Committee as well as COE Committee.

BOARD OF DIRECTORS

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 Malta, 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 (IH&LA). 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.

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 Pakistani 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.

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 KCI Pakistan Limited. He started his career with Y&G, 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 earlier 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 Limited 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 Sheikh
Chief Financial Officer

Mr Khalilullah Sheikh 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 Sheikh 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 Sheikh 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 Sheikh 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 Skyports (Pvt) Ltd and Sabre TN Pakistan (Pvt) Ltd. He is also ex-officio Trustee of Al-Shifa Trust.



Mr Muhammad Shuaib
Company Secretary

Mr Muhammad Shuaib is Company Secretary since January 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 Chief Internal Auditor of PIACL since July 2019. He is an MBA (Finance) and Certified Internal Controls Auditor (CICA) from The Institute of Internal Controls, USA. He has been associated with PIACL since 2003. His prior experience includes working in Banking as well as in Ports & Shipping Sectors. He has more than 16 years of aviation experience in the areas Finance, Internal Audit, Supply Chain Management and Human Resources Departments. He also worked as Deputy General Manager (Coordination) to President & Chief Executive Officer PIACL and later as General Manager HR Governance. Mr Jameel is also a Certified Forensic & Audit Analyst (CFA) from Certified Forensic Practitioners Institute, USA.

SECOND ANNUAL GENERAL MEETING



CEO with shareholders



Employees showing solidarity with Kashmir

BOARD COMMITTEES

As at November 21, 2019

i) BOARD AUDIT COMMITTEE (BAC)

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

Chairman
Member
Member
Member

ii) 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

iii) 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

iv) BOARD PROCUREMENT COMMITTEE (BPC)

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

Member

Member
Member

v) 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, 2018

Dear Shareholders

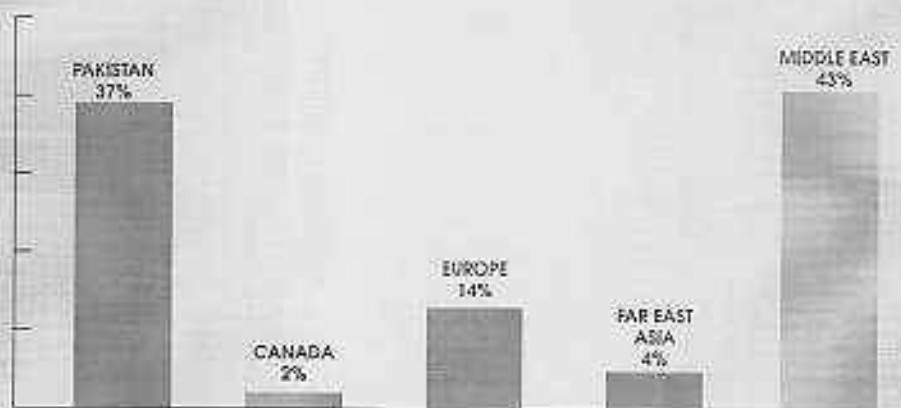
The Directors of Pakistan International Airlines Corporation Limited (PIACL) hereby present the Annual Report 2018 of PIACL along with Financial Statements for the Year ended December 31, 2018.

INDUSTRY REVIEW

In 2018, airlines continued to increase the number of city-pair routes globally. Almost 22,000 city pairs are now regularly serviced by airlines. This is an increase of 1,300 over the number of connections in 2017. Strong improvements in connectivity and inflation-adjusted costs over the last few years which helped to ensure that aviation the "business of freedom", continues to distribute its array of benefits to consumers, suppliers and economies globally.

BUSINESS REVIEW

During 2018, Management focused on increasing the customer base of PIA. The airline generated total revenue of PKR 103.5 billion during 2018. Business in terms of geographical segments (PAX) during 2018 is shown in following chart:



PIA has introduced several new routes during last 12 months and has increased frequencies of flights based on demand prospects and commercial viability. PIA is also expanding its fleet gradually and agreement for two narrow body aircraft has been signed which will be inducted in PIA fleet in near future. Being a food loving nation, improvement of in-flight meals was a particular focus of the Management. Moreover, special trainings were given to our staff with special focus on cabin crew to augment their capacity to serve our valued customers even better.

IT SOLUTIONS

NEW PASSENGER SERVICES SYSTEM (PSS)

PIA had been using SABRESONIC system for passenger services for last 18 years. During 2018, PIA migrated to new system known as Crane Passenger Services System (PSS) from a Turkish company M/S HITIT Computer Services. Crane PSS is a set of over 12 applications for managing Schedule, Flight Operations, Fare Filing, Disruptions, Departure Control, Weight & Balance, Central Reservation Control etc. Similarly, in this migration, few other applications like Revenue Management of Amadeus and Flight Plan Manager of SITA were also migrated to the new software. Plans are afoot to procure Operation Control Centre (OCC) from HITIT. With this renewal of technology, PIA has reduced its annual reservation processing cost and also built on new architecture with flexibility to add new product lines and revenue streams.

WEBSITE REVAMP & MOBILE APP LAUNCH

PIA has revamped its website by offering advanced features to provide better user experience. Additionally, mobile app has also been launched for both Android and Apple IOS since November 01, 2019. This would help PIA in increasing direct sales, reducing distribution cost and providing personalized experience to its valued customers.

FINANCIAL SNAPSHOT

During 2018, the Company reported loss before tax amounting to Rs.67,418 billion. Major reasons for increase in loss were significant exchange loss due to rupee depreciation, increase in fuel prices resulting in 40.7% increase in fuel cost and increase in financial charges by 33.7% as compared to 2017.

Particulars	Year Ended December 31st	
	2018	2017
	(PKR in Millions)	
Revenue - net	103,490	90,556
Aircraft Fuel	(43,552)	(30,941)
Operating Cost & Expenses	(94,703)	(94,673)
Other Income	1,723	836
Exchange Loss	(14,953)	(2,188)
Finance Cost	(20,384)	(15,247)
Loss Before Tax	(67,418)	(51,057)

FINANCIAL STATEMENTS

As discussed in Note 1.3 to the Financial Statements, the Financial Statements have been prepared based on going concern assumption in line with 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 status. The GoP guarantee limit to PIA was enhanced from Rs.178,085 million to Rs. 222,107 million in May 2019 to meet the cash deficit. Further, in a meeting with Honorable Prime Minister held on April 4, 2019, the Company presented its Business Plan from 2019 till 2023. During the meeting, the 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.

During the year, Companies Act 2017 became applicable and accordingly the Financial Statements for 2018 have been prepared as per the requirement of Schedule-IV of Companies Act 2017 as more fully explained in Note 3.1 to the Financial Statements.

CHANGE IN BOARD OF DIRECTORS

Since the publication of PIA's Annual Report-2017, there has been no change in the composition of the Board.

FINANCIAL ANALYSIS OF SUBSIDIARIES

PIA Investments Ltd:

The revenue for the year 2018 recorded slight growth of 1% as compared to 2017. Profit after tax also increased to USD3.4 million recording an increase of 138.7% against last year.

Particulars	Year Ended December 31st	
	2018	2017
	(USD in Thousands)	
Revenue	122,580	121,384
Costs and Expenses	(126,321)	(122,104)
Operating Profit	(3,742)	(720)
Taxation	7,130	2,140
Profit After Tax	3,389	1,420



Skyrooms Pvt Ltd

Profit before tax for the year 2018 recorded modest growth of 2.8% to PKR 74.16 million vs PKR 72.17 million in 2017. Profit after tax increased by 10.2% to PKR 59.69 million vs PKR 54.17 million in 2017.

Particulars	Year Ended December 31st	
	2018	2017
	(PKR in Thousands)	
Revenues & other income	329,350	350,548
Cost & expenditure	(255,189)	(278,374)
Net profit before tax	74,161	72,174
Taxation	(14,476)	(18,006)
Net profit	59,685	54,169



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 airline 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 overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Besides proper insurance coverage to the Assets like Aircraft etc., PIA evaluates and hedges financial risks and carries out financial risk management. The Company activities expose it to following financial risks.

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 Price Risk - Being part of aviation industry, PIA like other airlines, is exposed to volatility in the Jet fuel prices. Accordingly, it has put in place fuel hedging committee which has the responsibility to run the program.

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 continues to provide maintenance services to third party services in addition to maintaining PIA's own fleet. This avenue promotes and boosts PIA Engineering brand image while earning foreign exchange as well. The constructive results emerged with extension complete of Line Maintenance services to Qatar Airways at seven stations of Pakistan. Another recent event includes paint job performed on a Congo ATR aircraft which helped to earn foreign exchange revenue. This activity shall boost and project PIA image further beyond local boundaries. PIA Engineering aims at continual expansion and extension of services by targeting the potential market niche available.



PIA also participated as an exhibitor in MRO Middle East 2018 held in Dubai World Trade Centre, on 23rd - 24th January 2018. This initiative was taken to introduce and project PIA engineering quality service product in potential Middle East region. PIA demonstrated its strong presence in this mega event which was attended by the executives/officials from the leading Airlines & MROs of the world.

Recently, for the first time, PIA has successfully carried out 12-yearly inspection checks on A-320 aircraft. PIA has also started performing Boeing-777 and A-320 maintenance check 'A' at Islamabad and Lahore which will economize the maintenance and enhance utilization of fleet.

TRAINING & DEVELOPMENT

PIA Training Centre (PTC) is imparting training in all disciplines of Aviation for last 60 years. It is approved by Pakistan Civil Aviation Authority (PCAA) for all regulatory trainings and is IATA Authorized Training Institute for the organization. Besides, it carries ISO 9001:2008 certification. It caters for trainings in following disciplines:

- I. Engineering (B1-Aerospace/B2-Avionics/Basic Apprentice Trainings)
- II. Flight Operations
- III. Flight Services
- IV. Passenger Services
- V. Marketing
- VI. Computer Based Training
- VII. Management/Skill Skills Training

PTC fulfils all training needs of the Airline. Currently, PTC has around 100 qualified instructors. Few years back, PTC launched its campuses in Lahore, Rawalpindi, Peshawar, Multan, and Swat. Annually, PTC trains around 12,000 to 13,000 trainees. Besides, PTC also trains students on self-financed basis and this revenue is generated by offering over 800 courses.



NEW CO-BRANDING STRATEGY

PIA has recently expanded its horizons by moving towards brand alliances for resource sharing and for bringing value addition for our customers. PIA signed up with ARY Digital Network for passengers to get a chance to win free PSL match tickets and through lucky draw a chance to win three nights stay in Dubai courtesy ARY Sahulat Wallet. Further, PIA signed a co-branding agreement with McDonalds Pakistan, whereby McDonalds provided free coffee or ice cream for all the passengers holding a PIA boarding card on all its restaurants across Pakistan.



PIA also signed a memorandum of understanding with Meezan Bank Limited and Colgate Pakistan providing exclusive giveaways to Hujjat-e-Karam (pilgrims) traveling through PIA for performing Hajj 2019. PIA also signed an agreement with Askari Bank Limited for Co-Branded Credit Card with a points-based accrual system benefiting the users to redeem their loyalty points on both airline tickets and purchase on items. PIA also signed a memorandum of understanding with Bank Islami for inflight branding and provisioning of cabin amenities.



PIA and International Hospitality Investment Group (IHIG) signed an MoU in September 2019 which is aimed at boosting the potential of tourism in Pakistan in a way that it will deliver long lasting benefits. Through this alliance, all business and executive economy class passengers of PIA will be entitled to a complimentary stay at any of IHIG's properties that are located in Noran, Brurban and Balakot. This is the first time in the history of Pakistan that a hospitality group and an airline have joined hands to provide exclusive benefits to travelers.

CORPORATE SOCIAL RESPONSIBILITY

PIA is driven by high standards of corporate social responsibility (CSR). As a public sector, public interest company, 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 charge. 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, PIA Planetaria as well as HSE reflect PIA's belief in contributing to a better tomorrow.

PIA has the history of promoting sports in a big way over the years. PIA's contribution to the advancement of Pakistan sports, are always known through its elite sportsmen. International heroes and legends are always the faces representing PIA in Cricket. PIA has supported the Prime Minister of Pakistan's Clean and Green Pakistan Initiative by planting approximately 2,200 trees at and around various premises of PIA. Legendary sportsmen who are PIA employees actively participated in this activity which will go a long way in contributing to the protection and betterment of environment. 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.



Children presenting bouquet to Ms. Nur Gokman, CEO Hiti, during her visit to Al-Shifa Trust



CEO - PIA with star cricketers Waqar Akram and Sarfaraz Ahmed visited PIA Model School

PATTERN OF SHAREHOLDING

A Statement showing the Pattern of Shareholding in PIACL and additional information as at December 31, 2018 appears on page 40. The highest and lowest market prices for Ordinary 'A' Class Shares of PKR 10 each were PKR 8.08 and PKR 3.81 per share, respectively during 2018. The highest and lowest market prices for Ordinary 'B' Class Shares of PKR5 each was not recorded as the shares were not traded during the year. Government of Pakistan through Ministry of Defense and Aviation Division hold 91.56 % of shares, PIA Employee Empowerment Trust holds 4.43%, Public Sector Companies and Corporations hold 0.10 %, other individuals hold 3.82% whereas, Financial Institutions hold 0.09% of shares in PIACL.

Corporate and Financial Reporting Framework

To comply with Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations 2017, 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, the period in which such non-compliance continued, and reasons for such non-compliance;
- Financial Statements, prepared by the management, present fairly its state of affairs of PIACL, 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;
- Directors recognized their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored;
- 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 continuous 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 other than those, along with the corresponding mitigating factor, as discussed in note 1.3 to the consolidated financial statements;
- There has been no material departure from the best practices of corporate governance, as detailed in the Rule Book of Pakistan Stock Exchange;
- 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, Chief Internal Auditor and their spouses and minor children have not traded in PIACL shares during the year;
- Presently, 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 09 Meetings. Attendance record of Directors is annexed to this Report;
- Pattern of Shareholding as required under Section 227 of Companies Act 2017, and Rule 17 of PSC Rules, 2013 is annexed to this Report;
- There is no statutory payment outstanding against PIACL except those disclosed in note to the consolidated financial statements;
- As disclosed in note 22.17 to the consolidated financial statements, repayment of principal and interest to GOP has been put on hold, keeping in view the financial situation of the Holding Company;
- Board of Directors had recommended and shareholders had approved appointment of Messrs Grant Thornton & Co and Messrs BDO Ebrahim & Co as External Auditors; and,
- During the period Loss-basic and diluted of Rs. (12.86) per 'A' Class share and Rs.(6.43) 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 the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 read with Listed Companies (Code of Corporate Governance) Regulations 2017 is being published and circulated along with this Report.

STATEMENT OF INTERNAL CONTROL

Board is responsible for establishing effective internal control system in PIACL 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.

PIACL's Internal Audit Function was 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 Treadway Commission (COSO) and standards by Institute of Internal Auditors (IIA). To further strengthen the overall Internal Audit Function, PIACL has entered into a co-sourcing agreement with WTs Deloitte.

FUTURE OUTLOOK

The new Management of PIA under the leadership of CEO Air Marshal Arshad Malik has started working on the revival of the airline in a phased manner. A five year (2019 - 2023) Business Plan was presented to the Honorable Prime Minister in April 2019 which was approved. The Business Plan 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 measures 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 and co-brand.

To promote tourism in Pakistan in-line with the vision of the Honorable Prime Minister of Pakistan, PIA has recently focused on expanding network by establishing interline relationships (SPAs and Code-shares) with partner airlines. Agreements have been inked with AccesRail, flybe and Alitalia, enabling PIA to expand reach to more than 40 destinations in Europe and UK, where PIA does not operate. Commercial relationships with Malindo Air and Hainan Airlines to expand reach to new destinations in China, Australia, Indonesia and Malaysia etc have been established. PIA has also re-launched its code-share with Etihad Airways, giving connectivity to 17 International new points, spreading across Europe, Australia, America and Middle East. Plans are afoot for similar projects with other airlines.

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

ACKNOWLEDGEMENT

We would like to thank the customers, the shareholders and the Government of Pakistan for its valuable support. We are grateful to the aircraft lessors, banks, MROs, fuel suppliers and vendors 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. We would like to thank our colleagues on the Board for their valuable guidance. We are confident that with the dedication of our people and commitment of our Management, we shall bring the organization out of the difficult situation.

For and on behalf of the Board


Air Marshal Arshad Malik
Chief Executive Officer


Tariq Kirmani
Director

تسلیمات:

ہم اپنے صارفین، حصص یافتگان اور حکومت پاکستان کی بھرپور حمایت کا شکریہ ادا کرتے ہیں۔ ہم شکرگزار ہیں ان اداروں کے جنہوں نے پی آئی اے کو سوانحی جہاز اپنے پردے کے مالیاتی اداروں، ایجوکیشن، فراہم کنندگان اور فروخت کنندگان کے بھی شکرگزار ہیں جنہوں نے ہم پر ہمتا کیا اور مالی مدد فراہم کی۔ ہم اپنی انتظامیہ کے ہر فرد اور کارکنان کے بھی شکرگزار ہیں جنہوں نے پی آئی اے کو درپیش مسائل اور چیلنجز کا ایجاٹواری اور مختلف کوششوں سے نتائج حاصل کرنا ہم پرورد کے اپنے ساتھیوں اور ان کی کامل قدر و ثمنائی کا بھی شکر ادا کرتے ہیں۔ ہمارا مزاج ہے اور اس بات کا پختہ یقین ہے کہ ہم اپنی گمن اور مختلف محنت سے ادارے کو مشکل دور سے نکال دیں گے۔

منجانب ہونا

D. Mirai

مارق کرمانی

13 اریکٹر

[Signature]

ایمیر دانش ارشد ملک
چیف ایگزیکٹو آفیسر

- (ز) جاہلین ڈائریکٹرز اور ایگزیکٹو سیکریٹری سرٹیفائیڈ ڈائریکٹرز ہیں۔ پی آئی اے سی ایل کا مقصد ارادہ ہے کہ تمام ڈائریکٹرز سرٹیفائیڈ ڈائریکٹرز میں جیسا کہ کوڈ آف گورننس کے لیے ضروری ہے۔
- (ح) سال 2018 کے دوران بورڈ آف ڈائریکٹرز کے 109 اجلاس منعقد ہوئے، جس کا ریکارڈ ایس رپورٹ کے ساتھ منسلک ہے۔
- (ط) مخلص بائیکاٹ کی تفصیل پیش 227 کنٹینر ایکٹ مئی 2017 اور دوسری PSC 17 رپورٹ مئی 2013 کے مطابق اس رپورٹ کے ساتھ منسلک ہیں۔
- (ث) پی آئی اے سی ایل پر کسی جسم کی کوئی قانونی اور ایجنسی واجب الادا نہیں ہے سوائے ان کے جن کا ذکر عمومی مالیاتی گوشواروں کے نوٹ میں کیا گیا ہے۔
- (ج) جیسا کہ مالی گوشوارہ کے نوٹ نمبر 22.17 میں دکھایا گیا ہے کہ حکومت پاکستان کو واجب الادا اصل زرہ و سود کی ادائیگی روک دی گئی ہے جس کی وجہ سے ہولڈنگ کمپنی کے مالیاتی عوامل ہیں
- (د) بورڈ آف ڈائریکٹرز نے سٹارٹس کی اور مخلص بائیکاٹ سے منظور دی دلی کر Messrs Grant Thornton Anjum Rehman اور Messrs BDO Ebrahim & Co بائیکاٹس آڈیٹر ہوں گے
- (ذ) سال دواں کے دوران بنیادی نقصان (12.86) فی اے کلاس شیئر اور (6.43) فی بی کلاس شیئر ریکارڈ کیا گیا۔

کارپوریٹ گورننس کے بہترین اظہار پر عمل درآمد

ایک بیان جس میں پی آئی اے سی ایل کی کارپوریٹ گورننس کے بہترین اظہار پر عمل درآمد کرنے کا ذکر کیا گیا ہے اور پبلک سیکرٹریز (کارپوریٹ گورننس) رپورٹ مئی 2013 اور ایس کپیٹر (کوڈ آف گورننس) گورننس ریکولیشنز 2017 کے تحت شائع کیا گیا۔ اس رپورٹ کے ساتھ منسلک ہے۔

اندرونی کنٹرول کا بیان:

پی آئی اے بورڈ کی ذمہ داری ہے کہ وہ اندرونی کنٹرول کا کردار کو مدد ملے تاکہ کمپنی اپنے اہداف حاصل کر سکے جن کی تفصیل درج ذیل ہے۔

- (الف) آپریشن کی مدد میں میٹر اقدامات اور سہولتوں کا استعمال
- (ب) قوانین وضو ہدای کی پابندی
- (پ) باہر بی گوشوارے کی درستگی

پی آئی اے سی ایل بورڈ نے ایک آڈٹ کمیٹی تشکیل دی ہے جس میں چار اعلیٰ ایگزیکٹو ڈائریکٹرز کی تعیناتی کی گئی ہے اور ان کی شرائط وضو ہدای پبلک سیکرٹریز (کارپوریٹ گورننس) کے رپورٹ 2013 کے مطابق ہیں۔ کمیٹی کی ذمہ داریوں میں اندرونی آڈٹ اور بیرونی آڈٹ شامل ہے۔

پی آئی اے سی ایل کے اندرونی آڈٹ کا کام ایک سلیڈ فاٹ کامٹ ایڈمنسٹریشن کا ورکنگ کے ذریعے کیا جاتا ہے۔ اور جب بھی کمیٹی کی جانب سے کوئی آڈٹ کام سونپا گیا تو اس کی بجا آوری، آڈٹ کے وضع کردہ اصولوں کے مطابق کی گئی ہے۔ جو ایک پبلک سیکرٹریز کمیٹی پر قانون کے تحت لاگو ہوتا ہے اس کا معیار COSO اور آڈٹ کے ادارے انشٹیٹیوٹ برائے انٹرنیشنل آڈیٹرز امریکہ (IIA) کے مطابق ہے۔ آڈٹ کی مد میں مزید بہتری کے لیے پی آئی اے نے Deloitte Yousof Adil کے ساتھ ایک معاہدہ بھی کیا ہے۔

دور آمد کی:

ایئر مارشل ارشد ملک کی سربراہی میں پی آئی اے کی نئی انتظامیہ نے ایئر لائن کی بحالی کے لیے مرحلہ وار کام شروع کر دیا ہے۔ اپریل 2019 میں معزز وزیر اعظم پاکستان کو پی آئی اے کی بحالی کے لیے پانچ سال کے لیے کاروباری منصوبہ پیش کیا گیا جسے منظور کر لیا گیا۔ یہ منصوبہ 2019 سے 2023 تک پی آئی اے کے انتظام پر قیام مرکوز کرتا ہے۔ پچھ پانچ سالوں میں آہستہ آہستہ منافع بخش بنانے کے لیے ترقی پر عمل درآمد، نئی کاروباری منصوبہ بندی میں سے کچھ حکمت عملی شامل ہے۔ محفوظ آپریشن کو یقینی بنانے، با اعتبار بنانے اور ملکیت کو فروغ دینے آدھ کی کو برحالیے باخرا جات کر کم کرنے، انسانی ریسورسز کو بہتر بنانے بنیاد رکھ کر ہے۔ ملکی روں کی صفائی کو یقینی بنانا، تجربے، معیاری کمپنیوں کی فراہمی، آمدنی میں اضافہ، اپنا پانا، افرادی قوت کا جائزہ، میرٹ کی باادنی کوڈ شیئرنگ پر قیام، ایندھن کو بچانے، کارپوریٹ سہولتی اصولوں کے مطابق کام کرنا فروغ دیا ہے۔

وزیر اعظم پاکستان کے ویژن کے مطابق پاکستان میں سیاحت کو فروغ دینے کے لیے پی آئی اے نے حال ہی میں شریک ایئر لائنز کے ساتھ ایئر لائن ریلیشن شپ (SPAs and Code-shares) قائم کر کے نیت ورک کو برحالیے پر قیام دیا ہے۔ ایکسپس دیں، تھری لی، ایئر مائی کے ساتھ معاہدوں پر دستخط ہوئے ہیں جس کے تحت پی آئی اے کو یورپ اور برطانیہ میں چارٹرس سے ادا ایسے مقامات تک رسائی حاصل ہو سکے گی جہاں پی آئی اے کام نہیں کرتی۔ چین، آسٹریلیا، اندونیشیا اور ملائیشیا وغیرہ میں نئے مقامات تک رسائی کو برحالیے کے لیے ہائیڈروجنر اور بینان ایئر لائن کے ساتھ تجارتی تعلقات قائم کیے گئے۔ پی آئی اے نے بھی اپنا کوڈ شیئر اتھوڈ کے ساتھ ایک بار پھر شروع کیا ہے۔ جس نے یورپ، آسٹریلیا، امریکہ اور مشرق وسطیٰ میں پھیلنے ہوئے سبز (17) نئے بین الاقوامی پائنٹس کو رابطہ فراہم کیا ہے۔ اس کے علاوہ دیگر ایئر لائنز کے ساتھ تجارتی کرہ کی اسی طرح کے منصوبے جاری کیے ہیں۔

ایئر لائن کی صنعت کو مختلف چیلنجز کا سامنا ہے جن میں آپریٹنگ ماحول، مزاحمتی ہوئی ایئر چین کی لاگت اور کمرہ کی قدر میں کمی جیسے اہم مسائل شامل ہیں لیکن ہماری متحرک معیشت کی مستقل نمو کے ساتھ ساتھ ایئر لائن کے لیے بھی ترقی کے مواقع موجود ہیں۔

ہی آئی اسے ایسی ایسی ذمہ داریاں کی ادائیگی انتہائی اعلیٰ معیار اور حقیقی اصولوں کے مطابق کرتی ہے۔ ہمیشہ ایک پبلک پبلک اور پبلک انٹرسٹ سمیٹی ہی آئی اسے اپنے صارفین، شراکت داروں، ملازمین اور پورے معاشرے کے ساتھ مضبوط رشتہ پر قائم رکھتی ہے اس کا مقصد یہ بھی ہے کہ تمام انہی ان کے فیصلوں میں دلچسپی ظاہر کرے جو اپنے صارفین، شراکت داروں کے فائدے اور جہازوں کی بہتری کے لیے کر رہے ہیں۔ ایک ذمہ دار سماجی ادارہ ہونے کی حیثیت سے نہ صرف قدرتی آفات کے مواقع پر متاثرین کی مالی مدد کرتی ہے بلکہ ان کی آمدورفت اور لگائی سامان کی ترسیل کے لیے بھی بلا معاوضہ سہولیات فراہم کرتی ہے۔ ہی آئی اسے ایک CSR سمیٹی بھی تشکیل دی ہے جو کہ کارکنان کی کارکردگی کا جائزہ دیتی ہے۔ معاشرے کے ہر فرد اور ملازمین کی بہتری کے لیے بھی ہی آئی اسے حاصل کرتی ہے جس کے لیے کئی ادارے تشکیل دے دیے ہیں جن میں الشفا فیسٹ جو کہ 1967 میں معرض وجود میں آیا اس کے علاوہ ہی آئی اسے اسکاؤٹ، کرکٹ اکیڈمی، ہی آئی اسے سارہ گاہ اور صحت و علاج کی سہولیات بھی فراہم کرتا ہے جو یہ بات کرتا ہے کہ ہی آئی اسے معاشرے کی خوشحالی اور آئندہ نسلوں کی بہتری میں معاونت کرتا ہے۔

ہی آئی اسے اپنے پاس گزشتہ برسوں میں کھیلوں کو بڑے پیمانے پر فروغ دینے کی تاریخ ہے۔ کھیلوں کی ترقی میں ہی آئی اسے تعاون، جو پیش اپنے اعلیٰ کارکردگی دکھانے والے کھلاڑیوں کی فوری مدد کرتا جاتا ہے۔ دنیا بھر میں جاتے، مانے پاکستانی کھلاڑیوں میں زیادہ تر کھیل ہی آئی اسے ہی سے ہوتا ہے۔ ہی آئی اسے اعلیٰ امداد اور اس کے ارادوں کے تحت 2,200 اسکورنگ بینک 2,200 اسکورنگ بینک پاکستان کے صاف ستھرا اور گزشتہ پاکستان اقدام کی ضمانت کی ہے۔ اس سرگرمی میں نیچے دی گئی کھلاڑی جو ہی آئی اسے کے ملازمین ہیں بڑے پیمانے پر مدد کر رہے ہیں جو ماحول کے تحفظ اور بہتری کے لیے سارا کاروبار ہوتا ہے۔ ہی آئی اسے معاشرے کی ترقی کے لیے بنیادی تعلیم و تربیت کے شعبے میں ہونے والے اقدامات کی ضمانت کرتا ہے۔ ہی آئی اسے ڈال اسکول اور ہی آئی اسے انڈسٹریل ٹریڈنگ سینٹروں کی بہترین مثال ہیں۔

حصص کا گوشوارہ:

ایک گوشوارہ جس میں سمیٹی کے حصص یافتگان اور اضافی معلومات دکھائی گئی ہے جو مورخہ 31-12-2018 کے مطابق ہے، جو صفحہ 40 پر تفصیلاً درج ہے۔ سال 2018 کے دوران Ordinary اسے کلاس حصص جو کہ 10 روپے فی حصص ہے، کی بلند ترین مارکیٹ قیمت 8.08 روپے اور کم از کم قیمت 3.81 روپے فی حصص (بی کلاس) حصص کی قیمت جو کہ 5 روپے فی حصص ہے، گوشوارے میں شامل نہیں کیا گیا ہے کیونکہ ان کا کاروبار سالانہ 2018 میں نہیں ہوا تھا۔ وزارت و قرض حکومت پاکستان اور ای سی ایشن ڈویژن کے پاس 91.56% فیصد حصص ہیں، اس کے علاوہ PIA ملازمین PEET کے 4.43% فیصد، پبلک سیکٹر کمپنیاں اور کارپوریٹوں کے 0.10% فیصد، انفرادی و دیگر لوگوں کے 3.82% فیصد حصص جبکہ مالیاتی اداروں کے پاس 0.09% فیصد حصص موجود ہے۔

کارپوریٹ اور مالیاتی گوشوارے کی رپورٹ کا دائرہ کار:

پبلک سیکٹر سمیٹی (کارپوریٹ گورننس کارڈ) 2013 اور ای سی ایشن گولڈ آف کارپوریٹ گورننس ریگولیشنز (2017) بحریہ 2017 کے تحت ڈائریکٹرز، جان کرتے ہیں کہ:

(1) بورڈ آف ڈائریکٹرز نے سمیٹی کے وضع کردہ اصولوں اور قوانین کے تحت کام سرانجام دینے اور ان باتوں کی نگرانی کی جو قوانین کے تحت نہیں کئے گئے۔ اس عرصہ کے دوران جن قوانین کے تحت عمل ہوا تھا اور نہ ہو، کام ان کی وجوہات بتائی گئیں۔

(ب) بورڈ کے وضع کردہ اصولوں کے تحت مالیاتی گوشوارے جو کہ ہی آئی اسے اسے نظامیہ سے تیار کیے، صاف اور شفاف ہیں۔

(پ) اکاؤنٹس کی کتابوں کی مناسبت و کچھ بحال کی گئی ہے۔

(ت) مالیاتی گوشوارے کی تیاری کے دوران اکاؤنٹس کے درجہ اصولوں کی پابندی کی جاتی ہے اور ان کے تحت ایک مناسب انداز اور بہتر فیصلوں کے طریقے کار پر کیا جاتا ہے۔

(ٹ) ڈائریکٹرز نے اپنی ذمہ داری تسلیم کرتے ہوئے اندرونی کنٹرول کے نظام کو قائم کرنے اور برقرار رکھنے میں اپنی ذمہ داری سمجھائی اور اس کا قاعدگی سے جائزہ لیا جاتا ہے اور بحالی بھی کی جاتی ہے۔

(ث) ہی آئی اسے کے چیئرمین اور ڈائریکٹرز کی تقرری اور مراعات کا تعین کارپوریٹ سیکٹر کے بہترین اصولوں کے مطابق اور ہی آئی اسے کے بہترین معاوضوں اور کارپوریٹ سیکٹر کے بہترین اصولوں کے مطابق کرتے ہوئے ہوتا ہے۔

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

(ح) ڈائریکٹرز اپنی ذمہ داریوں کو جتنے طور پر سمجھتے ہیں اور موثر حکمت عملی اور اندرونی کنٹرول کے طریقے کو بروئے کار لاتے ہیں اور بہترین کچ کے لئے گوشوارے ہیں تاکہ کام میں مزید ترقی ہو اور موجودہ نظام میں مزید بہتری لائی جاسکے۔

(خ) کارکردگی کے پچھلے 5 سالوں کے گوشواروں کا خلاصہ اس رپورٹ کے ساتھ منسلک ہے۔

(د) ہی آئی اسے ایل کے کام کرنے کے طریقے کار اور سلامیت کی وجہ سے کسی قسم کے بڑے شہادت نہیں ہیں سوائے ان کے جن کا ذکر مجموعی مالیاتی گوشواروں کے نوٹ نمبر 1.3 میں کیا گیا ہے۔

(ر) کارپوریٹ گورننس کی بہترین طریقہ کار کے مطابق کوئی چیز نہیں چھپائی گئی ہے جیسا کہ پاکستان اسٹاک ایکسچینج کی ضابطہ کی کتاب میں بتایا گیا ہے۔

(3) Dividend کا اعلان نہ ہونے اور انحصار حصص جاری نہ کرنے کی وجہ خالص سالانہ نقصان ہے۔

(4) ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، سیکرٹری، چیف ایڈیٹر، ان کی ازواج اور دیگر کثافت بچوں نے زبردستی جائز مالی سال کے دوران ہی آئی اسے کے حصص کا کوئی کاروبار نہیں کیا۔

انجینئرنگ اور جہازوں کی دیکھ بھال:

پی آئی اے کے شعبہ انجینئرنگ کی بحالی اور جہازوں کی مرمت کے لیے نئے طرز پر اپنا رجسٹر کرانے کی کوششیں کر رہی ہے۔ لاکھوں بحالی کے ذریعے کمزور جہازوں کو ٹائمر کر کے آمدنی کے اس مسئلے کو کاٹنا اور اس کا تدارک کیا گیا ہے۔ اس حکمت عملی پر عمل کرتے ہوئے اندرونی و بیرونی پروازوں کے لیے ایک غیر ملکی آپریٹر کا کنٹیکٹ کرنا بھی میں بطور تحقیق پیش نظر رکھا گیا ہے جس کی وجہ سے قطر، عمان، عمان اور ملکی اندرون کے ذریعے نئے سسٹم کا اضافہ ہوا۔ پی آئی اے انجینئرنگ نے سال ہی میں کانگو ATR ائیرکرافٹ کے رنگ درون کے ذریعے زرمبادلہ درآمد کیا ہے۔ یہ سرگرمی پی آئی اے نے اپنے دائرہ کار سے لکھ کر انجام دی جو پی آئی اے کے ایئر کوسٹریڈ ہونے میں معاون ثابت ہوگی۔ پی آئی اے انجینئرنگ کا مقصد سبکی میں احتیاطی ٹکنالوجی کو اپنی خدمات کو تسلسلہ دینا ہے۔

جنوری 2018 میں پی آئی اے نے دبی ورلڈ ایر پورٹ میں منعقدہ MRO Middle East 2018 جو 23 اور 24 جنوری 2018 میں منعقد ہوئی میں بطور نمائندگی حصہ لیا جس کا مقصد پی آئی اے انجینئرنگ کی صلاحیتوں کو مشرق وسطیٰ کے خطے میں متعارف کروانا تھا۔ اس عظیم الشان تقریب میں جس میں دنیا بھر کی ہوائی کمپنیز اور MRO کے عہدیداران شرکت تھے پی آئی اے نے اپنی موجودگی کا بھرپور مظاہرہ کیا۔ سال ہی میں پی آئی اے نے پہلی بار کینیڈا کے ساتھ 320-320 طیارے کا بار و سالہ معاویہ معاہدہ کیا اس کے علاوہ پی آئی اے نے لاہور اور اسلام آباد میں ایونکس ایئرکرافٹ A-320 اور A-320X کی مرمت Check-A کا بھی آغاز کیا ہے جو صرف مرمت کی لاگت کو کم کرنے میں معاون ہوگا بلکہ اضافی چیزوں کی کارکردگی میں بھی اضافہ کرے گا۔

تعلیم و تربیت:

پی آئی اے ایئر لائننگ سینٹر (PTC) گزشتہ چھ دہائیوں سے ہوائی کے تمام شعبوں میں تربیت فراہم کر رہا ہے۔ پی آئی اے ایئر لائننگ سینٹر کے تمام کورسز پاکستان سول ایوی ایشن اتھارٹی (PCAA) اور IATA Authorized Training Institute for Organization سے منظور شدہ ہیں۔ پی آئی اے ایئر لائننگ سینٹر ISO 9001:2008 سند یافتہ ہے جہاں متعدد جہازیں متضامین میں تربیت فراہم کی جاتی ہے۔

ایئر لائننگ (B1-Aerospace/B-2-Avionics/Basic Apprentice Trainings)

۲۔ جیٹ آپریشن

۳۔ پرواز خدمات

۴۔ مسافر خدمات

۵۔ مارکیٹنگ

۶۔ کپیڈو پرائیمری تربیت

۷۔ مینجمنٹ / فنانس کی تعلیم

PTC ہزاروں کی تمام ضروریات کو پورا کرتی ہے۔ فی الحال پی آئی اے کے پاس تقریباً 100 تعلیم یافتہ ایئر کرائز ہیں۔ کچھ سال قبل پی آئی اے نے لاہور، راولپنڈی، پشاور، ملتان اور موات میں بھی اپنے مراکز قائم کیے۔ پی آئی اے ہر سال تقریباً 12,000 افراد کو تربیت فراہم کرتا ہے۔ پی آئی اے کی سہولت فیس کی بنیاد پر بھی طالب علموں کو 800 سے زائد کورسز فراہم کرتا ہے۔

نئی کارپوریشن برائے ٹیک کی حکمت عملی:

پی آئی اے نے اپنی خدمات کے دائرہ کار کو وسیع وسیع اور اپنے قابل قدر صارفین کو مزید سہولیات دینے کی غرض سے مشترکہ برائے ٹیک کی طرف قدم بڑھایا ہے۔ اس ضمن میں پی آئی اے نے آدھائی ڈیجیٹل جہاز ورک کے ساتھ ایک معاہدہ کیا جس کے تحت پی آئی اے کے مسافروں کو دہلی میں منتقل ہونے والے پی آئی اے کے ایئر لائنز کے کھڑے ہو جانے کے بعد براہ راست کا قیام بذریعہ قریبی علاقہ آئی اے کے آدھائی سہولت کاروں کی بدولت عمل میں آیا۔ مزید برآں پی آئی اے نے ٹیکہ و ملحد پاکستان کے ساتھ مشترکہ برائے ٹیک کا بھی معاہدہ کیا جس کے تحت ٹیکہ و ملحد ملک بھر کے اپنے تمام ریستوران میں پی آئی اے برائے ٹیک کا رزرو کئے والے تمام مسافروں کو نشست کافی یا آئسکریم فراہم کی۔

پی آئی اے نے قزاق کریم کوچ 2019 کے لیے خصوصی ٹھکانہ مہیا کرنے کے لیے میزان بینک لیونڈ اور وولگیٹ پاکستان کے ساتھ معاہدہ کی یادداشت پر بھی دستخط کیے۔ پی آئی اے نے مشترکہ برائے ٹیک اور کراچی کارڈ کے ذریعے حاصل کردہ پائلٹس کی بنیاد پر ایئر لائننگ کے اور مختلف اشیاء کی خریداری پر صارفین کو رعایت دینے کے لیے مسکری بینک کے ساتھ بھی ایک معاہدہ پر دستخط کیے۔ اس کے علاوہ بینک اسلامی کے ساتھ ان خدمات برائے ٹیک اور کیمین سہولیات کی فراہمی کی بھی یادداشت منسلک کی۔

پی آئی اے اور انٹرنیشنل ایئر لائننگ گروپ (IHIG) نے ستمبر 2019 میں ایک معاہدہ نامہ پر دستخط کیے جس کا مقصد پاکستان میں سیاحت کو فروغ دینا ہے تاکہ اس سے دیرپا فوائد حاصل ہوں۔ اس معاہدہ کے ذریعہ پی آئی اے کے تمام کاروباری اور انڈیکسڈ ایئر لائننگ مسافر IHIG کی کسی بھی پروائی پر قیام کر سکیں گے جو نارمان، بھورہن اور بالاکوٹ میں واقع ہے۔ پاکستان کی تاریخ میں یہ پہلا موقع ہے جب مہمان نوازی کے گروپ اور ایک ایئر لائن نے مسافروں کے خصوصی فوائد کی فراہمی کے لیے آپس میں اشتراک کیا ہے۔

مال سال 2018 کے نتائج میں 2.8% فی صد اضافہ ہوا جو کہ 74.16 ملین روپے تھا۔ نسبت 72:17 ملین روپے ہائے سال 2017 جو کہ منافع محصول اور کرنے کے بعد 10.2% فیصد زیادہ یعنی 59.69 ملین روپے ہو کر 2017 میں صرف 54.17 ملین روپے تھا۔

تفصیلات	مختتم سال 31 دسمبر 2018 (روپے ہزاروں میں)	مختتم سال 31 دسمبر 2017 (روپے ہزاروں میں)
آمدن اور دیگر آمدنی	329,350	350,548
اخراجات کی لاگت	(255,189)	(278,374)
خالص منافع محصولات سے پہلے	74,161	72,174
محصولات	(14,476)	(18,005)
خالص منافع محصولات کے بعد	59,685	54,169

قابل ذکر خطرات اور غیر ماحولیات:

ہوائی بازی کی صنعت ہیش اندرونی و بیرونی خطرات کا سامنا کرتی رہی ہے جس کی وجہ کاروبار میں متبادل بازی کے رجحانات اور قوانین ہیں جو مختلف ممالک میں رکاوٹ کا سبب بنتے ہیں۔ ہمیں یقین ہے کہ ہمارے قائم رہنے کے لیے ضروری ہے کہ بہتر سے بہتر سہولیات اپنے صارفین کو مہیا کریں اور نئے طریقے سے پیشہ ورانہ فراہمی سرانجام دیں۔ تاکہ خطرات کا خدشہ کم سے کم ہو۔ ہمارا مقصد اس مسئلہ کا حل تلاش کرنا ہے جو موجود اور مستقبل میں ہمارے کام کے اختیار سے سودمند ہو اور قواعد کے ساتھ چلا رہے۔

مالی خدشات سے نمٹنے کا انتظام:

کمپنی مالی خدشات سے نمٹنے کا حکم مالی مندرجہ کی غیر یقینی صورتحال پر مبنی ہے اور کمپنی کی مالی کارکردگی پر پائے جانے والے محدود منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔ علاوہ ازیں ان باتوں پر غور کیا جاتا ہے کہ باقاعدہ ترمیم کو ترجیح دینا مالی خطرات کا جائزہ لیتا اور اس کا خدشہ کم کرنا ہے۔ کمپنی کی سرگرمیاں مختلف مالیاتی خطرات سے نمٹ رہی ہیں۔

قرضوں کے خدشات:

کمپنی کی قرضہ پالیسی اور جوبالی فرق کے مابین ہونے والے لین دین کا دار و مدار کمپنی کے قرضہ پالیسی سے منسلک ہے جس کا پائیداری سے جائزہ لیا جاتا ہے اور لاگت و فائدہ کے مطابق اس پر عمل کیا جاتا ہے۔

سیالیاتی خدشات:

کمپنی اپنے سیالیاتی خدشات کے ازالے کے لئے زیادہ سے زیادہ اس کا رویہ پر توجہ دیتی ہے جس سے نقد آمدنی متوقع ہو اور دستیاب مالیاتی سہولیات کے ذریعے اور ضرورت کے مطابق مزید مالی سہولیات کو محفوظ پاکستان کی ضمانت پر اور اثاثوں کی جانچ پر جان کے بعد مالیاتی اداروں سے حاصل کرتی ہے۔

ایجنس کے نرخ کے خدشات:

ہوائی بازی کی صنعت میں ہونے والے نرخ، دوسری ہوائی کمپنیوں کی طرح پی آئی اے کو بھی جیت ایجنس کے نرخ کے اتار چڑھاؤ کا شدید سامنا کرنا پڑتا ہے اس کے مطابق کمپنی نے ایجنس کو محفوظ کرنے کیلئے کمپنی بنائی ہے جس پر پروگرام چلانے کی ذمہ داری عائد ہوتی ہے۔

شرح سود کے خدشات:

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

سال 2018 کے دوران کھٹی کاغذی ارضیوں کا مجموعہ 67,418 ارب روپے تھا۔ اس نقصان کی بڑی وجہ سال 2017 کے مقابلے میں روپے کی قدر میں کمی، ایچ جی کی لاگت میں 40.7% فی صد اضافہ اور مالیاتی قرضوں کے خرچ میں 33.7 فی صد اضافہ تھی۔

نقصانات	برائے سال ختم ہونے پر 2018	برائے سال ختم ہونے پر 2017
آمدنی خاص	103,490	90,556
بڑے کاغذی	(43,552)	(30,941)
عمل کی لاگت اور اخراجات	(94,703)	(94,673)
دیگر آمدنی	1,723	836
مبادلاتی نفع (نقصان)	(14,953)	(2,188)
مالیاتی لاگت	(20,384)	(15,247)
محصولات سے قبل نقصان	(67,418)	(51,057)

مالیاتی گھٹا

جیسا کہ مالی گھٹا کے نوٹ 1.3 میں کہا گیا ہے کہ زیست کا تصور موزوں ہے جس کی وجہ حکومت پاکستان کی طرف سے ملے والا تعاون ہے۔ حکومت پاکستان نے بذریعہ مراسلہ بتاریخ 19 فروری 2018 دوبارہ تصور زیست کو برقرار رکھنے کے لیے اپنے بھرپور تعاون کی یقین دہانی کر دینی گئی۔ اس کے علاوہ نقد خسارے کو چار کرنے کے لیے حکومت پاکستان نے ضمانت کی حد 178,085 ملین روپے سے 222,107 ملین روپے (31 مئی 2019) تک بڑھائی گئی۔ مزید 4 اپریل 2019 کو قابل اجراء وزیراعظم کے ساتھ ملاقات میں کھٹی نے 2019 سے 2023 تک اسٹریٹجک منصوبہ پیش کیا۔ تفصیلی طور کے بعد اس کا دوبارہ منصوبہ بندی کو منظور دے دی گئی اور اجلاس کے دوران قابل اجراء وزیراعظم نے دوبارہ کی صنعت میں کھٹی کی مقابلہ کرنے کی صلاحیت کو بڑھانے کے لیے فنڈز/ایکویٹی کی فراہمی کے لیے حکومت پاکستان کے تعاون کی مکمل یقین دہانی کی۔

اس سال کیپٹل ایکٹ 2017 کا نفاذ کیا گیا اور اس کے پیش نظر شیڈل IV کے مطابق مالیاتی گھٹا اسے چار کئے گئے۔ انکی تمام تفصیلات مالیاتی گھٹا کے نوٹ نمبر 3.1 پر موجود ہیں۔

بورڈ آف ڈائریکٹرز کی تجویز

بی آئی اے کی سالانہ رپورٹ برائے سال 2017 کے شائع ہونے کے بعد سے اب تک بورڈ میں کوئی تبدیلی نہیں ہوئی۔

فریلی اداروں کا مالیاتی مجموعہ

بی آئی اے کو متعلقہ ایئر لائنز

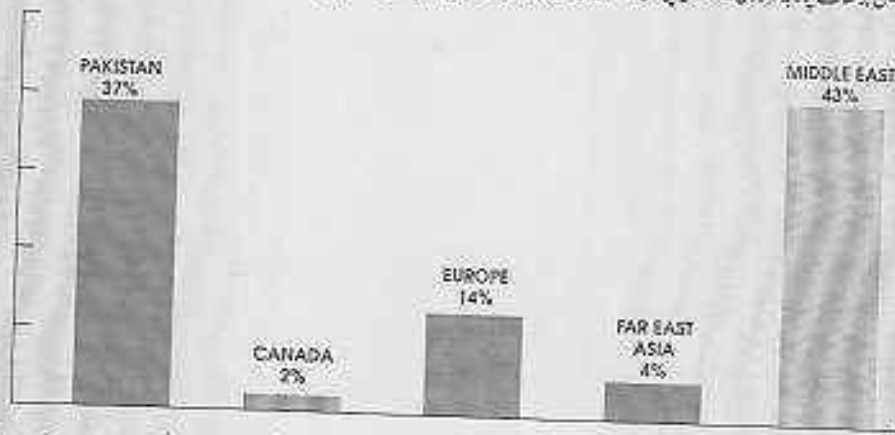
سال 2018 کے دوران آمدنی میں سال 2017 کے مقابلے میں 1% فی صد کا اضافہ دیکھے میں آیا۔ بعد از حصول منافع 3.4 ملین امریکی ڈالر تھا جو کہ 2017 کے مقابلے میں 138.7% زیادہ تھا۔

نقصانات	ختم سال 31 دسمبر 2018	ختم سال 31 دسمبر 2017
آمدن	122,580	121,384
سروسز کی لاگت	(126,321)	(122,104)
کل منافع	(3,742)	(720)
محصولات	7,130	2,140
خالص منافع (بعد از محصولات)	3,389	1,420

محترم حصص یافتگان! پاکستان انٹرنیشنل ایئر لائنز کارپوریشن (پلی آئی اے) کے ڈائریکٹر نے پلی آئی اے کی سالانہ رپورٹ بشمول مالیاتی گوشوارے برائے سال جن میں کا اہتمام 31 دسمبر، 2018 کو ہوا پیش خدمت ہے۔

صنعتی جائزہ: 2018 میں انٹرنیشنل ایئر لائنز کا دنیا بھر کے شہری جہازوں میں اضافہ جاری رہا۔ اس وقت انٹرنیشنل ایئر لائنز تقریباً 22,000 شہری جہازوں کو پاکستان کی کے ساتھ ملوث خدمات فراہم کر رہی ہے یہ تعداد سال 2017 کی نسبت 1300 سے بڑھ چکی ہے۔ پچھلے کچھ سالوں سے رابطے اور افراط زر کے ایڈجسٹمنٹ اخراجات میں بہتری نے اس بات کو یقینی بنانے میں مدد فراہم کی کہ ہوا بازی جو کہ آزادی کا کاروبار ہے، سادہ ترین مقررہ کھدگان اور معیشتوں کو عالمی سطح پر اپنے فوائد کی فراہمی کو جاری رکھنے ہوئے ہے۔

کاروباری جائزہ: 2018 کے دوران انتظامیہ نے سادہ ترین بر حاسنہ پر قبضہ کر کوئی 10 سالہ پی آئی اے کی کل آمدنی 303.3 ملین روپے رہی۔ جغرافیائی حدود کے لحاظ سے سال 2018 میں کاروبار درجن ذیل جدول میں دکھایا گیا ہے:



پلی آئی اے نے گزشتہ بارہ ماہ میں کل سے روٹس حفاظت کیے اور طلب اور کاروباری عملداری کی بنیاد پر پروازوں میں بھی اضافہ کیا۔ پلی آئی اے اپنے اضافی بیڑے میں بتدریج اضافہ کرنے کے لیے کوشاں ہے حال ہی میں دو Narrow Body طیاروں کے حصول کے معاہدے پر دستخط کئے ہیں جو مستقبل قریب میں اضافی بیڑے میں شامل کر لیے جائیں گے۔ کھانے سے محبت رکھنے والی قوم ہونے کی وجہ سے دوران سفر فراہم کردہ طعام کی بہتری کے لیے انتظامیہ نے گھر پر توجہ دی۔ مزید برآں، جہاز کے مینے کی صلاحیتوں کو بڑھانے کے لیے انہیں مخصوص تربیت دی گئی تاکہ قائل قدر مسافروں کی بہتر خدمت کی جاسکے۔

انتظامیہ میں ٹیکنالوجی:

New Passenger Service System (PSS) پلی آئی اے میں گزشتہ بارہ سال سے مسافروں کی آمدورفت کاروبار کرنے کے لیے SABRESONIC سسٹم استعمال کیا جا رہا تھا۔ سال 2018 کے دوران پلی آئی اے ایک نئے نظام جسے کریں پیمبر سر سسٹم (Crane Passenger Service System) کہا جاتا ہے سے منسلک ہو گیا یہ نظام ترکی کی ایک کمپنی Hitit Computer Service سے حاصل کیا گیا ہے۔ Crane PSS جو کہ بارہ مختلف ایئر لائنز کا مجموعہ ہے اور جو کہ پروازوں کے شیلڈ ہل ٹیمینٹ، مقامی آپریشن، کمرایہ درج کرانے، پروازوں میں غلط درواگی، روزانہ اور قازان مرکزی بینک کنٹرول وغیرہ کو کنٹرول کرنے کے لیے ایک مندرجہ نامہ ہے۔ اس طرح اس منتقلی کے ساتھ ساتھ دیگر رجسٹریشن جیسے کہ Revenue Management of Accelera اور Sita کا فائٹ پلان منیجر بھی اس نظام میں ضم کر دیا گیا۔ Hitit سے کنٹرول سینٹر (OCC) کے آپریشن کے حصول کے لیے پہلے سے منصوبہ بنایا گیا ہے۔ ٹیکنالوجی کی اس توجہ یہ ہے پلی آئی اے نے اپنی سالانہ بینک پروسیجرنگ لاسٹ میں کی کر رہی ہے اور پی پروڈکٹس کو شامل کرنے کی کچھ کے ساتھ ہی ٹین قبیر اور آمدن کے سلسلہ پر بھی توجہ دی گئی ہے۔

ویب سائٹ ریلیپ اور موبائل ایپ لانچ

قابل قدر مسافروں کی سہولت کے لئے پلی آئی اے کی ویب سائٹ کو جدید فیلڈ پر استوار کیا گیا ہے۔ مزید برآں یکم نومبر 2019 سے ایک موبائل ایپ بھی متعارف کی گئی ہے۔ Apple اور Android آپریٹنگ سسٹم پر قابل عمل ہے جس سے نہ صرف پلی آئی اے کی براہ راست آمدنی میں اضافہ ہوگا بلکہ دوسری جانب بھی لاسٹ کو کم کرنے میں بھی مدد ملے گی۔

BOARD MEETINGS ATTENDANCE

Meetings Date Attended by	BM 019 08/2/2018	BM 020 16/3/2018	BM 021 24/4/2018	BM 022 25/5/2018	BM 023 05/7/2018	BM 024 04/9/2018	BM 025 27/9/2018	BM 026 26/10/2018	BM 027 26/12/2018
Mr Muhammad Irfan Elohi Federal Secretary Aviation & Chairman-PIAC Member	✓	✓	✓	✓	Relinquished 25/06/2018	-	-	-	-
Mr. Musharraf Rasool Cyan President & CEO - PIAC Member	✓	✓	✓	✓	✓	Relinquished 03/09/2018	-	-	-
Mr Arif Ahmed Khan Federal Secretary Finance Division	✓	Leave of Absence	Leave of Absence	✓	Leave of Absence	Leave of Absence	✓	✓	Leave of Absence
Mr Alif Aslam Bajwa	Leave of Absence	✓	✓	Leave of Absence	✓	✓	Leave of Absence	✓	✓
Mr Farrukh H Khan	Leave of Absence	Leave of Absence	✓	✓	✓	Leave of Absence	✓	✓	✓
Mr Navaid H Malik	✓	✓	✓	✓	✓	Leave of Absence	✓	Leave of Absence	✓
Mr Haque Nawaz	✓	✓	✓	✓	✓	✓	✓	✓	Leave of Absence
Mr Tariq Kirmani	✓	✓	✓	Leave of Absence	✓	✓	✓	✓	✓
Mr Adnan Ahmed Khan	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Relinquished 04/06/2018	-	-	-	-
Mr Muhammad Ali Tabba	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence
Syed Ghazanfar Abbas Jilani Federal Secretary Economic Affairs Division	Nominated 02/03/2018	✓	Leave of Absence	✓	Leave of Absence	Leave of Absence	Leave of Absence	✓	-
Dr Ijaz Munir Federal Secretary Aviation Division	-	-	Nominated 10/05/2018	✓	✓	Relinquished 02/08/2018	-	-	-
Mr Muhammad Saqib Aziz Federal Secretary Aviation Division	-	-	-	-	Nominated 25/08/2018	✓	✓	✓	Relinquished 12/12/2018
Air Marshal Arshad Malik President & CEO	-	-	-	-	-	-	Nominated 24/10/2018	✓	✓
Mr Noor Ahmed Secretary Economic Affairs Division	-	-	-	-	-	-	-	Nominated 07/11/2018	✓

ATTENDANCE OF DIRECTORS AT AUDIT COMMITTEE MEETINGS

Meetings Date Attended by	09th 19/01/2018	10th 19/01/2018	11th 19/01/2018	12th 02/07/2018	13th 20/07/2018	14th 30/10/2018
Mr Atif Aslam Bajwa	✓	✓	✓	✓	✓	✓
Mr Adnan Ahmed Khan	Leave of Absence	Leave of Absence	Leave of Absence	-	-	-
Mr Farukh H Khan	✓	✓	✓	✓	Leave of Absence	Leave of Absence
Mr Tariq Kimani	✓	✓	✓	✓	✓	✓
Mr Haq Nawaz	✓	✓	✓	Leave of Absence	✓	✓

ATTENDANCE OF DIRECTORS AT HR & COMPENSATION COMMITTEE MEETINGS

Meetings Date Attended by	07th 15/02/2018	08th 23/04/2018	09th 20/07/2018
Mr Tariq Kimani	✓	✓	✓
Mr Farukh H Khan	Leave of Absence	Leave of Absence	✓
Mr Musharraf Rasool Cyan	✓	✓	✓
Mr Muhammad Irfan Elahi	✓	✓	-
Mr Naveed H Malik	✓	✓	✓

Review Report to the members on the Statements of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 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, 2018 to comply with the requirements of Listing Regulation 40 and rule 24 of the Listed Companies (Code of corporate governance) Regulations 2017 (the Regulations) and Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) respectively.

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 at 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 December 31, 2018.

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

S.No.	Rule	Description
1	3A	Casual vacancies arising on the Board of Directors was not filled up by the Directors within 90 days from the date the vacancy occurred.
2	5(8)	The Board has not quantified the outlay of service delivered by the Company as a public service obligation.
3	9	The Board has not established a pricing mechanism for distinguishing an arm's length transaction from a non-arm's length transaction.
4	10	The Board has not approved quarterly, half yearly and annual financial statements within the specified time.
5	28(2)(i)	No meeting of the Board Audit Committee was conducted in the second quarter.

STATEMENT OF COMPLIANCE

Public Sector Companies (Corporate Governance) Rules 2013 and Listed Companies (Code of Corporate Governance) Regulations 2017

Name of company: Pakistan International Airlines Corporation Limited (PIACL)
Name of the line ministry: Aviation Division, Cabinet Secretariat
For the year ended: December 31, 2018

1. This statement is being presented to comply with Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) and Listed Companies (Code of Corporate Governance) Regulations 2017 (the 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 Regulations, 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. 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. XV 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 Company is now governed under Companies Act, 2017 (the Act).

2. During the year ended December 31, 2018, the Company has complied with the provisions of Rules in following manner:

S.No.	Provision of Rules	Rule No.	Yes	No	N/A																					
1.	Independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																							
2.	Board has at least one-third of its total members as Independent Directors. As at December 31, 2018, Board's composition was: <table border="1"> <thead> <tr> <th>Category</th><th>Names</th><th>Date of Appointment</th></tr> </thead> <tbody> <tr> <td rowspan="5">Independent Directors</td><td>Atif Aslam Bajwa</td><td rowspan="5">June 7, 2017</td></tr> <tr> <td>Farukh H Khan</td></tr> <tr> <td>Tariq Kirmani</td></tr> <tr> <td>Navaid H. Malik</td></tr> <tr> <td>Muhammad Ali Tabba</td></tr> <tr> <td></td><td>Haque Nawaz</td><td>November 20, 2017</td></tr> <tr> <td>Executive Directors</td><td>Air Marshal Arshad Malik</td><td>October 26, 2018</td></tr> <tr> <td rowspan="2">Non-Executive Directors</td><td>Arif Ahmed Khan</td><td>September 17, 2017</td></tr> <tr> <td>Noor Ahmed</td><td>November 7, 2018</td></tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Atif Aslam Bajwa	June 7, 2017	Farukh H Khan	Tariq Kirmani	Navaid H. Malik	Muhammad Ali Tabba		Haque Nawaz	November 20, 2017	Executive Directors	Air Marshal Arshad Malik	October 26, 2018	Non-Executive Directors	Arif Ahmed Khan	September 17, 2017	Noor Ahmed	November 7, 2018	3(2)	✓		
Category	Names	Date of Appointment																								
Independent Directors	Atif Aslam Bajwa	June 7, 2017																								
	Farukh H Khan																									
	Tariq Kirmani																									
	Navaid H. Malik																									
	Muhammad Ali Tabba																									
	Haque Nawaz	November 20, 2017																								
Executive Directors	Air Marshal Arshad Malik	October 26, 2018																								
Non-Executive Directors	Arif Ahmed Khan	September 17, 2017																								
	Noor Ahmed	November 7, 2018																								
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(5)	✓																							
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act. <i>Note: Total number of directors fixed by the First Directors of the Company were eleven out of which ten Directors are nominated by the Federal Government and One Director is elected. No election was held during the year 2018.</i>	3(7)			✓																					

S.No.	Provision of Rules	Rule No.	Yes	No	N/A
5.	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	✓		
6.	The Chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	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. 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.piac.com.pk) c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓ ✓		
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity 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.	5(5)(b) (i)	✓		
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) (iii)	✓		
14.	The Board has developed a 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)	✓		

S.No.	Provision of Rules	Rule No.	Y	N	N/A													
18.	a) The Board has met at least four times during the year. b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6 (1) 6 (2) 6 (3)	✓ ✓ ✓															
19.	The Board has monitored and assessed the performance of senior management on an 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		✓														
21.	a) The Board has approved the Statement of Profit or Loss for, and Statement of Financial Position as at the end of, the first, second and third quarters of the year as well as the financial year end. b) The Board has ensured that half yearly accounts are prepared and reviewed by the external 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>4</td><td>Atif Aslam Bajwa</td></tr><tr><td>Finance (Risk Management) Committee</td><td>5</td><td>Arif Ahmed Khan</td></tr><tr><td>HR (Nomination) Committee</td><td>3</td><td>Tariq Kironi</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Not elected as at December 31, 2018</td></tr></tbody></table> Note: No meeting of Board Procurement Committee and Board Finance Committee was held during 2018.	Board Committee	Number of Members	Name of Chair	Audit Committee	4	Atif Aslam Bajwa	Finance (Risk Management) Committee	5	Arif Ahmed Khan	HR (Nomination) Committee	3	Tariq Kironi	Procurement Committee	3	Not elected as at December 31, 2018	12	✓ ✓
Board Committee	Number of Members	Name of Chair																
Audit Committee	4	Atif Aslam Bajwa																
Finance (Risk Management) Committee	5	Arif Ahmed Khan																
HR (Nomination) Committee	3	Tariq Kironi																
Procurement Committee	3	Not elected as at December 31, 2018																

S.No.	Provision of Rules	Rule No.	Yes	No	N/A														
26.	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																
27.	The Directors' Report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓																
28.	The Directors, CEO and Executives, or their relatives, are not directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.	18	✓																
29.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The annual report of the Company contains criteria and details of remuneration of each director.	19	✓ ✓																
30.	The Financial Statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before consideration and approval of the Audit Committee and the Board.	20	✓																
31.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1"><thead><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr></thead><tbody><tr><td>Asif Aslam Bajwa</td><td rowspan="5">Independent Directors</td><td>Banker</td></tr><tr><td>Farrukh H. Khan</td><td>Finance Professional</td></tr><tr><td>Tariq Kimani</td><td>Business Manager</td></tr><tr><td>Navaid H. Malik</td><td>Businessman</td></tr><tr><td>Haque Nawaz</td><td>Former Civil Servant</td></tr></tbody></table> The Chief Executive and Chairman of the Board are not members of the Audit Committee.	Name of Member	Category	Professional Background	Asif Aslam Bajwa	Independent Directors	Banker	Farrukh H. Khan	Finance Professional	Tariq Kimani	Business Manager	Navaid H. Malik	Businessman	Haque Nawaz	Former Civil Servant	21 (1) 21 (2)	✓ ✓		
Name of Member	Category	Professional Background																	
Asif Aslam Bajwa	Independent Directors	Banker																	
Farrukh H. Khan		Finance Professional																	
Tariq Kimani		Business Manager																	
Navaid H. Malik		Businessman																	
Haque Nawaz		Former Civil Servant																	
32.	a) The Chief Financial Officer, the Chief Internal Auditor and a representative of the External Auditors attended all meetings of the Audit Committee of which issues relating to accounts and audit were discussed. b) The Audit Committee met the External Auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other Executives. c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the External Auditors.	21 (3)	✓ ✓ ✓																
33.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Board Audit Committee. 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.	22	✓ ✓ ✓																
34.	The External Auditors of the Company have confirmed that the firms and all their 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)	✓																

Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. All Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIA, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
2. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these Regulations.
3. The meetings of the Audit Committee were held at least once every quarter except for the 2nd Quarter. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
4. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
5. 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 stock exchange(s).
6. Material/price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange.
7. We confirm that all other applicable material principles enshrined in the Listed Companies (Code of Corporate Governance) Regulations 2017 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 by the end of next financial year:

S. No.	Rule	Reasons for Non-Compliance	Future course of action
16	5(B)	Due to non-quantification of the outlay of actions in respect of any service delivered by the Company as a public service obligation.	Noted for compliance in future.
20	9	Due to non-establishment of related party transactions pricing policy which could differentiate non-arm's length transactions with that which have been executed at arm's length.	Noted for compliance in future.
21 (a) (b)	10	Quarterly/half yearly/annual accounts were not approved within the specified time due to rollover delays occurring as a result of delayed finalization of Annual Accounts 2017.	The Board has emphasized and continues to emphasize the timely completion of financial statements in future so that compliance of regulatory framework can be ensured.
-	3A(2)	Casual vacancies arising during the year were not filled within ninety days.	Federal Government shall be approached for filling in the casual vacancy.

For and on behalf of the Board


Air Marshal Arshad Malik
Chief Executive Officer


Tariq Kirmani
Director

PATTERN OF SHAREHOLDINGS

As at December 31, 2018

Shareholding			Ordinary 'A' Class		Ordinary 'B' Class
From	To	No. of Shareholders	Total Shares Held	Total Shares Held	
1	to	100	14,066	267,335	13,077
101	to	500	30,065	8,392,609	9,971
501	to	1000	4,756	4,068,830	1,950
1001	to	5000	5,300	13,300,539	12,486
5001	to	10000	1,243	9,872,773	-
10001	to	15000	384	4,981,658	-
15001	to	20000	295	5,439,638	-
20001	to	25000	188	4,446,805	-
25001	to	30000	127	3,651,049	-
30001	to	35000	64	2,131,468	-
35001	to	40000	71	2,743,167	-
40001	to	45000	43	1,840,603	-
45001	to	50000	134	6,642,957	-
50001	to	55000	37	1,987,043	-
55001	to	60000	28	1,651,500	-
60001	to	65000	15	948,422	-
65001	to	70000	27	1,858,804	-
70001	to	75000	28	2,068,600	-
75001	to	80000	18	1,408,000	-
80001	to	85000	13	1,082,000	-
85001	to	90000	14	1,231,679	-
90001	to	95000	8	740,500	-
95001	to	100000	61	6,089,500	-
100001	to	105000	20	2,053,478	-
105001	to	110000	6	657,178	-
110001	to	115000	5	568,500	-
115001	to	120000	7	834,500	-
120001	to	125000	8	997,000	-
125001	to	130000	4	511,000	-
130001	to	135000	7	930,141	-
135001	to	140000	3	417,500	-
140001	to	145000	5	722,126	-
145001	to	150000	24	3,589,500	-
150001	to	155000	5	770,500	-
155001	to	160000	3	470,000	-
160001	to	170000	3	507,000	-
170001	to	175000	3	522,451	-
175001	to	180000	4	711,000	-
180001	to	185000	2	366,500	-
185001	to	190000	2	380,000	-
190001	to	195000	2	387,000	-
195001	to	200000	16	3,197,500	-
200001	to	205000	2	407,150	-
205001	to	210000	4	834,000	-
210001	to	215000	2	424,500	-
215001	to	220000	2	440,000	-
220001	to	225000	2	445,345	-
225001	to	230000	4	918,000	-
230001	to	235000	1	232,000	-
240001	to	245000	1	241,000	-
245001	to	250000	3	745,500	-
250001	to	255000	3	752,000	-
255001	to	260000	1	258,000	-
260001	to	265000	1	263,000	-
270001	to	275000	2	543,179	-
275001	to	280000	2	557,135	-
280001	to	285000	3	850,500	-
285001	to	290000	1	286,000	-
295001	to	300000	7	2,100,000	-
300001	to	305000	1	305,000	-
305001	to	310000	1	310,000	-
310001	to	315000	2	626,000	-
315001	to	320000	2	637,000	-
325001	to	330000	1	326,000	-
345001	to	350000	2	700,000	-
370001	to	375000	1	373,000	-
385001	to	390000	1	390,000	-

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
395001	to	400000	2	800,000
400001	to	405000	1	405,000
420001	to	425000	1	425,000
425001	to	430000	1	427,500
430001	to	435000	2	864,500
435001	to	440000	2	880,000
440001	to	445000	1	444,500
445001	to	450000	1	450,000
455001	to	460000	1	460,000
485001	to	490000	1	486,000
490001	to	495000	1	492,000
495001	to	500000	5	2,500,000
500001	to	505000	2	1,002,500
520001	to	525000	2	1,050,000
530001	to	535000	2	1,066,000
545001	to	550000	1	550,000
550001	to	555000	2	1,110,000
565001	to	570000	1	567,500
595001	to	600000	3	1,800,000
605001	to	610000	1	608,000
610001	to	615000	1	614,000
630001	to	635000	1	630,067
645001	to	650000	2	1,298,000
670001	to	675000	1	671,500
675001	to	680000	2	1,356,500
725001	to	730000	1	726,000
760001	to	765000	1	763,500
820001	to	825000	1	825,000
845001	to	850000	1	849,500
860001	to	865000	1	865,000
880001	to	885000	1	884,000
905001	to	910000	1	910,000
945001	to	950000	1	946,053
960001	to	965000	1	963,000
995001	to	1000000	4	3,997,000
1000001	to	1005000	1	1,001,075
1045001	to	1050000	1	1,050,000
1070001	to	1075000	1	1,075,000
1095001	to	1100000	1	1,100,000
1135001	to	1140000	1	1,137,500
1220001	to	1225000	1	1,225,000
1240001	to	1245000	1	1,244,577
1345001	to	1350000	1	1,350,000
1460001	to	1465000	1	1,461,000
1545001	to	1550000	1	1,550,000
1695001	to	1700000	1	1,700,000
1795001	to	1800000	2	3,598,600
2030001	to	2035000	1	2,032,000
2195001	to	2200000	1	2,200,000
2235001	to	2240000	1	2,240,000
2245001	to	2250000	1	2,248,500
2610001	to	2615000	1	2,612,000
2895001	to	2900000	1	2,900,000
2995001	to	3000000	1	3,000,000
3260001	to	3265000	1	3,262,500
4420001	to	4425000	1	4,425,000
4795001	to	4800000	1	4,800,000
4995001	to	5000000	1	5,000,000
5810001	to	5815000	1	5,810,500
231855001	to	231860000	1	231,855,493
4791750001	to	4792485000	1	4,791,752,087
Total		57,246	5,233,761,118	1,499,999

CATEGORIES OF SHAREHOLDERS

As at December 31, 2018

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 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	-	-	-	0.00
Executives	13	2,403	-	0.00
Public Sector Companies and Corporations	18	5,049,970	100	0.10
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	25	4,481,050	3	0.09
Individual	56,948	183,364,543	34,454	3.50
Others	239	16,852,922	2,927	0.32
Totals	57,246	5,233,761,118	1,499,999	100.00

The above two statements include 9,550 Shareholders holding 188,734,033 Ordinary 'A' Class Shares and 2,624 Ordinary 'B' Class Shares through the Central Depository Company of Pakistan Limited.

SHARE CAPITAL

December 31, 2018

December
2018

December
2017

----- Number of Shares -----

5,349,250,000	5,349,250,000
1,500,000	1,500,000
5,350,750,000	5,350,750,000
50,000,000	50,000,000
5,400,750,000	5,400,750,000
4,998,895,608	4,998,895,608
931,028	931,028
233,934,482	233,934,482
5,233,761,118	5,233,761,118
1,003,374	1,003,374
2,625	2,625
494,000	494,000
1,499,999	1,499,999

Authorised capital

Ordinary share capital

'A' class shares of Rs.10/- each

'B' class shares of Rs.5/- each

Preference share capital

Preference shares of RS.10/- each

Issued, subscribed and paid up share capital

Ordinary share capital

'A' class shares of Rs.10/- each

Issued for consideration in cash

Issued for consideration other than cash for
acquisition of shares

Issued as bonus shares

'B' class shares of Rs.5/- each

Issued for consideration in cash

Issued for consideration other than cash for
acquisition of shares

Issued as bonus shares

December
2018

December
2017

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

53,492,500	53,492,500
7,500	7,500
53,500,000	53,500,000
500,000	500,000
54,000,000	54,000,000
49,988,956	49,988,956
9,310	9,310
2,339,344	2,339,344
52,337,610	52,337,610
5,017	5,017
13	13
2,470	2,470
7,500	7,500
52,345,110	52,345,110

SIX-YEAR SUMMARY

	2018 (Audited)	2017 (Audited) (Restated)	2016 (Audited) (Restated)	2015 (Audited)	2014 (Audited) (Restated)	2013 (Audited) (Restated)
OPERATION						
Route Kilometers	332,303	340,937	382,057	367,251	389,445	411,936
Revenue Kilometers Flown (000)	70,089	75,207	79,842	67,630	61,359	63,144
Revenue Hours Flown	110,050	122,081	131,838	111,455	101,556	106,476
Available Tonne Kilometers A.T.K (000)	2,521,208	2,658,974	2,797,976	2,435,908	2,395,855	2,471,474
Available Seat Kilometers A.S.K (000)	18,080,600	19,108,047	19,201,564	16,656,536	16,536,888	17,412,376
TRAFFIC						
Revenue Passengers Carried (000)	5,203	5,342	5,486	4,394	4,202	4,449
Revenue Passengers Kilometers (000)	13,975,424	13,986,804	13,750,649	11,711,353	11,903,317	12,237,251
Passenger Load Factor (%)	77.31	73.21	71.62	70.30	72.00	70.00
Revenue Freight Tonne Kilometers (000)	208,928	206,695	132,894	125,590	156,285	235,605
Kgs. of Excess Baggage & Cargo (000)	36,941	38,975	37,674	41,013	51,257	82,155
Kgs. of Mail (000)	205	241	225	263	378	648
Revenue Tonne Kilometers (000)	1,471,523	1,468,561	1,375,423	1,191,362	1,241,933	1,350,629
Revenue Load Factor (%)	58	55	49	49	52	55
Avg. Kilometer Per Passenger	2,666	2,619	2,506	2,666	2,833	2,751
FINANCIAL						
Operating Revenue (Rs. in million)	103,490,460	90,556,089	88,997,379	91,268,545	99,519,057	95,771,130
Operating Expenses (Rs. in million)	150,523,708	126,366,578	120,633,000	107,704,441	114,457,874	129,557,900
Operating Profit/(loss) (Rs. in million)	(47,033,248)	(35,810,489)	(31,636,144)	(16,435,896)	(14,938,817)	(33,786,770)
Loss after tax (Rs. in million)	(67,327,605)	(51,006,922)	(44,900,315)	(32,529,560)	(31,744,564)	(44,322,040)
Fixed Assets (Rs. in million)	78,302,168	67,157,187	68,838,645	76,647,952	84,102,148	90,452,072
Current Assets (Rs. in million)	34,945,653	32,145,992	29,449,080	25,079,416	24,733,527	22,737,681
Current Liabilities (Rs. in million)	288,569,906	244,307,972	213,702,122	205,571,050	216,451,936	189,491,246
Long-Term Debts (Rs. in million)	150,970,165	121,096,089	105,931,398	89,692,109	55,743,617	62,765,886
Net Worth (Rs. in million)	(356,753,631)	(291,470,196)	(243,927,154)	(208,363,083)	(174,651,719)	(110,735,907)
RATIOS						
Loss per share (Rs.)	(12.86)	(9.74)	(8.58)	(6.39)	(6.90)	(12.51)
Current ratio	0.12	0.13	0.14	0.12	0.11	0.13
SHARE PRICES (Rs. 10 Share)						
High	8.08	10.21	13.55	12.10	10.55	4.76
Low	3.81	3.80	6.50	6.69	5.13	1.75
Closing	5.09	4.02	9.16	8.46	7.45	4.03
PERSONNEL						
Average No. of Employees	12,437	13,268	13,947	16,271	17,383	16,604
Revenue Per Employee (Rs. in million)	8.32	6.83	6.38	5.61	5.73	5.77

UNCONSOLIDATED

FINANCIAL

STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Members of Pakistan International Airlines Corporation Limited.

Report on the Audit of the Unconsolidated Financial Statements.

Opinion

We have audited the annexed unconsolidated financial statements of **Pakistan International Airlines Corporation Limited** (the Company), which comprise the unconsolidated statement of financial position as of December 31, 2018, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017) – the Act, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the following:

- i) Note 1.3 to the unconsolidated financial statements which inter-alia states that in view of the financial position of 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) Notes 27 and 28 to the unconsolidated financial statements which states that an aggregate amount of Rs. 16,904,889 million was payable to the Pakistan International Airlines Corporation Provident Fund (the Provident Fund) representing Rs. 11,190,851 million on account of the Company and employees' contributions and Rs. 5,714,038 million being makeup payable thereon. However, the said amount was not deposited within the stipulated time of fifteen days to the Provident Fund as required under Section 218 of the Act.
- iii) Notes 31.1 and 39.2.2 to the unconsolidated financial statements. The Company is exposed to various tax and other contingencies aggregating to Rs. 43,092,407 million, the ultimate outcome of which cannot presently be determined and, accordingly, no provision has been made by the management in respect of these contingencies in the unconsolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	Revenue recognition (Refer note 5.11 to the unconsolidated financial statements) When a flight booking is made, revenue is measured based on the sales price to the customer and revenue is recognized when service is provided to the customer. Revenue is initially deferred on the unconsolidated statement of financial position and subsequently recognized in the unconsolidated statement of profit or loss when the service is provided. The determination of the amount of revenue to be recognized for each flight requires complex IT systems and involves various internal and external sources. Further, revenue is assessed as an area involving presumed risk of material misstatement, hence, significant risk for the audit. We considered this a key audit matter as a result of the complexity of the related IT systems and the level of judgement required by management in determining the timing of recognition of unused revenue documents.	Our audit procedures included the following: - We performed detailed end-to-end walkthroughs of the finance and operational processes surrounding the revenue systems. - We tested the operating effectiveness of the key controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. - We tested the key IT systems, including interfaces that impact the recognition of revenue along with the IT general controls. - We performed tests of details over revenue and substantively tested manual journal entries posted into relevant revenue accounts in the sub-ledgers and general ledger. - We obtained data in respect of unused revenue documents and tested the accuracy of historical expiry data and compared this data to that used by the Company in their calculation of the amount of revenue to recognize from unused revenue documents. - We assessed whether the related disclosures to the unconsolidated financial statements are consistent with the requirements of IFRS.
2	Revaluation of property, plant and equipment (Refer note 21 to the unconsolidated financial statements) During the year, the Company revalued its aircraft fleet resulting in recognition of surplus/ deficit on revaluation amounting to Rs. 5,088 million and reversal of deficit previously charged to statement of profit or loss amounting to Rs. 1,146 million. Such revaluation was carried out by independent valuer who took into account various factors such as estimated selling price, utilization by the Company and conditions of aircrafts etc.	Our audit procedures included the following: - We assessed the competence of the management's independent valuer and reviewed the revaluation report to understand the basis and methodology used for such valuation.

S. No.	Key audit matters	How the matter was addressed in our audit
	Further, as disclosed in the above referred note due to the application of the Act, the Company has changed its accounting policy in respect of accounting for surplus / deficit on revaluation of property plant and equipment. The said change required retrospective restatement of the annexed unconsolidated financial statements and inclusion of an additional statement of financial position at the beginning of the earliest period presented in accordance with the requirements of International Accounting Standard (IAS) 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. The above change in accounting policy also has a material effect on the financial results of the Company. Due to significant managements' judgements and estimations relation to revaluation of aircrafts, and change in accounting policy, we considered this area as a key audit matter.	- We involved our own specialist to review the valuation carried out by the managements' independent valuer to assess the appropriateness of the methodology, assumptions and estimates used to determine the fair value of aircraft fleet. - We also assessed the adequacy of the related disclosures in the unconsolidated financial statements in accordance with applicable financial reporting standards relating to change in accounting policy.
3	Post-retirement benefits (Refer note 26 to the unconsolidated financial statements) The Company operates a number of defined benefit plans. The Company's obligation in respect of these plans as at December 31, 2016 amounted to Rs. 35,048.236 million. The valuation of these plans requires significant level of judgment and technical expertise to select appropriate valuation assumptions. Changes in the key assumptions (discount rate, salary increase and retirement age etc.) can have a material impact on the calculation of these obligations. We identified this area as a key audit matter because of significant management judgment relating to valuation assumptions that are inherently complex and require specialist actuarial input.	Our audit procedures included the following: - We assessed the competence and objectivity of the actuaries engaged by the Company to value the defined benefit obligations and reviewed the actuarial valuation reports to understand the basis and methodology used for such valuation. - We tested data provided by the Company to actuaries for the purpose of valuation. - We engaged our actuarial specialists to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plans. - We reviewed the adequacy of the related disclosures in the unconsolidated financial statements in accordance with applicable financial reporting standards.

S. No.	Key audit matters	How the matter was addressed in our audit
4	Promulgation of Companies Act, 2017 Refer to note 3.1 of these unconsolidated financial statements. The Act was promulgated on May 30, 2017 which include certain new requirements including certain changes in accounting and disclosures with respect to preparation of unconsolidated financial statements by companies. The third and fourth schedule to the Act became applicable to Company for the preparation of these unconsolidated financial statements. The Act (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company. In view of the significant changes in accounting and disclosures, we consider it as a key audit matter.	Our audit procedures included the following: - We obtained an understanding of the requirements regarding preparation and filing of the unconsolidated financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of unconsolidated financial statements. - We evaluated the underlying supports for the amendments and additional disclosures made in the annexed unconsolidated financial statements. - We also reviewed the adequacy and appropriateness of the related disclosures in the unconsolidated financial statements in accordance with the requirements of the Act.
5	Long term financing (Refer: note 22 to the unconsolidated financial statements) The Company has obtained various financing facilities, term finance certificates the aggregate amount of which (including current portion), amounted to Rs. 199,173,286 million respectively as of December 31, 2018. The Company's key operating / performance indicators including liquidity, gearing and finance costs are directly influenced by the borrowings. Further, financing arrangements entail financial and non-financial covenants that the Company is subject to compliance. The significance of financing along with the sensitivity of the compliance with underlying loan covenants, are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.	Our audit procedures amongst other included the following: - We obtained and reviewed the financing agreements and facility letters executed during the year. We inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance. - We tested the calculation of finance cost recognized in the statement of profit and loss and checked amortization of transaction cost and accuracy of amortized cost of financing. - We circularized confirmations to the financing institutions with outstanding loan balances at the year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities. - We assessed the adequacy of the related disclosures in the unconsolidated financial statements in accordance with the applicable financial reporting standards.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated financial statements and our auditors' report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- * Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- * Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The unconsolidated financial statements of the Company for the year ended December 31, 2017 were audited by were EY Ford Rhodes and KPMG Taseer Hadi & Co., who expressed modified opinion on those statements on July 18, 2019 in respect of following matters:

1. Counting of physical inventories of stores and spares and capital spares held in the unconsolidated financial statements of the Company as at December 31, 2017 at an amount of Rs. 3,093 million and Rs. 3,546 million, respectively, could not be completed to a reasonable extent due to non-availability of adequate human resources and other operational problems.
2. Adjustments recorded as of December 31, 2016 related to unidentified balance of unearned revenue amounting to Rs. 3,985 million and related taxes amounting to Rs. Rs. 4,700 million, since 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 to determine whether these adjustments accounted for in the unconsolidated financial statements of the Company for the year ended December 31, 2017 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 Estimated and Errors'.

The engagement partners on the audit resulting in this independent auditors' report are **Raheel Shah Nawaz** (BDO Ebrahim & Co) and **Khurram Jameel** (Grant Thornton Anjum Rahman).

BDO Ebrahim & Co.
Chartered Accountants

Place: Karachi

Grant Thornton Anjum Rahman
Chartered Accountants

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

December 31, 2018 December 31, 2017 January 01, 2017 December 31, 2018 December 31, 2017 January 01, 2017
 ----- (Restated) ----- ----- (Restated) -----
 Note ----- (Rupees in '000) ----- ----- (US\$ in '000) -----

ASSETS

NON-CURRENT ASSETS

Fixed assets

- Property, plant and equipment	7	78,026,605	66,828,518	66,828,761	561,649	604,633	656,420
- Intangibles	8	275,563	328,669	7,884	1,984	2,974	75
		78,302,168	67,157,187	66,836,645	563,633	607,607	656,495
Long-term investments	9	4,599,767	4,587,663	4,569,247	33,110	41,507	43,577
Long-term advances	10	-	-	-	-	-	-
Long-term deposits and prepayments	11	8,562,836	8,011,052	7,020,724	61,637	72,480	66,967
Total non-current assets		91,464,771	79,755,902	80,426,616	658,380	721,594	767,029

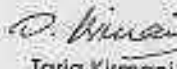
CURRENT ASSETS

Stores and spares	12	3,981,893	3,092,587	2,554,584	28,662	27,980	24,363
Trade debts	13	16,377,366	11,147,710	9,294,099	117,887	100,859	88,638
Advances	14	2,591,560	2,540,948	2,154,433	18,655	23,894	20,547
Trade deposits and short-term prepayments	15	2,170,964	4,109,283	3,891,662	15,627	37,179	37,115
Other receivables	16	8,070,202	6,573,787	8,083,390	58,091	62,191	77,091
Short-term investment	17	19,220	19,220	19,220	138	174	183
Cash and bank balances	18	1,734,448	4,262,457	3,449,152	12,485	38,565	32,895
Total current assets		34,945,653	32,145,992	29,446,540	251,545	290,642	280,832
TOTAL ASSETS		126,410,424	111,901,894	109,873,156	909,925	1,012,436	1,047,861

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


 Air Marshal Arshad Malik
 Chief Executive Officer


 Khalidullah Shaikh
 Chief Financial Officer


 Tariq Kirmani
 Director

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

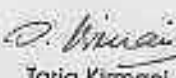
AS AT DECEMBER 31, 2018

		December 31, 2018	December 31, 2017	January 01, 2017	December 31, 2018	December 31, 2017	January 01, 2017
			(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	376,789	473,694	499,216
Reserves	20	4,462,806	4,450,703	4,432,267	32,124	40,266	42,271
Surplus on revaluation of property, plant and equipment-net	21	24,134,932	22,008,745	18,529,680	173,727	199,125	176,718
Accumulated losses		(437,696,479)	(370,274,754)	(319,234,231)	(3,150,616)	(3,350,072)	(3,044,536)
Total shareholders' equity		(356,753,631)	(291,470,196)	(243,927,154)	(2,567,976)	(2,637,085)	(2,326,333)
NON-CURRENT LIABILITIES							
Long-term financing	22	148,742,994	102,242,919	74,829,943	1,070,678	925,046	713,653
Term finance and sukuk certificates	23	2,054,401	17,072,007	26,289,606	14,788	154,460	241,187
Liabilities against assets subject to finance lease	24	172,771	1,781,163	5,811,849	1,244	16,115	55,426
Advance from a subsidiary	25	5,575,748	4,436,041	4,208,390	40,135	40,135	40,135
Deferred liabilities	26	38,048,236	33,531,987	29,960,940	273,878	303,382	286,737
Total non-current liabilities		194,594,150	159,064,117	140,100,728	1,400,723	1,439,138	1,336,140
CURRENT LIABILITIES							
Trade and other payables	27	164,570,556	138,668,164	119,226,391	1,184,609	1,254,604	1,137,062
Unclaimed dividend - Preference shares		3,297	3,297	3,297	24	30	31
Accrued interest	28	16,531,580	14,586,792	13,320,144	118,997	131,974	127,034
Taxation - net		1,380,723	759,008	561,265	9,939	6,867	5,354
Short-term borrowings	29	34,447,358	34,358,474	34,361,311	247,958	310,859	327,606
Current maturity of non-current liabilities	30	71,636,391	55,932,237	46,237,184	515,651	506,049	440,964
Total current liabilities		288,569,905	244,307,972	213,699,592	2,077,178	2,210,383	2,036,053
TOTAL LIABILITIES		483,164,055	403,372,089	353,800,310	3,477,900	3,649,521	3,374,194
TOTAL EQUITY AND LIABILITIES		126,410,424	111,901,894	109,873,156	909,925	1,012,436	1,047,861
Contingencies and commitments	31						

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


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer

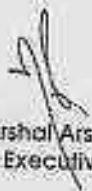

Tariq Kirmani
Director

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

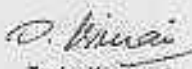
FOR THE YEAR ENDED DECEMBER 31, 2018

		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
			(Restated)		(Restated)
	Note	----- (Rupees in '000) -----		----- (US\$ in '000) -----	
Revenue - net	32	103,490,460	90,556,089	744,942	819,309
Cost of services					
Aircraft fuel		(43,552,360)	(30,940,544)	(313,496)	(279,936)
Others	33	(79,670,558)	(76,836,830)	(573,483)	(695,184)
Gross loss		(123,222,918)	(107,777,374)	(886,981)	(975,120)
		(19,732,458)	(17,221,285)	(142,039)	(155,811)
Distribution costs	34	(5,410,726)	(4,760,127)	(38,947)	(43,067)
Administrative expenses	35	(6,730,797)	(6,287,515)	(48,449)	(56,886)
Other provisions and adjustments - net	36	(1,930,105)	(6,189,304)	(13,893)	(55,998)
Exchange loss - net		(14,952,649)	(2,188,460)	(107,632)	(19,800)
Other income	37	1,723,487	836,202	12,406	7,566
Loss from operations		(27,300,790)	(18,589,204)	(196,515)	(168,185)
		(47,033,248)	(35,810,489)	(338,554)	(323,996)
Finance costs	38	(20,384,567)	(15,246,640)	(146,732)	(157,944)
Loss before taxation		(67,417,815)	(51,057,129)	(485,286)	(461,940)
Taxation	39	90,210	50,207	649	454
Loss for the year		(67,327,605)	(51,006,922)	(484,637)	(461,486)
Loss per share - basic and diluted		----- (Rupees) -----		----- (US\$) -----	
Loss attributable to:					
'A' class ordinary shares of Rs. 10 each	40	(12.86)	(9.74)	(0.09)	(0.09)
'B' class ordinary shares of Rs. 5 each	40	(6.43)	(4.87)	(0.05)	(0.04)

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


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmant
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

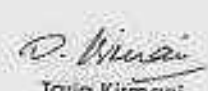
FOR THE YEAR ENDED DECEMBER 31, 2018

	December 31, 2018	December 31, 2017 (Restated)	December 31, 2018	December 31, 2017 (Restated)
	(Rupees in '000)		(US\$ in '000)	
Loss for the year	(67,327,605)	(51,006,922)	(484,637)	(461,486)
Other comprehensive income:				
<i>Items that will be reclassified subsequently to consolidated statement of profit or loss</i>				
Unrealised gain on re-measurement of available-for-sale investments	12,104	18,416	87	167
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss</i>				
Surplus on revaluation of property, plant and equipment	5,087,949	4,866,245	36,624	35,028
Effect of deferred tax	(1,475,505)	(723,937)	(10,621)	(5,211)
	3,612,444	4,142,308	26,003	29,817
Remeasurement of post retirement defined benefits obligation	(1,896,834)	(917,793)	(13,654)	(8,304)
Effect of deferred tax	316,457	220,949	2,278	1,999
	(1,580,377)	(696,844)	(11,376)	(6,305)
Total comprehensive income - loss	(65,283,434)	(47,543,042)	(469,923)	(437,807)

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


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

December 31, 2018 December 31, 2017
(Restated) (Restated)

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

CASH FLOWS FROM OPERATING ACTIVITIES

Cash used in operations	41.1	(3,721,944)	(1,900,015)	(26,791)	(17,190)
Profit on bank deposits received		34,429	46,392	248	436
Finance costs paid		(18,439,780)	(13,979,998)	(132,733)	(126,484)
Taxes paid		(447,123)	(255,021)	(3,216)	(2,307)
Staff retirement benefits paid		(909,253)	(909,043)	(6,545)	(8,225)
Long-term deposits and prepayments - net		(551,784)	(590,328)	(3,972)	(8,940)
Net cash used in operating activities		(24,035,455)	(17,986,013)	(173,011)	(162,726)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment		(12,301,167)	(3,547,866)	(88,546)	(32,099)
Purchase of intangible assets		(33,105)	(409,507)	(238)	(3,705)
Proceeds from sale of property, plant and equipment		1,809,414	255,440	13,024	2,311
Net cash used in investing activities		(10,524,858)	(3,701,933)	(75,760)	(33,493)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long-term financing	41.2	(27,477,312)	(26,944,671)	(197,787)	(243,783)
Proceeds from long-term financing	41.2	70,968,750	63,006,250	510,845	570,051
Repayment of term finance certificates	41.2	(6,272,255)	(6,163,202)	(45,149)	(55,762)
Repayment of obligations under finance lease	41.2	(4,935,003)	(7,336,941)	(35,523)	(66,381)
Proceed from short-term borrowings		-	315,285	-	2,853
Net cash generated from financing activities		32,284,180	22,876,721	232,386	206,978
(Decrease) / Increase in cash and cash equivalents		(2,276,133)	1,188,775	(16,365)	10,757
Cash and cash equivalents at beginning of the year		1,090,312	(98,463)	7,848	(891)
Cash and cash equivalents at end of the year		(1,185,821)	1,090,312	(8,537)	9,866
Cash and cash equivalents					
Cash and bank balances	18	1,734,448	4,262,457	12,484	36,566
Running finance under mark-up arrangements	29	(2,920,269)	(3,172,145)	(21,021)	(28,700)
		(1,185,821)	1,090,312	(8,537)	9,866

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

Air Marshal Arshad Malik
Chief Executive Officer

Khaliqullah Shaikh
Chief Financial Officer

Tariq Kirmani
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed, and paid-up share capital	Capital Reserves	Unrealised gain on revaluation of investments	Surplus on Revaluation	Subtotal	Revenue reserves	Accumulated loss	Total
(Rupees in '000)								
Balance as of December 31, 2016 as previously reported	52,345,110	2,601,038	151,575	4,752,639	7,408,252	1,779,674	(306,467,190)	(243,927,154)
Effect of restatement - note 6	-	-	-	13,777,041	13,777,041	-	(13,777,041)	-
Balance as of December 31, 2016 as restated	52,345,110	2,601,038	151,575	18,529,680	21,182,293	1,779,674	(319,234,231)	(243,927,154)
Total comprehensive income / (loss) for the year ended December 31, 2017 - restated	-	-	-	-	-	-	-	-
Loss for the year - restated	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) for the year - isolated	-	-	18,416	4,142,308	4,160,725	-	(51,006,922)	(51,006,922)
Total comprehensive income / (loss) for the year - restated	-	-	18,416	4,142,308	4,160,725	-	(51,006,922)	(51,006,922)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax (isolated)	-	-	-	(660,483)	(660,483)	-	660,483	-
Surplus on revaluation of property, plant and equipment realised during the year on account of asset revalued / written off - net of tax	-	-	-	(2,760)	(2,760)	-	2,760	-
Balance as of December 31, 2017 as restated	52,345,110	2,601,038	169,991	22,008,745	24,679,775	1,779,674	(170,274,754)	(291,470,195)
Total comprehensive income / (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) for the year	-	-	12,104	3,612,444	3,624,548	-	(57,327,605)	(57,327,605)
Total comprehensive income / (loss) for the year	-	-	12,104	3,612,444	3,624,548	-	(57,327,605)	(57,327,605)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	(818,350)	(818,350)	-	818,350	-
Surplus on revaluation of property, plant and equipment realised during the year on account of asset revalued / written off / disposed off - net of tax	-	-	-	(567,907)	(567,907)	-	567,907	-
Balance as of December 31, 2018	52,345,110	2,601,038	182,095	24,134,932	26,818,066	1,779,674	(437,605,475)	(356,753,631)

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

Air Marshal Arshad Malik
Chief Executive Officer

Khallidullah Shaikh
Chief Financial Officer

Tariq Kirmani
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 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, 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 The Business Units of the Company include the following:

Business Unit

Geographical Location

Head Office

PIA Head Office, Old Terminal, Karachi

Regional sales offices and counters are located across the country and overseas the details of which is impracticable to disclose in these unconsolidated financial statements as required under Fourth Schedule to the Companies Act, 2017.

- 1.3 During the year, the Company incurred a net loss of Rs. 67,327.605 million (2017: Rs. 51,006.922 million) resulting in accumulated losses of Rs. 437,696.479 million as of December 31, 2018 (December 31, 2017: Rs. 370,274.754 million). Further, as of December 31, 2018, current liabilities of the Company exceeded its current assets by Rs. 253,624.252 million (December 31, 2017: Rs. 212,161.980 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 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 (PM) 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. 178,085 million to Rs. 222,107 million to meet the cash deficit;
- c) Further, in a meeting with the Honorable 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 Act 2019, GoP has allocated Rs. 24,500 million in respect of mark-up support to the Company.

2 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS

Implementation of ticketing reservation system

PIACL had been using Central Reservation System known as SABRESONIC, since last 18 years. In September 2018, PIACL migrated to new reservation System known as Crane Passenger Services System (PSS). It is a set of over 12 applications for managing schedule. With this renewal of technology, PIA is expected to reduce its significant annual reservation processing cost. The system is built on new architecture and also provides flexibility to add new product lines and revenue streams.

Devaluation of functional currency

Devaluation of functional currency (PKR) had a major impact on the Company's financial statements for the year ended December 31, 2018. The Company's foreign currency based revenue streams are approximately 47% of total revenue; hence there was a significant impact of PKR depreciation on the Company revenues. The Company operates to a number of foreign destinations across the world hence a major denomination of expenses is in different foreign currencies; therefore devaluation in functional currency value also had a significant impact on the Company's expenses in financial statements. In addition to this, a major portion of the Company's loans are in foreign currencies; therefore, devaluation of Pak Rupee has increased the overall liability of outstanding loans by a significant amount.

Lease of aircraft

During the year ended December 31, 2018, two B777 aircraft AP-BHV and AP-BHW acquired in year 2006 and 2007, respectively, were reclassified from aircraft under finance lease to owned aircrafts after completion of lease term.

Major financing

During the year, the Company has obtained fresh financing aggregating to Rs. 78.1 billion which includes Rs. 20 billion, Rs. 10 billion, Rs. 11.5 billion, Rs. 4 billion, Rs. 16.7 billion and Rs. 15.9 billion from JS Bank Limited, Faysal Bank Limited, Bank Islami Pakistan Limited, Askari Bank Limited, Noor Bank and Credit Suisse respectively.

Change in treatment of surplus under Companies Act, 2017

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Therefore, in accordance with the requirements of IAS 16, "Property, Plant and Equipment" surplus on revaluation of fixed assets would now be presented in shareholders' equity. This change in accounting policy has been accounted for retrospectively as detailed in note 6 to unconsolidated financial statements.

Owing to this change, surplus on revaluation of property, plant and equipment has been increased by PKR 16,388.02 million and accumulated loss has also been increased by PKR 16,388.02 million.

Revaluation of airfleet

The Company has revalued its aircraft fleet as on December 31, 2018. Resultantly, a surplus on revaluation of Rs. 6,067 million has been incorporated in these unconsolidated financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

3.2 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.

3.3 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 statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income and unconsolidated statement of cash flows are stated as additional information, solely for the convenience of the users of these unconsolidated financial statements. The US Dollar amounts in the unconsolidated statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income and unconsolidated statement of cash flows have been translated into US Dollar at the rate of Rs. 138.9241 = US\$ 1 (2017: Rs. 110.5274 = US\$ 1).

3.4 New standards, amendments to approved accounting standards and new interpretation to existing standards that are effective for the year ended December 31, 2018.

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 1, 2018 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.

3.5 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, 2019.

3.5.1 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'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. The amendments are not likely to have an impact on the Company's unconsolidated financial statements.

3.5.2 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: amortised cost, fair value through OCI and fair value through profit or loss. 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 or 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 or loss. The Company is currently evaluating its impact on the unconsolidated financial statements.

3.5.3 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.

3.5.4 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 Company is currently evaluating its impact on the unconsolidated financial statements.

3.5.5 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.

3.5.6 IFRIC 22 'Foreign currency transactions and advance consideration' (effective from accounting period beginning on or after January 1, 2018) clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration.

(the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The interpretation is not expected to have a significant impact on the Company's financial reporting.

- 3.5.7** 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.
- 3.5.8** 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	January 01, 2016
IFRS 17 – Insurance Contracts	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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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:

4.1 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/decremental effect of depreciation from surplus on revaluation of property, plant and equipment account to accumulated losses directly in equity.

4.2 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 significant 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 of the aircraft attained up to the reporting date.

4.3 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.

4.4 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 26 to these unconsolidated financial statements.

4.5 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 / liability to be recognised.

4.6 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Fixed assets

Property, plant and equipment

Owned

Lands classified as 'others' in note 7.1 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 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 contracts are charged to the unconsolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is charged to the unconsolidated statement of profit or loss, 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 7.1 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 statement of changes in equity. The revaluation reserve is not available for distribution to the Company's shareholders. 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. To the extent of the incremental 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. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in statement of comprehensive income and accumulated in equity under the heading of revaluation surplus. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in statement of comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss.

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 statement of profit or loss in the year the asset is derecognised.

When revalued assets are sold or retired from operation, the relevant remaining deficit and surplus is transferred to unconsolidated statement of profit or loss 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 statement of profit or loss on a straight-line basis over the lease term.

Capital spares

Rotable and repairable stores 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 statement of profit or loss.

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.

6.2 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 8.2 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 unconsolidated statement of profit or loss when the asset is derecognised.

6.3 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 unconsolidated statement of profit or loss.

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 statement of financial position date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, 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

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose of the financial assets within twelve months of the balance sheet date.

Subsequent to initial recognition, these financial assets are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in equity until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

5.4 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	weighted moving average cost

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

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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 consolidated statement of profit or loss.

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 post service cost are recognised in consolidated statement of profit or loss whereas any actuarial gains / losses are recognised immediately in consolidated statement of 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 post service cost are recognised in consolidated statement of profit or loss and any actuarial gains / (losses) are recognised immediately in consolidated statement of 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.

5.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity or in statement of 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 statement of comprehensive income is recognised in consolidated statement of comprehensive income and not in consolidated statement of profit or loss.

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.

5.11 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 (unearned Revenue)' until recognised as revenue. Passenger tickets issued 12 months ago or earlier, and are not utilized for transportation, are considered as expired tickets and unearned revenue relating to these expired tickets are recognized as revenue.

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 4.6 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.

5.12 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.

5.13 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.

5.14 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 unconsolidated statement of profit or loss. 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 unconsolidated statement of profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in reserves in equity to unconsolidated statement of profit or loss. The cumulative losses that is reclassified from equity to unconsolidated statement of profit or loss 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 unconsolidated statement of profit or loss.

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 unconsolidated statement of profit or loss, 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.

5.15 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 the unconsolidated statement of profit or loss 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.

5.16 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 statement of profit or loss immediately.

5.17 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 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.

5.18 Derivative financial instruments

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

5.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

5.20 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.

6. CHANGE IN ACCOUNTING POLICY

- 6.1 The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets. The surplus on revaluation of fixed assets was previously shown below equity which was not in accordance with the IFRS requirements. Therefore, in accordance with the requirements of IAS 16, "Property, Plant and Equipment" surplus on revaluation of fixed assets would now be presented under shareholders' equity.

Following the application of IAS 16, the Company policy for surplus on revaluation of property, plant and equipment stands amended as follows:

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in statement of comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in statement of profit or loss. However, the decrease shall be recognised in statement of comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in statement of comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

6.2 The effect of above stated change in accounting policy are as follows:

- (a) Effect on unconsolidated statement of financial position as of December 31, 2017 and earliest period presented i.e. January 01, 2017.

	December 31, 2017			January 1, 2017		
	Balance as previously reported	Effect of restatement	Balance after restatement	Balance as previously reported	Effect of restatement	Balance after restatement
	(Rupees in '000)					
Surplus on revaluation of property, plant and equipment-net	5,620,720	16,388,026	22,008,745	4,752,639	13,777,041	18,529,680
Accumulated losses	(363,888,173)	(16,388,026)	(370,276,192)	(305,457,190)	(13,777,041)	(319,234,231)
Equity	(348,267,453)	-	(348,267,447)	(300,704,551)	-	(300,704,551)

- (b) Effect on unconsolidated statement of profit or loss for the year ended December 31, 2017:

	As previously reported	Effect of restatement	After restatement
	(Rupees in '000)		
Other Provisions and adjustments - net	(1,892,356)	(4,296,948)	(6,189,304)
Taxation	(1,000,531)	1,049,300	48,769
	(2,892,887)	(3,247,648)	(6,140,535)
Effect on loss per share			
A' class ordinary shares of Rs. 10 each	(9.32)	(0.62)	(9.74)
B' class ordinary shares of Rs. 10 each	(4.56)	(0.31)	(4.87)

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in '000)	
Operating fixed assets			
- owned	7.1	61,925,043	41,068,930
- leased	7.2	13,130,399	24,510,697
		75,055,442	65,579,627
Capital work-in-progress	7.3.10	2,971,163	1,248,691
		78,026,605	66,828,318

7.1 Owned fixed assets

2018

	Land		Buildings on:		Workshops and hangars
	Leasehold (notes 7.1.1 and 7.3)	Others (note 7.1.2)	Leasehold land (notes 7.1.1 and 7.3.4)	Other land	
	(Rupees in '000)				
As at December 31, 2017					
Cost or revalued amount	8,692,600	24,400	7,554,336	1,787,520	913,604
Accumulated depreciation	-	-	(5,048,106)	(1,317,591)	(829,252)
Net book value	8,692,600	24,400	2,506,230	469,929	84,352
Year ended December 31, 2018					
Opening net book value	8,692,600	24,400	2,506,230	469,929	84,352
Additions	-	-	-	1,858	-
Transfers from CWIP	-	-	-	-	-
Revaluation for the year	-	-	166,486	-	-
Adjustments / transfer					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Disposals					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Write off / retirement					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation charge for the year	-	-	(447,883)	(37,876)	(10,070)
Closing net book value	8,692,600	24,400	2,224,833	433,909	74,282
As at December 31, 2018					
Cost or revalued amount	8,692,600	24,400	10,318,449	1,789,378	913,604
Accumulated depreciation	-	-	(8,093,616)	(1,355,469)	(839,322)
Net book value	8,692,600	24,400	2,224,833	433,909	74,282
Annual depreciation rate (%)	-	-	2.5	2.5	5

- 7.1.1 These represent leasehold land and buildings owned by the Company that are freely transferable and can be disposed off as and when required.
- 7.1.2 Land classified as 'Others' are amenity plots licensed from Pakistan Civil Aviation Authority (CAA). These are non-transferable and these were allotted at below market price.
- 7.1.3 During the year, the Company has retired / written off / disposed off aircrafts fleet and engines having net book value of Rs. 51,538 million (2017: Rs. 232,443 million).
- 7.1.4 Aircraft fleet includes one engine (2017: one engine) held by a third party for overhauling purpose as at December 31, 2018. The carrying value of this engine at year end is Rs. 1,828,650 million (2017: Rs. 404,501 million).

Aircraft fleet (note 7.1.3, 7.1.4, and 7.3.5)	Equipment	Engineering equipment and tools	Vehicles	Furniture, fixtures and fittings	Computer and office automation	Capital spares	Total
(Rupees in '000)							
36,775,088	3,181,347	1,887,580	2,574,297	951,310	1,938,163	7,296,672	73,576,917
(12,096,347)	(2,727,812)	(1,640,187)	(2,510,496)	(858,772)	(1,728,282)	(3,751,142)	(32,507,989)
24,678,742	453,535	247,393	63,799	92,538	209,881	3,545,530	41,068,930
24,678,742	453,535	247,393	63,799	92,538	209,881	3,545,530	41,068,930
1,352,660	35,822	108,475	30,410	16,119	130,514	135,458	1,811,216
1,054,074	11,877	33,765	-	-	2,658	-	1,102,374
2,406,634	47,699	142,240	30,410	16,119	133,172	135,458	2,913,591
5,659,938	-	-	-	-	-	-	5,659,938
22,441,516	-	-	-	-	-	-	22,441,516
(6,439,513)	-	-	-	-	-	-	(6,439,513)
16,002,003	-	-	-	-	-	-	16,002,003
(65,576)	(27,397)	-	-	-	-	-	(92,973)
14,040	27,395	-	-	-	-	-	41,435
(51,536)	(2)	-	-	-	-	-	(51,538)
-	-	-	-	-	-	(172,149)	(172,149)
-	-	-	-	-	-	925	925
(2,619,823)	(119,484)	(63,194)	(27,562)	(21,501)	(67,508)	(171,224)	(3,663,140)
46,075,958	381,747	326,439	66,647	87,156	275,545	3,261,527	51,925,043
68,813,413	3,201,649	2,029,820	2,604,707	967,429	2,071,335	7,259,981	108,685,765
(22,737,455)	(2,819,901)	(1,703,381)	(2,538,060)	(880,273)	(1,796,790)	(3,996,454)	(46,761,722)
46,075,958	381,747	326,439	66,647	87,156	275,545	3,261,527	51,925,043
4 - 100	5 - 10	10	10 - 25	10	5 - 10	4 - 100	

Owned fixed assets

2017

	Land		Buildings on		Workshops and hangar
	Leasehold (notes 7.1.1 and 7.3)	Others (note 7.1.2)	Leasehold land (notes 7.1.1 and 7.3.4)	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	-	-	-	62	-
Transfers from C/WP	-	-	-	-	-
Revaluation for the year	1,794,740	-	1,329,941	62	-
Adjustments / transfer					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Disposals					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Write off / retirement					
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	2,506,230	469,929	84,352
As at December 31, 2017					
Cost or revalued amount	8,692,600	24,400	7,564,336	1,787,520	913,604
Accumulated depreciation	-	-	(5,048,106)	(1,317,591)	(829,252)
Net book value	8,692,600	24,400	2,506,230	469,929	84,352
Annual depreciation rate (%)	-	-	2.5	2.5	5

Aircraft fleet (note 7.1.3, 7.1.4 and 7.3.5)	Equipment	Engineering equipment and tools	Vehicles	Furniture, fixtures and fittings	Computer and office automation	Capital spares	Total
(Rupees in '000)							
23,235,778	3,163,863	1,766,371	2,543,392	956,479	1,771,401	7,093,574	52,814,753
(6,314,129)	(2,604,294)	(1,568,720)	(2,459,294)	(850,153)	(1,673,858)	(3,421,226)	(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	10,561	26,454	58,123	9,905	153,490	203,098	1,312,076
-	7,053	102,288	-	2,983	19,353	-	131,677
850,382	17,614	128,742	58,123	12,889	172,843	203,098	1,443,753
(2,346,146)	-	-	-	-	-	-	778,535
16,160,592	-	-	-	-	-	-	16,160,592
(4,992,430)	-	-	-	-	-	-	(4,992,430)
11,168,162	-	-	-	-	-	-	11,168,162
(277,645)	(130)	(7,533)	(27,218)	(18,056)	(6,081)	-	(336,565)
45,273	130	7,533	27,047	18,058	6,081	-	104,122
(232,272)	-	-	(171)	-	-	-	(232,443)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,683,033)	(123,648)	(79,000)	(78,251)	(26,677)	(60,505)	(329,914)	(2,651,230)
24,678,742	453,535	247,393	63,799	92,538	209,881	3,545,530	41,068,930
36,775,088	3,181,347	1,867,580	2,574,297	951,310	1,936,163	7,296,672	73,576,917
(12,096,347)	(2,727,812)	(1,640,187)	(2,510,498)	(856,772)	(1,728,262)	(3,751,142)	(32,507,989)
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	

	Aircraft fleet	Ground equipment	Total
Note	(Rupees in '000)		
As at January 01, 2017			
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
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 for the year	7.3.2 (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
Depreciation charge for the year	(11,168,162)	-	(11,168,162)
Closing net book value	(3,123,671)	(39,320)	(3,162,991)
	24,261,714	249,183	24,510,897
As at December 31, 2017			
Cost or revalued amount	34,317,491	289,131	34,606,622
Accumulated depreciation	(10,055,777)	(39,948)	(10,095,725)
Net book value	24,261,714	249,183	24,510,897
Year ended December 31, 2018			
Opening net book value	24,261,714	249,183	24,510,897
Additions / transfers	7,337,633	184,309	7,521,942
Revaluation for the year	7.3.2 407,996	-	407,996
Transfer to owned fixed assets			
Cost or revalued amount	(22,441,516)	-	(22,441,516)
Accumulated depreciation	6,439,513	-	6,439,513
Disposals	(16,002,003)	-	(16,002,003)
Cost or revalued amount	(2,409,240)	-	(2,409,240)
Accumulated depreciation	651,364	-	651,364
Depreciation charge for the year	(1,757,876)	-	(1,757,876)
Closing net book value	(1,514,424)	(36,134)	(1,550,558)
	12,733,040	397,358	13,130,399
As at December 31, 2018			
Cost or revalued amount	17,138,019	473,440	17,611,459
Accumulated depreciation	(4,404,978)	(76,082)	(4,481,060)
Net book value	12,733,040	397,358	13,130,399
Annual depreciation rate (%)	4-17	10	

- 7.2.1** Aircraft fleet includes two engines (2017: one engine) held by a third party for overhauling purpose as at December 31, 2018. The carrying value of these engines at year end is Rs. 4,221.542 million (2017: Rs. 391.364 million).
- 7.2.2** During the year, the Company has retired / written off / disposed off aircrafts fleet and engines having net book value of Rs. 1,757.676 million (2017: Rs. Nil). The related surplus amounting to Rs. 667.907 million (2017: Rs. Nil) included in surplus on revaluation has been released to accumulated losses.

7.3 Revaluation of property, plant and equipment

7.3.1 Revaluation of leasehold land and buildings

The leasehold land and buildings on leasehold land were revalued by the following independent professional valuers, as at December 31, 2017 and December 31, 2018, details of which is as follows:

- 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 Netherlands

The forced sale value of Land and Buildings which was subject to revaluation is Rs. 6,900 million.

7.3.2 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, 2018. 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 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).

- 7.3.3** The forced sale value (FSV) of Aircraft fleet which was subject to revaluation is Rs. 35,758 million.
- 7.3.4** The fair values of leasehold land and building on leasehold land 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).
- 7.3.5** The fair values of air fleet were determined through review of market activity and known transaction data involving the subject aircraft type, covering open market and financial sales. The fair value of aircraft fleet falls under level 3 of fair value hierarchy (i.e. significant unobservable inputs). A reconciliation of the opening and closing fair value balance is provided in notes 7.1 and 7.2 of the unconsolidated financial statements.

- 7.3.6 Had there been no revaluation, the written down value of the revalued assets in the balance sheet would have been as follows:

	2018			2017		
	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	155,604	102,544	258,148	146,420	111,728
Aircraft fleet	109,730,939	50,002,433	59,728,506	102,045,764	46,445,634	55,600,130
	110,033,253	50,158,037	59,875,216	102,348,078	46,592,054	55,756,024

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

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Cost of services - others	33	5,175,043	5,783,512
Distribution costs	34	15,361	11,972
Administrative expenses	35	23,317	18,741
		5,213,721	5,814,225

- 7.3.8 Following operating fixed assets were disposed off during the year:

Description	Disposed to / Exchange with	Method of disposal	Cost	Accumulated	Net	Exchange	Gain/loss on disposal
(Rupees in '000)							
Aircraft engines	Pratt & Whitney Canada PW100-127E	Exchange basis as per company policy	65,576	14,040	51,536	51,536	-
Aircraft engines	General Electric GE90-115BL	Exchange basis	2,059,864	364,582	1,705,283	1,705,283	-
			339,376	286,783	52,593	52,593	-
			2,474,816	655,404	1,809,414	1,809,414	-
2018			2,474,816	665,404	1,809,414	1,809,414	-
2017			336,564	104,122	232,442	255,440	22,997

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

7.3.9 For the year ended December 31, 2018

The details of Immovable fixed assets (i.e. Land & Other Land) are as follows:

Description of Location	Addresses	Total Area of Land Square Yards
- PIA Booking Office Rawalpindi	5th The Mall Road, Saddar, Rawalpindi.	4,328
- PIA DFSL Warehouse Islamabad	Warehouse, Sector I-11/4, (Pir Wadhai) Islamabad.	7,200
- PIA Sales Office Gawadar	Airport Road, Gawadar.	2,420
- PIA Sales Office Multan	65 Ahmed Shah, Aodai Road, Multan.	6,528
- PIA Sales Office Azad Kashmir	Chatter, Muzaffarabad, Azad Kashmir.	444
- PIA Sales Office Peshawar	33-The Mall, Arad Road, Peshawar.	9,931
- PIA Sales Office Sawat	Fozabad, Saidu Shareef, Malgora, Sawat.	1,211
- Land for PIA Staff Housing Colony Saidu Sharif	PIA staff housing colony Saidu Sharif.	1,208
- PIA Sales Office Skardu	Chashma Bazar, Skardu.	1,250
- Airport Office Skardu	Tehel Gumba near old runway Skardu.	4,248
- PIA Sales Office Turbat	Commissioner Road, Turbat.	18,295
- PIA Sales Office Islamabad	Jinnah Avenue, 49 Blue Area, Islamabad.	1,200
- PIA Sales Office Lahore	Opp. Punjab Assembly Near Wapda House, Lahore.	4,600
- PIA Diagnostic Center Karachi	8-33, KDA Scheme 1, Karsaz, Karachi.	1,874
- PIA Air Crew Medical Center Karachi	C-1, KDA Scheme I, Karsaz, Karachi.	1,120
- PIA Sales Office Faisalabad	Block 16, 26/6, Civil Lines, Faisalabad.	1,974
- PIA Sales Office Chitral	Polo Ground, Chitral.	3,666
- PIA Sales Office Building Quetta	17 Shahr-e-Hai, Cantonment, Quetta.	3,732
- Land for Sales Officer Ormara	PIA sales office Ormara, Baluchistan.	10,000
- Land for Sales Officer Sialkot	Plot situated opposite to Chamber of Commerce Park Road, Sialkot.	1,778
- Farm house Abbottabad	Nathia Gali Road Abbottabad.	16,166
- Land for Sales Office Gilgit	Plot at PIA City Road near NU Shopping Centre, Gilgit.	525
- Land for new sales office Sukkur	Mhara road near Jamia Masjid, Sukkur.	2,146
- Land for Dera Ismat Khan	Survey No. 3A, 195.09 Sq. Meter D.I.Khan Cantt.	233
- PIA housing colony (Water Tank) Karachi	PIA Housing Colony Water Tank Karachi.	1,667
- Super Highway for Precision Engineering Complex Karachi	On Super Highway PEC Complex Karachi.	96,000
- PIA Hospital Karachi	Gulistan-e-Jauhar Karachi.	48,200
- Land for PIA Boys Scouts Host & Training Centre Karachi	PIA boy Scouts Training Centre Karachi.	1,226
- Training Centre Nawabshah	Nawabshah Training Centre Nawabshah.	1,778
- PIA Sales Office Quetta	17th Shahr-e-Hai Cantonment Quetta.	3,731
- Airport Office Skardu	Airport Skardu.	2,420
- Land for TGS Section Skardu	Chashma Bazar Skardu.	1,815
- Land for Head Quarter at Islamabad	Plot no.57/F-7/7, blue area Islamabad.	4,608
- G.D Somani Marg Cuffe Parade, Mumbai	Plot No. 32, 3rd Floor Jolly Market-3 G.D Somani Marg, Cuffe Parade, Mumbai - 400 005	193
- Narain Manzil, New Delhi	Narain Manzil, 23 Barakhamba Road, New Delhi - 110001	451
- Shaykhontohur District, Tashkent	Shaykhontohur District Halklar Dustlig Street, Tashkent	291
- Residence No.55 New York	Saxon Woods Road Scarsdale, NY 10583-7812, New York.	492
- Leidsestraat 17 Amsterdam	1017 NE Amsterdam The Netherlands, Amsterdam.	118
- Van Nijenhoudeweg 835 Amsterdam	1082 JM Amsterdam The Netherlands, Amsterdam.	309
- Koningsvaren 109 Abcoude Amsterdam	Koningsvaren 109 Abcoude, Amsterdam.	300

7.3.10 Capital work-in-progress

Year ended December 31, 2018

Balance as at January 1, 2018

Additions during the year

Transfer to operating fixed assets

Adjustment

Balance as at December 31, 2018

Year ended December 31, 2017

Balance as at January 1, 2017

Additions during the year

Transfer to operating fixed assets

Balance as at December 31, 2017

Aircraft fleet Others Total

(Rupees in '000)

1,054,074	194,617	1,248,691
2,432,252	536,261	2,968,513
(1,054,074)	(48,300)	(1,102,374)
-	(143,667)	(143,667)
2,432,252	538,911	2,971,163

-	429,529	429,529
1,054,074	159,918	1,213,992
-	(394,830)	(394,830)
1,054,074	194,617	1,248,691

2018 2017

8. INTANGIBLES

Note (Rupees in '000)

Computer softwares

Cost

Accumulated amortisation

8.1	809,579	776,474
8.2	(534,016)	(447,805)
	275,563	328,669

8.1 Cost

Opening balance

Additions during the year

Closing balance

776,474	366,967
33,105	409,507
809,579	776,474

8.2 Accumulated amortisation

Opening balance

Amortisation for the year

Closing balance

8.2.1	447,805	359,083
	86,211	88,722
	534,016	447,805

Useful life

5 years	5 years
---------	---------

8.2.1 Amortisation charge for the year has been allocated as under:

Cost of services - others

Administrative expenses

33	6,897	7,098
35	79,314	81,624
	86,211	88,722

9. LONG-TERM INVESTMENTS

Investment in related parties

Unquoted - at cost

Subsidiaries

Associate

9.1	4,415,714	4,415,714
9.2	396	396
	4,416,110	4,416,110

Investment in other than related parties

Other investments

9.3	183,657	171,553
	4,599,767	4,587,663

		2018	2017
	Note	----- (Rupees in '000) -----	
9.1 Subsidiaries			
PIA Investments Limited (PIAIL)			
792,000 (2017: 792,000) fully paid ordinary shares of AED 100 each. Equity held 100% (2017: 100%). Break-up value of each ordinary share is Rs. 108,806 (2017: Rs. 85,160) per ordinary share based on the audited (2017: audited) financial statements for the year ended December 31, 2018.	9.1.1	4,415,712	4,415,712
Skyrooms (Private) Limited			
4,000,000 (2017: 4,000,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2017: 100%). Break-up value of each ordinary share is negative Rs. 9 (2017: negative Rs. 23) per ordinary share based on the unaudited (2017: unaudited) financial statements for the year ended December 31, 2018.		40,000	40,000
Midway House (Private) Limited (under winding-up)			
2,960,000 (2017: 2,960,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2017: 100%). Break-up value of each ordinary share is Rs. Nil (2017: Rs. Nil) per ordinary share. Financial statements are not available.		28,520	28,520
Sabre Travel Network Pakistan (Private) Limited			
312,586 (2017: 312,586) fully paid ordinary shares of Rs. 100 each. Equity held 70% (2017: 70%) Break-up value of each ordinary share of Rs. 1,076 (2017: Rs. 982) per ordinary share based on the unaudited (2017: unaudited) financial statements for the year ended December 31, 2018.		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
9.1.1 PIA Investments Limited (PIAIL), is a subsidiary of PIACL, 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 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. PIACL's controlling interest in PIAIL is 100% (2017: 100%). The registered office of PIAIL is situated at Citico building, Wickham Cay, Road Town, Tortola, British Virgin Islands. Auditor expressed Qualified opinion on the financial statements of PIAIL as of December 31, 2018. Dr Najeab Sami is the Chief Executive Officer of PIAIL.			
9.1.2 All other subsidiaries are incorporated in Pakistan.			
9.2 Associate			
Minhal Incorporated - Sharjah			
1,600 fully paid ordinary shares (2017: 1,600) of AED 100 each. Equity held 40% (2017: 40%). Break-up value of each ordinary share is Rs. 58,669,944 (2017: Rs. 47,197) per ordinary share based on the unaudited financial statements for the year ended December 31, 2018.		396	396
9.2.1 Minhal Incorporated (Minhal), an Associate of PIACL, which 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 of and the managers of projects related to construction, development and operation of hotels, restaurants and clubs throughout the world. The PIACL interest in Minhal is 40% (2017: 40%). Dr Najeab Sami is the Chief Executive Officer of Minhal.			

9.3	Other Investments	Note	2018	2017
			----- (Rupees in '000) -----	
	Available for sale	9.3.1	183,657	171,553
9.3.1	Available for sale			
	Quoted			
	Pakistan Services Limited			
	172,913 (2017: 172,913) ordinary shares of Rs. 10 each having market value per ordinary share of Rs. 1,060 (2017: Rs. 990) each		183,288	171,184
	Unquoted			
	Pakistan Tourism Development Corporation Limited			
	10,000 (2017: 10,000) ordinary shares of Rs. 10 each		100	100
	Duty Free Shops (Private) Limited			
	87,512 (2017: 87,512) ordinary shares of Rs. 100 each		269	269
			183,657	171,553
10.	LONG TERM ADVANCES			
	Advances to related party			
	Subsidiaries - considered doubtful			
	Skyrooms (Private) Limited		37,042	37,042
	Milway House (Private) Limited		82,476	82,476
			119,518	119,518
	Provision for doubtful long-term advances		(119,518)	(119,518)
			-	-
11.	LONG-TERM DEPOSITS AND PREPAYMENTS			
	Deposits - other than related party			
	Considered good			
	- Aircraft fleet lease deposits		6,719,492	6,134,153
	- Maintenance reserve	11.1	1,612,071	1,576,622
	- Engine maintenance		141,902	132,412
	- Deposits to service providers		28,384	73,497
	- Guarantee deposits		55,199	55,199
			8,557,048	7,971,883
	Considered doubtful			
	Less: provision against doubtful deposits		318,051	318,051
			(318,051)	(318,051)
			-	-
			8,557,048	7,971,883
	Prepayments - other than related party			
	Exposure fee to support financing	11.2	39,169	174,775
	Less: Current portion	15.2	(33,381)	(135,606)
			5,788	39,169
			8,562,836	8,011,052
11.1	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.			

		2018	2017
11.2	Movement in exposure fee to support financing	Note	----- (Rupees in '000) -----
	Balance at the beginning of the year		174,775 363,840
	Additions during the year		- 59,829
	Amortised during the year	38	(135,606) (248,894)
			<u>39,169</u> <u>174,775</u>

11.2.1 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.

12. STORES AND SPARES

Stores		1,329,663	829,811
Spare parts		7,843,577	7,341,712
Inventory held for disposal - adjusted to net realisable value		252,859	252,859
		<u>9,426,099</u>	<u>8,424,382</u>
Provision for slow moving and obsolete spares	12.1	(5,444,206)	(5,331,795)
		<u>3,981,893</u>	<u>3,092,587</u>

12.1 Movement in provision is as follows:

Balance at the beginning of the year		5,331,795	5,135,789
Provision for the year	36	112,411	196,006
Balance at the end of the year		<u>5,444,206</u>	<u>5,331,795</u>

13. TRADE DEBTS

Considered good

Due from Government		2,455,722	1,751,600
Due from other customers		13,921,644	9,396,109

Considered doubtful

Government related	13.1	337,109	10,050
Other customers		2,554,289	2,682,460
Less: Provision for doubtful debts	13.4	(2,891,398)	(2,692,530)
		<u>16,377,366</u>	<u>11,147,710</u>

13.1 The aging analysis of trade debts related to Government is as follows:

	2018			2017		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
	----- (Rupees in '000) -----					
Within current year	1,661,006	-	1,661,006	582,753	-	582,753
1 year old	140,181	325,457	465,638	626,661	-	626,661
2 years old	260,638	-	260,638	221,159	-	221,159
Over 3 years old	393,897	11,652	405,549	321,027	10,050	331,077
	<u>2,455,722</u>	<u>337,109</u>	<u>2,792,831</u>	<u>1,751,600</u>	<u>10,050</u>	<u>1,761,650</u>

13.2 The aging analysis of trade debts of other customers is as follows:

	2018			2017		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
	(Rupees in '000)					
Within current year	13,745,966	354,255	14,100,221	8,881,140	1,072,750	9,953,890
1 year old	66,306	680,506	736,812	433,345	861,539	1,294,884
2 years old	116,242	730,174	846,416	23,216	123,815	147,031
Over 3 years old	3,130	789,354	792,484	58,408	624,376	682,784
	13,921,644	2,554,289	16,475,933	9,396,109	2,682,480	12,078,589

13.3 Maximum aggregate gross amount due from Government at any month end was Rs. 617.582 million.

		2018	2017
	Note	(Rupees in '000)	
Balance at the beginning of the year		2,692,530	2,392,530
Provision for the year	36	198,668	300,000
Balance at the end of the year		2,891,398	2,692,530

13.5 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.

14. ADVANCES

Considered good

- Employees	14.1	303,057	148,925
- Fuel suppliers		738,244	602,142
- Engineering related suppliers	14.2	716,041	716,041
- Other suppliers		834,218	1,173,840
		2,591,560	2,640,948

Considered doubtful

- Subsidiary - Skyrooms (Private) Limited	14.3	174,146	174,146
- Employees		102,890	102,890
- Others - suppliers		820,580	809,268
		1,097,615	1,086,304
Provision for doubtful advances	14.4	(1,097,615)	(1,086,304)
		2,591,560	2,640,948

14.1 This includes advance of Rs. 4,263 million (2017: Rs. 7,377 million) paid to key management personnel.

14.2 This represents advance paid to M/s. Stella Aerospace-France and Jamco Aero Design and Engineering PTE Ltd-US amounting EUR 5,331,600 and USD 929,000, respectively, on account of seating and inflight entertainment system to be installed in Boeing 777.

14.3 Maximum aggregate gross amount due from the subsidiary at any month end was Rs.174,146 million (2017: Rs. 174,146 million).

14.4 Movement in provision is as follows:

Balance at the beginning of the year		1,086,304	1,086,304
Provision for the year	36	11,312	-
Balance at the end of the year		1,097,615	1,086,304

		2018	2017
	Note	----- (Rupees in '000) -----	
15. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Considered good		1,881,401	3,806,031
Considered doubtful		48,845	46,462
Less: provision against doubtful deposits	15.1	(48,845)	(46,462)
		1,881,401	3,806,031
Prepayments	15.2	289,563	303,252
		2,170,964	4,109,283
15.1 Movement in provision is as follows:			
Balance at beginning of the year		46,462	46,462
Provision for the year	36	2,383	-
Balance at the end of the year		48,845	46,462
15.2 Prepayments			
Current portion of exposure fee to support financing	11.2	33,381	135,606
Rental on leased aircraft		16,398	35,940
Others		239,784	131,706
		289,563	303,252
16. OTHER RECEIVABLES			
Considered good			
- Related party			
Claims receivable		13,719	9,084
Excise duty	31.1. (a)	100,000	100,000
Sales tax receivable	16.1	4,947,540	4,954,893
- other than related party			
Lessor	16.2	1,512,013	1,082,017
Others	16.3	1,496,929	727,793
		8,070,202	6,873,787
Considered doubtful			
Less: provision for doubtful other receivables	16.4	(334,807)	(272,909)
		8,070,202	6,873,787
16.1	This includes sales tax refundable aggregating Rs. 4,745,637 million (2017: 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, ACR- 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 31.1.1 (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(1)/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.		

- 16.2 This represents receivable from lessor in respect of overhauling incurred by the Company on aircrafts under operating lease as per lease agreement.
- 16.3 This includes balance of Rs. 17,582 million (2017: Rs. 17,582 million) receivable from certain parties against which cheques have been received but not encashed at the year end and subsequently. This also includes advance to PIAIL amounting Rs. 30,414 million (2017: Rs. 30,414 million).

		2018	2017
	Note	----- (Rupees in '000) -----	
16.4 Movement in provision is as follows:			
Balance at the beginning of the year		1,221,873	1,165,720
Provision for the year	36	61,898	56,153
Balance at the end of the year		<u>1,283,771</u>	<u>1,221,873</u>

17. SHORT-TERM INVESTMENTS

Available-for-sale - Unquoted

SITA INC N.V.

325,491 (2017: 325,491) ordinary shares

17.1	<u>19,220</u>	<u>19,220</u>
------	---------------	---------------

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

18. CASH AND BANK BALANCES

In hand

With banks:

- In current accounts

- In deposit accounts

18.1, 18.4 & 18.6

18.2, 18.3 & 18.5

	11,945	16,334
	<u>520,023</u>	<u>3,361,763</u>
	<u>1,202,480</u>	<u>884,360</u>
	<u>1,722,503</u>	<u>4,246,123</u>
	<u>1,734,448</u>	<u>4,262,457</u>

- 18.1 This has been adjusted by an aggregate amount of Rs. 3,290,876 million (2017: Rs. 1,359,668 million), representing book overdrafts.
- 18.2 These carry interest ranging from 0.1% to 7.5% (2017: 0.1% to 7.5%) per annum.
- 18.3 This has been adjusted by an aggregate amount of Rs. Nil (2017: Rs. 38,738 million), representing book overdrafts.
- 18.4 This includes restricted balances amounting to Rs. Nil (2017: Rs. 432,414 million).
- 18.5 This includes a bank balance of BDT 678,976 million (Rs. 1,145,167 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.
- 18.6 This includes book overdraft balance of Rs. 219,259 million and book balance of Rs. 304,635 million reflecting the balances held in banks at Gawadar, Panigur, Turbat and Oslo. Bank reconciliation statements of balances held at banks on these stations have not been prepared due to inability to retrieve records because of political reasons or other inherent limitations. However, the net exposure (i.e. the difference between the bank balance & ledger balance) of balances held with these banks is not material in the overall context of these unconsolidated financial statements.

19. SHARE CAPITAL

2018	2017		2018	2017
(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	49,988,956	49,988,956
931,028	931,028	Issued for consideration other than cash	9,310	9,310
233,934,482	233,934,482	- for acquisition of shares	2,339,344	2,339,344
5,233,761,118	5,233,761,118	Issued as bonus shares	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	13	13
494,000	494,000	- for acquisition of shares	2,470	2,470
1,499,999	1,499,999	Issued as bonus shares	7,500	7,500
5,235,261,117	5,235,261,117		52,345,110	52,345,110

- 19.1 At December 31, 2018, the GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2017: 4,791,752,087 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively) representing 92% and 98% holding.

20. RESERVES

Capital reserves

- Reserve for replacement of fixed assets
- Capital redemption reserve fund
- General capital reserve
- Unrealised gain on remeasurement of investment

Revenue reserve

Note	2018	2017
	(Rupees in '000)	
20.1	1,966,779	1,966,779
	250,000	250,000
	284,259	284,259
	2,501,038	2,501,038
	182,093	169,991
	2,683,131	2,671,029
	1,779,674	1,779,674
	4,462,806	4,450,703

- 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 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 statement of profit or loss.

	2018	2017
21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET	----- (Rupees in '000) -----	
Surplus on revaluation at beginning of the year	27,465,776	23,533,676
Surplus arising during the year on:		
Aircrafts	4,921,463	1,741,564
Lands	-	1,794,740
Buildings	166,486	1,329,941
	5,087,949	4,866,245
	32,553,725	28,399,921
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	(818,350)	(660,483)
- Surplus on revaluation of property, plant and equipment released during the year on account of aircraft retired / written off / disposed off - net of tax	(667,907)	(2,760)
Related deferred tax	(607,063)	(270,902)
	(2,093,320)	(934,145)
	30,460,405	27,465,776
Related deferred tax liability (DTL):		
- DTL on revaluation at beginning of the year	(5,457,030)	(5,003,995)
- DTL arising on surplus on property, plant and equipment during the year	(1,475,505)	(890,736)
- Incremental depreciation charged during the year on related assets transferred to unconsolidated statement of profit or loss	334,256	269,775
- Deferred tax expense charged during the year on account of aircraft retired / written off / disposed off	272,807	1,127
- Effect of change in tax rate	-	166,800
DTL on revaluation at the end of the year	(6,325,472)	(5,457,030)
Surplus on revaluation at the end of the year	24,134,933	22,008,746

22. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount	Repayment period	Number of installment/ Made	2018 ----- (Rupees in '000) -----	2017
From Banking Companies - secured							
- Related party							
National Bank of Pakistan	22.4	Term Finance	PKR 3,000	2016 - 2019	36 Monthly	1,000,000	2,033,333
National Bank of Pakistan	22.2	Term Finance	PKR 2,175	2018 - 2020	12 Quarterly	1,631,250	2,175,000
National Bank of Pakistan	22.2	Term Finance	PKR 2,825	2018 - 2021	12 Quarterly	2,354,167	2,825,000
National Bank of Pakistan - Bahrain	22.2 & 22.5	Syndicate Finance	US \$ 120	2013 - 2023	40 Quarterly	14,304,551	11,622,747
- Other than related party							
Asiat Bank Limited	22.2	Term Finance	PKR 3,000	2017 - 2019	36 Monthly	1,000,000	2,000,000
Al Baraka Bank (Pakistan) Limited	22.2 & 22.11	Islamic Finance	PKR 4,500	2016 - 2021	36 Monthly	4,125,000	4,500,000
BankIslami Pakistan Limited	22.3 & 22.16	Islamic Term Finance	PKR 1,500	2016 - 2021	8 Quarterly	-	1,500,000
The Bank of Punjab	22.2	Term Finance	PKR 5,000	2016 - 2021	60 Monthly	2,250,000	3,250,000
The Bank of Punjab	22.2	Term Finance	PKR 5,000	2016 - 2021	60 Monthly	2,583,333	3,583,333
The Bank of Punjab	22.2 & 22.12	Demand Finance	PKR 30,000	2016 - 2023	84 Monthly	21,322,152	25,658,848
The Bank of Punjab	22.2	Term finance	PKR 2,500	2017 - 2022	60 Monthly	2,000,000	2,500,000
Faysal Bank Limited	22.2	Term Finance	PKR 2,000	2015 - 2018	12 Quarterly	-	333,333
Faysal Bank Limited	22.2	Term Finance	PKR 2,000	2016 - 2019	12 Quarterly	166,667	833,333
Faysal Bank Limited	22.2	Islamic Term finance	PKR 1,000	2017 - 2019	12 Quarterly	333,333	666,667
Faysal Bank Limited	22.2	Term Finance	PKR 4,000	2017 - 2020	14 Quarterly	2,285,714	3,428,571
United Bank Limited	22.2	Term Finance	PKR 5,000	2016 - 2020	64 monthly	1,481,481	2,592,592
United Bank Limited	22.2	Term Finance	PKR 1,500	2016 - 2021	54 monthly	638,889	972,222
Abu Dhabi Islamic Bank	22.6	Islamic Term finance	US\$ 70.7	2016 - 2019	4 half yearly	529,652	2,309,624
Citicbank, N.A.	22.7	Term Finance	US \$ 54.2	2015 - 2018	5 Quarterly	-	390,243
Citicbank Mashreq	22.8 & 22.16	Term Finance	US \$ 120	2016 - 2019	32 monthly	-	4,144,778
Standard Chartered Bank (Pakistan) Limited	22.9	Syndicate Finance	US \$ 150	2017 - 2021	39 Monthly	13,892,410	16,184,021
United Bank Limited	22.10	Term Finance	US\$ 130	2017 - 2029	33 Monthly	6,020,044	10,014,452
JS Bank Limited	22.2 & 22.12	Term Finance	PKR 15,000	2017 - 2023	66 Monthly	11,590,909	14,316,181
Faysal Bank Limited	22.2	Term Finance	PKR 4,000	2019 - 2022	36 Monthly	4,000,000	4,000,000
Sonari Bank Limited	22.2 & 22.12	Term finance	PKR 5,000	2019 - 2022	36 Monthly	5,000,000	5,000,000
Al Baraka Bank (Pakistan) Limited	22.2 & 22.13	Term finance	PKR 2,500	2020 - 2022	36 Monthly	2,500,000	2,500,000
Akwal Bank Limited	22.2	Term finance	PKR 6,000	2020 - 2022	36 Monthly	6,000,000	6,000,000
JS Bank Limited	22.2 & 22.12	Term finance	PKR 20,000	2020 - 2024	48 Monthly	20,000,000	-
Faysal Bank Limited	22.2	Term finance	PKR 5,000	2020 - 2023	36 Monthly	5,000,000	-
Faysal Bank Limited	22.2	Term finance	PKR 5,000	2020 - 2023	36 Monthly	5,000,000	-
Bank Islami Pakistan Limited	22.14	Term finance	PKR 11,500	2019 - 2023	48 Monthly	11,500,000	-
Asiat Bank Limited	22.2	Term finance	PKR 10,000	2021 - 2023	36 Monthly	4,000,000	-
Noor Bank	22.15	Term finance	USD 120	2019 - 2021	36 Monthly	16,670,892	-
Credit Suisse	22.2	Term Finance	USD 115 M	2019 - 2021	24 Monthly	15,976,272	-
Others - unsecured							
- Related party							
Long term loan - GoP	22.17	Term Finance	PKR 8,000	2011 - 2020	16 half yearly	8,000,000	8,000,000
Loan from GOP against Markup	22.18	Term Finance	PKR 6,016	2023 - 2038	-	6,016,568	-
						199,173,266	143,556,479
Current maturity shown under current liabilities						(50,430,292)	(41,313,560)
						148,742,994	102,242,919

- 22.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2017: 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 (2017: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US\$ comprise of variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4% over 1 month LIBOR (2017: 0.7% over 3 month LIBOR to 4% 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 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. 1,600 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 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. 83.333 million due as at December 31, 2017 has been paid by the Company during the extended period on January 2019.
- 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 guarantees for loans outstanding at any given point of time.
- European Credit Agencies / GoP Guarantee.
- 22.7 The finance is secured against EXIM / GoP guarantee for loan outstanding at any given point of time.
- 22.8 The finance is secured by way of collection routed through the offshore bank account maintained with Cit Mashreq.
- 22.9 The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:
- Standard Chartered Bank - United Kingdom
 - Mashreqbank 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.
- 22.10 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.
- 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 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 finance is secured by way of hypothecation of Boeing 777-200 ER aircraft.
- 22.14 The finance is secured by way of lien over Musharakah Asset amounting to Rs. 11,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 22.15 The finance is secured by way of collection routed through the offshore bank account maintained with Emirates NBD Bank.
- 22.16 During the current year, the Company has made an early repayment of the drawdown amount of the facility without any additional charges pertaining to early repayments as per the terms of the agreement.
- 22.17 The Company has not paid any instalment since due date of instalment, i.e. October 23, 2011. The over due principal and markup due as at December 31, 2018 is Rs 7,062.50 million (Rs.6,062.50 million) and Rs. 7,500 million (Rs. 6,700 million), respectively. The over due principal amount is included in current maturity.
- 22.18 In a meeting with Honourable Prime Minister of Pakistan dated December 30, 2017, markup support would be provided for the five years starting from July 2018. In this regard GoP has started releasing markup. First disbursement was made on October 26, 2018 and subsequently on monthly basis. The loan amount represents the outstanding at any given point of time.

23. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up (%)	2018	2017
----- (Rupees in '000) -----							
Secured							
- other than related party							
Term finance certificates	23.1	GoP Guarantee	2016-2020	16 Quarterly	6 month KIBOR +1.25%	14,271,753	20,544,007
Sukuk certificates	23.2	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR +1.75%	6,800,000	6,800,000
						21,071,753	27,344,007
						(19,017,352)	(10,272,000)
Less: current maturity						2,054,401	17,072,007

- 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 to 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. 4,347 million due on August 2018 and November 20, 2018 and interest amounting to Rs. 366.415 million due on Nov. 20, 2018 have been paid by the Company in subsequent period.
- 23.2 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 was required to pay the entire principal on October 20, 2019. The markup rate and security remained unchanged. The Ministry of Finance had approved the restructuring and new agreement was signed on June 30, 2016. Subsequent to the year end, the Company did not pay the required amount on due date. However, the Company has entered into an agreement with a commercial bank to obtain financing in order to service the overdue amount of Sukuk, the approval of which has been provided by Government of Pakistan vide their letter dated September 9, 2019.

		2018	2017
24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	----- (Rupees in '000) -----	
Secured			
- other than related party			
Present value of minimum lease payments - aircraft fleet			
B-777 -300 ER	24.3	2,099,119	5,962,231
Technical ground equipments	24.5	262,399	165,609
		2,361,518	6,127,840
Less: current maturity		(2,188,747)	(4,346,677)
		172,771	1,781,163

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

	2018			2017		
	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	2,259,775	71,029	2,188,747	4,524,775	178,098	4,346,677
Later than one year but not later than five years	197,679	24,908	172,771	1,828,456	47,293	1,781,163
	2,457,454	95,936	2,361,518	6,353,231	225,391	6,127,840

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 to these unconsolidated financial statements. The resulting difference between both in the current year is Rs. 12.387 million (2017: Rs. 106.851 million).

24.2 During the year 2006, the Company arranged an EXIM Bank guaranteed financing of US\$ 265 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. Security deposit has been released during the month of August, 2015. The salient features of the lease are as follows:

	2018	2017
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

24.3 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)	2,137,514	1,700,597

24.4 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. 372.726 million and converted it into finance lease.

24.5 The Company has an option to acquire the ownership of the aircraft and engines mentioned in notes 24.2 to 24.4 to these unconsolidated financial statements, at the end of lease term.

25 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. (Note 9.1.1)

		2018	2017
	Note	----- (Rupees in '000) -----	
Post retirement medical benefits	26.2	12,983,558	11,785,642
Pension obligation	26.3	25,064,678	21,746,345
		38,048,236	33,531,987

26.1 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 5.9 to these unconsolidated financial statements.

26.2 Post retirement medical benefits

Liability recognised in the balance sheet

Present value of defined benefit obligation	12,983,558	11,785,642
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Movement in liability during the year

- Balance at the beginning of the year	11,785,642	10,927,712
- Expense recognised in profit or loss	1,007,314	939,396
- Total remeasurements recognised in other comprehensive income	1,091,231	761,893
- Payments made during the year	(900,629)	(843,359)
- Balance at the end of the year	12,983,558	11,785,642

26.2.1 Expense recognised in statement of profit or loss

Current service cost	72,150	98,913
Interest cost	935,164	840,483
	1,007,314	939,396

26.2.2 Total remeasurements recognised in other comprehensive income

Actuarial loss on liability arising on		
- financial assumptions	672,693	32,422
- experience adjustments	418,538	729,471
	1,091,231	761,893

26.3 Pension obligation

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

	PAIPA		PENIA		MAIN PENSION		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
(Rupees in '000)								
Liability / (Asset) recognised								
Present value of defined benefit obligation	2,199,326	2,283,930	457,997	457,056	28,639,379	27,162,805	31,296,702	29,903,810
Fair value of plan assets	(1,571,976)	(1,653,468)	(945,275)	(953,654)	(3,714,973)	(3,540,343)	(6,232,224)	(6,167,465)
	627,350	630,462	(487,278)	(506,599)	24,924,406	23,622,463	25,064,478	23,736,345
Movement in liability / (asset) during the year								
Opening liability / (asset)	630,462	561,001	(506,599)	(520,179)	21,622,463	18,702,375	21,746,346	19,033,228
Expense recognised in statement of profit or loss	52,407	116,589	(41,794)	(42,415)	2,472,116	2,483,045	2,612,729	2,557,218
Total remeasurements recognised in other comprehensive income	(65,339)	(347,138)	61,115	65,994	829,827	437,043	805,603	155,599
Closing liability / (asset)	627,350	630,462	(487,278)	(506,599)	24,924,406	23,622,463	25,064,478	23,736,345
Movement in the defined benefit obligation								
Obligation at beginning of the year	2,283,930	2,553,113	457,056	455,917	27,162,805	26,092,541	29,903,810	29,102,571
Current service cost	30,392	34,547	-	-	668,263	664,079	718,665	685,628
Past service cost	-	13,158	-	-	-	332,776	-	345,904
Interest cost	175,235	176,678	34,128	34,826	2,152,828	1,997,861	2,367,193	2,229,360
Benefits paid	(247,059)	(191,266)	(36,285)	(41,176)	(2,135,851)	(2,238,568)	(2,421,195)	(2,471,010)
Remeasurement due to:								
- Actuarial losses from changes in financial assumptions	(2,737)	12,246	21,390	1,131	1,047,400	382,877	1,066,063	396,254
- experience adjustments	(43,256)	(330,628)	(18,291)	6,357	(276,066)	(58,761)	(337,612)	(337,932)
Obligation at end of the year	2,199,326	2,283,930	457,997	457,056	28,639,379	27,162,805	31,296,702	29,903,810
Movement in fair value of plan assets								
Fair value at beginning of the year	1,453,468	1,693,082	963,654	956,095	5,540,343	7,390,167	8,157,465	10,069,344
Interest income	126,220	127,796	77,922	77,241	368,974	601,671	573,116	706,706
Benefits paid	(247,059)	(191,266)	(36,285)	(41,176)	(2,135,851)	(2,238,568)	(2,421,195)	(2,471,010)
Return on plan assets excluding amount included in interest income	39,347	23,655	(58,016)	(58,504)	(58,493)	(112,927)	77,162	(147,577)
Fair value at end of the year	1,571,976	1,653,468	945,275	953,654	3,714,973	5,540,343	6,232,224	8,157,465
Expense recognised in statement of profit or loss								
Current service cost	30,392	34,547	-	-	668,263	664,079	718,665	685,628
Past service cost	-	13,158	-	-	-	332,776	-	345,904
Net interest expense / (income)	52,015	63,882	(41,794)	(42,415)	1,783,853	1,495,193	1,794,074	1,522,656
	82,407	116,589	(41,794)	(42,415)	2,472,116	2,483,045	2,612,729	2,557,218
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on:								
+ financial assumptions	(2,737)	12,246	21,390	1,131	1,047,400	382,877	1,066,063	396,254
- experience adjustments	(43,256)	(330,628)	(18,291)	6,357	(276,066)	(58,761)	(337,612)	(337,932)
	(45,992)	(320,282)	3,099	7,488	771,334	324,116	728,451	58,322
Variation on plan assets excluding amount included in interest income	(39,347)	(23,655)	58,016	58,506	58,493	(112,927)	77,162	(147,577)
	(85,339)	(347,138)	61,115	65,999	829,827	437,043	805,603	155,599
The plan assets comprise of:								
Debt instruments	1%	1%	0%	0%	1%	1%	1%	1%
Others including cash and cash equivalents	99%	97%	100%	100%	99%	99%	99%	99%
	100%	100%	100%	100%	100%	100%	100%	100%
Actual return on plan assets	165,667	151,652	18,506	18,735	310,481	338,744	495,956	559,131

- 26.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 27.3) were carried out at December 31, 2018. The valuations have been carried out using Projected Unit Credit method and the following significant actuarial assumptions have been used:

	2018	2017
	----- (Percentage) -----	
Valuation discount rate	13.25%	8.25%
Salary increase rate	12.25%	7.25%
Pension indexation rate	6.75%	1.75%
Medical inflation rate	7.00%	2.00%
Mortality table	Adjusted SLIC 2001-2005 with one year age set back	

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

	2018	2017
	----- (Number) -----	
Pension scheme		
Active employees	12,196	12,993
Beneficiaries	19,400	22,178
Post retirement medical benefit scheme	19,400	22,178

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%	(149,664)	172,284	(28,934)	32,762	(2,368,440)	2,791,616
Salary increase rate	1%	no change	no change	no change	no change	1,057,299	(954,006)
Medical inflation rate	1%	174,485	(153,598)	37,108	(33,087)	1,896,486	(1,656,545)

		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%	(1,057,749)	1,245,176	(484,404)	548,816
Salary increase rate	1%	no change	no change	445,604	(694,320)
Medical inflation rate	1%	1,161,574	(1,020,778)	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 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 under performing 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 Company's shares, amounting to Rs. 2,890 million (2017: Rs. 2,281 million).

26.9 The weighted average duration of the benefit obligations as at December 31, 2018 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, 2019 amounts to Rs. 3,935,276 million and Rs. 1,814,530 million, respectively. The expected amount of Pension fund is the amount which the Company will have 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. 1,900,823 million (2017: Rs. 1,888,172 million), Rs. 985,612 million (2017: Rs. 979,053 million) and Rs. 633,608 million (2017: Rs. 629,391 million), respectively.

		2018	2017
27. TRADE AND OTHER PAYABLES	Note	----- (Rupees in '000) -----	
Trade creditors			
Goods	27.1	19,167,119	19,653,399
Services		11,895,065	9,125,879
Airport related charges		32,329,376	26,755,234
		<u>63,391,560</u>	<u>55,534,512</u>
Accrued liabilities	27.2	6,148,325	4,087,936
Advance against transportation (unearned revenue)		13,150,950	9,319,224
Obligation for compensated absences	27.3	7,367,021	6,146,468
Unredeemed frequent flyer liabilities	27.4	649,360	623,527
Advances from customers		1,032,339	933,663
Employees Provident Fund	27.5	11,190,851	10,997,823
Collection on behalf of others	27.6	46,035,290	36,586,870
Customs, federal excise duty and sales tax		2,580,447	2,608,207
Federal excise duty - international travel		9,959,757	9,612,369
Income tax deducted at source		2,075,338	1,276,319
Short-term deposits		618,856	570,781
Others	27.7	370,463	370,463
		<u>164,570,556</u>	<u>138,668,164</u>

- 27.1 This includes an amount of Rs. 15,125,210 million payable to Pakistan State Oil Company Limited (PSO). There is a difference between the two entities over the application of the payments made by the Company. The Company is making all payments against the fuel invoices. Late payment surcharge (LPS), though accrued as per agreement, would be paid at a later stage. Contrarily, PSO applies a portion of payments against late payment surcharge (LPS).
- 27.2 This includes total management fee upto December 31, 2018 amounting to Rs. 68,551 million (2017: Rs. 225 million) payable to PIA Investments Limited, a subsidiary company.

	2018	2017
27.3	----- (Rupees in '000) -----	

Liability recognised in the statement of financial position

Balance at the beginning of the year	6,146,468	6,443,331
Expense recognised during the year	1,229,178	(231,180)
Benefits paid during the year	(8,625)	(65,683)
Balance at the end of the year	7,367,021	6,146,468

- 27.3.1 Number of employees covered by the compensated absences are 12,249 (2017: 12,993). 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, to these unconsolidated financial statements.
- 27.3.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 884,324 million (2017: Rs. (156,16) million), Rs. 148,460 million (2017: Rs. (31,135) million) and Rs. 196,394 million, (2017: Rs. (43,885) million) respectively.
- 27.4 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 13.25% (2017: 8%);
 - discount rate at the rate of 13.25% (2017: 8%);
 - expiry of unvalued 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.
- 27.5 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 Corporation Provident Fund (PF), which could not be paid to PF within 15 days as required by Section 218 of Companies Act, 2017 and 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 April 19, 2016 and thereafter based on 1 month KIBOR.
- 27.6 This includes taxes payable at foreign stations and amount payable to Civil Aviation Authority (CAA) relating to embarkation, security and infrastructure charges.
- 27.7 This represents balance payable to various vendors against which cheques have been issued but not encashed as at December 31, 2018 and subsequently.

		2018	2017
28.	ACCRUED INTEREST		
	Note	----- (Rupees in '000) -----	
	Mark-up / profit payable on:		
- long-term financing	28.1	8,719,366	7,449,568
- mark-up reimbursement loan from GoP	28.2	73,376	-
- term finance certificates	28.3	510,513	1,087,768
- sukuk certificates	28.4	156,128	107,712
- liabilities against assets subject to finance lease		1,064	35
- short-term borrowings	28.5	593,272	647,096
- provident fund	27.5	5,714,038	4,854,960
- advance from a subsidiary		763,823	439,652
		<u>16,531,580</u>	<u>14,586,792</u>

- 28.1 It includes Rs. 225,225 million and Rs. 7,500 million due to National Bank of Pakistan and Government of Pakistan, respectively.
- 28.2 It includes Rs. 73,655 million due to Government of Pakistan.
- 28.3 It includes Rs. 244,225 million due to National Bank of Pakistan.
- 28.4 It includes Rs. 16,646 million due to National Bank of Pakistan.
- 28.5 It includes Rs. 499,105 million due to National Bank of Pakistan.

		2018	2017
29. SHORT-TERM BORROWINGS	Note	----- (Rupees in '000) -----	
Short-term loans	29.1	31,527,089	31,186,329
Running finance under mark-up arrangements	29.2	2,920,269	3,172,145
		<u>34,447,358</u>	<u>34,358,474</u>

29.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Expiry date	2018	2017
Short-term loans - Related Parties				---(Rupees in '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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	2,000,000	2,000,000
Short-term loans - Others Habib Bank Limited	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-19	1,667,089	1,326,329
				<u>31,527,089</u>	<u>31,186,329</u>

- 29.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (2017: spread of 1.5% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (2017: a spread of 3.5% over 3 months LIBOR).
- 29.1.2 The agreements of these borrowings have expired on their maturity; however, these were renewed on their respective maturity dates.

29.2 Running finance under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million) Note 29.2.2	Expiry date	2018	2017
---(Rupees in '000)---						
Secured						
Running finance - related party						
National Bank of Pakistan	First past passu hypothecation charge of PKR 766,667 million on all present and future current assets with a margin of 25%; ten 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	134 PKR	31-Mar-19	441,349	495,699
Running finance - others						
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 PKR 2,800 million including 25% margin of as per SBP requirement, whichever is higher.	350 PKR	149 PKR	30-Sep-19	201,461	93,706
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	323 PKR	31-Jul-19	2,247,692	2,499,015
Un-secured						
Habib American Bank	-	1.5 USD	1.1 USD	On Demand	29,766	62,735
					2,920,269	3,172,145

- 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 (2017: 1.5% to 2.0% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed rate borrowings carrying mark-up of the rate of 3.25% (2017: 3.25% per annum).
- 29.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at December 31, 2018.
- 29.2.3 The agreements of these facilities have expired on their maturity; however, these were renewed on their respective maturity dates.

		2018	2017
		----- (Rupees in '000) -----	
30. CURRENT MATURITY OF NON-CURRENT LIABILITIES	Note		
Long-term financing	22	50,430,292	41,313,560
Term finance and sukuk certificates	23	19,017,352	10,272,000
Liabilities against assets subject to finance lease	24	2,188,747	4,346,677
		71,636,391	55,932,237

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 Sales tax and Federal Excise Duty

- a) The tax department had raised demand of Rs. 566,544 million (2017: Rs. 566,544 million) in December 30, 1996, as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2017: Rs. 1 million) and additional duty of Rs. 2,923,005 million (2017: 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 16) against the subject demand which is considered fully recoverable from the department. Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) which was remanded back to ACIR. However, remand back proceedings are still pending. 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 (2017: Rs. 6,804 million) and Rs. 277,621 million (2017: Rs. 277,621 million) on March 11, 2008 as FED and sales tax, respectively, along with penalty of Rs. 14,416 million (2017: Rs. 14,416 million) and additional duty / default surcharge of Rs. 17,91 million (2017: Rs. 17,91 million) during the tax audit of the Company for the periods 2004-2005 and 2006-2008. 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 Company has paid an amount of Rs. 25 million (2017: 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 is remanded back however, remand back proceedings are still pending. 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) As per order dated February 25, 2010, the tax department has raised demands of Rs. 2,065 million (2017: Rs. 2,065 million) and Rs. 1,319,101 million (2017: Rs. 1,319,101 million) as FED and sales tax, respectively, along with penalty of Rs. 66,058 million (2017: Rs. 66,058 million) and additional duty / default surcharge of Rs. 534,412 million (2017: 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 had filed appeal against this at ATIR and a rectification application with CIR (A). The Tribunal has disposed off the Company's appeal, vide appellate order STA No. 08/KB/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 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 (2017: Rs. 5,877,351 million), Rs. 5,679,110 million (2017: Rs. 5,679,110 million) and Rs. 7,025,270 million (2017: 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 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 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, 2016 while maintaining the default surcharge.

On April 30, 2013, the Additional Commissioner Inland Revenue (ACIR) levied penalty of Rs. 4,745,852 million (2017: 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 (2017: 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 ATR 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, directing 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 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 16.1) 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 (2017: 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 the 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 favor of the Company through their order dated June 29, 2017 and 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 followed by notices on October 24, 2019 and November 07, 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. 55,691 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 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 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. 257,439 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 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 Company and deleted the penalty.

31.1.2 Other Contingencies

- h) 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 fare 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 Hajjis based on the difference of fare between regular passengers and short duration Hajjis 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.
- i) 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 at December 31, 2018 the excessive amounts claimed by CAA which are not acknowledged by the Company aggregated to Rs. 19,429,083 million (2017: Rs. 16,792,894 million) including late payment surcharge and interest thereon amounting to Rs. 14,130,756 million (2017: Rs. 11,732,904 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 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. 2,132,228 million (2017: Rs. 2,235,743 million). 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 of servicing stipulations due to negligence or otherwise. Accordingly, no provision has been made in these unconsolidated financial statements against these claims amounting to Rs. 629,561 million (2017: Rs. 735,877 million). The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise.

Details of significant cases are given below:

Court	Factual Description	Year of Institution	Party	Relief Sought
Sindh High Court	Captain Nadeem Ahmed Chaudhary removed from service on account of misconduct	2016	Nadeem Ahmed Chaudhary Vs PIA	Recovery of damages PKR 323.18 Million
Sindh High Court	Shahid Ali Ravi filed suit for declaration and injunction stating his juniors were promoted but he was not granted promotion	2006	Syed Shahid Ali Ravi Vs PIA	Recovery of damages PKR 100 Million
Sindh High Court	Captain Amir filed suit for recovery of damages as he was offered job in Qatar Airlines with handsome salary and allowances, he applied for early retirement but was not granted	2008	Capt. Amir A. Hashmi Vs PIA	Recovery of damages PKR 200 Million
Sindh High Court	Saeed Ahmed and three others filed suit for declaration and injunction stating petitioners were promoted on MSA qualification. He suggested promotion should be granted on basis of PIA service	2012	Saeed Ahmed Vs PIA	Recovery of damages PKR 120 Million
Sindh High Court	Mr Zeeshan filed suit as he stated that his return ticket was not utilized as agent informed flight was cancelled, he had to pay heavy charges with another airline	2017	Syed Muhammad Zeeshan ul Haque & others Vs PIA & another	Recovery of damages PKR 100 Million
Sindh High Court	Syed Anwar Hashmi (Ex-General Manager-Financial Planning) filed instant suit for declaration, permanent injunction and damages.	2006	Syed Anwar Hashmi Vs PIA	Recovery of damages PKR 47.5 Million
Sindh High Court	Holous act on Flight PK370 by Plaintiff with other accomplices threatened the lives and belongings of passengers (200 passengers approximately) on board through their hyper, intimidating, menacing behavior	2016	Syed Arjumand Azhar Hussain Vs PIA & another	Recovery of damages PKR 100 Million
Sindh High Court	Mt. Ashad Mahmood Raja, retired Manager, Gurga Sales filed instant suit for declaration, injunction and damages. During posting as Manager PIA, New Delhi.	2008	Ashad Mahmood Raja Vs PIA	Recovery of damages PKR 60 Million

k) Outstanding letters of guarantee amounted to Rs. 222,891 million (2017: Rs. 202,664 million).

l) Contingencies relating to income tax matters are disclosed in note 39.2 to these unconsolidated financial statements.

31.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 27,371 million (2017: Rs. 253,777 million),

b) Outstanding letters of credit amounted to Rs. 8,637 million (2017: Rs. 0,449 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 (2017: US\$ 1,527,904 million) equivalent to Rs. 212,262,721 million (2017: Rs. 168,875,257 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, 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:

	2018	2017
	----- (Rupees in '000) -----	
Not later than one year	10,335,953	8,223,239
Later than one year but not later than five years	22,206,568	24,750,051
Later than five years	-	1,152,042
	<u>32,542,521</u>	<u>34,125,332</u>

32.	REVENUE - NET	Note	2018	2017
			----- (Rupees in '000) -----	
	Passenger		93,704,078	81,324,660
	Cargo		4,499,640	4,191,830
	Excess baggage		638,423	732,615
	Charter services		213,121	490,645
	Engineering services		876,693	708,616
	Handling and related services		382,101	379,788
	Mail		174,303	263,872
	Others		3,002,101	2,464,063
			<u>103,490,460</u>	<u>90,556,089</u>
32.1	Revenue by geographical segments			
	Revenue analysis			
	USA / Canada		4,293,001	4,778,366
	Europe		21,120,601	18,236,577
	Middle East / Africa		15,143,895	13,627,976
	Asia (excluding Pakistan)		3,039,245	5,096,934
	Pakistan		59,893,718	48,816,236
			<u>103,490,460</u>	<u>90,556,089</u>
32.2	Gross Revenue			
	Revenue		117,899,938	104,384,116
	Less: Commission and discount		(3,031,483)	(2,323,192)
	Federal Excise Duty		(11,306,445)	(11,455,722)
	Provincial sales tax		(71,550)	(51,113)
	Net Revenue		<u>103,490,460</u>	<u>90,556,089</u>
33.	COST OF SERVICES - OTHERS			
	Salaries, wages and allowances		14,044,410	15,088,346
	Welfare and social security costs		2,109,632	2,117,261
	Retirement benefits	33.1	2,212,500	2,181,156
	Compensated absences	27.3.2 & 33.2	884,324	(156,160)
	Legal and professional charges		54,299	22,413
	Stores and spares consumed		1,805,822	1,161,597
	Maintenance and overhaul		10,365,910	10,147,456
	Flight equipment rental		12,126,364	11,616,526
	Landing and handling		16,779,422	15,090,364
	Passenger services		2,852,791	3,292,508
	Crew layover		3,335,997	3,182,122
	Staff training		107,607	103,761
	Utilities		37,917	41,195
	Communication		4,197,200	3,797,222
	Insurance		1,273,304	1,459,810
	Rent, rates and taxes		810,289	689,162
	Printing and stationery		184,205	149,142
	Depreciation	7.3.7	5,175,043	5,783,512
	Amortisation on intangibles	8.2.1	6,897	7,098
	Others		1,306,625	1,062,339
			<u>79,670,558</u>	<u>76,836,830</u>

- 33.1** 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, 2018 and 2017.

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

	2018	2017
	----- (Rupees in '000) -----	
Size of provident fund	21,815,384	22,365,052
Cost of investments made	4,104,206	8,223,744
Percentage of investments made	19.42%	45.80%
Fair value of investment	4,235,736	10,285,706

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

	2018	2017	2018	2017
	-----Percentage-----		----- (Rupees in '000) -----	
Term finance certificates	10.2%	14.2%	2,234,649	3,175,694
Pakistan Investment Bonds	0.0%	0.2%	-	41,881
Islamic bonds	9.2%	8.9%	1,997,884	1,984,561
FIAC shares	0.0%	0.0%	3,203	2,530
Special Savings Certificate	0.0%	22.7%	-	5,081,040
Total	19.42%	45.80%	4,235,736	10,285,706

- 33.1.1** The investments out of provident fund have been made in accordance with the provisions of Section 218 of Companies Act, 2017 and Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

- 33.1.2** Number of employees of the Company:

	2018	2017
	(Number)	
Average number of employees during the year	12,437	13,268
Number of employees as at year end	12,196	12,993

- 33.2** This includes reversal of Nil (2017: 1,267,379 million) due to experience adjustment based on actuarial assumptions.

		2018	2017
		----- (Rupees in '000) -----	
34. DISTRIBUTION COSTS	Note		
Salaries, wages and allowances		1,660,778	1,747,891
Welfare and social security costs		263,946	264,900
Retirement benefits		1,147,222	1,130,970
Compensated absences	27.3.2 & 33.2	148,460	(51,135)
Distribution and advertising expenses		959,897	768,626
Legal and professional charges		96,532	39,646
Insurance		59,662	14,805
Printing and stationery		115,920	70,947
Communication		287,224	162,247
Staff training		32,836	35,962
Rent, rates and taxes		276,494	246,077
Utilities		18,958	20,597
Depreciation	7.3.7	15,361	11,972
Others		327,436	276,422
		5,410,726	4,760,127

		2018	2017
		----- (Rupees in '000) -----	
35. ADMINISTRATIVE EXPENSES	Note		
Salaries, wages and allowances		2,565,973	2,718,638
Welfare and social security costs		390,253	391,664
Retirement benefits		737,500	727,052
Compensated absences	27.3.2 & 33.2	196,394	(43,885)
Legal and professional charges		452,495	186,778
Insurance		87,321	28,563
Printing and stationery		33,602	32,306
Staff training		136,709	137,458
Rent, rates and taxes		635,445	572,413
Utilities		891,047	968,082
Auditors' remuneration	35.1	19,000	17,200
Communication		109,890	106,305
Depreciation	7.3.7	23,317	18,741
Amortisation	8.2.1	79,314	81,624
Donations	35.2	4,000	3,602
Others		368,536	340,974
		6,730,797	6,287,515

35.1 Auditors' remuneration

	2018			2017		
	Grant Thornton Anjum Rahman	BDO Ebrahim & Co.	Total	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total
	(Rupees in '000)					
Audit fee	5,876	5,876	11,753	5,334	5,334	10,668
Fee for review of interim financial information	1,707	1,707	3,415	1,599	1,599	3,198
Consolidated financial statements	874	874	1,747	793	793	1,586
Code of Corporate Governance	293	293	585	274	274	548
Out of pocket expenses	750	750	1,500	600	600	1,200
	9,500	9,500	19,000	8,600	8,600	17,200

- 35.2** Donations includes payments aggregating Rs. 3.9 million (2017: 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.

		2018	2017
		(Restated)	
		----- (Rupees in '000) -----	
36. OTHER PROVISIONS AND ADJUSTMENTS - net	Note		
Property, plant and equipment			
- Other assets written off		24,457	-
- Deficit on revaluation of aircraft		-	4,367,686
		24,457	4,367,686
Provision for slow moving and obsolete spares	12.1	112,411	196,006
Provision for doubtful debts	13.4	198,868	300,000
Provision against doubtful advances	14.4	11,312	-
Provision against doubtful deposits	15.1	2,383	-
Provision against other receivables	16.4	61,898	56,153
Late payment surcharge on fuel		1,346,098	1,232,315
Others		172,679	37,143
		1,930,105	6,189,304

		2018	2017 (Restated)
	Note	----- (Rupees in '000) -----	
37. OTHER INCOME			
Income from financial assets			
Profit on bank deposits		34,429	48,392
Interest on maintenance reserve		35,449	21,061
		<u>69,878</u>	<u>69,453</u>
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		-	22,997
Reversal of deficit on revaluation of aircraft fleet		1,146,470	-
Insurance claims		5,031	-
Others		502,108	743,752
		<u>1,653,609</u>	<u>766,749</u>
		<u>1,723,487</u>	<u>836,202</u>
38. FINANCE COSTS			
Mark-up on:			
- long-term financing		13,231,380	8,395,871
- GoP loan against mark-up		73,376	-
- term finance certificates		1,369,373	1,689,629
- short-term borrowings		2,886,596	2,575,383
- advance from a subsidiary		183,738	119,614
		<u>17,744,463</u>	<u>12,780,497</u>
Profit on sukuk certificates		598,568	535,441
Interest on liabilities against assets subject to finance lease		142,995	242,292
Discounting on deposits		(122,014)	(117,547)
Interest on provident fund	27.5	859,078	669,617
Arrangement, agency and commitment fee		870,061	785,976
Amortisation of prepaid exposure fee	11.2	135,606	248,894
Bank charges, guarantee commission and other related charges		155,809	101,470
		<u>20,384,567</u>	<u>15,246,640</u>
39. TAXATION			
Current tax			
- For the year	39.2	531,180	454,219
- Prior year	39.2.4	537,658	(1,439)
Deferred tax income	39.3.2	(1,159,048)	(502,988)
		<u>(90,210)</u>	<u>(50,207)</u>

	2018	2017	2016
	----- (Rupees in '000) -----		
39.1 Assessment of sufficiency of the tax provision			
Tax provision made in financial statement	545,219	444,987	456,343
Tax assessment as per return	545,219	444,987	456,343
	<u>-</u>	<u>-</u>	<u>-</u>

During last three tax years tax provisions made by management are sufficient to fulfil tax liabilities.

39.2 Current

39.2.1 In the view of accounting and tax loss for the 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 numeric 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 39.3.2).

39.2.2 The Company has filed tax returns for tax years up to tax year 2018. The tax returns from tax years 2003 to 2017 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 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.

39.2.3 As per Order dated March 13, 2011 a demand of Rs. 898.177 million (2017: 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 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 FBR 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 dated June 27, 2012 and June 25, 2013 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 these 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.

39.2.4 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 ATR 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, Rs. 6,030 million and Rs. 168.744 million respectively, demanded in the earlier order dated June 15, 2015. 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. 12,810 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 but allowed certain tax credits and revised a tax demand of Rs. 109.663 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 Company's appeal and issue Combined appellate order dated October 30, 2015 through which CIR(A) maintained disallowance depreciation and deleted other provision. The Company has filed a 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, 2015 for tax year 2011 and raised a demand of Rs. 327,535 million (after adjusting refund of tax year 2013) by applying 1% minimum tax rate against the Company's contention of 0.5%. In addition to disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 7,692,992 million. The 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. However, Company on prudent basis, has made the provision of Rs. 537,657 million against short payment of minimum tax for tax year 2011. 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 ACIR has issued the orders dated June 30, 2016 and January 05, 2017 under section 122(5A) of the I.T.O. 2001 in respect of tax years 2012 and 2014 and disallowed depreciation on leased aircrafts and other provisions amounting to Rs. 9,725,915 million and Rs. 11,007,920 million respectively. The 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 TY 2014 and disposed the appeal by deleting the demand maintaining the disallowed depreciation on leased aircrafts and other provisions. The 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 Company, it may erode the benefit of tax depreciation, which remains available for an indefinite period, compared to business losses.

39.2.5 The tax department has also issued order dated December 31, 2012 under section 161/205 of the I.T.O. 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.

39.2.6 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 Company has responded the showcase.

39.2.7 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 payoff the tax liability for tax years 2006 to 2013 by paying AFN 78 million (equivalent to Rs. 125,780 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.

	2016	2017
39.3 Deferred taxation	----- (Rupees in '000) -----	
Deferred tax credits:		
Accelerated tax depreciation	15,161,283	15,374,443
Surplus on revaluation of property, plant and equipment	6,325,473	5,457,031
	21,486,756	20,831,474
Deferred tax debits:		
Unused tax losses	(12,176,836)	(12,323,654)
Provisions for liabilities and to write down other assets	(9,309,920)	(8,507,820)
	(21,486,756)	(20,831,474)
	-	-

39.3.1 In accordance with the accounting policy of the Company (see note 5.1), deferred tax asset of Rs. 98,772,903 million (2017: Rs. 78,099,133 million) has not been recognised in these unconsolidated financial statements due to uncertainty in availability of sufficient future taxable profits. It includes Rs. 51.86 billion (2017: 36.14 billion) and Rs. 46.91 billion (2017: 44.74 billion) pertaining to unused tax losses and unabsorbed depreciation respectively.

39.3.2 This includes effect of change in tax rate from 30% to 29% amounting to Rs. 166,799 million.

	Balance as at December 31, 2016	Recognised in statement of profit or loss	Recognised in equity	Balance as at December 31, 2017	Recognised in statement of profit or loss	Recognised in equity	Balance as at December 31, 2018
(Rupees in '000)							
Deferred tax credits:							
Accelerated tax depreciation	15,049,336	325,107	-	15,374,443	(213,160)	-	15,161,283
Surplus on revaluation of property, plant and equipment	5,003,995	(270,902)	723,937	5,457,031	(607,063)	1,475,505	6,325,473
	20,053,331	54,205	723,937	20,831,474	(820,223)	1,475,505	21,486,756
Deferred tax debits:							
Unused tax losses	(10,398,693)	(1,924,961)	-	(12,323,654)	165,751	-	(12,157,902)
Provisions for liabilities and to write down other assets	(9,654,638)	1,367,767	(220,949)	(8,507,820)	(504,577)	(316,457)	(9,328,854)
	(20,053,331)	(557,194)	(220,949)	(20,831,474)	(338,826)	(316,457)	(21,486,756)
	-	(502,989)	502,988	-	(1,159,048)	1,159,048	-

		2018	2017 (Restated)
(Rupees in '000)			
40. LOSS PER SHARE - BASIC AND DILUTED	Note		
Loss for the year		(67,327,605)	(51,006,922)
Weighted average number of ordinary shares outstanding	19	5,235,261,117	5,235,261,117
Loss per share attributable to:			
'A' class ordinary share (Rupees)		(12.86)	(9.74)
'B' class ordinary share (Rupees)		(6.43)	(4.87)

41. OPERATING AND FINANCING CASH FLOWS

41.1 Cash generated from operations

Loss before taxation	(67,417,815)	(51,057,129)
Adjustments for:		
Depreciation	5,213,721	5,814,225
Gain on disposal of property, plant and equipment - net	-	(22,997)
Amortisation of intangibles	86,211	88,722
Provision for slow moving and obsolete spares	112,411	196,006
Provision of write-off of capital spares	171,224	-
Provision for doubtful debts	198,868	300,000
Provision for doubtful advances	11,312	-
Provision against doubtful deposits	2,383	-
Provision against other receivables	61,898	56,153
Provision for employee benefits	4,749,221	3,265,434
Finance cost	20,384,567	15,246,640
Unrealised exchange loss	14,774,518	2,593,308
Profit on bank deposits	(34,429)	(48,392)
(Surplus) / Deficit released on revaluation of property, plant and equipment	(1,146,470)	4,357,686
	(22,832,379)	(19,200,345)
Working capital changes		
(Increase) in stores and spares	(870,963)	(734,008)
(Increase) in trade debts	(5,428,525)	(2,153,610)
Decrease / (Increase) in advances	38,076	(486,515)
Decrease / (Increase) in trade deposits and prepayments	1,935,937	(217,622)
(Increase) / decrease in other receivables	(1,245,929)	1,153,450
Increase in trade and other payables	24,661,839	19,738,635
	19,110,436	17,300,330
Cash used in operations	(3,721,944)	(1,900,015)

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

	2018				
	Liabilities				
	Short term borrowing (including accrued markup)	Long Term Financing (including accrued markup)	TPC's and Sukuk (including accrued markup)	Finance lease liabilities	Total
Balance as at 1 January 2018	31,833,424	151,006,047	28,539,487	6,127,876	217,506,834
Changes from financing cash flows:					
Proceeds from loans and borrowings	-	70,968,750	-	-	70,968,750
Transfer to Short term borrowings	-	-	-	-	-
Repayment of loans and borrowings	-	(27,477,312)	(5,272,255)	-	(33,749,567)
Payment of finance lease liabilities	-	-	-	(4,935,003)	(4,935,003)
Total changes from financing cash flows	-	43,491,438	(6,272,255)	(4,935,003)	32,284,180
Interest expense	2,886,596	26,462,760	1,369,373	142,995	30,861,724
Interest paid	(2,599,660)	(13,067,592)	(1,896,212)	(144,059)	(17,707,523)
Total liability - related other changes	286,936	13,395,168	(528,839)	(1,064)	13,152,201
Balance as at 31 December 2018	32,120,361	207,892,652	21,738,393	1,191,810	262,943,215

42. REMUNERATION OF CHIEF EXECUTIVE, HEAD OF DEPARTMENTS AND EXECUTIVES

	(Key Management Personnel)					
	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Managerial remuneration:	17,800	22,693	129,986	78,873	2,335,126	9,439,285
Corporation's contribution to provident fund	-	-	1,475	1,610	1,945	306,606
Other perquisites	3,896	1,070	22,151	36,278	223,171	1,154,711
	21,696	23,763	153,612	116,761	2,560,242	10,900,602
Number (as at December 31, 2018)	1	1	18	16	305	4,849

42.1 Aggregate amount charged in these unconsolidated financial statements for fee to directors was Rs. 0.312 million (2017: Rs.0.191 million).

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

43. 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.

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 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:

	2018	2017	2018	2017
	(Rupees in '000)			
Change in USD rate (Increase) / Decrease in loss	+5%		-5%	
	(4,569,313)	(2,646,618)	4,569,313	2,646,618
before tax Change in SAR rate (Increase) / Decrease in loss	+5%		-5%	
	(56,558)	34,327	56,558	(34,327)
before tax Change in AED rate (Increase) / Decrease in loss	+5%		-5%	
	48,982	34,460	(48,982)	(34,460)
Change in GBP rate before tax (Increase) / Decrease in loss before tax	+5%		-5%	
	46,332	46,356	(46,332)	(46,356)

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:

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

Variable rate instruments at carrying amount:

Long-term financing	191,173,286	135,556,478
Term finance and sukuk certificates	21,071,753	27,344,007
Liabilities against assets subject to finance lease	2,361,518	4,786,925
Advance from a subsidiary	5,575,748	4,436,041
Short-term borrowings	34,417,592	34,275,739
	<u>254,599,896</u>	<u>206,399,190</u>

Financial assets

Long-term deposits and prepayments	(1,612,071)	(1,576,622)
	<u>252,987,825</u>	<u>204,822,568</u>

Fixed rate instruments at carrying amount:**Financial Liabilities**

Long-term financing	8,000,000	8,000,000
Liabilities against assets subject to finance lease	-	1,340,915
Short-term borrowings	29,766	82,735
	<u>8,029,766</u>	<u>9,423,650</u>

Financial Assets

Bank deposits	(1,202,480)	(884,360)
	<u>6,827,286</u>	<u>8,539,291</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 consolidated 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	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Change in interest rate	+1%		+0.25%	
Increase in loss before tax	(1,553,055)	(1,621,773)	(187,760)	(134,108)
Change in interest rate	-1%		-0.25%	
Decrease in loss before tax	1,553,055	1,621,773	187,760	134,108

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.

43.2 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)					
2018					
Long-term financing	199,173,286	253,634,599	58,071,065	179,837,987	15,725,547
Term finance and sukuk certificates	21,071,753	22,422,676	20,335,822	2,086,854	-
Liabilities against assets subject to finance lease	2,361,518	2,456,354	2,258,676	197,678	-
Advance from a subsidiary	5,575,748	5,575,748	-	5,575,748	-
Trade and other payables	109,712,767	109,712,767	109,712,767	-	-
Accrued interest / mark-up / profit	10,817,542	10,817,542	10,817,542	-	-
Short-term borrowings	34,447,358	34,447,358	34,447,358	-	-
	383,159,971	439,067,044	235,643,229	187,698,267	15,725,548
	Carrying Amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
(Rupees in '000)					
2017					
Long-term financing	143,556,479	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	-	-
	315,853,507	346,163,564	206,077,727	129,707,598	10,378,239

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, 2018 represents the maximum credit exposure, which is as follows:

	2018	2017
(Rupees in '000)		
Long-term deposits	8,557,048	7,971,883
Trade debts	13,921,644	9,396,110
Advances	834,218	1,173,840
Trade deposits	1,881,401	3,806,091
Other receivables	1,845,455	1,009,786
Bank balances	1,722,503	4,246,123
	28,762,270	27,603,772

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 15.1 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.

43.4 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 1.3 to these unconsolidated financial statements.

44 FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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:

	2018				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	163,288	-	-	163,288	163,288	-	-	163,288
Financial assets not measured at fair value								
Non-current assets								
Investments in unquoted securities	-	-	369	369	-	-	-	-
Long-term deposits	-	8,557,048	-	8,557,048	-	-	-	-
Current assets								
Trade debts	-	16,377,366	-	16,377,366	-	-	-	-
Trade deposits	-	1,881,401	-	1,881,401	-	-	-	-
Other receivables	-	2,687,855	-	2,687,855	-	-	-	-
Short-term investment	19,220	-	-	19,220	-	-	19,220	19,220
Cash and bank balances	-	1,722,503	11,945	1,734,448	-	-	-	-
	202,508	31,226,173	12,313	31,440,994	163,288	-	19,220	202,508

	Carrying amount			Fair value		
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
(Rupees in '000)						
Financial liabilities not measured at fair value						
Long-term financing	-	199,173,286	199,173,286	-	-	-
Term finance and sukuk certificates	-	21,071,753	21,071,753	-	-	-
Liabilities against assets subject to finance lease	-	2,361,518	2,361,518	-	-	-
Advances from subsidiary	-	5,575,746	5,575,746	-	-	-
Trade and other payables	-	109,712,767	109,712,767	-	-	-
Accrued interest	-	10,817,542	10,817,542	-	-	-
Short-term borrowings	-	34,447,358	34,447,358	-	-	-
	-	383,159,971	383,159,971	-	-	-

2017

	Carrying amount			Fair value		
	Available-for-sale	Loans and receivables	Other financial assets	Level 1	Level 2	Level 3
(Rupees in '000)						
Financial assets measured at fair value						
Long-term investments	171,184	-	-	171,184	-	-
Financial assets not measured at fair value						
Investment in unquoted securities	-	-	369	-	-	-
Long-term deposits	-	7,971,883	-	-	-	-
Current assets						
Trade debts	-	11,147,710	-	-	-	-
Trade deposits	-	3,805,031	-	-	-	-
Other receivables	-	1,545,985	-	-	-	-
Short-term investment	19,220	-	-	-	-	19,220
Cash and bank balances	-	4,246,123	16,334	-	-	-
	190,404	28,717,731	16,703	171,184	-	19,220

2017

	Carrying amount			Fair value		
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
(Rupees in '000)						
Financial liabilities not measured at fair value						
Long-term financing	-	143,556,476	143,556,476	-	-	-
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	-	-	-

45. TRANSACTIONS WITH RELATED PARTIES

45.1 Following are the related parties with whom the Company entered into transactions or agreements and / or arrangements in place during the year:

Name of Related Parties	Direct Shareholding	Relationship
- Government of Pakistan	92%	Major Shareholder
- PIA Investments Limited PIAL	100%	Subsidiary
- Skyrooms (Private) Limited	100%	Subsidiary
- Sabre Travel Network Pakistan (Private) Limited	70%	Subsidiary
- PIA Main Pension Fund	-	Post Retirement Benefits
- PIA PALPA Fund	-	Post Retirement Benefits
- PIA FENA Fund	-	Post Retirement Benefits
- Pakistan State Oil Company Limited	-	profit oriented state-controlled entities
- Pakistan Civil Aviation Authority	-	profit oriented state-controlled entities
- National Bank of Pakistan	-	profit oriented state-controlled entities
- National Insurance Corporation Limited	-	profit oriented state-controlled entities
- Federal Board of Revenue	-	profit oriented state-controlled entities
- Mr. Maqsood Ahmed	-	Key management personnel
- Mr. Amir Ali	-	Key management personnel
- Mr. Younus M Khan	-	Key management personnel
- Mr. Amanullah Qureshi	-	Key management personnel
- Mr. Nayyar Hayat	-	Key management personnel
- Mrs. Ghazala Rashid	-	Key management personnel
- Mr. Rashid Ahmad	-	Key management personnel
- Mr. Omer Razaq	-	Key management personnel
- Mr. Musharraf Rasool Cya	-	Key management personnel
- Mr. Avm Rizwan Pasha	-	Key management personnel
- Mr. Avm Saban Nazir Syed	-	Key management personnel
- Mr. Avm Noor Abbas	-	Key management personnel
- Mr. Zia Qadir Gureshi	-	Key management personnel
- Mr. Kashif Rehman Rana	-	Key management personnel
- Mr. Bilal Munir Sheikh	-	Key management personnel
- Mrs. Asma Bajwa	-	Key management personnel
- Mr. Aijaz Mazhar	-	Key management personnel
- Mr. Maj Khuram Mushtaq	-	Key management personnel

45.2 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 according to the terms of employment / regulations and those not mentioned elsewhere in these unconsolidated financial statements are as follows:

Name of Related Parties	Nature of Transaction	2018	2017
		----- (Rupees in '000) -----	
Skyrooms (Private) Limited	Payments made against in-transit passengers	269,256	275,062
	Services hired	707,708	337,583
PIA Investments Limited	Management fee expense	68,522	70,897
	Finance cost on advance	183,738	119,613
Minhal France S.A.	Management fee income	72,012	73,763
Sabre Travel Network Pakistan (Private) Limited	Charges in respect of courier services	112	125
Retirement funds	Contribution to provident fund and others	2,472,362	2,455,502
	Interest on overdue balance of provident fund	859,078	669,616

Related party by virtue of GoP holdings

The Federal Government of Pakistan directly holds 92% of the Company's issued share capital and is entitled to appoint Directors under the PtACL Act 2016, for the management of the affairs of the Company. The Company, therefore, considers that the GoP is in a position to exercise control over it and therefore, regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties. The Company has availed exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with GoP related entities, except for transactions stated below, which the Company considers are significant:

Name of related party	Nature of Transaction	2018	2017
		----- (Rupees in '000) -----	
Pakistan State Oil Company Limited	Purchase of fuel	22,327,086	11,876,178
	Late Payment Interest	1,346,098	1,232,315
Pakistan Civil Aviation Authority	Airport related charges	12,300,000	10,433,978
National Insurance Company	Insurance premium	1,231,092	1,223,800
National Bank of Pakistan	Finance costs	4,453,893	4,744,992
GoP - Major shareholder	Finance cost	873,376	800,000
	Hajj revenue	3,596,135	3,511,599

45.3 Transactions with the directors, chief executive and key management personnel have been disclosed in note 42 to these unconsolidated financial statements.

45.4 Details of balances held with the aforementioned related parties excluding profit oriented state-controlled entities have been disclosed in respective notes.

45.5 The Company's sales of transportation services to subsidiaries, associates and directors are not determinable. Issuance of ticket at concessional rates to Key Management Personnel amounting to Rs. 18.2 million (2017: Rs. 10.3 million).

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 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, PIA 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 557 (i) 2011 dated June 07, 2011.

Had the exemption not been granted, the accumulated losses as at December 31, 2018 would have been higher by Rs. 725.707 million (2017: Rs. 725.707 million).

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. Significant reclassification made during the period is as follows:

From	To	Rupees in thousands
Trade debts	Trade and other payables	81,146
Cash and bank balances	Trade and other payables	2,949
Cash and bank balances	Other receivables	15,401
Other receivables	Trade debts	720,817
Revenue	Other Income	287,640

48. AUTHORISATION OF FINANCIAL STATEMENTS

These unconsolidated financial statements were authorised for issue by the Board of Director in their meeting held on November 21, 2019.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

CONSOLIDATED
FINANCIAL
STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Members of Pakistan International Airlines Corporation Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of Pakistan International Airlines Corporation Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

1. As more fully explained in note 7.4.3 of the accompanying 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. 87,619 million (\$630,724 million) in the consolidated statement of financial position at December 31, 2018 because the Group's management did not take into consideration any costs associate with closing down the operation 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.
2. As more fully explained in note 10.1 to the accompanying consolidated financial statements, receivable from Centre Hotel comprises of the share of joint venture's net current asset amounting to Rs. 1,049,462 million (\$7,554 million) as at April 21, 1997, the date when joint venture period expired. The share has been incorporated based on the joint venture's management accounts as at April 21, 1997. The arbitration proceedings concluded during the year 2012, and the arbitrator ordered Shaikh Khalifa to pay PIAL a sum of Rs. 882,862 million (\$6,355 million) along with interest at the rate of six percent from the date of issuance of judgment. The said order was ratified by Abu Dhabi Commercial Court during the year 2013. However, because the eventual outcome / resolution of the certain matters as stated in the said note are pending to date, it is not possible to determine with reasonable certainty, the amount which would be recovered.
3. As more fully explained in note 12.3.1 to the accompanied consolidated financial statements, during the year ended December 31, 2013, the Group has recognized long term prepayment in respect of a lease amounting to Rs. 98,960 million (\$ 0.712 million) representing consideration paid to Pakistan Cricket Board (PCB), by the way of settlement of amounts due from PCB, for acquiring the rights to use a parcel of land for sixty-six years, for which right is vested through execution of sub-lease deed in favour of Avantis Hotels (Private) Limited (Avant). 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 right 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 accounting framework. Because of the pending results of these said exercises, we were unable to determine, with reasonable certainty, the carrying value that should have been recognized in respect of the asset and its corresponding effects on consolidated equity of the Group.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to the following:

- i) Note 1.3 to the consolidated financial statements which inter-alia states 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) Notes 28 and 29 to the consolidated financial statements which state that an aggregate amount of Rs. 17,226.524 million was payable to the Pakistan International Airlines Corporation Provident Fund (the Provident Fund) representing Rs. 11,341,485 million on account of the Holding Company and employees' contributions and Rs. 5,714,036 million being markup payable thereon. However, the said amount was not deposited within the stipulated time of fifteen days to the Provident Fund as required under Section 218 of the Act.
- iii) Notes 31.1 and 39.2.2 to the consolidated financial statements which states that the Holding Company is exposed to various tax and other contingencies aggregating to Rs. 43,092,407 million, the ultimate outcome of which cannot presently be determined and, accordingly, no provision has been made by the management in respect of these contingencies in the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	Revenue recognition (Refer note 5.11 to the consolidated financial statements) When a flight booking is made, revenue is measured based on the sales price to the customer and revenue is recognized when service is provided to the customer. Revenue is initially deferred on the consolidated statement of financial position and subsequently recognized in the consolidated statement of profit or loss when the service is provided. The determination of the amount of revenue to be recognized for each flight requires complex IT systems and involves various internal and external sources. Further, revenue is assessed as an area involving presumed risk of material misstatement, hence, significant risk for the audit. We considered this a key audit matter as a result of the complexity of the related IT systems and the level of judgement required by management in determining the timing of recognition of unused revenue documents.	Our audit procedures included the following: - We performed detailed end-to-end walkthroughs of the finance and operational processes surrounding the revenue systems. - We tested the operating effectiveness of the key controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. - We tested the key IT systems, including interfaces that impact the recognition of revenue along with the IT general controls. - We performed tests of details over revenue and substantively tested manual journal entries posted into relevant revenue accounts in the sub-ledgers and general ledger. - We obtained data in respect of unused revenue documents and tested the accuracy of historical expiry data and compared this data to that used by the Group in their calculation of the amount of revenue to recognize from unused revenue documents. - We assessed whether the related disclosures to the consolidated financial statements are consistent with the requirements of IFRS.

S. No.	Key audit matters	How the matter was addressed in our audit
2	Revaluation of property, plant and equipment (Refer note 22 to the consolidated financial statements) During the year, the Group revalued its aircraft fleet resulting in recognition of surplus on revaluation amounting to Rs. 8,256.592 million and reversal of deficit previously charged to consolidated statement of profit or loss amounting to Rs. 1,146 million. Such revaluation was carried out by an independent valuer who took into account various factors such as estimated selling price, utilization by the Company and conditions of aircraft etc. Further, as disclosed in the above referred note due to the application of the Act, the Group has changed its accounting policy in respect of accounting for surplus / deficit on revaluation of property, plant and equipment. The said change required retrospective restatement of the annexed consolidated financial statements and inclusion of an additional consolidated statement of financial position at the beginning of the earliest period presented in accordance with the requirements of International Accounting Standard (IAS) 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'. The above change in accounting policy also has a material effect on the financial results of the Group. Due to significant managements' judgements and estimations relating to revaluation of aircraft fleet and the change in accounting policy, we considered this area as a key audit matter.	Our audit procedures included the following: - We assessed the competence of the managements' independent valuer and reviewed the revaluation report to understand the basis and methodology used for such valuation. - We involved our own specialist to review the valuation carried out by the managements' independent valuer to assess the appropriateness of the methodology, assumptions and estimates used to determine the fair value of aircraft fleet. - We also assessed the adequacy of the related disclosures in the consolidated financial statements in accordance with applicable financial reporting standards relating to change in accounting policy.
3	Post-retirement benefits (Refer note 27 to the consolidated financial statements) The Group operates a number of defined benefit plans. The Group's obligation in respect of these plans as at December 31, 2018 amounted to Rs. 38,250.352 million. The valuation of these plans requires significant level of judgment and technical expertise to select appropriate valuation assumptions. Changes in the key assumptions (discount rate, salary increase and retirement age etc.) can have a material impact on the calculation of these obligations. We identified this area as a key audit matter because of significant management judgment relating to valuation assumptions that are inherently complex and require specialist actuarial input.	Our audit procedures included the following: - We assessed the competence and objectivity of the actuaries engaged by the Group to value the defined benefit obligations and reviewed the actuarial valuation reports to understand the basis and methodology used for such valuation. - We tested data provided by the Group to actuaries for the purpose of valuation. - We engaged our actuarial specialists to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plans. - We reviewed the adequacy of the related disclosures in the consolidated financial statements in accordance with applicable financial reporting standards.

S. No.	Key audit matters	How the matter was addressed in our audit
4	Promulgation of the Companies Act, 2017 (Refer to note 3.1 of these consolidated financial statements) The Act was promulgated on May 30, 2017 which includes certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Act became applicable to the Group for the preparation of these consolidated financial statements. The Act (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Group. In view of the significant changes in accounting and disclosures, we consider it as a key audit matter.	Our audit procedures included the following: - We obtained an understanding of the requirements regarding preparation of the consolidated financial statements applicable to the Group and assessed the design and operation of its key controls over preparation and filing of consolidated financial statements. - We evaluated the underlying supports for the amendments and additional disclosures made in the annexed consolidated financial statements. - We also reviewed the adequacy and appropriateness of the related disclosures in the consolidated financial statements in accordance with the requirements of the Act.
5	Long term financing (Refer note 23 to the consolidated financial statements) The Group has obtained various financing facilities, the aggregate amount of which (including current portion), amounted to Rs. 241,992.167 million as of December 31, 2018. The Group's key operating / performance indicators including liquidity, gearing and finance costs are directly influenced by the borrowings. Further, financing arrangements entail financial and non-financial covenants that the Group is subject to compliance. The significance of financing along with the sensitivity of the compliance with underlying loan covenants, are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.	Our audit procedures amongst other included the following: - We obtained and reviewed the financing agreements and facility letters executed during the year. We inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance. - We tested the calculation of finance costs recognized in the consolidated statement of profit or loss and checked amortization of transaction cost and accuracy of amortized cost of financing. - We circularized confirmations to the financing institutions with outstanding loan balances at the year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities. - We assessed the adequacy of the related disclosures in the consolidated financial statements in accordance with the applicable financial reporting standards.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- * Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- * Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2017 were audited by EY Ford Rhodes and KPMG Taseer Hadi & Co., who expressed a modified opinion on those statements on July 18, 2019 in respect of matters as discussed in Basis for Qualified Opinion Section of our report and following:

1. Counting of physical inventories of stores and spares and capital spares held in the consolidated financial statements of the Group as of December 31, 2017 at an amount of Rs. 3,093 million and Rs. 3,546 million, respectively, pertaining to the Holding Company, could not be completed to a reasonable extent due to non-availability of adequate human resources and other operational problems.
2. Adjustments recorded as of December 31, 2016 related to unidentified balance of unearned revenue amounting to Rs. 3,985 million and related taxes amounting to Rs. Rs. 4,700 million, since 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 Holding Company as implemented in 2016 and earlier years to determine whether these adjustments accounted for in the consolidated financial statements of the Group for the year ended December 31, 2017 should have been classified as an error or estimate in terms of the requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The engagement partners on the audit resulting in this independent auditors' report are **Raheel Shah Nawaz** (BDO Ebrahim & Co.) and **Khuram Jameel** (Grant Thornton Anjum Rahman).

BDO Ebrahim & Co.
Chartered Accountants

Place: Karachi

Grant Thornton Anjum Rahman
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		December 31, 2018	December 31, 2017	January 01, 2017	December 31, 2018	December 31, 2017	January 01, 2017
			(Restated)			(Restated)	
Note		(Rupees in '000)			(US\$ in '000)		
ASSETS							
NON - CURRENT ASSETS							
Fixed assets							
- Property, plant and equipment	7	205,028,522	165,978,765	160,597,360	1,475,831	1,501,698	1,453,009
- Intangibles	8	4,803,127	3,937,693	3,444,521	34,574	35,626	31,164
		209,831,649	169,916,458	164,041,881	1,510,405	1,537,324	1,484,173
Long-term investments	9	272,790	243,039	221,960	1,964	2,199	2,008
Receivable in respect of Centre Hotel	10	1,049,462	834,947	792,096	7,554	7,554	7,167
Long-term loans and advances	11	-	-	520	-	-	5
Long-term deposits and prepayments	12	8,893,334	8,212,449	9,318,291	64,016	74,302	84,308
Total non-current assets		220,047,235	179,206,893	174,374,748	1,583,939	1,621,379	1,577,661
CURRENT ASSETS							
Stores and spares	13	4,030,887	3,138,003	2,596,696	29,015	28,391	23,494
Trade debts	14	17,110,912	11,791,003	9,403,911	123,167	106,679	85,082
Short-term loans and advances	15	2,592,282	2,642,118	2,166,722	18,660	23,905	19,513
Trade deposits and short-term prepayments	16	4,143,665	7,202,642	4,516,584	29,827	65,166	40,864
Other receivables	17	8,482,436	6,911,705	8,882,877	61,058	62,534	80,368
Short-term investment	18	19,220	19,220	24,981	138	174	226
Cash and bank balances	19	6,564,972	9,785,542	8,175,442	47,256	88,535	73,968
Total current assets		42,944,374	41,490,233	35,757,213	309,121	375,384	323,515
TOTAL ASSETS		262,991,609	220,697,126	210,131,961	1,893,060	1,996,763	1,901,176

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

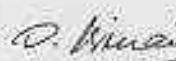
AS AT DECEMBER 31, 2018

	December 31, 2018	December 31, 2017	January 01, 2017	December 31, 2018	December 31, 2017	January 01, 2017
		(Restated)			(Restated)	
Note		(Rupees in '000)			(US\$ in '000)	
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Issued, subscribed and paid-up share capital	20	52,345,110	52,345,110	52,345,110	376,789	473,594
Reserves	21	9,437,819	5,703,208	4,325,092	67,935	51,600
Surplus on revaluation of property, plant and equipment - net	22	94,911,477	75,682,915	62,037,419	683,189	686,553
Accumulated losses		(426,576,865)	(360,529,457)	(310,076,631)	(3,070,575)	(3,261,901)
Attributable to the Holding Company's shareholders		(269,882,459)	(226,596,224)	(191,369,010)	(1,942,662)	(2,050,154)
Non-controlling interest		3,005,439	2,084,069	1,774,904	21,634	18,856
Total equity		(266,877,020)	(224,514,155)	(189,594,106)	(1,921,028)	(2,031,298)
NON-CURRENT LIABILITIES						
Long-term financing	23	164,561,875	102,242,916	89,339,698	1,184,545	925,046
Term finance and sukuk certificates	24	2,054,401	17,072,007	25,289,606	14,788	154,460
Liabilities against assets subject to finance lease	25	172,770	1,781,163	5,811,849	1,244	16,115
Long-term advances and deposits		125,990	106,534	84,537	907	964
Derivative		107,009	-	-	770	-
Deferred taxation	26	33,871,104	28,833,563	33,512,627	243,810	260,873
Deferred liabilities	27	38,250,352	33,722,950	30,124,728	275,333	305,109
Total non-current liabilities		239,143,501	183,759,135	184,163,245	1,721,397	1,662,547
CURRENT LIABILITIES						
Trade and other payables	28	167,728,555	140,994,244	121,447,627	1,207,340	1,275,647
Unclaimed dividend - Preference shares		3,297	3,297	3,297	24	30
Accrued interest	29	15,824,417	14,185,034	13,052,047	113,907	128,340
Provision for taxation - net		1,085,109	550,062	321,581	7,811	4,977
Short-term borrowings	30	34,447,358	34,358,474	34,351,311	247,958	310,859
Current maturities of:						
- Long-term financing	23	50,430,292	56,742,358	30,562,588	363,006	513,378
- Term finance and sukuk certificates	24	19,017,352	10,272,000	8,217,603	136,890	92,936
- Liabilities against assets subject to finance lease	25	2,188,748	4,346,677	7,606,766	15,755	39,327
Total current liabilities		290,725,128	261,452,146	215,562,822	2,092,691	2,365,494
TOTAL LIABILITIES		529,868,629	445,211,281	399,726,067	3,814,088	4,028,061
TOTAL EQUITY AND LIABILITIES		262,991,609	220,697,126	210,131,961	1,893,060	1,996,763
Contingencies and commitments	31					

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

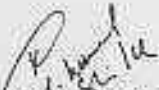
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

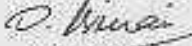
FOR THE YEAR ENDED DECEMBER 31, 2018

		2018	2017	2018	2017
			(Restated)		(Restated)
Note		----- (Rupees in '000) -----		----- (US\$ in '000) -----	
Revenue - net	32	117,978,908	103,911,181	849,233	940,140
Cost of services					
Aircraft fuel		(43,552,360)	(30,940,544)	(313,498)	(279,936)
Others	33	(89,426,277)	(85,843,907)	(643,706)	(776,675)
		(132,978,637)	(116,784,451)	(957,204)	(1,056,611)
Gross loss		(14,999,729)	(12,873,270)	(107,971)	(116,471)
Distribution costs	34	(6,340,848)	(5,493,562)	(45,643)	(49,703)
Administrative expenses	35	(10,474,566)	(9,216,245)	(75,398)	(83,384)
Other provisions and adjustments	36	(1,942,072)	(6,393,474)	(13,979)	(57,845)
Exchange loss - net		(14,911,659)	(2,203,396)	(107,339)	(19,935)
Other income	37	2,014,326	748,786	14,503	6,775
		(31,654,819)	(22,557,889)	(227,856)	(204,092)
Loss from operations		(46,654,548)	(35,431,159)	(335,827)	(320,563)
Finance costs	38	(21,108,003)	(15,781,979)	(151,939)	(142,789)
Share of loss in an associate	9.1	(572)	(2,034)	(4)	(19)
Loss before taxation		(67,763,123)	(51,215,172)	(487,770)	(463,371)
Taxation	39	935,130	231,351	6,731	2,093
Loss for the year		(66,827,993)	(50,983,821)	(481,039)	(461,278)
Attributable to:					
Equity holders of the Holding Company		(66,852,979)	(51,003,972)	(481,219)	(461,460)
Non-controlling interest		24,986	20,151	180	182
		(66,827,993)	(50,983,821)	(481,039)	(461,278)
Loss per share - basic and diluted					
		----- (Rupees) -----		----- (US\$) -----	
Loss attributable to:					
'A' class Ordinary shares of Rs 10 each	40	(12.77)	(9.74)	(0.12)	(0.09)
'B' class Ordinary shares of Rs 5 each	40	(6.38)	(4.87)	(0.06)	(0.05)

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017 (Restated)	2018	2017 (Restated)
	----- (Rupees in '000) -----		----- (US\$ in '000) -----	
Loss for the year	(66,827,993)	(50,983,821)	(481,039)	(461,278)
Other comprehensive income				
<i>Items that will be reclassified subsequently to consolidated statement of profit or loss</i>				
Unrealised gain on remeasurement of available for sale investment	12,104	18,416	87	167
Loss on re-measurement of derivative - net of tax	(82,780)	-	(596)	-
Exchange differences on translation of foreign operations	4,264,151	1,514,654	30,694	13,704
	4,193,475	1,533,070	30,185	13,871
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss</i>				
Surplus on revaluation of property, plant and equipment	8,256,592	7,265,185	59,432	65,732
Related deferred tax	(2,246,256)	(1,747,418)	-	-
Adjustment due to change in tax rate	1,687,427	7,222,012	12,146	65,341
	7,697,763	12,739,779	71,578	131,073
Remeasurement of post retirement defined benefits obligation	(1,935,800)	(917,792)	(13,934)	(8,304)
Effect of deferred tax	316,457	220,949	2,276	1,999
	(1,619,343)	(696,843)	(11,656)	(6,305)
Total comprehensive income - loss	(56,556,098)	(37,407,815)	(390,932)	(322,639)
Attributable to:				
Equity holders of the Holding Company	(57,528,819)	(37,754,282)	(397,934)	(325,774)
Non-controlling interest	972,721	346,467	7,002	3,135
	(56,556,098)	(37,407,815)	(390,932)	(322,639)

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

		2018	2017	2018	2017
			(Restated)		(Restated)
Note		(Rupees in '000)		(US\$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash used in operations	41.1	(481,927)	(186,305)	(3,469)	(1,686)
Profit on bank deposits received		34,426	48,392	246	438
Finance costs paid		(19,491,593)	(14,517,645)	(140,303)	(131,348)
Taxes paid		(755,147)	(582,091)	(5,436)	(5,266)
Employee benefits paid		(909,253)	(917,823)	(6,545)	(8,304)
Proceeds from long-term loans and advances		-	1,756	-	16
Long-term deposits and prepayments - net		(680,865)	(1,119,748)	(4,901)	(10,131)
Net cash used in operating activities		(22,284,379)	(17,273,464)	(160,428)	(156,261)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(13,888,045)	(4,206,540)	(99,969)	(38,059)
Purchase of intangibles		(37,038)	(409,686)	(247)	(3,707)
Proceeds from sale of property, plant and equipment		1,809,579	260,203	13,026	2,364
Currency translation adjustment		(922,201)	-	(6,638)	-
Proceeds from short-term investments		-	5,762	-	52
Net cash used in investing activities		(13,037,705)	(4,350,261)	(93,826)	(39,360)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of long-term financing	41.2	(27,477,312)	(38,189,151)	(197,787)	(345,518)
Proceeds from long-term financing	41.2	70,968,750	75,019,998	510,845	678,746
Repayment of term finance certificates	41.2	(6,272,254)	(6,163,202)	(45,149)	(55,762)
Payment of dividend to non-controlling interest		51,351	(37,302)	370	(337)
Proceeds from long term deposits		-	21,997	-	199
Repayments of obligations under finance lease		(4,935,002)	(7,336,941)	(35,523)	(66,381)
Net cash generated from financing activities		32,335,633	23,315,399	232,756	210,947
(Decrease) / Increase in cash and cash equivalents		(2,986,551)	1,691,674	(21,498)	15,306
Cash and cash equivalents at beginning of the year		6,613,397	4,627,825	47,604	41,870
Effects of exchange rate changes on cash and cash equivalents		17,858	293,898	129	2,659
Cash and cash equivalents at end of the year		3,644,704	6,613,397	26,235	59,835
Cash and cash equivalents					
Cash and bank balances	19	6,564,972	9,785,542	47,256	88,535
Running finance under mark-up arrangements	30	(2,920,268)	(3,172,145)	(21,021)	(28,700)
		3,644,704	6,613,397	26,235	59,835

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed, and paid-up capital	Surplus on revaluation of property, plant and equipment	Attributable to the Holding Company's shareholders							Accumulated losses	Non-controlling interest	Total
			Reserves									
			Capital reserves	Revenue reserves	Reserve for contingencies	Unrealised gain on revaluation of investment	Foreign currency translation reserves	Legal reserve	Subtotal			
			(Rupees in '000)									
Balance as at December 31, 2015 as previously reported	52,345,110	48,240,176	2,561,038	1,779,674	-	143,570	(142,918)	35,733	4,325,092	(96,399,360)	1,714,992	(1,86,541,106)
Effect of Change in accounting policy - note 11	-	13,777,041	-	-	-	-	-	-	-	(13,777,041)	-	-
Balance as at December 31, 2016 as revised	52,345,110	62,017,217	2,561,038	1,779,674	-	143,570	(142,918)	35,733	4,325,092	(110,176,401)	1,714,992	(1,86,534,106)
Total comprehensive income for the year ended December 31, 2017:												
Loss / profit for the year - restated	-	-	-	-	-	-	-	-	-	(51,023,972)	20,151	(50,983,821)
Other comprehensive income - restated	-	-	-	-	-	18,416	-	-	18,416	145,943	-	170,229
Surplus arising on property, plant and equipment during the year - net of tax - restated	-	12,738,779	-	-	-	-	-	-	-	-	171,282	12,910,061
- Currency translation differences	-	2,302,706	-	-	-	-	1,307,768	1,732	1,309,500	-	154,651	3,660,360
Total comprehensive income / (loss) for the year	-	15,041,485	-	-	-	18,416	1,307,768	1,732	1,376,116	(51,778,029)	145,924	(34,682,742)
Surplus on revaluation of property, plant and equipment recorded during the year on account of incremental depreciation charged thereon - net of tax (note 22)	-	(1,345,228)	-	-	-	-	-	-	-	1,345,228	-	-
Surplus on revaluation of property, plant and equipment recorded during the year on account of adjusted value written off - net of tax (note 22)	-	(2,760)	-	-	-	-	-	-	-	2,760	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(57,200)	(57,200)
Balance as at December 31, 2017 as revised	52,345,110	75,883,918	2,561,038	1,779,674	-	161,986	1,214,800	37,465	5,701,206	(98,029,457)	2,984,069	(224,512,139)
Total comprehensive income for the year ended December 31, 2017:												
Loss / profit for the year	-	-	-	-	-	-	-	-	-	(56,852,979)	21,664	(56,831,315)
Other comprehensive income	-	-	-	-	-	(24,602)	-	-	(14,602)	-	(8,276)	(18,278)
- Currency translation differences	-	13,768,713	-	-	-	-	3,767,328	9,675	3,786,676	-	476,817	14,009,513
Surplus arising on property, plant and equipment during the year - net of tax	-	7,597,763	-	-	-	-	-	-	-	-	476,170	8,073,933
- Unrealised gain on revaluation of investment	-	-	-	-	-	12,104	-	-	12,104	(14,934)	-	(2,830)
Total comprehensive income / (loss) for the year	-	21,366,276	-	-	-	(12,500)	3,767,328	9,675	3,764,503	(56,472,323)	175,271	(32,111,574)
Surplus on revaluation of property, plant and equipment recorded during the year on account of incremental depreciation charged thereon - net of tax (note 22)	-	(1,757,000)	-	-	-	-	-	-	-	1,757,000	-	-
Surplus on revaluation of property, plant and equipment recorded during the year on account of adjusted value written off - net of tax (note 22)	-	(587,967)	-	-	-	-	-	-	-	587,967	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(57,200)	(57,200)
Balance as at December 31, 2018	52,345,110	94,911,477	2,561,038	1,779,674	(12,500)	182,090	5,032,128	47,139	5,437,871	(96,674,645)	3,076,479	(24,677,020)

The annexed notes from 1 to 49 form an integral part of these consolidated financial statements.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 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 Holding Company has been converted from a statutory company into a public limited company by shares, 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 Holding 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 Holding Company was entitled were transferred to the Holding Company and the Holding Company has assumed all liabilities and obligations of the Holding 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.

1.2 Business Unit

Head Office

Geographical Location

PIA Head Office, Old Terminal, Karachi

Regional sales offices and counters are located across the country and overseas the details of which is impracticable to disclose in these consolidated financial statements as required under fourth Schedule to the Companies Act, 2017.

Subsidiaries

PIA Investments Limited (PIAL) 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, PIAL 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 PIAL 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 controlling interest in PIAL is 100% (2016: 100%). The registered office of PIAL is situated at Citico Building, Wickham Cay, Road Town, Tortola, British Virgin Islands.

Following are the details of PIAL's subsidiaries:

	Place of Incorporation	Nature of business	Effective ownership and voting power of PIAL (%)	Effective ownership and voting power of the Holding Company (%)	Audited By
- Roosevelt Hotel Company, N.V. (RHC)	Netherlands - Aruba	See note (A)	100	100	PKF O'Connor Davies
- RHC Operating LLC	State of Delaware, USA	Owner of Roosevelt Hotel, New York	100	100	PKF O'Connor Davies
- Minhal France S.a.r.l.	Luxembourg	See note (B)	100	100	Unaudited
- Minhal France B.V.	Netherlands	See note (B)	100	100	Unaudited
- PIA Hotels Limited	British Virgin Islands	See note (B)	100	100	Unaudited
- PIA Aviation Limited (PAL)	British Virgin Islands	See note (B)	100	100	Unaudited
- Avant Hotels (Private) Limited	Pakistan	See note (C)	62.5	62.5	KPMG Taseer Haidi and Company, Pakistan
- Minhal France S.A. (MFSA)	France	See note (D)	90	90	KPMG France

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 2004, 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 PAL 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 Holding Company.

PIAL has been consolidated in these consolidated financial statements on the basis of its audited consolidated financial statements for the year ended December 31, 2018.

Skyrooms (Private) Limited (SRL) was incorporated on May 20, 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, 2018 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 controlling interest in Sabre is 70%. Sabre has been consolidated on the basis of its unaudited financial statements for the year ended December 31, 2018 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 Holding Company interest in Minhal is 40%.

- 1.3 During the current year, the Group incurred a net loss of Rs. 66,627.993 million (2017: Rs. 50,983.621 million) resulting in accumulated losses of Rs. 426,576.865 million as of December 31, 2018 (2017: Rs. 360,529.457 million). Further, as of December 31, 2018, current liabilities of the Group exceeded its current assets by Rs. 247,780.754 million (2017: Rs. 219,961.913 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.178,085 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. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS

Implementation of ticketing reservation system

Holding Company has been using Central Reservation System known as SABRESONIC, a US based company M/S SABRE Inc. since last 18 years. Holding Company has migrated to new reservation System known as Crane Passenger Services System (PSS), a Turkish company M/S Hittit Computer Services in September 12, 2018. Crane PSS is a set of over 12 applications for managing Schedule. With this renewal of technology, the Group is expected to reduce its significant annual reservation processing cost. The system is built on new architecture and also provides flexibility to add new product lines and revenue streams.

Devaluation of functional currency

Devaluation of functional currency (PKR) had a major impact on the Holding Company financial statements for the year ended December 31, 2018. The Holding Company foreign currency based revenue streams are approximately 47% of total revenue, hence there was a significant impact of PKR depreciation on the Holding Company's revenues. The Holding Company operates to a number of foreign destinations across the world hence a major denomination of expenses is in different foreign currencies, therefore devaluation in functional currency value also had a significant impact on the Holding Company expenses in financial statements. In addition to this, a major portion of our loans are in foreign currencies, devaluation of Pak Rupee has increased the overall liability of outstanding loans by a significant amount.

Lease of Aircraft

During the year ended December 31, 2018 two B777 aircrafts AP-BHV and AP-BHW acquired in year 2006 and 2007 respectively were reclassified from aircraft under finance lease to owned aircraft after completion of loan repayment.

Major Financing

During the year, the Company has obtained fresh financing of PKR 78.1 billion which includes PKR 20 billion, PKR 10 billion, PKR 11.5 billion, PKR 4 billion, PKR 16.6 billion and PKR 15.9 billion from JS Bank Limited, Faysal Bank Limited, Bank Islami Pakistan Limited, Askari Bank Limited, Nacr Bank and Credit Suisse respectively.

Change in treatment of surplus as per Companies Act, 2017

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Therefore, in accordance with the requirements of IAS 16, "Property, Plant and Equipment" surplus on revaluation of fixed assets would now be presented in shareholders' equity. This change in Accounting policy has been accounted for retrospectively as detailed in note 6 to consolidated financial statements.

Owing to this change, surplus on revaluation of property, plant and equipment has been increased by PKR 16,388.026 million and accumulated loss has also been increased by PKR 16,388.026 million.

Revaluation of airfleet

The Group has revalued its aircraft fleet as on December 31, 2018. Resultantly, a surplus on revaluation of Rs. 9,252 billion has been incorporated.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Group. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

3.2 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.

3.3 Functional and presentation currency

Items included in the consolidated financial statements relating to each entity of the group are measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company functional and presentation currency.

The US Dollar amounts reported in the consolidated statement of financial position, consolidated statement of profit or loss, 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. 138.9241 = US\$ 1 (2017: Rs. 110.5274 = US\$ 1).

3.4 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, 2018.

3.4.1 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 acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree 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 statement of profit or 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 statement of profit or loss and within equity in the consolidated statement of financial position, 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.

3.4.2 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 in 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 statement of profit or loss. 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 statement of profit or loss.

3.5 New standards, amendments to approved accounting standards and new interpretation to existing standards that are effective for the year ended December 31, 2018.

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2018 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.

3.6 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 Company

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

3.6.1 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'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. The amendments are not likely to have an impact on the Company's consolidated financial statements.

3.6.2 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: amortised cost, fair value through OCI and fair value through profit or loss. 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 or 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 or loss. The Group is currently evaluating its impact on the consolidated financial statements.

3.6.3 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 Group is currently evaluating its impact on the consolidated financial statements.

- 3.6.4** These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments currently does not have any significant impact on the Group's financial statements. In addition to the foregoing, the Companies Act, 2017 which is effective on these financial statements has added certain disclosures which have been included. The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2017 are considered not to be relevant or to have any significant effect on the Group financial reporting and operations.
- 3.6.5** 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.
- 3.6.6** IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 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.
- 3.6.7** IFRIC 22 'Foreign currency transactions and advance consideration' (effective from accounting period beginning on or after January 1, 2018) clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The interpretation is not expected to have a significant impact on the Group's financial reporting.
- 3.6.8** 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.
- 3.6.9** 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,

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

Standards

IFRS 14 – Regulatory Deferral Accounts
IFRS 17 – Insurance Contracts

January 01, 2016
January 01, 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.

- 12.3.1** Up to December 31, 2012, PIAL was claiming an aggregate amount of US\$ 733,260 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 1988 in terms 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 62.5% 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 66 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 structure. 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 66 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.

- 12.4** 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:

		2018	2017
	Note	----- (Rupees in '000) -----	
Cost of services - others	33	1,608	1,608
12.5 Movement in Exposure fee to support financing			
Balance at beginning of the year		174,775	363,840
Additions during the year		-	59,829
Amortised during the year	38	(135,606)	(248,894)
Balance at end of the year		39,169	174,775

- 12.5.1** 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.

13. STORES AND SPARES	Note	2018	2017
		----- (Rupees in '000) -----	
Stores		1,378,658	875,227
Spare parts		7,843,577	7,341,712
Inventory held for disposal - adjusted to net realisable value		252,859	252,859
		<u>9,475,093</u>	<u>8,469,798</u>
Provision for slow moving and obsolete spares	13.1	(5,444,206)	(5,331,795)
		<u>4,030,887</u>	<u>3,138,003</u>

13.1 Movement in provision is as follows:

Balance at the beginning of the year		5,331,795	5,135,789
Provision for the year	36	112,411	196,006
Balance at the end of the year		<u>5,444,206</u>	<u>5,331,795</u>

14. TRADE DEBTS

Considered good			
Due from Government	14.1	2,455,722	2,696,500
Due from other customers	14.2	14,655,190	9,094,503
		<u>17,110,912</u>	<u>11,791,003</u>
Considered doubtful			
Government related	14.1	337,109	10,050
Other customers	14.2	2,557,916	2,686,450
Less: provision for doubtful debts	14.3	(2,895,025)	(2,696,500)
		<u>17,110,912</u>	<u>11,791,003</u>

14.1 The ageing analysis of these trade debts are as follows:

	2018			2017		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
----- (Rupees in '000) -----						
Within current year	1,661,006	-	1,661,006	582,753	-	582,753
1 year old	140,181	325,457	465,638	626,661	-	626,661
2 years old	260,638	-	260,638	221,159	-	221,159
Over 3 years old	393,897	11,652	405,549	1,265,927	10,050	1,275,977
	<u>2,455,722</u>	<u>337,109</u>	<u>2,792,831</u>	<u>2,696,500</u>	<u>10,050</u>	<u>2,706,550</u>

14.2 The aging analysis of trade debts of other customers is as follows:

	2018			2017		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
	(Rupees in '000)					
Within current year	13,745,966	357,882	14,103,848	8,520,485	1,076,720	9,597,205
1 year old	56,306	680,506	736,812	198,467	861,539	1,060,006
2 years old	453,350	730,174	1,183,524	120,560	123,815	244,375
Over 3 years old	399,568	789,354	1,188,922	254,991	624,376	879,367
	<u>14,655,190</u>	<u>2,557,916</u>	<u>17,213,106</u>	<u>9,094,503</u>	<u>2,686,450</u>	<u>11,780,953</u>

14.3 Movement in provision is as follows:

	Note	2018 ----- (Rupees in '000) -----	2017
Balance at beginning of the year		2,696,500	2,395,054
Write off during the year		(1,363)	(2,193)
Translation adjustment		1,020	3,639
Provision for the year	36	198,868	300,000
Balance at end of the year		<u>2,895,025</u>	<u>2,696,500</u>

14.4 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.

15. SHORT-TERM LOANS AND ADVANCES

	Note	2018 ----- (Rupees in '000) -----	2017
Considered good			
Loans - unsecured			
Current maturity of long-term loans - employees	11	640	791
Others			
Employees	15.1	303,139	149,304
Fuel suppliers		738,244	602,142
Engineering related supplier	15.2	716,041	716,041
Other suppliers		834,218	1,173,840
		<u>2,591,642</u>	<u>2,641,327</u>
Considered doubtful			
Employees		102,890	102,890
Other Suppliers		820,580	809,268
		<u>923,470</u>	<u>912,158</u>
Provision for doubtful advances	15.3	(923,470)	(912,158)
		<u>2,592,282</u>	<u>2,642,118</u>

- 15.1 This includes advance of Rs. 4,263 million (2017: Rs. 7,377 million) paid to key management personnel.
- 15.2 This represents advance paid to M/s. Stella Aerospace-France and Jamco Aero Design and Engineering PTE Ltd-US amounting EUR 5,331,600 and USD 929,000, respectively, on account of seating and inflight entertainment system to be installed in Boeing 777.

		2018	2017
	Note	----- (Rupees in '000) -----	
15.3 Movement in provision is as follows:			
Balance at beginning of the year		912,158	912,158
Provision for the year	36	11,312	-
Balance at end of the year		923,470	912,158

16. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits

Considered good		1,881,401	3,809,582
Considered doubtful		48,845	46,462
Less: provision against doubtful deposits	16.1	(48,845)	(46,462)
		-	-
		1,881,401	3,809,582
Restricted Cash	16.2	1,152,419	2,449,126
Prepayments	16.3	1,109,845	943,934
		4,143,665	7,202,642

16.1 Movement in provision is as follows:

Balance at beginning of the year		46,462	46,462
Reversal of provision	36	2,383	-
Balance at end of the year		48,845	46,462

- 16.2 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.

16.3 Prepayments

Current portion of long-term prepayments	12	33,381	136,799
Real estate taxes		622,215	486,289
Commission		-	82
Rental on leased aircraft		16,398	35,940
Insurance		109,088	91,635
Rent		-	7,032
Others		328,763	186,157
		1,109,845	943,934

		2018	2017
17. OTHER RECEIVABLES	Note	----- (Rupees in '000) -----	
<i>Considered good</i>			
<i>- Related party</i>			
Claims receivable		13,719	9,084
Excise duty	31.1 (a)	100,000	100,000
Sales tax receivable	17.1	4,947,540	4,954,893
<i>- other than related party</i>			
Rental income	17.2	242,640	190,534
lessor	17.3	1,512,013	720,817
Others	17.4	1,666,524	936,377
		8,482,436	6,911,705
<i>Considered doubtful</i>		334,807	272,909
Less: provision for doubtful other receivables	17.5	(334,807)	(272,909)
		8,482,436	6,911,705

- 17.1 This represents sales tax refundable aggregating Rs. 4,745.637 million (2017: 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 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.

- 17.2 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	674,694	479,077
Later than 1 year but not later than 5 years	2,023,006	1,652,609
Later than 5 years	919,931	971,387
	<u>3,617,630</u>	<u>3,103,073</u>

- 17.3 This represents receivable from lessor in respect of overhauling incurred by the Company on aircrafts under operating lease as per lease agreement.

- 17.4 This includes balance of Rs. 17.582 million (2017: Rs. 17.582 million) receivable from certain parties against which cheques have been received but not encashed at the year end and subsequently

		2018	2017
		----- (Rupees in '000) -----	
17.5	Movement in provision is as follows:		
	Balance at beginning of the year	272,909	216,756
	Provision for the year	61,898	56,153
	Balance at end of the year	334,807	272,909

18. SHORT-TERM INVESTMENT

Available for sale - unquoted

SITA Inc., N.V., 325,491 (2016: 325,491)

Ordinary shares

18.1	19,220	19,220
	19,220	19,220

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

19. CASH AND BANK BALANCES

In hand		32,032	34,966
In transit		11,328	24,343
		43,360	59,309
With banks:			
- in current accounts	19.1, 19.4 & 19.6	1,540,598	4,464,330
- in deposit accounts	19.2, 19.3 & 19.5	4,981,014	5,261,903
		6,521,612	9,726,233
		6,564,972	9,786,542

- 19.1 This has been adjusted by an aggregate amount of Rs. 3,290.876 million (2017 Rs. 1,359.668 million), representing book overdrafts.
- 19.2 These carry interest ranging from 0.1% to 7.5% (2017: 0.1% to 7.5%) per annum.
- 19.3 This has been adjusted by an aggregate amount of Rs. Nil (2017: Rs. 38.738 million), representing book overdrafts.
- 19.4 This includes restricted balances amounting to Rs. Nil (2017: Rs. 432.414 million).
- 19.5 This includes a bank balance of BDT 678.976 million (Rs. 1,145,167 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.
- 19.6 This includes book overdraft balance of Rs. 219,259 million and book balance of Rs. 304,635 million reflecting the balances held in banks at Gawadar, Panjgur, Turbat and Oslo. Bank reconciliation statements of balances held at banks on these stations have not been prepared due to inability to retrieve records because of political reasons or other inherent limitations. However, the net exposure (i.e. the difference between the bank balance & ledger balance) of balances held with these banks is not material in the overall context of these unconsolidated financial statements.

20. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2018	2017		2018	2017
(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
		Issued for consideration other than cash - for		
931,028	931,028	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

- 20.1 At December 31, 2018, the GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2017: 4,791,752,087 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively) representing 92% and 98% holding.

2018	2017	
----- (Rupees in '000) -----		
21. RESERVES		
Capital reserves		
Reserve for replacement of fixed assets	21.1	1,966,779
Capital redemption reserve fund		250,000
Others		284,259
		2,501,038
Revenue reserve		1,779,674
		4,280,712
Unrealised gain on remeasurement of investment		162,095
Foreign exchange translation reserve		5,002,184
Hedging reserve		(74,502)
Legal reserve	21.2	47,330
		5,157,107
		9,437,819
		5,703,208

- 21.1** 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.

		2018	2017
	Note	----- (Rupees in '000) -----	
21.2 Legal reserve			
Balance at beginning of the year		37,655	35,723
Translation adjustment		9,675	1,932
Balance at end of the year		47,330	37,655

- 21.2.1** This balance comprises of legal reserve of MFSA and Minhal France S.A.

22. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET

Balance at beginning of the year		107,325,294	97,973,698
Surplus arising on property, plant and equipment during the year		8,256,592	7,265,185
		115,581,886	105,238,883
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		(1,757,007)	(1,245,229)
- Surplus on revaluation of property, plant and equipment released during the year on account of aircraft retired / written off - net of tax		(667,907)	(2,760)
- Related deferred tax		(957,318)	(630,456)
Translation and other adjustments		(3,362,232)	(1,878,447)
	22.1	20,431,869	3,964,858
Less: related deferred tax liability on:		132,631,523	107,325,294
- Revaluation as at beginning of the year		31,442,378	35,936,278
- (Deficit) / surplus arising on property, plant and equipment during the year		2,246,256	1,747,418
- Incremental depreciation charged during the year on related assets transferred to consolidated profit and loss		(684,510)	(629,331)
- Surplus released during the year on account of aircraft retired / written off		(272,807)	(1,127)
- Change of tax rate		(1,687,427)	(7,223,012)
- Translation and other adjustments		6,676,156	1,611,152
		37,720,046	31,442,378
Balance at end of the year		94,911,477	75,882,916

- 22.1** 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. 2,181.149 million (2017: Rs. 2,122.977 million).

23. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	2016	2017
						(Rupees in '000)	
Secured							
Holding Company							
Long term loans - related party							
National Bank of Pakistan	23.4	Term finance	3,000 PKR	2016 - 2019	36 monthly	1,000,000	2,063,333
National Bank of Pakistan	23.2	Term finance	2,175 PKR	2018 - 2020	12 quarterly	1,631,250	2,175,000
National Bank of Pakistan	23.2	Term finance	2,825 PKR	2018 - 2021	12 quarterly	2,354,167	2,525,000
National Bank of Pakistan - Bahrain	23.2 & 23.5	Syndicate finance	120 USD	2013 - 2023	40 quarterly	14,304,551	11,822,747
Other than related party							
The Bank of Punjab	23.2	Term finance	2500 PKR	2017 - 2022	60 Monthly	2,000,000	2,500,000
The Bank of Punjab	23.2	Term finance	5,000 PKR	2016 - 2021	60 monthly	2,250,000	3,250,000
The Bank of Punjab	23.2	Term finance	5,000 PKR	2016 - 2021	60 monthly	2,583,333	3,583,333
The Bank of Punjab	23.2 & 23.12	Demand finance	35,000 PKR	2016 - 2023	84 monthly	21,322,152	25,658,848
Askari Bank Limited	23.2	Term finance	3,000 PKR	2017 - 2019	36 monthly	1,000,000	2,000,000
Al Baraka Bank (Pakistan) Limited	23.2 & 23.11	Islamic term finance	4,500 PKR	2018 - 2021	36 monthly	4,125,000	4,500,000
BankIslami Pakistan Limited	23.2 & 23.16	Islamic term finance	1,500 PKR	2019 - 2021	8 quarterly	-	1,500,000
Faysal Bank Limited	23.2	Term finance	2,000 PKR	2015 - 2018	12 quarterly	-	333,333
Faysal Bank Limited	23.2	Term finance	2,000 PKR	2016 - 2019	12 quarterly	166,667	633,333
Faysal Bank Limited	23.2	Islamic term finance	1,000 PKR	2017 - 2019	12 quarterly	333,333	666,667
United Bank Limited	23.2	Term finance	4,000 PKR	2017 - 2020	14 quarterly	2,285,714	3,428,571
United Bank Limited	23.2	Term finance	5,000 PKR	2015 - 2020	54 monthly	1,481,481	2,592,592
Abu Dhabi Islamic Bank	23.6	Islamic term finance	1,600 PKR	2016 - 2021	54 monthly	638,889	972,222
Citibank, N.A.	23.7	Term finance	70.7 USD	2016 - 2019	4 half yearly	529,652	2,309,824
Citibank, Mashreq	23.6 & 23.16	Term finance	64.2 USD	2016 - 2018	8 quarterly	-	390,243
Standard Chartered Bank (Pakistan) Limited	23.9	Syndicate Finance	120 USD	2016 - 2018	32 monthly	-	4,144,776
United Bank Limited	23.10	Syndicate finance	180 USD	2017 - 2021	39 Monthly	13,892,410	16,164,021
JS Bank	23.2 & 23.12	Term finance	130 USD	2017 - 2019	33 monthly	6,020,044	10,014,452
Faysal Bank Limited	23.2	Term finance	15000 PKR	2017-2023	66 Monthly	11,590,909	14,318,181
Sonari Bank Limited	23.2 & 23.12	Term finance	4000 PKR	2019 - 2022	36 Monthly	4,000,000	4,000,000
Al Baraka Bank (Pakistan) Limited	23.2 & 23.13	Term finance	5000 PKR	2019 - 2022	36 Monthly	5,000,000	5,000,000
Askari Bank Limited	23.2	Term finance	2500 PKR	2020 - 2022	36 Monthly	2,500,000	2,500,000
JS Bank Limited	23.2 & 23.12	Term finance	6000 PKR	2020 - 2022	36 Monthly	6,000,000	6,000,000
Faysal Bank Limited	23.2	Term finance	PKR 20000	2020-2024	48 Monthly	20,000,000	-
Faysal Bank Limited	23.2	Term finance	PKR 5000	2020-2023	36 Monthly	5,000,000	-
BankIslami Pakistan Limited	23.14	Term finance	PKR 5000	2020-2023	36 Monthly	5,000,000	-
Askari Bank Limited	23.2	Term finance	PKR 11500	2019-2023	48 Monthly	11,500,000	-
Noor Bank	23.15	Term finance	PKR 10000	2021-2023	36 Monthly	4,000,000	-
Credit Suisse	23.2	Term finance	USD 120	2019-2021	36 Monthly	16,670,892	-
		Term finance	USD 115 M	2019-2021	24 Monthly	16,976,274	-
RAE							
Wells Fargo Bank, N.A.	23.19	Loan	140 USD	2011 - 2015	Variable	14,416,120	15,428,798
BRED Bank	23.20	Loan	35,495 USD	2016-2022	Variable	1,402,761	-
Others - unsecured related party							
Long-term loan - GOP	23.18	Term finance	6000 PKR	2011 - 2020	16 half-yearly	8,000,000	8,000,000
Loan from GOP against Markup	23.17	Term Finance	PKR 6016			6,016,868	-
Current maturity shown Under current liabilities						214,992,167	156,985,276
						(50,430,292)	(56,742,358)
						164,561,875	102,242,918

- 23.1** Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2017: 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 (2017: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US\$ comprise of 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).
- 23.2** The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.
- 23.3** 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 Mustahak Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 23.4** 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. 63,333 million due as of December 31, 2017 has been paid by the Company during the extended period on January, 2019.
- 23.5** The following are the participating banks in this syndicated finance facility:
- National Bank of Pakistan (NBP) - Bahrain; and
 - Habb Bank Limited (HBL)
- 23.6** The finance is secured against ICIEC / GoP guarantee for loans outstanding at any given point of time:
- European Credit Agencies / GoP Guarantee.
- 23.7** The finance is secured against EXIM Bank / GoP guarantee for loan outstanding at any given point of time.
- 23.8** The finance is secured by way of collection routed through the offshore bank account maintained with Citi Mashreq.
- 23.9** The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:
- Standard Chartered Bank - United Kingdom
 - Mashreqbank 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.
- 23.10** 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.
- 23.11** 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.
- 23.12** The finance is secured by way of lien over IATA routed sales of the Holding Company, receivable or assignment.
- 23.13** The finance is secured by way of hypothecation of Boeing 777-200 ER aircraft.

- 23.14** The finance is secured by way of lien over Musharakah Asset amounting to Rs. 11,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 23.15** The finance is secured by way of collection routed through the offshore bank account maintained with Emirates NBD Bank.
- 23.16** During the current year, the company has made an early repayment of the drawdown amount of the facility without any additional charges pertaining to early repayments as per the terms of the agreement.
- 23.17** In a meeting with Honourable Prime Minister of Pakistan dated 30th Dec. 2017, markup support would be provided for the five years starting from July 2018 in this regard GoP has started releasing markup, first disbursement was made on 26 Oct. 2018 and subsequently on monthly basis. The loan amount represents the outstanding at any given point of time.
- 23.18** The 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, 2018 is Rs 7,062.50 million (Rs.6,062.50 million) and Rs. 7,500 million (Rs. 6,700 million), respectively. The over due principal amount is included in current maturity.
- 23.19** On May 09, 2014, 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). This loan was to be matured on May 09, 2018 and as secured by amongst other things RHC's property and equipment and required payments of interest only at the annual rate of LIBOR plus 2.40%. (2017: 3.65%). 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.

On April 09, 2018, RHC refinanced its existing loan with Wells Fargo Bank N.A. (Wells Fargo) and entered into a new loan agreement with JP Morgan Chase in the amount of US \$ 105 million. The proceeds of the loan were used to partially repay the US \$ 140 million loan payable. The repayment of the remaining balance was funded by RHC's cash in banks and collection of the outstanding note receivable from the partner. The loan has the maturity date of April 09, 2020, with separate extension options for two one year periods at the option of RHC, subject to the satisfaction of the extension conditions as defined.

The loan is secured by, among other things, RHC Operating LLC's property and equipment and requires payments of interest only at the monthly rate of LIBOR plus 3.90% (6.36% at 31 December 2018). The loan agreement contains covenants that must be adhered to which includes, among other things the maintenance of cash in escrow reserved towards payment of interest, real estate taxes and insurance. The loan covenants are effective beginning on the loan's first anniversary. At December 31, 2018, although not required RHC Operating LLC was in compliance with all of its loan covenants.

RHC Operating LLC entered into an interest rate cap agreement on its loan with the intent to manage interest rate exposure. This interest rate cap agreement, with an aggregate notional amount of \$105,000,000, expires on 9 April 2020, which caps the variable rate portion of the debt at a rate of 3.50% per annum. The cost of the interest rate cap was \$90,000. The Group considers the risk of non-performance on this agreement to be remote. Management has determined the cost of this derivative as of 31 December 2018 approximates its fair value.

- 23.20** During the year a loan facility was obtained by Minhal France SA amounting to Euro 31,000,000 (US\$ 35,495,000) from BRED Bank. The loan bears interest at a variable rate indexed on the three month Euribor plus 1.5%. The loan is obtained for renovation purpose of Scribe Hotel.

Minhal France SA entered into a cash flow hedge which covers the same notional amount and period as of this loan at a cost of Euro 1,037,940 (US\$ 1,188,441) whereby the Euribor portion of the interest rate was capped at 0.5%.

The amount is loaned to Minhal France SA by a pool of Banks comprising BRED Banque Populaire (50%) and Credit Fancier de France (50%). The amount shown on the balance sheet is the amount of drawdown capital.

Capital outstanding on the above-mentioned borrowings falls due as follows:

- within one year: none
- after more than one year and within five years: Euro 9,441,877 (US\$ 10,810,949)
- after more than five years: none

The loan is secured by:

- Mortgage on the building located on 1 rue Scribe for a total amount of Euro 15,500,000 (US \$ 17,747,500) plus 7% related to associated costs, until 2029.

- Pledge on MFSA's goodwill 'Fonds de Commerce' for a total amount of Euro 34, 100,000 (US\$ 39,044,500) included in fair value of assets, corresponding to 110% of the amount of the loan.

- A Daily sale pursuant to Article 313-23 of the French Monetary and Financial Code of all current and future rentals and amounts due to MFSA under the lease agreements with GAP, Eric Bompard, Goffino and Moje and any sums due to MFSA in the future.

- A Daily sale pursuant to article 313-23 of the French Monetary and Financial Code of all current and future receivables from MFSA on its debtors.

- A delegation of all indemnities to be received under the insurance policy of the building subscribed with the Company Schubb European Group Limited.

- A pledge of the Minhal BV Securities Account covering 100% of the shares it holds in the capital of MFSA (the Pledge of the Securities Account).

- Cash flow hedge at a cost of Euro 1,037,000 (US\$ 1, 187,000) with a quarterly payment during the same period as the loan.

24. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up	2018	2017
							----- (Rupees in '000) -----
Secured							
- other than related party							
Term finance certificates (TFC)	24.1	GoP Guarantee	2014 - 2020	16 quarterly	6 month KIBOR + 1.25%	14,271,753	20,544,007
Sukuk certificates	24.2	GoP Guarantee	October 20, 2019	8 bullet	6 month KIBOR + 1.75%	6,800,000	6,800,000
						21,071,753	27,344,007
						(19,017,352)	(10,272,000)
						2,054,401	17,072,007

24.1 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. 4,347 Million due on August 2018 and November 20, 2018 and interest amounting to Rs. 366.415 million due on Nov. 20, 2018 have been paid by the Company during the subsequent period.

24.2 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 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 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 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 was required to pay the entire principal on October 20, 2019. The markup rate and security remained unchanged. The Ministry of Finance had approved the restructuring and new agreement was signed on June 30, 2016. Subsequent to the year end, the Holding Company did not pay the required amount on due date. However, the Holding Company has entered into an agreement with a commercial bank to obtain financing in order to service the overdue amount of Sukuk, the approval of which has been provided by Government of Pakistan vide their letter dated September 9, 2019.

		2018	2017
25.	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	----- (Rupees in '000) -----
	Present value of minimum lease payments		
	B-777-300 ER	25.3	2,099,119
	Technical ground equipments	25.4	262,399
			2,361,518
	Less: current maturity		(2,188,748)
			172,770
			1,781,163

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

	2018			2017		
	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	2,259,776	71,029	2,188,747	4,524,775	178,098	4,346,677
Later than one year but not later than five years	197,679	24,908	172,771	1,828,456	47,293	1,781,163
	2,457,455	95,937	2,361,518	6,353,231	225,391	6,127,840

25.1.1 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 25.2, 25.3 and 25.4 to these consolidated financial statements. The resulting difference between both in the current year is Rs. 12.387 million (2017: Rs. 106.851 million).

25.2 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. Security deposit has been released during the month of Aug. 2018. The salient features of the lease are as follows:

	2018	2017
Discount rate - aircraft and propulsor	Three months LIBOR - 0.02%	Three months LIBOR - 0.02%
Lease period - aircraft	144 months	144 months
Lease period - propulsor	96 months	96 months
Security deposits (Rupees in '000)	-	846,178

25.3 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:

	2018	2017
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)	2,137,514	1,700,597

25.4 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 Holding Company has utilised the LC balance of Rs. 372.726 million and converted it into finance lease.

25.5 The Company has an option to acquire the ownership of the aircraft and engines mentioned in notes 25.2 to 25.4 to these consolidated financial statements, at the end of lease term.

26. DEFERRED TAXATION	Note	2018	2017
		----- (Rupees in '000) -----	
Roosevelt Hotel Corporation N.V.	26.1	24,707,692	19,556,166
Minhal France S.A.	26.2	9,163,412	9,277,397
The Holding Company	26.3	-	-
		<u>33,871,104</u>	<u>28,833,563</u>

The components of the net deferred tax liability are as follows:

26.1 Roosevelt Hotel Corporation N.V.

Revaluation of hotel property	24,851,359	19,617,054
Excess of tax over book value over tax depreciation	560,133	396,731
Net operating losses	(410,857)	(340,230)
Interest	(178,483)	-
Allowance for doubtful debts	(688)	(1,051)
Accrued vacation	(113,542)	(116,338)
	<u>24,707,922</u>	<u>19,556,166</u>

26.1.1 On 22 December 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 01 January 2018, and on a prospective basis, starting with the year ending 31 December 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 31 December 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 31 December 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 31 December 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 consolidated statement of profit or loss for the year ended December 31, 2018. 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, 2018 that has been recognized directly in other comprehensive income.

26.2 Minhal France S.A.

Revaluation of hotel property	7,270,497	7,075,683
Excess of tax over book value over tax depreciation	1,942,082	1,873,528
Provision for major repairs	18,850	22,307
Employees pension plan	(41,264)	(25,902)
Derivative Cap	(26,753)	-
	<u>9,163,412</u>	<u>8,945,616</u>

26.3 Holding Company

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

Deferred tax credits:

Accelerated tax depreciation

15,161,283 15,374,443

Surplus on revaluation of property, plant and equipment

6,325,473 5,457,031

21,486,756 20,831,474

Deferred tax debits:

Unused tax losses

(12,176,836) (12,323,654)

Provisions for liabilities and to write down other assets

(9,309,920) (8,507,820)

(21,486,756) (20,831,474)

+ -

26.3.1 In accordance with the accounting policy of the Holding Company, deferred tax asset of Rs. 98,772,903 million (2017: Rs. 78,099,133 million) has not been recognised in these unconsolidated financial statements due to uncertainty in availability of sufficient future taxable profits. It includes Rs. 51.56 billion (2017: 36.14 billion) and Rs. 46.91 billion (2017: 44.74 billion) pertaining to unused tax losses and unabsorbed depreciation respectively.

26.4 Movement in temporary differences during the year

	Balance as of January 01, 2017	Recognised in consolidated statement of profit or loss (Note 26.4.1)	Translation and other adjustments	Recognised in consolidated statement of comprehensive income (Note 26.4.1)	Balance as of December 31, 2017	Recognised in consolidated profit and loss	Translation and other adjustments	Recognised in consolidated statement of comprehensive income (Note 26.4.1)	Balance as of December 31, 2018
(Rupees in '000)									
----- Restated -----									
Deferred tax credits:									
Accelerated tax depreciation	17,675,133	169,627	392,011	-	18,237,171	(792,302)	479,510	-	17,924,379
Surplus on revaluation of operating fixed assets	35,990,432	(613,514)	2,213,884	(5,998,875)	31,581,927	(944,588)	6,711,876	529,840	37,869,051
Provision for major repairs	18,600	-	3,707	-	22,307	(7,309)	3,652	-	18,650
	53,684,165	(443,887)	2,610,102	(5,998,875)	49,851,490	(1,743,999)	7,195,038	529,840	55,832,260
Deferred tax debits:									
Unused tax losses	(10,378,693)	(1,924,961)	-	-	(12,323,654)	145,817	-	-	(12,176,836)
Provisions for liabilities and to write down other assets	(9,532,428)	1,409,944	(10,522)	(220,949)	(8,363,955)	(464,890)	(32,763)	(316,457)	(9,168,255)
Net operating losses	(248,217)	(82,917)	(17,095)	-	(348,229)	15,072	(89,499)	-	(410,652)
Interest	-	-	-	-	-	(160,240)	(18,241)	-	(178,481)
Derivative Cap	-	-	-	-	-	-	(4,999)	(21,753)	(26,752)
	(20,171,338)	(997,933)	(27,617)	(220,949)	(21,417,835)	(463,241)	(141,860)	(338,210)	(21,961,154)
	33,512,827	(1,041,924)	2,582,485	(6,219,824)	29,833,563	(2,207,240)	7,053,178	191,630	33,671,104

26.4.1 This includes effect of change in tax rate from 30% to 29% amounting to Rs. 166,799 million.

		2018	2017
27.	DEFERRED LIABILITIES	Note	----- (Rupees in '000) -----
	Post retirement medical benefits - Holding Company	27.2	12,983,558 11,785,642
	Pension obligation - Holding Company	27.3	25,064,678 21,746,346
	Staff retirement benefits - PIAL	27.12	95,533 77,708
	Unfunded staff retirement gratuity - SRL	27.13	106,583 113,254
			<u>38,250,352</u> <u>53,722,950</u>

27.1 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 5.9 to these consolidated financial statements.

27.2 Post retirement medical benefits - Holding Company

Liability recognised in the consolidated balance sheet

Present value of defined benefit obligation	12,983,558	11,785,642
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Movement in liability during the year

Balance at beginning of the year	11,785,642	10,927,712
Expense recognised in consolidated statement of profit or loss	1,007,314	939,396
Total remeasurements recognised in consolidated other comprehensive income	1,091,231	761,893
Payments made during the year	(900,629)	(843,359)
Balance at end of the year	12,983,558	11,785,642

Expense recognised in the consolidated statement of profit or loss

Current service cost	72,150	98,913
Interest cost	935,164	840,483
	<u>1,007,314</u>	<u>939,396</u>

Total remeasurements recognised in consolidated statement of comprehensive income

Actuarial loss on liability arising on		
- financial assumptions	672,693	32,422
- experience adjustments	418,538	729,471
	<u>1,091,231</u>	<u>761,893</u>

27.3 Pension obligation - Holding Company

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
(Rupees in '000)								
Liability / (asset) recognised								
Present value of defined benefit obligation	2,199,526	2,263,950	457,997	457,055	28,639,379	27,162,805	31,296,902	29,903,810
Fair value of plan assets	(1,571,976)	(1,633,468)	(945,278)	(963,654)	(3,714,973)	(3,540,343)	(6,232,224)	(5,157,465)
	627,550	630,482	(487,278)	(506,599)	24,924,406	23,622,463	25,064,678	24,746,345
Movement in liability / (asset) during the year								
Opening liability / (asset)	630,482	867,031	(506,599)	(530,175)	21,622,463	19,702,375	21,746,346	19,031,228
Expense recognised in profit or loss	82,407	116,559	(41,794)	(42,415)	2,472,116	2,483,045	2,512,729	2,557,218
Total remeasurements recognised in other comprehensive income / (loss)	(85,339)	(347,138)	61,115	65,592	829,827	637,043	806,603	155,699
Closing liability / (asset)	627,550	630,482	(487,278)	(506,599)	24,924,406	23,622,463	25,064,678	24,746,345
Movement in the defined benefit obligation								
Obligation at beginning of the year	2,263,950	2,554,113	457,055	405,817	27,162,805	26,092,541	29,903,810	27,102,571
Current service cost	30,392	34,549	-	-	686,263	654,079	716,655	695,624
Past service cost	-	12,158	-	-	-	332,776	-	345,934
Interest cost	176,235	196,678	36,128	34,626	2,152,028	1,997,561	2,367,191	2,229,365
Benefits paid	(247,269)	(191,266)	(38,285)	(41,176)	(2,135,851)	(2,238,558)	(2,421,195)	(2,471,810)
Remeasurement due to:								
- Actuarial losses from changes in financial assumptions	(2,737)	12,246	21,390	1,131	1,047,400	362,877	1,066,563	396,254
- Experience adjustments	(43,255)	(135,528)	(16,291)	6,357	(275,066)	(56,761)	(337,612)	(387,932)
Obligation at end of the year	2,199,526	2,263,950	457,997	457,055	28,639,379	27,162,805	31,296,902	29,903,810
Movement in fair value of plan assets								
Fair value at beginning of the year	1,653,468	1,493,082	963,654	585,095	6,540,343	7,350,167	6,157,465	10,069,544
Interest income	126,220	127,796	77,922	77,241	346,974	501,571	673,116	706,708
Employer contributions	-	-	-	-	-	-	-	-
Benefits paid	(247,009)	(191,266)	(38,285)	(41,176)	(2,135,851)	(2,238,558)	(2,421,195)	(2,471,810)
Return on plan assets excluding amount included in interest income	39,347	23,556	56,016	55,506	58,493	112,927	77,162	147,377
Fair value at end of the year	1,571,976	1,633,468	945,275	963,654	3,714,973	3,540,343	6,232,224	8,157,465
Expense recognised in consolidated profit or loss								
Current service cost	30,392	34,549	-	-	686,263	654,079	716,655	695,624
Past service cost	-	12,158	-	-	-	332,776	-	345,934
Net interest expense / (income)	52,015	68,852	(41,794)	(42,415)	1,785,853	1,695,100	1,786,874	1,522,656
	82,407	116,559	(41,794)	(42,415)	2,472,116	2,483,045	2,512,729	2,557,218
Total remeasurements recognised in statement of comprehensive income								
Remeasurement on obligation arising on:								
- financial assumptions	(2,737)	12,246	21,390	1,131	1,047,400	362,877	1,066,563	396,254
- experience adjustments	(43,255)	(135,528)	(16,291)	6,357	(275,066)	(56,761)	(337,612)	(387,932)
	(45,992)	(123,282)	5,099	7,488	772,334	306,116	728,951	6,322
Return on plan assets excluding amount included in interest income	39,347	23,556	56,016	55,506	58,493	112,927	77,162	147,377
	(5,339)	(147,138)	61,115	65,592	829,827	637,043	806,603	155,699
The plan assets comprise of:								
Debt instruments	1%	1%	0%	0%	1%	1%	1%	1%
Others including cash and cash equivalents	99%	99%	100%	100%	99%	99%	99%	99%
	100%	100%	100%	100%	100%	100%	100%	100%
Actual return on plan assets	165,567	151,652	19,906	18,735	310,481	308,704	495,954	559,101

- 27.4** Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 28.2) were carried out at December 31, 2018. The valuations have been carried out using Projected Unit Credit method and the following significant assumptions:

	2018	2017
	----- (Percentage) -----	
Valuation discount rate	13.25%	8.25%
Salary increase rate	12.25%	7.25%
Pension indexation rate	6.75%	1.75%
Medical inflation rate	7.00%	2.00%
Mortality table	Adjusted SLIC 2001-2005 with one year age set back	

- 27.5** Number of employees covered by the various scheme are as follows:

	2018	2017
	(Number)	
Pension scheme		
Active employees	12,196	12,993
Beneficiaries	19,400	22,178
Post retirement medical benefit scheme	19,400	22,178

27.6 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%	(149,664)	172,284	(28,934)	32,762	(2,368,440)	2,791,615
Salary increase rate	1%	no change	no change	no change	no change	1,057,299	(954,006)
Pension indexation rate	1%	174,485	(153,598)	37,108	(33,087)	1,896,486	(1,656,545)

		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%	(1,057,749)	1,245,176	(484,404)	548,816
Salary increase rate	1%	no change	no change	445,604	(694,320)
Medical inflation rate	1%	1,161,574	(1,020,778)	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.

27.7 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.

27.8 The fair value of plan assets of pension funds includes investment in the Holding Company's shares, amounting to Rs. 2,890 million (2017: Rs. 2,281 million).

27.9 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

27.10 The expected pension and medical expense for the next one year from January 01, 2019 amounts to Rs. 3,935,276 million and Rs. 1,814,530 million, respectively. The expected amount of Pension fund is the amount which the Company will have to contribute for the next one year.

27.11 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 1,900,823 million (2017: Rs. 1,885,172 million), Rs. 985,612 million (2017: Rs. 979,053 million) and Rs. 633,608 million (2017: Rs. 629,391 million), respectively.

27.12 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 and expense recognised in consolidated statement of profit or loss amount to Rs. 324,312 million (2017: Rs. 252,529 million).

27.13 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 statement of profit or loss amount to Rs. 4.3 million (2017: Rs. 9.6 million).

		2018	2017
28. TRADE AND OTHER PAYABLES	Note	(Rupees in '000)	
Trade creditors			
Goods	28.1	19,167,119	19,653,399
Services		11,895,065	9,140,782
Airport related charges		32,329,376	26,755,234
		<u>63,391,560</u>	<u>55,549,415</u>
Other liabilities			
Accrued liabilities		7,429,805	5,527,494
Advance against transportation (unearned revenue)		13,150,950	9,319,302
Obligation for compensated absences - Holding Company	28.2	7,367,021	6,146,468
Unredeemed frequent flyer liabilities	28.3	649,360	623,527
Advance from customers		1,032,339	852,517
Amount due to associated undertaking	28.4	333,314	161,653
Advances and deposits		239,965	164,736
Earnest money		838	3,406
Payable to Holding Company's employees' provident fund	28.5	11,514,485	10,997,823
Collection on behalf of others	28.6	46,035,290	36,586,870
Customs, federal excise duty and sales tax		2,580,447	2,608,207
Federal excise duty - International travel		9,959,757	9,612,369
Income tax deducted at source		2,078,018	1,282,112
Sales tax payable		1,010	4,867
Bed tax		1,162	1,161
Payable to EOBI / SESSI		650	555
Short-term deposits		618,856	570,781
Others	28.7	1,343,708	980,961
		<u>167,728,555</u>	<u>140,994,244</u>

28.1 This includes an amount of Rs.15,125,210 million payable to Pakistan State Oil Company Limited (PSO) by Holding Company. There is a difference between the two entities over the application of the payments made by the Holding Company. The Holding Company is making all payments against the fuel invoices, late payment surcharge (LPS), though accrued as per agreement, would be paid at a later stage. Contrarily, PSO applies a portion of payments against late payment surcharge (LPS).

28.2 Obligation for compensated absences - Holding Company

Liability recognised in the consolidated statement of financial position

Balance at beginning of the year		6,146,468	6,443,331
Expense recognised during the year	28.2.2	1,229,178	(231,180)
Benefits paid during the year		(8,625)	(65,683)
Balance at end of the year		<u>7,367,021</u>	<u>6,146,468</u>

- 28.2.1** Number of employees covered by the compensated absences are 12,249 (2017: 12,993). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 27.4, 27.6 and 27.9 respectively to these consolidated financial statements.
- 28.2.2** The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 884.324 million (2017: Rs. (156.16) million), Rs. 148.461 million (2017: Rs. (31.135) million) and Rs. 196.394 million (2017: Rs. (43.885) million) respectively.
- 28.3** The liability for frequent flyer programme is based on the valuation carried out by an independent professional valuer. Significant assumptions include:
- ticket inflation rate at the rate of 13.25% (2017: 8%);
 - discount rate at the rate of 13.25% (2017: 8%);
 - expiry of unvalued 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.
- 28.4** This represents amount payable to Minhal Incorporated by PIAL.
- 28.5** 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 18 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.
- 28.6** This includes taxes payable at foreign stations and amount payable to PCAA relating to embarkation, security and infrastructure charges.
- 28.7** This represents balance payable to various vendors against which cheques have been issued but not encashed as at December 31, 2018 and subsequently.

		2018	2017
	Note	----- (Rupees in '000) -----	
29. ACCRUED INTEREST			
Mark-up / profit payable on:			
- long-term financing	29.1	8,776,025	7,487,462
- Mark-up reimbursement loan from GoP		73,376	-
- term finance certificates	29.2	510,513	1,087,768
- sukuk certificates	29.3	156,128	107,712
- liabilities against assets subject to finance lease		1,064	36
- short-term borrowings	29.4	593,272	647,096
- provident fund		5,714,039	4,854,960
		<u>15,824,417</u>	<u>14,185,034</u>
29.1	It includes Rs. 225,225 million and Rs. 7,500 million due to National Bank of Pakistan and Government of Pakistan respectively.		
29.2	It includes Rs. 244,225 million due to National Bank of Pakistan.		
29.3	It includes Rs. 16,646 million due to National Bank of Pakistan.		
29.4	It includes Rs. 499,105 million due to National Bank of Pakistan.		
30. SHORT-TERM BORROWINGS			
Short-term loans - secured	30.1	31,527,090	31,186,329
Running finance under mark-up arrangements	30.2	2,920,268	3,172,145
		<u>34,447,358</u>	<u>34,358,474</u>

30.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Expiry date	2018	2017
				---(Rupees in '000)---	
Short-term loans - Related Parties 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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	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	16-Jan-19	2,000,000	2,000,000
Short-term loans - Others					
Habib Bank Limited	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-17	1,667,090	1,326,329
				31,527,090	31,186,329

30.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (2017: spread of 1.5% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (2017: a spread of 3.5% over 3 months LIBOR).

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

30.2 Running finances under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million) (Note 28.2.2)	Expiry date	2018	2017
---(Rupees in '000)---						
Secured						
Running finance - related party						
National Bank of Pakistan	First pari passu hypothecation charge of Rs. 766.657 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	134 PKR	31-Mar-19	441,349	496,689
Running finance - others						
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	149 PKR	30-Sep-19	201,461	93,706
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	323 PKR	31-Jul-19	2,247,692	2,499,015
Un-secured						
Habib American Bank	-	1.5 USD	1.1 USD	On Demand	29,766	82,735
					2,920,268	3,172,145

30.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.0% over 1 month and 3 months KIBOR (2017: 1.5% to 2.0% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed rate borrowings carrying mark-up at the rate of 3.25% (2017: 3.25% per annum).

30.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as of December 31, 2018.

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

4. 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 judgements 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:

4.1 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 amounts 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 effect of depreciation from 'surplus on revaluation of property, plant and equipment' account to accumulated loss in equity directly.

4.2 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 of the aircraft attained up to the reporting date.

4.3 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.

4.4 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 27 to these consolidated financial statements.

4.5 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.

4.6 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.

4.7 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 statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Fixed assets

Property, plant and equipment

Operating fixed assets - owned

Lands classified as 'others' in note 7.1 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 assets 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 statement of profit or loss, 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 7.1 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 asset's residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each reporting date.

Surplus on revaluation of aircraft fleet, 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 statement of changes in equity. The revaluation reserve is not available for distribution to the Group's shareholders. 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. To the extent of the incremental 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. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in statement of comprehensive income and accumulated in equity under the heading of revaluation surplus. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in statement of profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in statement of comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss.

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 statement of profit or loss in the year the asset is derecognised.

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

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.

5.2 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 statement of profit or loss. 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 statement of profit or loss when the asset is derecognised.

5.3 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 statement of profit or loss. 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 statement of profit or loss.

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 statement of profit or loss. Impairment losses recognised as equity securities in the consolidated statement of profit or loss are not reversed subsequently.

5.4 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 utilised life of the relevant category of the aircraft attained up to the reporting date.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 Employee benefits

5.9.1 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 required contribution to the Fund is charged to these consolidated statement of profit or loss.

Pension funds

For all the permanent employees hired prior to July 1, 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 1, 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 post 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 and past service cost are recognised in consolidated statement of profit or loss and any actuarial gains / (losses) are recognised immediately in statement of comprehensive income.

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.

5.9.2 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.

5.9.3 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.

5.9.4 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.

5.9.5 Minhal 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.

5.9.6 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.

5.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated profit or loss 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 statement of profit or loss.

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 relates to the same taxable entity and the same taxation authority.

5.11 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 (unearned Revenue)' until recognised as revenue. Passenger tickets issued 12 months ago or earlier, and are not utilized for transportation, are considered as expired tickets and unearned revenue relating to these expired tickets are recognized as revenue.

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.

5.12 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.

5.13 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.

5.14 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 statement of profit or loss.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in reserves in equity to consolidated statement of profit or loss. The cumulative loss that is reclassified from equity to consolidated statement of profit or loss 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 statement of profit or loss.

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 assets recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated statement of profit or loss, 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.

5.15 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 statement of profit or loss.

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 Pakistan 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.

5.16 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.

5.17 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.

5.18 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.

5.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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.

5.20 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.

5.21 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 consolidated financial statements are authorised for issue, they are disclosed in notes to these consolidated financial statements.

6. CHANGE IN ACCOUNTING POLICY

- 6.1 The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Therefore, in accordance with the requirements of IAS 16, "Property, Plant and Equipment" surplus on revaluation of fixed assets would now be presented under shareholders' equity.

Following the application of IAS 16, the Holding Company ('the Company') policy for surplus on revaluation of property, plant and equipment stands amended as follows:

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

6.2 The effect of above stated change in Accounting policy are as follows:

(a) Effect on unconsolidated balance sheet of December 31, 2017 and earliest period presented i.e. January 01, 2017.

	December 31, 2017			January 1, 2017		
	Balance as previously reported	Effect of restatement (Note 7.2)	Balance after restatement	Balance as previously reported	Effect of restatement (Note 7.1 & 7.2)	Balance after restatement
	(Rupees in '000)					
Surplus on revaluation of property, plant and equipment-net	59,494,889	16,388,026	75,882,923	48,260,378	13,777,041	62,037,419
Accumulated losses	(344,141,430)	(16,388,026)	(360,529,456)	(296,299,540)	(13,777,041)	(310,076,581)
Equity	(284,646,541)	-	(284,646,533)	(248,039,162)	-	(248,039,162)

(b) Effect on unconsolidated profit and loss of December 31, 2017:

	As previously reported	Effect of restatement	After restatement
	(Rupees in '000)		
Other Provisions and adjustments - net	(2,096,526)	(4,438,424)	(6,534,950)
Taxation	(817,949)	1,049,300	231,351
	(2,914,475)	(3,389,124)	(6,303,599)
Effect on earnings per share			
A' class ordinary shares of Rs. 10 each	(9.12)	(0.62)	(9.74)
B' class ordinary shares of Rs. 10 each	(4.56)	(0.31)	(4.87)

		2018	2017
7. PROPERTY, PLANT AND EQUIPMENT	Note	(Rupees in '000)	
Operating fixed assets:			
- owned	7.1	187,576,953	140,027,160
- leased	7.2	13,130,398	24,510,897
		200,707,351	164,538,057
Capital work-in-progress	7.9	4,321,171	1,440,708
		205,028,522	165,978,765

7.1 Owned fixed assets

2018

	Land		Buildings on:		Hotel property	Workshops and hangars	Aircraft fleet
	Leasehold (notes 7.1.1 and 7.3)	Others (note 7.1.2)	Leasehold land (notes 7.1.1 and 7.3)	Other land	(note 7.4.4 and 7.6)		(notes 7.1.3, 7.4 and 7.6)
(Rupees in '000)							
As at December 31, 2017							
Cost or revalued amount	8,692,600	24,400	7,630,913	1,767,620	116,153,477	913,604	36,775,088
Accumulated depreciation	-	-	(5,093,263)	(1,317,691)	(18,636,409)	(829,292)	(12,096,347)
Net book value	8,692,600	24,400	2,537,650	469,929	97,317,068	84,352	24,678,741
Year ended December 31, 2018							
Opening net book value	8,692,600	24,400	2,537,650	469,929	97,317,068	84,352	24,678,741
Additions / transfers	-	-	-	1,658	316,150	-	1,352,560
Transfer from CWIP	-	-	-	-	-	-	1,054,074
	-	-	-	1,658	316,150	-	2,406,634
Revaluation	-	-	166,486	-	3,425,560	-	5,659,936
Translation adjustments	-	-	-	-	-	-	-
Cost or revalued amount	-	-	-	-	28,910,598	-	-
Accumulated depreciation	-	-	-	-	(4,770,074)	-	-
	-	-	-	-	24,140,524	-	-
Adjustments / transfer	-	-	-	-	-	-	-
Cost or revalued amount	-	-	-	-	-	-	22,441,516
Accumulated depreciation	-	-	-	-	-	-	(6,439,513)
	-	-	-	-	-	-	16,002,003
Disposals	-	-	-	-	-	-	-
Cost or revalued amount	-	-	-	-	-	-	(65,576)
Accumulated depreciation	-	-	-	-	-	-	14,041
	-	-	-	-	-	-	(51,535)
Write off / retirement	-	-	-	-	-	-	-
Cost or revalued amount	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	(450,124)	(37,676)	(1,678,516)	(10,070)	(2,619,823)
Closing net book value	8,692,600	24,400	2,254,012	433,909	123,525,686	74,282	46,075,958
As at December 31, 2018							
Cost or revalued amount	8,692,600	24,400	7,797,359	1,769,378	148,513,765	913,604	57,217,600
Accumulated depreciation	-	-	(5,543,387)	(1,355,469)	(25,205,099)	(839,322)	(21,141,642)
Net book value	8,692,600	24,400	2,254,012	433,909	123,525,686	74,282	46,075,958
Annual depreciation rate (%)	-	-	3	3	30 - 50	5	4 - 100

- 7.1.1 These represent leasehold land and buildings owned by the Holding Company that are freely transferable and can be disposed off as and when required.
- 7.1.2 Land classified as 'Others' are amenity plots licensed from Pakistan Civil Aviation Authority (PCAA). These are non-transferable as these were allotted at below market price.
- 7.1.3 During the year, the Holding Company has retired / written off / disposed off aircrafts fleet and engines having net book value of Rs. 51,538 million (2017: Rs. 232,272 million).
- 7.1.4 Aircraft fleet includes one engine (2017: one) held by a third party for overhauling purpose as at December 31, 2018. The carrying value of this engine at year end is Rs. 1,828,850 million (2017: Rs. 404,501 million).

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)									
3,217,349 (2,755,577)	1,887,580 (1,640,187)	2,547,738 (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)	199,229,115 (59,201,956)
461,772	247,393	70,841	1,648,525	242,585	5,133	636	4	3,545,530	140,027,159
461,772	247,393	70,841	1,648,525	242,585	5,133	636	4	3,545,530	140,027,159
35,611	109,475	30,410	623,092	144,225	-	-	-	135,458	2,748,039
11,877	33,765	-	-	2,658	-	-	-	-	1,102,374
48,485	142,240	30,410	623,092	146,883	-	-	-	135,458	3,851,213
-	-	-	-	-	-	-	-	-	9,751,984
-	-	3,037	2,128,665	-	-	-	-	-	31,080,299
-	-	(1,444)	(1,768,381)	-	-	-	-	-	(6,540,399)
-	-	1,593	359,784	-	-	-	-	-	24,509,900
-	-	-	-	-	-	-	-	-	22,441,516
-	-	-	-	-	-	-	-	-	(5,439,513)
-	-	-	-	-	-	-	-	-	16,002,003
(29,470)	-	(50)	(557,343)	(1,245)	-	-	-	-	(653,684)
29,381	-	50	557,264	1,245	-	-	-	-	601,781
(89)	-	-	(79)	-	-	-	-	-	(81,703)
-	-	-	-	-	-	-	-	(172,149)	(172,149)
-	-	-	-	-	-	-	-	925	925
-	-	-	-	-	-	-	-	(171,224)	(171,224)
(121,126)	(63,194)	(29,489)	(493,546)	(88,943)	(1,234)	(91)	(2)	(248,237)	(5,542,379)
369,045	326,439	73,355	2,137,774	300,525	3,895	545	2	3,261,527	187,576,953
3,236,367	2,029,620	2,621,134	10,313,480	2,259,634	20,185	6,217	2,710	7,299,581	264,958,294
(2,647,322)	(1,703,381)	(2,547,780)	(10,175,706)	(1,959,109)	(16,290)	(5,672)	(2,706)	(3,996,454)	(77,421,341)
369,045	326,439	73,355	2,137,774	300,525	3,895	545	2	3,261,527	187,576,953
10	10	10	25	15	10	10	20	4 + 100	

Owned fixed assets

2017

	Land		Buildings on:		Hotel property	Workshop and hangar	Aircraft fleet
	Leasehold (notes 7.1.1 and 7.3)	Others (note 7.1.2)	Leasehold land (notes 7.1.1 and 7.3)	Other land	(note 7.5)		(notes 7.1.3, 7.4 and 7.6)
(Rupees in '000)							
As at December 31, 2016							
Cost or revalued amount	6,897,850	24,400	2,738,329	1,787,458	108,447,248	913,604	23,205,778
Accumulated depreciation	-	-	(1,305,205)	(1,272,001)	(15,588,585)	(815,642)	(5,314,129)
Net book value	6,897,850	24,400	1,433,124	515,457	89,858,663	94,962	16,921,649
Year ended December 31, 2017							
Opening net book value	6,897,850	24,400	1,433,124	515,457	89,858,663	94,962	16,921,649
Additions / transfers	-	-	-	62	549,135	-	850,382
Revaluation							
Cost or revalued amount	1,794,749	-	1,329,942	-	-	-	(2,346,146)
Accumulated depreciation	-	-	-	-	-	-	-
	1,794,749	-	1,329,942	-	-	-	(2,346,146)
Transition adjustments							
Cost or revalued amount	-	-	-	-	10,160,888	-	-
Accumulated depreciation	-	-	-	-	(1,966,152)	-	-
	-	-	-	-	8,194,736	-	-
Adjustments / transfer							
Cost or revalued amount	-	-	(1,193)	-	-	-	16,760,592
Accumulated depreciation	-	-	(2,998)	-	-	-	(4,992,430)
	-	-	(4,178)	-	-	-	11,768,162
Deposits							
Cost or revalued amount	-	-	-	-	(3,794)	-	(277,545)
Accumulated depreciation	-	-	-	-	-	-	45,273
	-	-	-	-	(3,794)	-	(232,272)
Depreciation charge for the year	-	-	(221,241)	(40,890)	(1,281,672)	(10,410)	(1,683,033)
Closing net book value	8,692,600	24,400	2,037,650	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	1,787,450	116,153,477	913,604	37,623,061
Accumulated depreciation	-	-	(1,529,441)	(1,317,521)	(15,836,409)	(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 - 60	5	4 - 100

Equipment	Engineering equipment and tools	Vehicle	Furniture, fixtures and fittings	Computer and office automation	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / desk / stand	Casualty sports (not 12.2)	Total
(Rupees in '000)									
3,195,075 (2,681,263)	1,766,371 (1,568,720)	2,455,272 (2,455,489)	9,023,808 (7,428,771)	1,941,474 (1,795,985)	18,785 (12,205)	6,217 (5,940)	2,710 (2,703)	7,093,574 (3,421,226)	166,649,961 (44,625,714)
564,813	197,681	90,783	1,603,634	145,639	6,580	777	7	3,672,348	122,023,247
564,813	197,681	90,783	1,603,634	145,639	6,580	777	7	3,672,348	122,023,247
21,369	125,742	58,123	225,043	181,946	-	-	-	203,008	2,217,910
-	-	-	-	-	-	-	-	-	778,536
-	-	-	-	-	-	-	-	-	778,536
-	-	-	-	-	-	-	-	-	778,536
-	-	605	904,068	-	-	-	-	-	11,065,562
-	-	(243)	(718,731)	-	-	-	-	-	(2,680,126)
-	-	363	190,337	-	-	-	-	-	8,385,436
561	-	-	1,124	-	1,400	-	-	-	16,162,457
(244)	-	31	(72)	(3)	(1,609)	(50)	(1)	-	(4,997,373)
307	-	31	1,052	(3)	(209)	(50)	(1)	-	11,165,114
(647)	(7,535)	(27,269)	(34,914)	(9,422)	-	-	-	-	(361,198)
616	7,533	27,999	34,087	9,422	-	-	-	-	123,992
(54)	-	(171)	(917)	-	-	-	-	-	(237,206)
(124,684)	(79,000)	(78,288)	(370,624)	(84,895)	(1,238)	(97)	(2)	(329,916)	(4,305,885)
461,772	247,393	70,841	1,648,525	242,865	5,133	636	4	3,545,530	140,027,160
3,217,349 (2,755,577)	1,867,580 (1,640,187)	2,597,738 (2,816,897)	10,119,066 (8,470,543)	2,113,996 (1,871,411)	20,185 (15,032)	6,217 (5,881)	2,710 (2,706)	7,298,672 (3,751,122)	196,813,266 (56,486,106)
461,772	247,393	70,841	1,648,525	242,865	5,133	636	4	3,545,530	140,027,160
10	10	10	25	16	10	10	20	4 - 100	

7.2 Leased fixed assets

	Aircraft fleet	Ground equipment	Total
	(Rupees in '000)		
As at January 01, 2017			
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
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	(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
Year ended December 31, 2018			
Opening net book value	24,261,714	249,183	24,510,897
Additions / transfers	7,337,633	184,309	7,521,942
Revaluation	407,996	-	407,996
Transfer to owned fixed assets			
Cost or revalued amount	(22,441,516)	-	(22,441,516)
Accumulated depreciation	6,439,513	-	6,439,513
	(16,002,003)	-	(16,002,003)
Disposals			
Cost or revalued amount	(2,409,240)	-	(2,409,240)
Accumulated depreciation	651,364	-	651,364
	(1,757,876)	-	(1,757,876)
Depreciation charge for the year	(1,514,424)	(36,134)	(1,550,558)
Closing net book value	12,733,040	397,358	13,130,398
As at December 31, 2018			
Cost or revalued amount	17,181,030	473,440	17,654,470
Accumulated depreciation	(4,447,990)	(76,082)	(4,524,072)
Net book value	12,733,040	397,358	13,130,398

- 7.2.1 Aircraft fleet includes two engines (2017: one) held by a third party for overhauling purpose as at December 31, 2018. The carrying value of these engines at year end is Rs. 4,221,542 (2017: Rs. 391,364 million).

7.3 Revaluation of property, plant and equipment

7.3.1 Revaluation of leasehold land and buildings

The leasehold land and buildings were revalued by the following independent professional valuers, as of December 31, 2017 and December 31, 2018 details of which are as follows:

- 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 Netherlands

- 7.3.2 The forced sale value (FSV) of land and building which was subject to revaluation is Rs. 6.99 billion.

7.4 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, 2018. 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).

- 7.4.1 The forced sale value (FSV) of Aircraft fleet which was subject to revaluation is Rs. 35,758 million.
- 7.4.2 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).
- 7.4.3 The fair values of air fleet were determined through review of market activity and known transaction data involving the subject aircraft type, covering open market and financial sales. The fair value of aircraft fleet falls under level 3 of fair value hierarchy (i.e. significant unobservable inputs). A reconciliation of the opening and closing fair value balance is provided in notes 7.1 and 7.2 of the consolidated financial statements.

7.4.4 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 31 December 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 a value of the land to be US\$ 1,000 (Rs. 104,855) per square foot of developed area, or US\$ 637 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\$ 12,595 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. Accordingly \$ 637 Million was recorded in year 2016.

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 of 31 December 2018 and 2017 RHC's management in consultation with HVS reviewed the independent revaluation performed as of 31 December 2016 and determined that there has been no material change to the fair value of the RHC in the intervening twelve-month period ended 31 December 2018 and 2017 respectively. Accordingly, no revaluation adjustment has been made in consolidated financial statements as at 31 December 2018. 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 31 December 2018 was \$630,724 (Rs. 87,622,825 Million) 2017: \$ 634,175 million (Rs. 70,093,661 million) without adjustment of closing / exit costs.

Minhal France S.A.

As of December 31, 2017 Minhal France S.A.'s management in consultation with Deloitte reviewed the independent revaluation performed as of December 31, 2016 whereby the residual value of freehold interest in scribe hotel was determined amounting to Euro 225 Million (US\$ 237,172 Million - Rs. 32,948,976 Million) 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. 26,941,632 million.

Due to renovation of Scribe hotel, value was carried out as at 31 December 2018 by an independent appraiser. The appraiser determined that the market value of the freehold interest Scribe Hotel as at 31 December 2018 amounted to Euro 247 Million (US\$ 282,815 Million - Rs. 39,289,819 million) using Discounted Cash Flow (DCF) method with an exit cap of 4.75% and discount rate of 5.75% which is higher than their alternative and recorded accordingly. This valuation includes land, 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 amount of lands, buildings and improvements as at 31 December, 2018 amounted to US\$ 248,223 Million (Rs. 34,484,171 Million) and accordingly during the year 2018 a surplus of US \$ 24,657 Million (Rs.3,425,560 Million) was credited to "Surplus on revaluation of operating fixed assets".

7.5 Depreciation charge for the year has been allocated as under:

	Note	2018 ----- (Rupees in '000) -----	2017 -----
Cost of services - others	33	7,340,150	7,433,543
Distribution costs	34	21,476	13,358
Administrative expenses	35	31,335	21,978
		<u>7,392,961</u>	<u>7,468,879</u>

7.6 Had there been no revaluation, the written down value of the revalued assets in the consolidated statement of financial position would have been as follows:

	2018			2017		
	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	155,604	102,544	258,148	146,420	111,728
Aircraft fleet	109,730,939	50,002,433	59,728,506	102,045,764	46,445,634	55,600,130
Hotel properties	40,117,770	19,634,451	20,483,319	32,530,893	15,670,112	16,860,781
	<u>150,151,023</u>	<u>69,792,488</u>	<u>80,358,535</u>	<u>134,878,971</u>	<u>62,262,166</u>	<u>72,616,805</u>

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

Description	Sold to	Method of disposal	Cost	Accumulated	Net	Sale	Gain on Disposal
			----- (Rupees in '000) -----				
Aircraft engines	Pratt & Whitney Canada PW100-127E	Exchange basis as per company policy	65,576	14,040	51,536	51,536	-
Aircraft engines	General Electric GE90-115BL	Exchange basis	2,069,864 339,376	364,582 286,783	1,705,283 52,593	1,705,282 52,593	- -
		2018	2,474,816	665,405	1,809,411	1,809,411	-
		2017	336,564	104,122	232,442	255,440	22,997

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

7.8 The details of Immovable fixed assets (i.e. Land & Other Land) are as follows:

Description of Location	Addresses	Total Area of Land Square Yards
- PIA Booking Office Rawalpindi	5th The Mall Road, Saddar, Rawalpindi.	4,328
- PIA DFSL Warehouse Islamabad	Warehouse, Sector I-11/4, (PIR Wacha) Islamabad.	7,200
- PIA Sales Office Gawadar	Airport Road, Gawadar.	2,420
- PIA Sales Office Multan	65 Ahmed Shah, Abdali Road, Multan.	6,528
- PIA Sales Office Azad Kashmir	Chaffar, Muzaffarabad, Azad Kashmir.	444
- PIA Sales Office Peshawar	33-The Mall, Arbad Road, Peshawar.	9,931
- PIA Sales Office Sawat	Faisalabad, Saidu Sharif, Mangora, Sawat.	1,211
- Land for PIA Staff Housing Colony Saidu Sharif	PIA staff housing colony Saidu Sharif.	1,208
- PIA Sales Office Skardu	Chashma Bazar, Skardu.	1,250
- Airport Office Skardu	Tehsil Gumba near old runway Skardu.	4,248
- PIA Sales Office Turbat	Commissioner Road, Turbat.	18,295
- PIA Sales Office Islamabad	Jinnah Avenue, 49 Blue Area, Islamabad.	1,200
- PIA Sales Office Lahore	Opp. Punjab Assembly Near Wapda House, Lahore.	4,800
- PIA Diagnostic Center Karachi	B-35, KDA Scheme 1, Karsaz, Karachi.	1,874
- PIA Air Crew Medical Center Karachi	C-1, KDA Scheme 1, Karsaz, Karachi.	1,120
- PIA Sales Office Faisalabad	Block 16, 26/6, Civil Lines, Faisalabad.	1,974
- PIA Sales Office Chitral	Polo Ground, Chitral.	3,666
- PIA Sales Office Building Quetta	17 Shahra Hall, Cantonment, Quetta.	3,732
- Land for Sales Officer Ormara	PIA sales office, Ormara Baluchistan.	10,000
- Land for Sales Officer Sialkot	Plot situated opposite to Chamber of Commerce Paris Road, Sialkot.	1,778
- Farm house Abbottabad	Nathia Gali Road Abbottabad.	18,166
- Land for Sales Office Gilgit	Plot of PIA City Road near NU Shopping Centre, Gilgit.	626
- Land for new sales office Sukkur	Minara road near Jamia Masjid, Sukkur.	2,146
- Land for Dera Ismail Khan	Survey No. 3A, 195.09 Sq. Meter D.I.Khan Cantt.	233
- PIA housing colony (Water Tank) Karachi	PIA Housing Colony Water Tank Karachi.	1,667
- Super Highway for Precision Engineering	On Super Highway PEC Complex Karachi.	968,000
- PIA hospital Karachi	Gulistan-e-Johar Karachi.	48,200
- Land for PIA Boys Scouts Host & Training	PIA boy Scouts Training Centre Karachi.	1,226
- Training Centre Nawabshah	Nawabshah training Centre Nawabshah.	1,778
- PIA Sales Office Quetta	17th Shahra e Hall Cantonment Quetta.	3,731
- Airport Office Skardu	Airport Skardu.	2,420
- Land for TGS Section Skardu	Chashma Bazar Skardu.	1,816
- Land for Head Quarter at Islamabad	Plot no 57/F-7/7, blue area Islamabad.	4,608
- G.D Somani Marg Cuffe Parade, Mumbai	Flat No. 32, 3rd Floor Jolly Marker-3 G.D Somani Marg, Cuffe Parade, Mumbai - 400 005	193
- Narain Manzil, New Delhi	Narain Manzil, 23 Sarakhamba Road, New Delhi - 110001	451
- Shaykhonohur District, Tashkent	Shaykhonohur District Hotkor Dustligr Street, Tashkent	291
- Residence No.55 New York	Saxon Woods Road Scarsdale, NY 10583-7612, New York.	492
- Leldestraat 17 Amsterdam	1017 NT Amsterdam The Netherlands, Amsterdam.	116
- Van Nijenrodeweg 835 Amsterdam	1062 JM Amsterdam The Netherlands, Amsterdam.	309
- Koningsvaren 109 Abcoude Amsterdam	Koningsvaren 109 Abcoude, Amsterdam.	300

7.9 Capital work-in-progress

Year ended December 31, 2018

	Aircraft fleet	Others	Total
	(Rupees in '000)		
Balance at beginning of the year	1,054,074	386,634	1,440,708
Additions during the year	2,432,252	1,694,252	4,126,504
Transfer to operating assets	(1,054,074)	(48,300)	(1,102,374)
Adjustment	-	(143,667)	(143,667)
Balance at end of the year	2,432,252	1,888,919	4,321,171

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	-	(720,483)	(720,483)
Balance at end of the year	1,054,074	386,634	1,440,708

8. INTANGIBLES

	Computer software	Goodwill	Total
Note	----- (Rupees in '000) -----		
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	8.1 (100,735)	-	(100,735)
Net book value	348,229	3,589,464	3,937,693
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	348,229	3,589,464	3,937,693
Year ended December 31, 2018			
Opening net book value	348,229	3,589,464	3,937,693
Additions during the year	34,038	-	34,038
Translation adjustment	-	922,201	922,201
Amortisation for the year	8.1 (90,805)	-	(90,805)
Net book value	291,462	4,511,665	4,803,127
As at December 31, 2018			
Cost	859,356	3,589,464	4,448,820
Less: accumulated amortisation	(567,894)	922,201	354,307
Net book value	291,462	4,511,665	4,803,127
Useful Life	5 years		

	Note	2018	2017
		(Rupees in '000)	
8.1 Amortisation for the year has been allocated as under:			
Cost of services - others	33	14,492	18,677
Administrative expenses	35	76,313	82,058
		90,805	100,735

9. LONG - TERM INVESTMENTS

Investment in related party Unquoted - at cost

Associate	9.1&9.2	89,133	71,486
Investment in other than related party			
Other Investments	9.3	183,657	171,553
		272,790	243,039

9.1	Movement in investment in an Associate - unquoted	Note	2018	2017
			----- (Rupees in '000) -----	
	Balance at beginning of the year		71,486	68,823
	Share of profit during the year		(572)	(2,034)
			70,914	66,789
	Translation adjustment		18,219	4,697
	Balance at end of the year		89,133	71,486

9.2 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) -----				(%)
2018	Minhal Incorporated	British Virgin Islands	239,306	4,629	-	(1,431)	40%
2017	Minhal Incorporated	British Virgin Islands	192,370	3,593	-	(5,085)	40%

9.3	Other Investments	Note	2018	2017
			----- (Rupees in '000) -----	
	Available for sale	9.3.1	183,657	171,553

9.3.1 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

183,288 171,184

Unquoted

Pakistan Tourism Development Corporation Limited

10,000 (2016: 10,000) ordinary shares of Rs. 10 each

100 100

Duty Free Shops (Private) Limited - Pakistan

87,512 (2016: 87,512) ordinary shares of Rs. 100 each

269 269

183,657 171,553

10. RECEIVABLE IN RESPECT OF CENTRE HOTEL	Note	2018	2017
		----- (Rupees in '000) -----	
10.1		1,049,462	834,947

- 10.1 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 12, 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, the assignment to PIAL was not registered.

The joint venture was for a period of 17½ 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 to 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 Sharjah 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 23,342 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 at 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 23,342 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 the 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 29,941 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\$ 4.90 million) to be paid upfront, and the balance amount of AED 5,341 million (US\$ 1.46 million) to be settled in equal annual installments over a period of 5-6 years via Post Dated Cheques.

A summary of Board's unanimous written resolution dated 18 March 2018 for the above settlement agreement was submitted before Aviation division for approval by the federal cabinet. In 3 May 2018, Federal Cabinet approved the proposal that Sheikh Khalifa would immediately pay AED 18 million (US \$ 4.90 million), and the balance of AED 5,342 million (US \$ 1.46 million) to be paid over a period of 5 years via post-dated cheques. Accordingly, communication was made to representative of Sheikh Khalifa and it was agreed that final agreement would be prepared for execution of above proposal. Thereafter, despite various reminders no response has been received from representative of Sheikh Khalifa. Consequently, on 18 September 2018, petition was submitted with the judge for attachment and auction of Sheikh Khalifa's in Center Hotel and attachment of tourism licence of the Hotel, which was approved by the judge and the same has been communicated to Abu Dhabi Economic Department.

The Holding Company legal advisors have submitted a petition of delegation to the Court to inquire about the properties registered under Sheikh Khalifa's name. On March 25, 2019 a letter was issued by the Court addressing the competent authorities in Al Ain, Dubai and Sharjah to inquire about the properties registered under the execution in Sheikh Khalifa's name.

In view of above, the management is confident that the amount of AED 23,341,906 along with interest at the rate of 6% from the issuance of the aforementioned judgement will eventually be received by PIAL. Accordingly, the management has continued to recognize the subject amount of AED 27,746,614 (US \$ 7,554,210), i.e. the amount initially recognized based on PIAL's share of net assets as at 21 April 1997, as an asset in the consolidated financial statements as it believes that the eventual receipt against the arbitration award will not be materially different from the amount recognized as an asset.

		2018	2017
11. LONG-TERM LOANS AND ADVANCES	Note	----- (Rupees in '000) -----	
Secured, considered good			
Employees	11.1	640	791
Current maturity shown under short-term loans and advances	15	(640)	(791)
		-	-

- 11.1 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% (2017: 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.

		2018	2017
12. LONG-TERM DEPOSITS AND PREPAYMENTS	Note	----- (Rupees in '000) -----	
Deposits			
Considered good			
Aircraft fleet lease deposits		6,719,492	6,134,153
Maintenance reserve	12.1	1,612,071	1,576,622
Engine maintenance		141,902	132,412
Other lease and utilities		113,697	82,340
Deposit to service providers		28,384	73,497
Guarantee deposit		55,199	55,199
Others		71,914	-
		<u>8,742,659</u>	<u>8,054,223</u>
Considered doubtful		320,434	318,051
Less: provision against doubtful deposits	12.2	<u>(320,434)</u>	<u>(318,051)</u>
		<u>-</u>	<u>-</u>
		<u>8,742,659</u>	<u>8,054,223</u>
Prepayments			
Rental commission		34,342	25,268
Prepayment in respect of lease	12.3	90,149	72,915
Premium on acquisition of leased land	12.4	50,778	50,778
Less: amortisation to date		<u>(30,382)</u>	<u>(28,711)</u>
		<u>20,396</u>	<u>22,067</u>
Exposure fee to support financing	12.5	39,169	174,775
		<u>184,056</u>	<u>295,025</u>
Current portion shown under short-term prepayments	16.3	<u>(33,381)</u>	<u>(136,799)</u>
		<u>150,675</u>	<u>158,226</u>
		<u>8,893,334</u>	<u>8,212,449</u>

- 12.1 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.

		2018	2017
12.2 Movement in provision is as follows:	Note	----- (Rupees in '000) -----	
Balance at beginning of the year		318,051	318,051
Provision for the year	36	2,383	-
Balance at end of the year		<u>320,434</u>	<u>318,051</u>

- 12.3 Movement in prepayment in respect of lease is as follows:

Balance at beginning of the year	12.3.1	72,915	70,304
Amortisation for the year	35	(1,754)	(1,606)
Translation adjustment		18,988	4,217
Balance at end of the year		<u>90,149</u>	<u>72,915</u>

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 Sales tax and Federal Excise Duty

- a) The tax department had raised demand of Rs. 566,544 million (2017: Rs. 566,544 million) in December 30, 1998, as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2017: Rs. 1 million) and additional duty of Rs. 2,923,005 million (2017: 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 17) against the subject demand which is considered fully recoverable from the department. Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) which was remanded back to ACIR. However, remand back proceedings are still pending. Based on consultation with legal advisor, 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 in this regard.
- b) The tax department had also raised demands of Rs. 6,804 million (2017: Rs. 6,804 million) and Rs. 277,621 million (2017: Rs. 277,621 million) on March 11, 2008 as FED and sales tax respectively along with penalty of Rs. 14,416 million (2017: Rs. 14,416 million) and additional duty / default surcharge of Rs. 17.91 million (2017: Rs. 17.91 million) during the tax audit of the Holding 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 Holding Company has paid an amount of Rs. 25 million (2017: 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 is remanded back however, remand back proceedings are still pending. 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 consolidated financial statements in this regard.
- c) As per order dated February 25, 2010, the tax department has raised demands of Rs. 2,065 million (2017: Rs. 2,065 million) and Rs. 1,319,101 million (2017: Rs. 1,319,101 million) as FED and sales tax respectively along with penalty of Rs. 66,058 million (2017: Rs. 66,058 million) and additional duty / default surcharge of Rs. 534,412 million (2017: 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 favor of the tax department. The Company had filed appeal against this at ATIR and a rectification application with CIR (A). The Tribunal has disposed off the Company's appeal, vide appellate order STA No. 08/KB/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 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 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 (2017: Rs. 5,877,351 million), Rs. 5,679,110 million (2017: Rs. 5,679,110 million) and Rs. 7,025,270 million (2017: 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. 36.88 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 FED and sales tax were maintained. The Holding Company and the department have filed appeals with ATIR, which were decided in favor 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 off by ATIR 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 (2017: 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 (2017: 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. Subsequently, the Holding Company has filed an appeal against this at ATIR level. Tribunal has deleted the penalty but maintained default surcharge which is challenged by the Holding Company in Sindh High Court, the decision is pending adjudication.

The ECC communicated its decision through its letter dated July 12, 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 favor of the Holding Company. Accordingly, no provision is required to be recognized 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 (refer note 17.1) which was contested by the Holding Company before the Honorable High Court Sindh (SHC) and obtained stay order in favor of the Holding Company. Subsequently on November 01, 2016, DCIR issued an order amounting to Rs. 6,747,669 million (2017: 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. 1,514,816 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 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. 55,691 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 Company's favor, 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. 1,267,197 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) On February 2, 2017, show cause notices were issued to Sabre by the Officer Inland Revenue (OIR) of Corporate Regional Tax Office (CRTO), Karachi for tax years 2011 to 2014 wherein the OIR has alleged that Sabre 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%. Sabre has filed petition before the Honourable High Court of Sindh (SHC) against the aforementioned show-cause notice 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.
- i) In 2016, 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 on December 14, 2016. During the year, Sabre also received show cause notice from Assistant Commissioner Sindh Revenue Board (SRB) for charging 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 2015 to December 2017. Later, an order dated February 21, 2018 was issued raising demand of Rs. 69.75 million (on total revenue of the Company instead of revenue pertaining to the province of Sindh only) 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 prudence basis maintained a provision in respect of SST amounting to Rs. 39,299 million (2017: Rs. 36.66 million) for tax periods July 2015 through December 2018. This provision represents estimated tax liability computed on revenue earned in Sindh province at the applicable tax rate(s). During the year on June 12, 2018, an amount of Rs. 19.32 million (including 20% of default surcharge) was paid to SRB related to business operation of the Company in Sindh for the tax periods from July 2015 through December 2017. However, Sabre is continuously contesting the impugned tax demand including the demand relating to the operation in Sindh in the appeal which is pending.

Subsequent to the year end, the Additional Commissioner (AC) - SRB passed the order dated February 27, 2019 and raised SST demand of Rs. 57.05 million on the total revenue of Sabre generated from all over Pakistan during the tax periods from January 2017 to December 2017. In addition to this AC-SRB imposed penalty of Rs. 3.57 million along-with default surcharge to be calculated at the time of payment. Sabre, being aggrieved with the above order has filed an appeal before the Commissioner (Appeals) - SRB which is pending adjudication.

On March 06, 2019, an amount of Rs. 11.65 million was paid to SRB for the tax periods January 2017 to December 2017 relating to the business operation of Sabre in Sindh. However, the Company is continuously contending the impugned tax demand including the demand relating to the portion of Sindh in the appeal which is pending.

Based on the amounts paid, as aforementioned, and on the advice of their legal adviser, management is hopeful of a positive outcome in respect of the appeals pending with Commissioner (Appeals) - SRB.

31.1.2 Other contingencies

- a) 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 fare 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 Hajjis based on the difference of fare between regular passengers and short duration Hajjis 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 consolidated financial statements in this regard.
- b) The Pakistan Civil Aviation Authority (PCAA) 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, 2018 the excessive amounts claimed by PCAA which are not acknowledged by the Holding Company aggregated to Rs. 19,429.083 million (2017: Rs. 16,792.594 million) including late payment surcharge and interest thereon amounting to Rs. 14,130.756 million (2017: Rs. 11,732.904 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 PCAA, the management does not accept the higher amounts being claimed by PCAA.

During the aforementioned meeting, the matter of chargeability of rates for non-aeronautical services was amicably resolved whereby it was agreed that PCAA 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, PCAA 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 PCAA and the 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 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 consolidated financial statements.

- c) Various ex-employees of the Company have lodged claims against the Company for their dues specifically relating to their reinstatements aggregating to Rs. 2,132.228 million (2017: Rs. 2,235.743 million). 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 of servicing stipulations due to negligence or otherwise. Accordingly, no provision has been made in these consolidated financial statements against these claims amounting to Rs. 629.561 million (2017: Rs. 735.877 million). The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise.
- d) Certain lawsuits which arose 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.

Details of significant cases are given below:

Court	Factual Description	Year of Institution	Party	Relief Sought
Sindh High Court	Captain Nadeem Ahmed Chaudhary removed from service on account of misconduct	2016	Nadeem Ahmed Chaudhary Vs PIA	Recovery of damages PKR 329.18 Million
Sindh High Court	Shahid Ali Razi filed suit for declaration and injunction stating his juniors were promoted but he was not granted promotion	2006	Syed Shahid Ali Razi Vs PIA	Recovery of damages PKR 100 Million
Sindh High Court	Captain Amir filed suit for recovery of damages as he was offered job in Qatar Airlines with handsome salary and allowances, he applied for early retirement but was not granted	2008	Capt. Amir A. Hashmi Vs PIA	Recovery of damages PKR 200 Million
Sindh High Court	Saeed Ahmed and three others filed suit for declaration and injunction stating petitioners were promoted on MBA qualification, he suggested promotion should be granted on basis of PIA service	2012	Saeed Ahmed Vs PIA	Recovery of damages PKR 120 Million
Sindh High Court	Mr Zeeshan filed suit as he stated that his return ticket was not utilized as agent informed flight was cancelled, he had to pay heavy charges with another airline	2017	Syed Muhammad Zeeshan ul Haque & others Vs PIA & another	Recovery of damages PKR 100 Million
Sindh High Court	Syed Anwar Hashmi (Ex-General Manager-Financial Planning) filed instant suit for declaration, permanent injunction and damages.	2006	Syed Anwar Hashmi Vs PIA	Recovery of damages PKR 47.5 Million
Sindh High Court	Reinous act on Flight PK370 by Plaintiff with other accomplices threatened the lives and belongings of passengers (200 passengers approximately) on board through their hyper, intimidating, menacing behavior	2016	Syed Adumand Ashar Hussain Vs PIA & another	Recovery of damages PKR 100 Million
Sindh High Court	Mr. Ashraf Mahmood Raja, retired Manager Cargo Sales filed instant suit for declaration, injunction and damages. During posting as Manager PIA, New Delhi.	2008	Ashraf Mahmood Raja Vs PIA	Recovery of damages PKR 60 Million

f) Outstanding letters of guarantee amounted to Rs. 202.664 million (2017: Rs. 202.664 million).

g) Contingencies relating to income tax matters are disclosed in note 39.2 to these consolidated financial statements.

31.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 24,562 million (2017: Rs. 253,777 million).

b) Outstanding letters of credit amounted to Rs. 16,906,924 million (2017: Rs. 0.449 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 (2017: US\$ 1,527,904 million) equivalent to Rs. 204,804,836 million (2017: Rs. 168,875,257 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:

	2018	2017
	----- (Rupees in '000) -----	
Not later than one year	10,335,953	8,223,239
Later than one year but not later than five years	22,206,568	24,760,051
Later than five years	-	1,152,042
	32,542,521	34,125,332

e) Sabre has entered into an operating lease agreements in respect of premises and vehicles. The amount of future lease payments and the period during which they fall due are as follows:

	2018	2017
Not later than one year	20,419	22,451
Later than one year but not later than five years	19,676	37,592
	40,095	60,043

f) As of December 31, 2018 capital commitments in respect of renovation of Scribe Hotel amounted to Rs.3,494 (US \$ 25.163 million).

		2018	2017
32. REVENUE - NET	Note	----- (Rupees in '000) -----	
Passenger		93,704,078	81,324,660
Cargo		4,499,640	4,191,830
Excess baggage		638,423	732,615
Charter services		213,121	490,645
Engineering services		876,693	708,616
Handling and related services		382,101	379,788
Mail		174,191	263,872
Room, food and beverages sales		12,941,223	11,451,982
Others		4,549,438	4,367,173
		<u>117,978,908</u>	<u>103,911,181</u>

32.1 The analysis of revenue by geographical segment is disclosed in note 43.2 of these consolidated financial statements.

32.2 Gross Revenue

Revenue	132,388,386	117,741,208
Less: Commission and discount	(3,031,483)	(2,323,192)
Federal Excise Duty	(11,306,445)	(11,455,722)
Provincial sales tax	(71,550)	(51,113)
Net Revenue	<u>117,978,908</u>	<u>103,911,181</u>

33. COST OF SERVICES - OTHERS

Salaries, wages and allowances		20,368,825	20,549,896
Welfare and social security costs		2,136,661	2,159,894
Retirement benefits	33.1	2,212,500	2,181,156
Compensated absences	28.2.2 & 33.2	884,324	(156,160)
Legal and professional charges		54,299	22,415
Stores and spares consumed		1,812,034	1,167,619
Maintenance and overhaul		11,078,711	10,742,691
Flight equipment rental		12,126,501	11,616,526
Landing and handling		16,779,422	15,090,364
Passenger services		2,583,535	3,292,508
Crew layover		3,335,997	3,182,122
Food and beverages		490,276	460,503
Staff training		107,607	103,761
Utilities		88,326	75,945
Communication		4,221,936	3,820,649
Insurance		1,273,399	1,460,003
Rent, rates and taxes		830,715	710,159
Printing and stationery		184,636	149,509
Depreciation	7.5	7,340,150	7,433,543
Amortisation of intangibles and prepayment	8.1	14,492	18,677
Others		1,501,931	1,762,129
		<u>89,426,277</u>	<u>85,843,907</u>

33.1 The Holding 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, 2018 and 2017.

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

Size of provident fund	21,815,384	22,365,052
Cost of investments made	4,104,206	8,223,744
Percentage of investments made	19.42%	45.80%
Fair value of investments	4,235,736	10,285,706

The breakup of fair value of investments is as follows:

	2018 (Percentage)	2017 (Percentage)	2018 (Rupees in '000)	2017 (Rupees in '000)
Term finance certificates	10.2%	14.2%	2,234,649	3,175,694
Pakistan Investment Bonds	0.0%	0.2%	-	41,881
Islamic bonds	9.2%	8.9%	1,997,884	1,984,561
PIACL Shares	0.0%	0.0%	3,203	2,530
Special Savings Certificate	0.0%	22.7%	-	5,081,040
Total	19.42%	45.80%	4,235,736	10,285,706

- 33.1.1 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, 2018 and the rules formulated for this purpose.

	2018 (Number)	2017 (Number)
33.1.2 Number of employees of the Holding Company:		
Average number of employees during the year	12,437	13,268
Number of employees as at year end	12,196	12,993

- 33.2 This includes reversal of Nil (2017: 1,267,379 million) due to experience adjustment based on actuarial assumptions.

34. DISTRIBUTION COSTS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Salaries, wages and allowances		2,013,185	2,070,772
Welfare and social security costs		263,946	264,900
Retirement benefits		1,147,222	1,130,970
Compensated absences	28.2.2 & 33.2	148,460	(31,135)
Distribution and advertising expenses		1,235,223	776,745
Legal and professional charges		96,532	39,846
Repairs and maintenance		11,977	10,830
Insurance		59,776	14,875
Printing and stationery		115,920	70,947
Communication		288,072	162,803
Staff training		32,836	35,962
Rent, rates and taxes		289,049	264,054
Utilities		20,107	21,608
Depreciation	7.5	21,476	13,358
Others		597,067	657,027
		6,340,848	5,493,562

		2018	2017
35. ADMINISTRATIVE EXPENSES	Note	----- (Rupees in '000) -----	
Salaries, wages and allowances		3,741,509	3,752,143
Welfare and social security costs		391,677	396,927
Retirement benefits		737,500	727,052
Compensated absences	28.2.2 & 33.2	196,394	(43,885)
Legal and professional charges		529,112	264,538
Repairs and maintenance		1,714	1,483
Insurance		87,432	28,679
Printing and stationery		34,362	32,836
Management fee	35.1	250,362	228,317
Staff training		136,709	137,458
Municipal taxes		1,132,800	913,152
Rent, rates and taxes		666,927	602,691
Utilities		894,149	970,384
Remuneration of subsidiaries' auditors		1,233	809
Auditors' remuneration	35.2	22,186	20,386
Communication		110,633	106,906
Amortisation of intangibles and prepayment	8.1	79,313	82,058
Depreciation	7.5	31,335	21,978
Amortization in respect of long term lease - PIAL	12.3	1,754	1,606
Donations	35.3	4,000	3,602
Others		1,423,465	967,125
		<u>10,474,566</u>	<u>9,216,245</u>

35.1 The breakup of management fee expense incurred during the year is set forth below:

(i) Interstate Hotels and Resorts Holding Company (IHC)	35.1.1	139,690	114,399
(ii) ACCOR	35.1.2	110,672	113,918
		<u>250,362</u>	<u>228,317</u>

35.1.1 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.

35.1.2 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.

35.2 Auditors' remuneration

	2018				2017		
	KPMG Taseer Hadi & Co.	Grant Thornton Anjum Rahman	BDO Ebrahim & Co.	Total	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total
	----- (Rupees in '000) -----						
Audit fee of the Holding Company	-	5,876	5,876	11,753	5,334	5,334	10,668
Fee for review of condensed Interim financial statements	-	1,707	1,707	3,415	1,599	1,599	3,198
Consolidated financial statements	-	874	874	1,747	793	793	1,586
Code of Corporate Governance	-	293	293	585	274	274	548
Audit fee of PIAL	3,186	-	-	3,186	3,186	-	3,186
Out of pocket expenses	-	750	750	1,500	600	600	1,200
	<u>3,186</u>	<u>9,500</u>	<u>9,500</u>	<u>22,186</u>	<u>11,786</u>	<u>8,600</u>	<u>20,386</u>

35.3 Donations represents payments aggregating Rs. 3.9 million (2017: 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.

36.	OTHER PROVISIONS AND ADJUSTMENTS	Note	2018	2017
			----- (Rupees in '000) -----	
	Property, plant and equipment			
	- deficit on revaluation of aircraft	7.1.3	-	4,367,686
	- aircraft fleet written off / retired		24,457	-
			24,457	4,367,686
	Provision for slow moving and obsolete spares	13.1	112,411	196,006
	Provision for doubtful debts	14.3	198,668	300,000
	Provision against doubtful advances	15.3	11,312	-
	Provision against doubtful deposits	16.1	2,383	-
	Provision against other receivables	17.5	61,898	56,153
	Late payment surcharge on fuel	28.1	1,346,098	1,232,315
	Others		184,645	241,314
			1,942,072	6,393,474
37. OTHER INCOME				
	Income from financial assets			
	Profit on bank deposits		34,429	48,392
	Interest on maintenance reserve		35,449	21,061
			69,878	69,453
	Income from assets other than financial assets			
	Reversal of deficit on revaluation of aircraft		1,146,471	-
	Gain on disposal of property, plant and equipment		-	22,997
	Insurance claims		5,031	2,379
	Others		792,946	653,959
			2,014,326	748,788
38. FINANCE COSTS				
	Mark-up on:			
	- long-term financing		14,138,548	9,050,812
	- GoP loan against mark-up		73,376	-
	- term finance certificates		1,369,373	1,689,629
	- short-term borrowings		2,886,596	2,575,383
			18,467,893	13,315,824
	Profit on sukuk certificates		596,568	535,441
	Interest on liabilities against assets subject to finance lease		142,995	242,292
	(Unwinding) / discounting of long term deposits		(122,014)	(117,547)
	Interest on provident fund		859,078	669,617
	Arrangement, agency and commitment fee	28.5	870,061	785,976
	Amortisation of prepaid expense fee		135,606	248,894
	Bank charges, guarantee commission and other related charges	12.5	155,816	101,482
			21,108,003	15,781,979
39. TAXATION				
	Current	39.2	733,705	810,573
	Prior		538,405	-
	Deferred	26.4	(2,207,240)	(1,041,924)
			(935,130)	(231,351)

	2018	2017	2016
39.1 Assessment of sufficiency of the tax provision	----- (Rupees in '000) -----		
Tax provision made in financial statement	545,219	444,987	456,343
Tax assessment as per return	545,219	444,987	456,343

During last three tax years tax provisions made by management are sufficient to fulfill tax liabilities.

39.2 Current

39.2.1 In the view of accounting and tax loss for the year, the Holding Company's 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 numeric 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 26.4.1).

39.2.2 The Holding Company has filed tax returns for tax years up to tax year 2018. The tax returns from tax years 2003 to 2017 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 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.

39.2.3 As per Order dated March 13, 2011 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 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 FBR 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 dated June 27, 2012 and June 25, 2013 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 these 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.

39.2.4 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 ATR 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, 6,030 million and 168,744 million respectively, demanded in the earlier order dated June 15, 2015. 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. 12,810 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 but allowed certain tax credits and revised a tax demand of Rs. 109,663 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, 2015 through which he maintain disallowance depreciation and deleted other provision. Corporation has filed a appeal against the CIR(A) decision of ATIR, 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, 2015 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. 7,692,992 million. The 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 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 ACIR has issued the orders dated June 30, 2018 and January 05, 2017 under section 122(5A) of the I.T.O. 2001 in respect of tax years 2012 and 2014 and disallowed depreciation on leased aircrafts and other provisions amounting to Rs. 9,725,915 million and Rs. 11,007,920 million respectively. The 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 Company has filed a appeal to ATIR 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.

- 39.2.5** The tax department has also issued order dated December 31, 2012 under section 161/205 of the I.T.O. 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.
- 39.2.6** The tax department has also issued a showcause 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 Company has responded the showcause.
- 39.2.7** 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 payoff the tax liability for tax years 2006 to 2013 by paying AFN 78 million (equivalent to Rs. 125,780 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 consolidated financial statements.
- 39.2.8** 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, on appeals 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, OIR 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. 26.4 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 ATIR 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 Honourable 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.

39.2.9 CIR (Regional Tax Office), Karachi issued a notice dated February 1, 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 7, 2015, the Tax Department issued notices under section 177(1) of the Ordinance for selection of audit of the tax years 2010 through 2013. Such notices were challenged by Sabre in the SHC which suspended all such notices through an interim order dated January 1, 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.

39.2.10 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. 182,263 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 ATIR 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 ATIR's decision before the Honourable 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.

39.2.11 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.

39.2.12 Tax audit for the tax year 2015 was selected through computer ballot by the FBR on January 5, 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.

40. 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.

	2018	2017
	----- (Rupees in '000) -----	
Loss for the year (Rupees in '000)	(66,852,979)	(50,983,821)
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)	(12.77)	(9.74)
'B' class Ordinary share (Rupees)	(6.38)	(4.87)

41. OPERATING CASH FLOWS

41.1 Cash used in operations

Loss before taxation	(67,763,123)	(51,215,172)
Adjustments for:		
Depreciation	7,636,257	7,468,879
Gain on disposal of property, plant and equipment - net	-	(22,997)
Property, plant and equipment written off / retired	171,224	-
Unrealised exchange loss	14,024,894	2,252,143
Amortisation / adjustment of intangibles	93,805	100,735
Amortisation of long-term deposits and prepayments	-	3,299
Provision for slow moving stores and obsolete spares	112,411	195,006
Provision for doubtful debts	198,868	300,000
Provision for doubtful advances	11,312	-
Provision for doubtful deposits	2,383	-
Provision against other receivables	61,898	56,153
Provision for staff retirement benefits	4,760,374	3,265,436
Finance cost	21,130,976	15,781,979
Share of profit from associates	572	2,034
Profit on bank deposits	(34,426)	(48,392)
(Surplus) / Deficit released on revaluation of PPE	(1,146,471)	4,367,656
Other provisions	-	241,313
	(20,739,045)	(17,250,898)
Working capital changes		
Increase in stores and spares	(1,005,295)	(737,313)
Increase in trade debts	(5,518,777)	(1,885,130)
Decrease / (increase) in short-term loans and advances	38,524	(486,632)
Decrease / (increase) in trade deposits and short term prepayments	3,076,052	(590,897)
(Increase) / decrease in other receivables	(1,632,629)	949,864
Increase in trade and other payables	25,513,758	19,765,359
Currency translation difference	(214,515)	49,342
	20,257,118	17,064,693
Cash used in operations	(481,927)	(186,305)

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

	2018				Total
	Liabilities			Equity	
	Short term borrowing (including accrued markup)	Long Term Financing (including accrued markup)	TFC's and Sukuk (including accrued markup)	Finance lease liabilities	
Balance as at January 01, 2018	31,833,425	166,472,738	28,539,487	6,127,876	232,973,526
Changes from financing cash flows					
Proceeds from loans and borrowings	-	70,968,750	-	-	70,968,750
Repayment of loans and borrowings	-	(27,477,312)	(6,272,254)	-	(33,749,566)
Payment of finance lease liabilities	-	-	-	(4,935,002)	(4,935,002)
Total changes from financing cash flows	-	43,491,438	(6,272,254)	(4,935,002)	32,284,182
Currency translation difference	-	10,899,504	-	-	10,899,504
Interest expense	2,886,596	14,138,548	1,967,941	142,995	19,136,081
Interest paid	(2,599,660)	(11,234,036)	(2,496,781)	(144,059)	(16,474,536)
Total liability - related other changes	286,936	13,804,016	(528,840)	(1,064)	13,561,049
Balance as at December 31, 2018	32,120,361	223,768,192	21,738,393	1,191,811	278,818,757

42. REMUNERATION OF CHIEF EXECUTIVE, HEAD OF DEPARTMENTS AND EXECUTIVES

	(Key Management Personnel)					
	Chief Executive Officer		Head of Departments		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Managerial remuneration	17,800	22,693	129,986	78,873	2,335,126	9,481,863
Holding Company's contribution to provident fund	-	-	1,475	1,610	1,945	308,623
Other perquisites	3,896	1,070	22,151	36,278	223,171	1,177,916
	21,696	23,763	153,612	116,761	2,560,242	10,968,402
	(Number)					
Number (As at December 31, 2018)	1	1	18	16	305	4,869

Aggregate amount charged in these consolidated financial statements for fee to directors was Rs. 0.312 million (2017: Rs. 0.191 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 PAWL are also provided with free use of company maintained cars and are entitled for reimbursement of actual medical expenditure.

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

43. 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.

43.1 Revenue analysis

	AIRLINES OPERATIONS		HOTEL OPERATIONS		OTHERS		ELIMINATIONS / ADJUSTMENTS		CONSOLIDATED	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
(Rupees in '000)										
Revenue										
External sales	103,490,460	90,556,089	15,617,977	13,134,189	583,742	496,090	-	-	119,692,179	104,186,368
Intra-segment sales	-	-	-	-	-	-	(1,713,271)	(275,187)	(1,713,271)	(275,187)
Total revenue	103,490,460	90,556,089	15,617,977	13,134,189	583,742	496,090	(1,713,271)	(275,187)	117,978,908	103,911,181
Results										
Segment results	(47,033,249)	(31,513,641)	496,427	603,141	72,011	80,043	(183,738)	(323,864)	(46,656,549)	(31,134,211)
Interest expense	(20,384,567)	(18,245,603)	(930,147)	(504,951)	-	(2)	(183,738)	(119,614)	(21,130,976)	(16,021,207)
Interest income	69,678	69,453	-	-	-	-	-	-	69,678	69,453
Share of associate's loss	(572)	(2,034)	-	-	-	-	-	-	(572)	(2,034)
Income taxes	90,210	(1,000,531)	874,853	207,355	(29,933)	(24,772)	-	-	935,130	(817,948)
Depreciation	(5,213,721)	(5,814,225)	(2,141,340)	(1,628,228)	(37,900)	(26,426)	-	-	(7,392,961)	(7,465,879)
Amortisation	(86,211)	(58,722)	(3,017)	(2,608)	(5,160)	(9,204)	-	-	(94,388)	(100,735)
Assets and liabilities										
Segment assets	126,410,424	111,823,774	142,554,002	114,771,762	605,603	578,362	(6,581,421)	(6,344,496)	262,991,609	220,529,380
Investment in associates	396	396	-	-	-	-	55,737	71,089	56,133	71,485
Capital expenditure	12,334,272	3,557,373	1,574,353	616,093	16,528	42,760	-	-	13,925,153	4,616,226
Segment liabilities	483,164,055	403,372,089	53,280,266	47,147,997	123,045	139,872	(6,703,737)	(5,526,796)	829,865,629	445,133,162

43.2 Geographical segments - by area of original sale

	2018					2017				
	PAKISTAN	UNITED STATES	EUROPE	OTHERS	TOTAL	PAKISTAN	UNITED STATES	EUROPE	OTHERS	TOTAL
(Rupees in '000)										
Segment revenue	59,093,260	16,758,656	23,943,852	18,183,140	117,978,908	49,757,772	14,674,056	21,151,798	16,327,552	103,911,181
Carrying amount of assets	127,495,819	105,532,652	29,942,939	-	262,991,609	112,938,352	77,815,826	29,942,939	-	220,697,126

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.

44. 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.

44.1 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 utilizing 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:

The Holding Company manages some of its currency risk by utilizing 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:

	2018	2017	2018	2017
	(Rupees in '000)			
	+5%		-5%	
Change in US\$ rate (Increase) / decrease in loss before tax	(4,569,313)	(2,640,201)	4,569,313	2,640,201
Change in SAR rate (Increase) / decrease in loss before tax	(56,558)	34,327	(56,558)	(34,327)
Change in AED rate (Increase) / decrease in loss before tax	101,462	76,216	(101,462)	(76,216)
Change in GBP rate (Increase) / decrease in loss before tax	46,332	46,356	(46,332)	(46,356)
Change in Euro rate (Increase) / decrease in loss before tax	(80,464)	(7,379)	80,464	7,379

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:

Variable rate instruments at carrying amount:

Financial liabilities

Long-term financing	206,992,166	150,985,276
Term finance and sukuk certificates	21,071,753	27,344,007
Liabilities against assets subject to finance lease	2,361,518	4,786,926
Short-term borrowings	34,417,591	34,275,739
	<u>264,843,029</u>	<u>217,391,947</u>

Financial assets

Long term deposits	(1,612,071)	(1,576,622)
	<u>263,230,958</u>	<u>215,815,325</u>

Fixed rate instruments at carrying amount:

Financial liabilities

Long-term financing	8,000,000	8,000,000
Liabilities against assets subject to finance lease	-	1,340,915
Short-term borrowings	29,767	82,735
	<u>8,029,767</u>	<u>9,423,650</u>

Financial assets

Bank balances	(4,981,014)	(5,261,903)
Long-term loans	(640)	(791)
	<u>3,048,113</u>	<u>4,160,956</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 consolidated 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	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Change in interest rate	+1%		+0.25%	
Increase in loss before tax	(1,553,055)	(1,621,773)	(227,307)	(134,476)
Change in interest rate	-1%		-0.25%	
Decrease in loss before tax	1,553,055	(1,621,773)	227,307	134,476

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.

44.2 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 1.3).

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) -----					
2018					
Long-term financing	214,992,167	269,510,139	58,127,724	195,656,868	15,725,547
Term finance and sukuk certificates	21,071,753	22,422,676	20,335,821	2,086,855	-
Liabilities against assets subject to finance lease	2,361,518	2,457,454	2,258,676	197,678	-
Trade and other payables	112,298,694	112,298,694	112,298,694	-	-
Accrued interest / mark-up / profit	10,110,379	10,110,379	10,110,379	-	-
Short-term borrowings	34,447,358	34,358,474	34,358,474	-	-
	<u>395,281,869</u>	<u>451,157,815</u>	<u>237,489,768</u>	<u>197,941,401</u>	<u>15,725,547</u>
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	-	-
	<u>328,593,453</u>	<u>360,353,221</u>	<u>209,745,248</u>	<u>139,884,118</u>	<u>10,723,855</u>

44.3 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, 2018 represents the maximum credit exposure, which is as follows:

	2018	2017
----- (Rupees in '000) -----		
Receivable in respect of Centre Hotel	1,049,462	834,947
Long-term deposits	8,742,659	8,054,223
Trade debts	17,110,912	10,989,041
Short-term loans	834,218	-
Trade deposits	1,881,401	3,809,582
Other receivables	3,434,896	2,649,410
Bank balances	6,521,612	9,657,477
	<u>39,575,160</u>	<u>35,994,680</u>

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 debts 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 14 to these 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 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.

44.4 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Group 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 1.3 to these consolidated financial statements.

45. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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:

	2016							
	Carrying amount				Fair value			
	Available for sale	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	183,288	-	-	-	183,288	183,288	-	-
Financial assets not measured at fair value								
Non-current assets								
Receivable in respect of Centre Hotel	-	-	1,049,462	-	1,049,462	-	-	-
Long-term deposits	-	-	5,742,659	-	5,742,659	-	-	-
Investments in unquoted securities	369	-	-	-	369	-	-	-
Current assets								
Trade debt	-	-	17,110,912	-	17,110,912	-	-	-
Trade deposits	-	-	1,881,401	-	1,881,401	-	-	-
Other receivables	-	-	3,434,896	-	3,434,897	-	-	-
Short-term investment	19,220	-	-	-	19,220	-	-	19,220
Cash and bank balances	-	-	6,521,612	43,360	6,564,972	-	-	-
	202,877	-	39,575,160	43,360	39,821,397	183,288	-	19,220
								202,508

Carrying amount			Fair value			
Held for trading - at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)						

Financial liabilities not measured at fair value

Long-term financing	-	214,992,167	214,992,167	-	-	-	-
Term finance and sukuk certificates	-	21,071,763	21,071,763	-	-	-	-
Liabilities against assets subject to finance lease	-	2,361,518	2,361,518	-	-	-	-
Trade and other payables	-	112,298,694	112,298,694	-	-	-	-
Accrued interest	-	10,110,379	10,110,379	-	-	-	-
Short-term borrowings	-	34,447,358	34,447,358	-	-	-	-
	-	395,281,869	395,281,869	-	-	-	-

Leasehold land and building and Aircraft fleet have been carried at revalued amounts determined by professional valuers (level 2 and level 3 measurement respectively) based on their assessment of the market values as disclosed in note 7.3 and 7.4.

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 7.1. 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 of 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. A reconciliation of the opening and closing fair value balance is provided in note 7.1 of the consolidated financial statements.

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, capex and working capital requirements.

Average daily rate	Euro 120 thousand
Occupancy rate	74.70%
Terminal growth	7.00%
Risk adjusted discount rate	6.40%

The estimated fair value would increase / (decrease) if:

Average daily rate were higher / (lower)
Occupancy rate were higher / (lower)
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%
Purchase cost	7.50%

Yield rate were lower / (higher)
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.

Per Square foot of development zoning floor area (SFDA)	\$1,000
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The estimated fair value would increase / (decrease) if:

Per SFDA increase / (decrease)

Max SFDA	649,695	Max SFDA increase / (decrease)
----------	---------	--------------------------------

	2017						Fair value			
	Carrying amount						Level 1	Level 2	Level 3	Total
	Available for sales	Held for trading - at fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial assets	Total				
(Rupees in '000)										
Financial assets measured at fair value										
Long term investments	171,184	-	-	-	-	171,184	171,184	-	-	171,184
Short term investments	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value										
Non current assets										
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	-	-	-	-
Current assets										
Trade debts - net	-	-	-	10,989,041	-	10,989,041	-	-	-	-
Short-term loans and advances	-	-	-	-	-	-	-	-	-	-
Trade deposits	-	-	-	3,809,582	-	3,809,582	-	-	-	-
Other receivables	-	-	-	2,649,410	-	2,649,410	-	-	-	-
Short-term investments	19,220	-	-	-	-	19,220	-	-	-	-
Cash and bank balances	-	-	-	9,657,477	59,309	9,716,786	-	-	-	-
	190,773	-	-	35,994,660	59,309	36,244,762	171,184	-	-	171,184

	2017			Fair value			
	Held for trading - at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(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	-	-	-	-

46. TRANSACTIONS WITH RELATED PARTY

46.1 Following are the related parties with whom the Company had entered into transactions or had agreements and / or arrangements in place during the year:

Name of Related Parties	Direct Shareholding	Relationship
Government of Pakistan	92%	Major Shareholder
PIA Main Pension Fund	-	Post Retirement Benefits
PIA PALPA Fund	-	Post Retirement Benefits
PIA FENA Fund	-	Post Retirement Benefits

Name of Related Parties	Direct Shareholding	Direct Shareholding
Pakistan State Oil	-	profit oriented state-controlled entities
Civil Aviation Authority	-	profit oriented state-controlled entities
National Bank of Pakistan	-	profit oriented state-controlled entities
National Insurance Corporation Limited	N/A	profit oriented state-controlled entities
MAGSOOD AHMED	N/A	Key management personnel
AMIR ALI	N/A	Key management personnel
YOUNUS M KHAN	N/A	Key management personnel
AMANULLAH QURESHI	N/A	Key management personnel
NAYYAR HAYAT	N/A	Key management personnel
GHAZALA RASHID	N/A	Key management personnel
RASHID AHMAD	N/A	Key management personnel
OMER RAZZAQ	N/A	Key management personnel
MUSHARRAF RASOOL CYA	N/A	Key management personnel
AVM RIZWAN PASHA	N/A	Key management personnel
AVM SOBAN NAZIR SYED	N/A	Key management personnel
AVM NOOR ABBAS	N/A	Key management personnel
Mr. MUHAMMAD SHUAIB	N/A	Key management personnel
ZIA QADIR QURESHI	N/A	Key management personnel
KASHIF REHMAN RANA	N/A	Key management personnel
BILAL MUNIR SHEIKH	N/A	Key management personnel
ASMA BALWA	N/A	Key management personnel
ALIAZ MAZHAR	N/A	Director
MAJ KHURAM MUSHTAQ	N/A	Director

46.2 The related parties comprise of subsidiaries, profit oriented state-controlled entities, directors, key management personnel and employee benefit funds. The Group 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 consolidated financial statements are as follows:

Name of Related Party	Nature of Transaction	2018 ----- (Rupees in '000) -----	2017
Retirement funds	Contribution to Provident Fund and others	2,472,362	2,455,602
	Interest due on outstanding balance of Provident Fund	859,078	669,616
Management fee paid to ACCOR		276,863	113,918

Related party by virtue of GoP holdings

The Federal Government of Pakistan directly and indirectly holds 92% of the Holding Company issued share capital and is entitled to appoint Directors under the Holding Company Act 2016, for the management of the affairs of the Company. The Company, therefore, considers that the GoP is in a position to exercise control over it and therefore, regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties. The Company has availed exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with GoP related entities, except for transactions stated below, which the Company considers are significant:

Name of Related Party	Nature of Transaction	2018	2017
		----- (Rupees in '000) -----	
Pakistan State Oil (PSO)	Purchase of fuel	22,327,086	11,876,178
	Late Payment Interest	1,346,098	1,232,315
Civil Aviation Authority (CAA)	Airport related charges	12,300,000	10,433,978
National Insurance Company (NICL)	Insurance premium	1,231,092	1,223,800
National Bank of Pakistan (NBP)	Finance costs	4,453,893	4,744,992
GoP - Major shareholders	Finance cost	873,376	800,000
	Hajj revenue	3,596,135	3,511,599

46.3 One of the hotels owned by PIAL, Hotel Scribe Paris, is managed by a related party, ACCOR. The amount of management fee is based on the agreement with the related party.

46.4 Transactions with the directors, chief executives and key management personnel have been disclosed in note 40 to these consolidated financial statements.

46.5 Details of balances held with aforementioned related parties excluding profit oriented state-controlled entities have been disclosed in respective notes.

46.6 The Holding Holding Company sales of transportation services to subsidiaries, associates and directors are not determinable. Key Management Personnel availed the transportation services amounting to Rs. 18.2 (2017: 10.3) Million.

47. 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, PIA 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.

48. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. Significant reclassification made during the period is as follows:

From	To	Rupees in thousands
Trade debts	Trade and other payables	81,146
Cash and bank balances	Trade and other payables	2,949
Cash and bank balances	Other receivables	15,401
Other receivables	Trade debts	720,817
Other revenue	Other income	287,640

49. 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 **November 21, 2019**.


Air Marshal Arshad Malik
Chief Executive Officer


Khalidullah Shaikh
Chief Financial Officer


Tariq Kirmani
Director

PROXY FORM FOR THIRD AGM OF PIACL

I/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 also 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 Third Annual
General Meeting of PIACL to be held on Saturday, December 21, 2019, and at any adjournment thereof.

As witness my / our hand / seal this Day of December, 2019.

Signed by the said In the presence of

WITNESSES

[illegible][illegible]

Signature
(Affix Revenue
Stamp of
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, December 19, 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 Third AGM.

پراکسی فارم برائے قیمر اسٹاک ڈا جلاس عام پاکستان انٹر نیٹشلس انیورسٹیز کارپوریشن لمیٹڈ

میں / ہم بن / بنتا / ہوں بحیثیت حصص یافتگان پاکستان انٹر نیٹشلس انیورسٹیز کارپوریشن لمیٹڈ مائل
مستند اپنی حصص۔

فولیہ نمبر / شرائط کٹہہ ID نمبر / اکاؤنٹ نمبر	'A' کلاس حصص	'B' کلاس حصص

بذریعہ ہذا جناب المحترم بن / بنتا / ہوں یا ان کی ٹیمر موجودگی میں جو کارپوریشن کے حصص یافتہ بھی ہے / ہیں رجسٹرڈ فولیہ شرائط کٹہہ ID نمبر اکاؤنٹ نمبر کو اپنے / ہمارے ایلام
پرائی / جاری غیر عارضی پر صورت 21 دسمبر 2019 بروز ہفتہ کو مستحق ہونے والے قیمر سے سالانہ اجلاس عام میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا / ہمارا پراکسی (مقرر) مقرر کرنا / کرتی ہوں /
کرتے ہیں۔

Signature
(All necessary
stamp of
appropriate
value)

آج بروز دسمبر 2019 کو میرے / ہمارے بطور گواہ دستخط / میرے جاری ہوا۔

دستخط و مہتمم کی موجودگی
گواہان:

- (1) نام
سی این آئی سی نمبر
پتہ
- (2) نام
سی این آئی سی نمبر
پتہ

لکھی

- (1) یہ پراکسی فارم یا ضابطہ خود پر مکمل ہوا اور بینک کے مقررہ وقت سے 48 گھنٹے قبل (19 دسمبر 2019 بروز جمعرات وقت تک 10:00 بجے تک) تکمیل پیکر بنی۔ پی آئی سے پی ایل، پی آئی سے پی آئی، سہ ہفتہ
آفس، کراچی کے دفتر میں لازماً وصول ہو جائے۔
- (2) کارپوریشن کے غیر حصص یافتہ کو بطور پراکسی مقرر نہیں کیا جاسکتا۔ ایڈکارپوریت انٹرنیٹ کی غیر حصص یافتہ کو مقرر کر سکتی ہے۔
- (3) فولیہ / شرائط کٹہہ ID نمبر اور اکاؤنٹ نمبر / اکاؤنٹ نمبر کے بطور پراکسی پر رجسٹریشن کیا جائے گا۔
- (4) مقرر کرنے والے حصص یافتہ کے دستخط پی آئی سے سی این آئی میں رجسٹرڈ دستخط کے نمونے کے مطابق ہونے چاہئیں۔
- (5) اگر حصص یافتہ ایک سے زائد پراکسی مقرر کرے اور حصص یافتہ کی جانب سے پراکسی کے ایک سے زائد اسٹاکس رجسٹریشن پی آئی سے سی این آئی کو جمع کروائے گئے ہوں تو ایسے تمام اسٹاکس رجسٹریشن کو کالعدم قرار دیا جائے گا۔
- (6) درج بالا کے ساتھ سی این آئی سے اکاؤنٹ ہولڈر / کارپوریت / انٹرنیٹ رجسٹرڈ فولیہ نمبر / مہتمم کے نام پر مکمل کریں۔
- (7) جی ٹی ٹیکس ایڈز سی این آئی سے ایڈسپورٹ کی مصدقہ کاپی اور پراکسی ہولڈر پراکسی فارم کے ساتھ مہتمم کے ہولڈر / بینک کے وقت اپنا اصل سی این آئی سے ایڈسپورٹ دیکھائے گا۔
(ب) کارپوریت انٹرنیٹ کی صورت میں بروز آف ڈائریکٹرز کی قرارداد / پاور آف ایٹوریٹری ڈائریکٹرز کے دستخط کے نمونے / ایٹوریٹری کے ساتھ بینک کے وقت مہتمم کریں بجز اسکے کہ یہ متاثرہ اسٹاکس پہلے سے
مہتمم کر دیئے گئے ہوں۔
- (7) تفصیلی طریقہ کار قیمر سے سالانہ اجلاس عام کے نوٹس میں مہتمم کر دیا گیا ہے۔