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By PAKISTAN

International Airlines

Dates in

Company Secretary

PIA Headquarters,

Jinnah International Airport,

Karachi - 75200, Pakistan.

UAN: 119-786-786 #11 1-FLY-PIA

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CORPORATE PROFILE

As of August 02, 2019

BOARD OF DIRECTORS

Mr Noor Ahmed

Secretary Economic Affairs Division

Mr Atif Aslam Bajwa

Mir Naveed Kamran Baloch

Secretary Finance Division

Mr Farrukh H Khan

Mr Tarig Kirmani

Air Marshal Arshad Malik

Chief Executive Officer

Mr Navaid H Malik

Mr Haque Nawaz

Mr Shahrukh Nusrat

Secretary Aviation Division

Mr Muhammad Ali Tabba

Mr Muhammad Shuaib

Company Secretary

Mr Muhammad Javed Jameel

Acting Chief Internal Auditor

EXECUTIVE MANAGEMENT

Air Marshal Arshad Malik

Chief Executive Officer

Mr Aljaz Mazhar

Chief Operating Officer

AVM Noor Abbas

Advisor to CEO:

AVM Soban Nazir Syed

Director Precision Engineering Complex

Mr Ali Tahir Qasim

Chief Commercial Officer

Mr Khalilullah Shaikh

Chief Financial Officer

Capt M Uzair Khon

Chief Flight Operations

Mr Khalid-ul-Rehman Barlas

Chief Information Officer

Mr Jawad Zafar Chaudhry

Chief Corporate Development Officer

Mr Amer Altaf

Chief Human Resource Officer

Mr Arnis Alt

Chief Technical Officer

Mr Amanullah Qureshi

Chief Supply Chain Management Officer

Mr Younus M Khan

Chief Projects Officer

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OTHER CORPORATE

INFORMATION

EXTERNAL AUDITORS

Messrs EY Ford Rhodes

Chartered Accountants

Messrs KPMG TaseerHadi& Co.

Chartered Accountants

Legal Advisor

Mr Agim. Raut

SHARE REGISTRAR

CDC Shres Registrar Services United

{CDCSRSL}

CDC House, 99-8, BlockB, 5.M.C.H.S.,

Main Sharch-é-Faisel Karachi-74400-

Pokisian

Ph; 0800-CDCPL (23275)

Fax: 0092-21-34326053

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BANKERS

A) Baraka Bank

Askar Bank Limited

Bank Islamic

Bank of Punjab

Citi Bank New York

Credit Suisse AG Singapore

Emirates NBD

Faysal Bank Limited

Hasib Allied International Bank, London

Hoabid Bank Limited

HSBC Bank

Mashreq Bank, Dubai

National Bank of Pakistan

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REGISTERED OFFICE

PIA Building

Jinnah intemarianal Aion Karachi-
75200

Pakistan

Tet DU92-21-99D4 DODO

UNE 111-786-786

Website; www.olac.cam.ps

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BOARD OF DIRECTORS

Mr Noor Ahmed

Secretary Economic Affairs Division

Mr NootAhmed, Secretary economic: Affairs: Division, is 6 nominated Ditector since Novetnber 9; 2018: He nods Masters degree in Development Siudies with a speciaization iy Paks Folicy tor institute of Social Studies; Netherlands: Pilor to his euirecit assignment Ae has served as Special Secretary Finance focusing on fiscal, monetary and treasury Tanogement and Additional Secretary Extemal Finance managing external aceount oFibe Govemment and arranging fiscal resources to bridge the balance of payment 9o0; MrAnmed ns aso 'sesved as Adcilional Secretary of Exiemal Rnance; Reguations, Ungation and Inter Govemmental Finance (IGF) cs wel as. Corporate Finance In Finance Division, He remained Director General ot Privatization Commission, Mr Ahmed tas Worked of Khisnpail Bank ond has also sevedias Vice President, SME Bank (formerly SHEC))

Mr Atif Aslam Bajwa

Mr Atif Aslam Bajwa is a nominated Director since July 7, 2017. Mr Bajwa is a graduate from Columbia University, New York, USA. He is a seasoned banker and has over 36 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, Sonnet 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 BA Investments Limited. He is Chairman of PACL Board Audit Committee and Member of 250th Finance Committee,

BOARD OF DIRECTORS

Mr Naveed Kamran Baloch

Secretary Finance Division

Mr Naveed Kamran Baloch, Secretary Finance Division, is a nominated Director on PIAGE Boards 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. In his current assignment, Mr Baloch has served as Secretary Revenue Division and Chief Secretary Khyber Pakhtunkhwa. He remained federal Secretary Ministry of National Health Services, Regulation & Coordination.

lig, has also served as Chairman of Country Coordinating Mechanism (CCM) Pakistan. He held the position of Chairman of Life Insurance Corporation of Pakistan, Mr. Bolech has extensively attended local and International

5 professional training courses, workshops, seminars and conferences, He is Ex-officio Chairman of Board Finance Committee.

Mr. Faruk 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 EMA Capital Management United. 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 (ICCI), Chairman of the Young Presidents' Organization, Pakistan Chapter; and also served on boards of several 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 personal interests include children's health and education. He is Member of Board Audit Committee as well as HR & Compensation Committee:

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Mr Tariq Kirmani

MirTaqi Kimoni is a Nominated Director since June 7, 2017. He holds a Master's Degree in Business Administration. He started his career with a multinational oil company (Caltex — later 'Chevron Pakistan') in 1949. He worked for 7 years in the United States (HS), United Arab Emirates (UAE) and Australia in several different positions in Marketing, Operations and Finance. In 1971, 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 Kimani as Chairman & CEO, Pakistan International Airlines Corporation (PIA) in April 2005 where he served for 2 years. Mr Kimani has previously served on a number of Boards of multinational and public sector companies which included Pakistan Refinery Limited (PRL, Pakistan Cement Corporation (PSC), Pakistan Telecommunications Company Limited (PTCL), Pakistan Fertilizer Industries Board (PFIB), Board of Governors LUMS and National Bank of Pakistan (NBP). Currently, he is serving as Chairman of United Bank Limited, United Fund Managers, National Academy of Performing Arts (NAPAP), Greenfield Social Marketing (GSM) and Punjab Energy Trading Company (PETL) Ltd, (PERGL). He is also serving as a Director on the Board of Professional Education Foundation (PEF), Family Education Services Foundation (FESF) and as an Advisor to the Board of Gas & Oil Pakistan (Pvt) Ltd (GQ). He is also a member of the

of Bogidh HR. Compensation Conimitise and Member of Boar Adi!
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Me Naivaid H. Malik

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vies Acting Auditor General of Pakistan. Before lhal) he getved as Additional
Secretary pinance, Mir Nawaz served In Pakistan Military Accounts Deparment

cel lo MIPIsiny | or Farelgn Aas es Deputy Chief Accounts Officer, and Directoy
Fotelg \AGai, He served the United Nations on secondment In UN Peacekeeping

Misenopkosavo, As UN staff member, he worked a5 Regional Finance Offesr,
Manlelao} Adaninisiraio and Program Management Officer, Mr Nawaz nas

represented the Federal Government / Finance Division on the Boards of

Pakistan National Shipping Corporation; Civil Aviation Authority Overseas
Pakistan Petroleum Corporation; Pak-Liaison Holding Company and Pakistan State Oil
Company Limited, He has travelled extensively and has attended several
international seminars and professional courses besides conducting

round the world missions abroad: HE is Member of PAC's Board Audit
Committee Finance Commission as well as Procurement Commission:

Mr Shohrukh Nusrat

Secretary Aviation Division

Mr Shohrukh Nusrat is Secretary of Aviation Division. Chairman of the Board of

CAA and former Director of IAC. He has been in the service since January 02, 2019, He
holds BSc in Avionics degree, He began his career by joining Pakistan Air Force

in 1979 and served in the rank of Squadron Leader, He studied
Chinese in 1998 and served as Assistant Commissioner. He was
Assistant Political Agent, Rawalpindi Agency, FATA: PSO to Principal Secretary to

Prime Minister, Sector Agriculture, Industries and Labour, Additional Deputy

Commissioner (General) Deputy Secretary (Political/External), Ministry of

Infrastructural Deputy Secretary, Public Affairs Wing. Prime Minister's Office, Secretariat, Directorate
Estate/Federal Government Employees Housing, Foundation (FGEHF); Joint
Secretary, Ministry of Manpower Director General Pakistan Electronic Media
Regulatory Authority (PEMRA); and National Vocational & Technical Training
Commission (NAVTEC); Managing Director/Chief Executive Officer, Pakistan
Housing Authority Foundation (PHAF); Managing Director Overseas Employment

Commission (NAVTEC); Additional Secretary, Cabinet Division; and Federal Secretary,

Ministry of Textile; and (Ministry of Climate Change before being posted as
Secretary Aviation Division,

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ANNUAL REPORT 2017

--- Page 14 ---

Air Marshal Arshad Malik |

CHIEF EXECUTIVE OFFICER

Air Marshal Arshad Malik was nominated Director since October 17, 2018. He was elected as acting CFO on October 26, 2018 and, was appointed as CEO on April 26, 2019 as per PSC Guidelines 2015, Betare, joining PIA. Air Marshal Malik was Vice Chief of the Air Staff (VCAS), Pakistan Air Force (PAF). During

his career as PAE, he has flown various tanker and fighter aircraft; and commanded a fighter squadron, training wing, an 'operational air base and regional air command. He has also overseen and coordinated the development and manufacturing of JF-17 Thunder fighter aircraft, induction of transport aircraft like AL

78 and G-35. He has been in command of JF-17 aircraft and Super Mushak aircraft. Air Marshal Malik has served on the Board of Pakistan 'Agionautics' Complex, Karachi. His staff appointments include Personal Assistant to the Chief of the Air Staff, Director, Operations Project; Director Operational Requirement and

Development Assistant Chief of Air Staff (ORD), 'Chief Project Director JF-17, and Deputy Chief of the Air Staff (Personnel). 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 has 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 (land) Skyrooms for the Hotel Member of Board Finance Committee, Board HR & Compensation Committee, Board Procurement Committee. as well as Board COE Committee: Air Marshal

Malik is a member of the Board. He is also Chairman of the Al-Shifa Trust -- the flagship CSR setup of PIA.

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Mr Muhammad Shuaib

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Mr Muhammad Javed Jameel

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

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

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BOARD COMMITTEES

As at August 02, 2019

BOARD AUDIT COMMITTEE (BAC)

Mr Atif Aslam Bajwa Chairman

Mr Farrukh H. Khan Member

Mr Tariq Kirmani Member

Mr Haque Nawaz Member

BOARD FINANCE COMMITTEE (BFC)

Mr Naveed Kamran Baloch

Secretary Finance Division

Chairman(ex-officio)

Mr Atif Aslam Bajwa Member

Mr Navaid H Malik Member

Air Marshal Arshad Malik Member

Chief Executive Officer

Mr Haque Nawaz Member

BOARD HR & COMPENSATION COMMITTEE (BHRCC)

Mr Tarig Kirmani Chairman

Air Marshal Arshad Malik Member

Chief Executive Officer

Mr Farrukh H. Khan Member

Mr Navaid H Malik Member

BOARD PROCUREMENT COMMITTEE (BPC)

Air Marshal Arshad Malik Member

Chief Executive Officer

Mr Haque Nawaz Member

Mr Muhammad Ali Tabba Member

BOARD COMMERCIAL, OPERATIONS & ENGINEERING COMMITTEE (BCOEC)

Mr Navaid H Malik Chairman

Air Marshal Arshad Malik Member

Chief Executive Officer

Mr Tariq Kirmani Member

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DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dear Shareholders

The Directors of Pakistan International Airlines Corporation Limited (PIACL or the Holding Company) hereby present the Annual

Report 2017 of PIACL along with Financial Statements for the year ended December 31, 2017

INDUSTRY REVIEW

The demand for air passenger services grew strongly in 2017, with industry-wide Revenue Passenger Kilometers (PKS) increasing

by 8.2%. Passenger growth in 2017 was supported by a broad-based improvement in global economic conditions and tighter

lower fares. In the year 2017, airlines connected a record number of cities worldwide, providing regular services to more

than 25,000 city pairs, which resulted in doubling of service since 1995. Air freight also grew fast in line with global trade volumes,

___ BUSINESS REVIEW

During 2017, Management focused on increasing the customer base of the airline. Being a food-loving nation, improvement

in in-flight meals was a particular focus of the Management. Moreover, special trainings were given to cabin crew for improvement

in capacity to serve our valued customers even better

In line with market trends for forecasted growth, an additional B777-300ER was inducted in the fleet during 2017. Airlines

Witnessed a 2.156 growth in revenues as Compared Ja 2014. There wats on Increase of |, 7% In RPXs as Compared to last yea!

ond Seat Factor épistered a growth of 7,6 ops resulting in 6.3 million passengers caries dunnng 201 7.

Geographical Segments Business (PAX) - 2017

PAKISTAN Meg

35%

___ FINANCIAL SNAPSHOT

“DUting 2017, PIACL (Unconsolidated) and Giolip (Conselidotec) reportect loss Oefote tox omounted Rs46,76 dillon and Rs. 46,98

billion, fésullind In Increase of approx, 4,4 % and 4.5% respectively os compared fo lest year, Major recison for increase In lass

_ Was dite to intreass In fuel 'cost by 13.9% & increase in financial charges by 15.0% os Compared to 2014, Exchange joss

Ingreassa'hy Rs. 1,893 oilion which also confibuted to increase in loss for 2077,

Reserves as on December 3], 2017 were Rs.4,451 bilan (unconsolidated) and Rs.5.703 Jollllon (consolidataa),

1-50) das 102,476

| 130,921) es (e752)

(eni80,707) pp | ales) MM NTLOze2R) | (16 yesh

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(44,877)

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SYSTEM IMPLEMENTATION

4 wellHnleguated. |,7 system with efficient intemal controls Is a prerequisite for toking Wstoimed onc:
timely decisions: Mojour'steas

swale taken by the: Company In this regard during 2017 willy the Gim that in the coming yeors Company
wil) be gening Tull

benefits of these inthatives: inthe tomy of eticen! ancielfective reporting for berer decision making.

ORACLE - ERP

Precess for implementation of Qiccle based ERP Systerry was inlated In year 2074, core modules were
mous funcional nm

January 20177, In the post implementation phase, o rlumiberoof challenges was feces by the
management, However, Witralar

affa/ts of all stakeholdsis, these challenges Were resolved.

RAPID »Revenue Accounting System

New Revenue Accounting System RAPID (by Margalor Solullans} was successiully implemented in July
2017 Mercotey is a

leading software-and solutions provider'ic ayiation industry wilty over 70 altlines aa frieir key Gusiemers
GctGss fhe world RAPID

\5.0 Complete, end:fo-end solution thet transtorms data Inia a single shear of valuable financial ond
management Informeafion

AUDIT OF FINANCIAL STATEMENTS

(As hightlahied In, Note 1,2 of the Unccingolisated Financial Statemenis, ine acing coneeeinessumplion Is
approprcis based,

Lon ihe persisten| Support of ine Govetnment of Pokistan, Through Ws tetler duted Fexmuary 19, 2018,
GoP-hos reiterated its

Moxinyuen support fo Maintain he Company's selma concen, Moreover GoP quacantee iiml wes
snhanced fron fs.178, 083)

roliilor| (December 31, 2017) 10 Rs 272,107 milion (May 3}, 2019) 1o mee the cash deticit,

Purifier in Wiseting With Honorable Prime Minister an Apri 4, 2019, lheCompany presented ifs Stetegic
Business Pian 2019 -

2025. Attes detalles deliberation;inis Business Plan was cproved and during ihe rnesting Honorable
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GoP's tull supper! to the Company in Terms of provision of fundsfequilty Order to Increase lls potential te
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Aviction Market,

The Auaitots Repots Gn UNSolidioles and Consolidated Ainencig] Staremenis have Hghllunles some
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Which an bé seen In the spective Auditor' Reporsiand reictes Notes tp ine Financial Raternens

CHANGES IN BOARD OF DIRECTORS

Since the publication of FACE Annual Report 2015, Mr Tali Manmocd Paste, Sécretary keonarnic Aifals
Division) Ms Faryan

Jooma; MrAlt Suleman Habib: Mi Snanie Mahrrioad, Secretary Finance Division» Mr Adnan Ahmed Khan:
ond Mr ANF Annmeiz

Kian, 'Secretary EAD & Sectetary Finance: \élinquished cs Directors. Mr Muharritriad lifan Slat, Secretaty
Aviation Divisian,

selsinguished as Choiman & Birecter

Mit Musheral Resoot- Gyan jaliéd as Chief executive Office ona Director and subsequently elinoused,
Syed \Grozonter Abbas

dilan|, Secretary Economie Affais Division: and Mr Mehemmad-Younus Dagrñ, Setteltry Finance joined
and subsequenny

ielinquished as Directors.

Birllaz Muni, Sectetary AvicGn Divgian, Mi Munainsrricd Sagi Aziz, Setuetary Aviation Givislon joined and subsequently relinquishes

as Enarmen & Directors.

Alp Meushol Aushad Matlk jolved os Ditector and Chief Executive Office, Mr Haque Nawez; Mr Noo! Ahmed, Secretary Gognenic

'Affols Division; Mr Shahrukh Nusiet, Secretary Aviation Divisiory) ana Mr Naveed Kamran doloch, Secretary Fingnes, (eines os

Directors.

Board weicomes (hé new Directors dnd CEG. It Wishes to turd Oppreciotion fal the services endenaa by (he sulgonig

Chalmen. Directats aid. CEO.

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FINANCIAL ANALYSIS OF SUBSIDIARIES

PIA Investments Ltd

Operating profit for the year 2017 was USD 34.8 million vs 35.4 million in 2016 resulting in 4% Increase.
Operating profit after tax was USD 5.5 million (vs USD 3.3 million in 2016) or 65% increase; profit after tax was USD 4.4 million (vs USD 0.7 million in 2016) recording a 527% increase respectively, year on year.

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

UL

Particulars

"Skyrooms Pvt Ltd

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

54.2 million Vs PKR 8.4 million in 2016,

for 2017 | r 2

PRINCIPAL RISKS & UNCERTAINTIES

valuation industry has always been exposed to: Various risks, both Internal and external, These risks are due to the complexities

Presented in the business environment the high level of regulations prevalent in different Countries, We believe Malawi 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 business operations in the long term: The Company has adopted a proactive approach

Towards managing key business; strategic, operational and financial risks,

FINANCIAL RISK MANAGEMENT

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

~ credit risk (including currency risk, interest rate risk, fuel price risk and other price «/sx»)

CGH risk,

- liquidity risk

The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize

potential adverse effects on the Company's financial performance. Senior management evaluates and manages financial risks

and manages our financial risk management under the governance of Board of Directors,

Credit Risk -The Company's counterparty risk is sufficiently diversified with established limits which are defined in the Credit

policy; Credit reviews are regularly conducted to align the exposure within the defined limits.

Liquidity Risk -a Company manages its liquidity risk by ensuring optimum utilization of cash generated from operations;

available financing facilities and obtaining financing from lenders against Gar quidronides on a securitization of assets,

Five! Prices Risk - Being part of aviation industry, like other airlines the Company is exposed to volatility in fuel prices:

Accordingly, the Company has put in place an effective fuel hedging program which has the responsibility to run the program

Under the guidelines provided by the Risk Management and Finance Committee.

Interest Rate Risk - PIA's portfolio consists of a variety of loans secured against PA assets or Government guarantee

denominated in domestic and foreign currencies. PIA manages the Interest rate risk by targeting & balanced portfolio approach

ENGINEERING AND MAINTENANCE

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

Maintenance Was one of the revenue stream which was successfully uncapped by engaging new potential target

customer, to spark this strategy, a separate and dedicated technical handling cell was Commissioned and referred to as Honddie

foreign operator aircraft flying in and out of Pakistan.

This development helped in attracting new carriers making Qatar Airways and Gulf Air by acquiring a regulatory

approvals while chasing EASA Part- 145 in parallel

PIA's investments were idled on modern fleet including 2787 Boeing's A320 and A330-300. Moreover, PIA also signed a new line

Saudi Airlines by modernization on a long term agreement. The activity created a sense of trust among customers and values

IS PIA Broddct ond quality of maintepance services,

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NEW MARKETING STRATEGY

Having completely ventured into the digital era of marketing and customer engagement and confidence-building through

social and digital media, the years 2017 & 2018 saw PIA being ranked at No. 1 for social media presence and engagement!

With customers in the digital spheres, PIA undertook a number of activities and initiatives to bring itself up with an image of a

engaging lifestyle and travel brand

"HUMSAFAR PIA's Inflight magazine Humsofar was revamped and given a new and fresh look with role engaging content to

keep travellers entertained throughout their flight.

HAJJ OPERATION

PIA undertakes 6 massive Hajj Operations every year and accordingly

the preparations start right away with the end of previous Hajj

operation. Considering the religious as well as social aspect of this

highly ritualistic, Pakistan's national flag carrier gives great importance

to Hajj operation with special emphasis on Hajj Convenience

and serviceability of the aircraft. For the past few years, Hajj

operation has substantially been conducted with PIA's own fleet

The entire Hajj operation 2019 is being conducted through PIA's

own fleet and has been quite successful so far. PIA operates direct

flights from Karachi, Islamabad, Lahore, Peshawar, Sui, and

Faisalabad, Sialkot and Multan while connections via Karachi are

being provided for passengers from Rahim Yar Khan, and Sukkur.

INDEPENDENCE DAY CELEBRATIONS

Independence Day celebrations kicked off at 4.000 tea
in the air on a PIA 777 Boeing plane. Famous celebrity singer
Momin Khan was on-board and sang Dil Dil Pakistan,
much to the delight of the passengers who sang along with
full fervor and spirit

QUAID-E-AZAM'S BIRTHDAY

PIA also celebrated Quaid-e-Azam's birthday with a cake-
cutting ceremony on board 6 Karch) Islamabad flight
Which delighted passengers and children. This was one of
the most appreciated and talked-about activities that PIA
undertook aboard a flight,

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CORPORATE SOCIAL RESPONSIBILITY

PIA. Is driven by high standards of corporate social responsibility (CSR); As-a public sector organization, f
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 its 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 out material free-of charges to help beneficiaries: PIA has established CSR Committees which
formulates, reviews and

implements best practices of CSR governance. Atshifa is the flagship CSR activity of PIA existing since
1967, besides, PIA Scouts

Association, PIA Cricket Academy as well as PIA Employee Health and Medical Services reflect PIA's belief
in contributing to

the betterment of society, Moreover, PIA supports initiatives in the field of education and training to
provide fundamental building

blocks for the development of society. These include PIA Model Secondary School and PIA Industrial
Training Institute,

SPORTS ACTIVITIES

The 2017 ICC Champions Trophy was the eighth ICC Champions Trophy-- a cricket tournament for the
eight top-ranked One

Day international (ODI) teams in the world. It was held in England and Wales from 1st to 14th June 2017
Pakistan won the

competition for the first time with a 180-run victory under the supreme captaincy of Sarfraz Khan
who is a regular player

'OL PIA. Further, PIA also supported Pakistan Super League held in 2017

ENJOY ALL THE
PSL ACTION LIVE...
FLY PIA!

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'SPRING FESTIVAL

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

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PATTERN OF SHAREHOLDING

#e Stdlernt showing file Pattatr of Shareholding in ACL cne addlienal Informarian areal Decernber +1, 007 cpears ah

Page £2, The highest and lowest market prices for Ordinary-A' Shares of PER 1D/each culing 29) / were [x 10:27 and

Pk 4 AD par share; fesdaekvely The highest and lowest market prices for Ordinary B' class's shares of PKR each were not

Tesoides during 2017s the shares were not traded during 2017. Government of Pakistan through Ministry of Finance

Aviolicn Division hold? 1 (54%) PIA Employees Empowerment Trust (PEET) holds 4.43%, Public Sector Companies and Corporation

hold 0.10%; InaiVisuols and others hold 3.82%! Whereas, Financial Institutions held 0.9% of Falling In Hie Company:

CORPORATE AND FINANCIAL REPORTING FRAMEWORK 2017

Jo comply with Puncts sector Companies (Corporate Governance) Rules. 2017 read will) Code-of Corporate Governance xO

{Re Dkectots'ta the best of the «noviedge land bailef slote that)

G) Bodidl has compiled the relevant principles of corporate governance, and Pos identified) may rylesdya have no

been accepted with during the period in which such non-compliance continued, the reasons for serious non-compliance

6) Financial Statements prepared by the Management of "ACL, present fairly the state of affairs. the result of its operations

cash flows and Changes in equity;

8) Proper books of account of PIACL have been maintained:

Any Appointments concerning policies have been consistently tried in preparation of Prudential Standards and Governance

estimates are based on reasonable and prudent judgment;

2. The Chairman and other Officers and the Terms of their appointment shall comply with the remuneration policy,

which are in the best interests of PACL as well as in line with the best practices,

1) International Financial Reporting Standards as applicable in Pakistan, have been followed in creation of financial

statements; _

a) Directors acknowledge the responsibility of establishing of sound and effective internal control system and efforts

to bring about further improvement and refinement in the system as well as effectiveness of existing system,

h) -Key-financial and financial data: of last six years in summarized form is annexed to the Report

1) There are no significant doubts upon PACL's ability to continue its going concern,

4) There has been no material departure from the best practices of Corporate Governance, as detailed in the Rule Book

of Pakistan Stock Exchange other than those highlighted in various exception reports;

A) 88% as to non-Declaration of dividend/return to shareholders! The Board's loss of money:

Directors, Chief Executive Officer, Financial Director, Company Secretary, Head of Internal Audit and

other persons have not resorted to any trading in PACL Shares during the year.

th} Thee Birectors and Company Secelary are Centied Dinclors whereassplars ara ogo! Te ae all
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so} Potter ofShareholding os eaiiied uncer Section 236 of Companies Oidinanee 19s and Rule 17 OF Fae
Rules. 403

S annexed to tris Repart;

PB) Allstattiary paymeanis outstancing against PIAGL have been Gisclases IN Fil fancial Siimenrts;

0) Asdisclosed In the Financial Statements, repayment nf ptinclool and Interest ta GOP leis Beerr ory
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Maly the linarcial siiuention of the Holding, Company,

1) Beard of Directors has recommendes andShershwders nad approved appontoent of Messe XPS Taste:
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3) Dum the Berlosi. uncarsalidalad ds welllas consolcnled Loss = binle Bi dliuted of Rs, 942 Heh\! Class
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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 Securities

Companies (Corporate Governance) Rules: 2003 and the Code of Corporate Governance is being published and evaluated!

Along with this Report:

STATEMENT OF INTERNAL CONTROL

Board has established an effective internal control system: In place to achieve its objectives and to ensure the integrity of financial statements

0) Efficiency and effectiveness of operations

(h) Compliance with laws and regulations

Good quality of financial reporting

Board has established an Audit Committee comprising four Non-Executive Directors, terms of Reference of which are as follows:

8) In line with the requirements of the Companies (Corporate Governance) Code, 2003, the Audit Committee is responsible for

oversight of the internal Audit Function as well as the external financial reporting

The internal Audit Function is headed by a qualified Cost and Management Accountant further assigned, by the Board

Audit Committee: The internal Audit Function has transformed its audit approach (from traditional to risk-based) for all material areas

Assignments in line with guidelines of Committees of Sponsoring Organizations of the New York Stock Exchange Commission (COSG) are undertaken

The Institute of Internal Auditors -USA. To further strengthen the overall internal Audit Function, the Institute has been engaged into a co-sourcing

engagement with Messrs Deloitte Touche Tohmatsu & Co. (a member firm of Deloitte Touche Tohmatsu Limited)

FUTURE OUTLOOK

ReQuent changes in management, not only demonstrated the continuation of policies, vision and strategic direction HLF must shake

the confidence of investors and 'under. In order to stabilize: the operations of the airline, Actions with the approval of Ser

decides to appoint Air Marshal Arhod Malik GS CEC) of PIA for a period of two years with effect from April 2019) Air Marshal

Malkison Succeeded office, although occasional and has held many high level management position of operations

coimetal.cncsaviation dorains.

Welw Waringement is mending to revive the airline in phased manner ATW business plan was presented to the Faricrabie

Rilines Minister in April 2019 which was unanimously approved, The Business Plan 2023 for airlines on the airline schedule,

consideration are taken embarking on growth to become profitable gradually in five years. Some of the strategies of new

Sustainable plan include measures to ensure safe operations, promote empowerment and ownership, enhance revenues) Crt

Costs, optimize routes, rationalize the network, add In-Flight entertainment, Improve punctuality and reliability, ensure air

cleanliness, enhance customer experience, provide quality food, Increase and improve SVENUEs, GodpT key Technology: rationalize

Hf) Instill culture of transparency, focus on code sharing, save the co-brand and uphold principles of corporate Governance

The operating environment of the airline industry is challenging and dynamic! Competition, Low yields, rising fuel cost and depreciating

Capacity but there are opportunities for airlines at the same time within the current climate of our vision and resilient team,

ACKNOWLEDGEMENT

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BOARD MEETINGS ATTENDANCE

Meetings Date

Mr Muhammad Irfan Elahi
Federal Sactotary Aviation &
Chaiimar-PIACI Member

Mt Ghiasuddin Anmed

Malik Nazir Anmed

Syed Yowar Ail

Mr Allf Aslam Bajwa

Mr Aslam Khaliq

Mr Yousaf Waqar

Dr Waqar Masood Khan
Feed Secretery Finance

Mr Naval H Malik

Mr Ali Suleman Habib

Ms Faryal Jooma

Mr Adnan Ahmed Khan

Mr Farrukh H Khan

Mr Tariq Kirmani

Mr Shahid Mahmood

Federal Secretary Finance &
Economic Affairs

Mr Muhammad Ali Tabbo

Dr Musharraf Rasool Cyan

President & CEO » PIACL

Director as per Section 182 (3) of
Companies Act 2017

Mr Arif Ahmed Khan

Federal Secretary Economic
Affairs Division

Mr Haque Nawaz

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20/11/2017

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ATTENDANCE OF DIRECTORS AT
AUDIT COMMITTEE MEETINGS

Meetings Date 05th 06th

09/05/2017 23/05/2017

Mr Waqar Masood Khan ew ww

Mr Ghiasuddin Ahmed w ~

Leave of

Malik Nazir Ahmed Absence ~

Mr Yousaf Waqar present aoe

Mr Atif Aslam Bajwa

Ms Faryal Jooma

Mr Adnan Ahmed Khan

Mr Farrukh H Khan

Mr Tariq Kirmani

ATTENDANCE OF DIRECTORS AT
HR COMMITTEE MEETINGS

Meetings Date 02nd 03rd 04th

: 13/01/2017 16/04/2017 10/05/2017

Malik Nazir Ahmed w ww nee es

Mr Muhammad Irfan Elahi ~ w ww

Mr Ghiasuddin Ahmed ee v v

Mr Asam Khaliq ae yw pices -

Mr Navaid Mallk we Ww

Mr Tariq Kirmani

Mr Musharraf Rasool Cyan

Mr Farrukh H Khan

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O7th

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EY Ford Rhodes KPMG Taseer Hadi & Co

Chartered Accountants

Progressive Plaza Sheikh Sultan Trusli, Building. No, 2

Seamount Road Beurmon Road

Korachi - 75530 Karachi - 75530

Review Report to the Members On the Statements of Compliance with the Code of Corporate

Governance and Public Sector Companies (Corporate Governance) Rules, 2015

We have reviewed the enclosed statement of Compliance with the Code of Corporate Governance of the Company

of the Public Sector Companies (Corporate Governance) Rules, 2015 as "Compliance") |
prepared by the Board

Directors of Pakistan International Airlines Corporation Limited (the Company) for the year ended December
4) 2a) 7 te. waspaly

In line with the requirements of Clause No, 9, 79.24 of the Listing Regulation of the Pakistan Stock Exchange |
written by the Board

data and provisions of Public Sector Companies (Corporate Governance) Rules, 2015

the Board of Directors of the Company has approved the statement of Compliance with the Code of Corporate
Governance

the extent to which the Company has complied with the provisions of the Code of Corporate Governance
as set out in the Code of Corporate Governance

The Company's compliance with the provisions of the Code of Corporate Governance and the relevant
provisions of the Code of Corporate Governance

The Board of Directors of the Company has approved the statement of Compliance with the Code of Corporate
Governance

approved by the Company to comply with the Code of Corporate Governance.

Te SET

As@ sal of our audit of the financial state of the company is required! 40 obtain an understanding of the
GOCU Nihg and infirm! Gerber

QSTETS sUigert is that "the company can develop an effective audit approach. We are not required to consider
witness the Rose

oO} Directors! shareholders! and Interns) enter! carry all risks and) controls or %© fact) all Opin on Me
Stemwensss of each mimes

controls; We Company's management practices and risks.

Te-Codes require the Company to place before the Audit Committee. That Upon Recommendation of the
Audit Committee,

place Before the Board of Directors for their review and approval related party transaction distorting
beneficial business terms

covered by an terms equivalent to those that would be in effect if the transaction were conducted with an
arm's length party

length pace and receiving proper justification for such transactions. Management We are only
equivalent and Five Ensur

compliance of this requirement is the extent of the approval of the related party transaction by the board
of Directors upon

recommendation of the Audit Committee, We have not called out any precedents to determine whether
the transaction is

transactions were undetected of arms length. Peter or Nat,

Based on our review, nothing has Corie (6 our aileich Which causes Us to believe Naor he Sisienend I
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opprusialely ieflect ae Carmpanys aoiriplloncs. iA di mcitengl mispects with (h bes) DeGotices Sontag" ir
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opplesble 14 Ae Company tor he Yeur ended 5) December 2017

Fullhes we highlight balow insiances cf rcn-compliance with the reouiremenis oF he-Coges Ss erected i
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EY Ford Rhades KPMG Taseer Had) 8 Co.

Chartered Accountants Chartered Accountants

Place: Kerast

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STATEMENT OF COMPLIANCE

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

Corporate Governance

Name of company: Pakistan International Airlines Corporation Limited (PIACL)

Name of the line ministry: Aviation Division, Cabinet Secretariat

For the year ended: December 31, 2017

This statement is being presented to Comply with Public Sector Companies (Corporate Governance) Rules 2013 [the Rules] and Code

of Corporate Governance ('CCG') contained in Pakistan Stock Exchange Listed Regulations issued by the Securities and Exchange Board of Pakistan (SEB) for

a framework of good governance, whereby a public sector company is managed in compliance with the best practices) public

Some provisions, in case where these are inconsistent with the CCG, the provisions of Rules shall prevail

Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under the Companies Act, 1947

Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1986 [the Act].

With effect from April 19, 2014, the Corporation was converted from a statutory corporation to a public limited company.

company by shares namely Pakistan International Airlines Corporation limited ("the Company" or "PIACL"), through Act No. 50014, Pakistan International Airlines Corporation (Conversion) Act, 2014, (the Conversion Act) approved by the Parliament of Pakistan.

The Conversion Act was repealed in Pakistan International Airlines Corporation Act, 1996 and the Corporations & Companies Ordinance, 1984 (Now Companies Act, 2017) Act of the Federal Government.

The Conversion Act was repealed in Pakistan International Airlines Corporation Act, 1996 and the Corporations & Companies Ordinance, 1984 (Now Companies Act, 2017) Act of the Federal Government.

Under the Companies Ordinance, 1984 (Now Companies Act, 2017) Act of the Federal Government.

Governance) Rules, 2013 were applied on or after April 19, 2016.

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

Provision of Rules Rule No. | Y | N

Tick the relevant box

independent directors meet the criteria of independence, as defined,

under the Rules.

Board has at least one-third of its total members as independent Directors, During

(the Period, Board Included:

Date of Appointment

AGnan Ahmed Khan

Anil Aslam Bajwa

Independent Fomukh H, Knan

Diecices Toria Kinmani June 7 2017

Naveed H, Maik

Muharnnnicdt All ob .

| Hoque Nowa ~ Novembe: 20,2007 _|

Exechfive Sitectors | Mushandar Rasoc! Gyan Avagust 25, 2017

| Munaramad kfonéicnl June 4 207

NomSkecutive Citectors | Ati! Anmed Khan Saplember 19 2017

{| Shri Marmoe dune 1/2017 |

Note' PIACL hos campliied with this provision auring {he year when Bord was.
reconstituted. However during the inital port -of year, ine non-compliance |
remained os brought fanvard fron le previous year

The cuedlos have Ganfimed thal haneor ern isserving cs a dresctc: on rrare
jhon five publle sector companies Gnd listed companies simultanesusly, excsnt
heir subsidiatics. i

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5, The eppainiing culhoriles have opplied We lit aid Giope/ Cresta given in the
Annexure In making n&minations of tha persons for eechion as Directors under the
| provisions of the Ordinance 3S)

Note. Ten oul of leven Directors PIACL Boord gre nominated by the Federal
Covernment.

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for the Board if working separately from the chief executive of the (AI)

Company,

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Provision of Rules GO Te ae

Afra tet eN td

The cholimion of the Board has. Seen Gietled oy the dearc of Director of the Public Sector Company.

} The Board hes evoluctad the condidotes fer the sostion ofthe chia! oxecuiwe on ihe Basis of te fit ond oroper chitin ms well as he Quideines specified ay ine | Caremissionian.

6) Tha Campany has orepared a “Code of Conduct to ereute thal pittessioAal Stancotcs cind corporate yaives are in place,

The Board has ansuied Mat appioprare stess haveibeén taken 16 dssern | note tt inretighout the. Company clang win tssupporting policies and prosecunes, including posting ins some on the Company's website (Www, olac-ae40)

The Board has set it place adequate systems Gnd controls [othe ideriificcticr hd fedressat of grlevances arising (far) uneinical practicas,

The Board has established o system of sound inteme contral 1 erikuse Caripiionce

Wilt thé fundamental princinies oF oreo anc propriety: objectivity, integrtly ana

noresty; anc refalicsnship with the stakeholders, in the manner pfescyited |n tha Rules.

Tné Beare has developed and enforced on sop op cite conflich of intarest cotey,
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have Octal or potentin! Contlict of interests. and thee presecure tor cisslosiig such fi)

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actuel orperceived conuptian In ine company, jw) |

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jhe Board nas ensured Scuality of Opoarw tty ky Sstedlishing Sen ana toir AS) (c} +
arccedures for making appoiniments and for daterining terms and ccvdifions Ny)
of service,

[he Bond bos nsured cominiiance with the law os wet atthe oenpariys (lena!
rites ond procédures (elating te Pldlic procurement, ender fequiotions and
purchasing dnetectinical tonderds, wher cealing will) suppliers of goods and
services.

The board has Gaveloped oWision cr miksicr Solement corpotate strategy arid
significant Doticlas Of he Company,

The Board has developed significant policies of the Company. A comparison of the particulars of the significant policies together with the details and how they were approved or amended, has been maintained,

The Board also justifies the outlay of any action in respect of any service delivered or Goods sold by the Company as a public service obligation, and not simply to the extent of the Government compensation to the Government for consideration

The Board has ensured compliance with all regulatory requirements as set out from the Government,

a) The Board has met at least four times during the year

b) Written notices of the board meetings: sent with agenda and meeting papers. were circulated at least seven days before the meetings.

G) The Minutes of the meetings were appropriately recorded and circulated

The Board regularly monitors and assesses the performance of senior management on an annual basis and held in a measurable way for achieving objectives, goals and key performance indicators set for this purpose

The Board has reviewed and approved the relevant Sony transactions placed before it after recommendations of the audit committee: A properly recorded of transactions

entered into with the related parties during the year has been maintained,

see SS I 2. of 017 IRS a

Provision of Rules

| The Board has approved the Profit and Loss Account for and Balance Sheet as at the end of, the first, second and third quarter of the year as well as the financial year-end,

b) The Board has ensured preparation of half yearly accounts and undergone a limited scope review by the auditors.

c) The Board has placed the Annual Financial Statements on the Company's Website,

All the Directors convene an orientation Colloquium by the company to apprise them of the material developments and information as specified in the Rules,

3) The Board has formed the requisite committees, as specified in the Rules, [

b) The committees were provided with written terms of reference defining the duties, powers 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;

The committees were chaired by the following non-executive directors;

Board Committee

Audit Committee

Risk Management Committee

HR Committee

Procurement Committee Not elected as at

December 1,

2017

Note: No meeting of Board Procurement Committee was held during 2017.

The Board has approved appointment of Chief Financial Officer, Company Secretary

and Head of Internal Audit, by whatever name called, with their remuneration and terms and conditions of employment.

The Chief Financial Officer and the Company Secretary have qualifications prescribed in the Rules:

The Company has adopted International Financial Reporting Standards notified by the Commission in terms of Clause (i) of Sub-section (3) of Section 234 or the repealed Companies Ordinance 1984.

the directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the relevant matters required to be disclosed,

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.

0) An additional transparent procedure regarding 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, 4

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 on the Board.

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Provision of Rules Rule No | ¥ | N | Wiha

Princo meds

The Board has formed an audit Committee, with defined and written terms of reference, and having the following members during the period:

elie) m ata l as } Category Professional Background

Afil Asiarn Bajwa i

Adnan Anmed Khar Businessman

Fonukh 4. Khon indanendent! Directors | Finance Professional

Mr Tariq Kiernan | | Business Manager |

Mr Reque Nowaiz Civil Servant (Retired)

the chief executive and chairman of the Board are not members of the audit committee |

|

The Chief financial Officer, the Chief Internal Auditor and representative of the | 21/3)

External Auditors attended all meetings of the Audit Committee at which issues |

révisiting financial accounts and audits were discussed.

The Audit Committee met on January 19, 2018 with the External Auditors without the presence of the Chief Financial Officer, the Chief Internal Auditor and other Executives to discuss audit and accounts related matters for the year 2017,

The Audit Committee met on January 19, 2018 with the Chief Internal Auditor and other members of the Internal Audit Function without the presence of Chief Financial Officer and the External Auditors to discuss internal audit related matters for the year 2017.

The Board has set up an effective Internal audit function, which has an audit charter, (approved by the audit committee), and which worked in accordance with the applicable standards.

The Chief Internal Auditor has requisite qualification and experience prescribed in the rules.

The Internal Audit Reports have been provided to the external auditors for their review,

The external auditors of the company have confirmed that the firm is in compliance with International Federation of Accountants (IFAC) guidelines

on Code of Ethics as applicable in Pakistan,

The Auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services,

The company has complied with all the corporate and financial reporting requirements of the Rules except for the following:

to} The Board has not defined the level of materiality, keeping in view the specific context of the Public Sector Company and the recommendations of any committee of the Board that may be set up for the purpose:

The audit committee shall appoint a secretary of the Committee, who shall circulate Minutes of its meetings to the all members, directors and the chief financial officer within fourteen days of the meeting.

Additional requirements under Code of Corporate Governance-2012

Clarisé 26} of the Pailis Sector Companies (Comorate Governance Complancs)Gussiines, 2042 ssuca
nythe Commission

Soules Not any disclosure requiied under any other diective, aade, tegulstion oF rules snuil alse oe Ticde
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somnllancé, notwithstanding anivihing conained in the statement Accordingly, below cra inc
requirements of Regulation No, 5.1%

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sector Componles (Comoraic Govemance) Rules, 2013:

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@ All powers.at Board haye'been GLY exercised ond decisions on motetict fransecicas, NGudind
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of the committe have been furred ond advised fo Me con imittes- fo) Compllones.

4. Statutory auditors of RIACL have contirned tharhey have brian given a saiistactoly ating unde Te
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Company and that the time and all its correspondence in compliance with the Internal Control Federation of Accountants (FAC) guidelines

on code of ethics as adopted by the ICAP

5, The 'Closed Period' prior to the announcement of interim financial results, and business decisions, which may materially affect the

market price of the company's securities was determined and disclosed to directors, employees and its

4, Material price sensitive information has been disseminated to all market participants at once through stock exchange(s)

By way of the follow.

© Amongst entities obtained from various commercial banks,

® Addition of 2 airplanes to fleet

>, The company has not complied with the requirements relating to maintenance of register of persons having access inside

Authorization by designated senior management officer in a timely manner and maintained proper records including business

Inclusion or exclusion of names of persons (any third list

5. We confirm that all other applicable internal policies enshrined in the Code have been complied with

one for Non-compliance with the Public Sector Companies (Corporate Governance)

ules,

We confirm that all offal mefedal requireméints envisaged In the Rules have been Complige wWeh ererpl
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Which teasonable prgress ls being mana oy the campuny fo seek compicnce,

Reasons.for non-compliance Future course of action

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goods sald by Iné Company os c ALDI sevice

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appropriate tompersallon te the Government

tonconsiteration

| Minutes of 13tA Booald Meeting fel en duly 7.) Note for carnpioncein (ue:
2017 were circulated mae inan 14 days ofer
ther conflation.

The Board has not mortorad and assessed tne | All oul efforlssshall De made so monitor ana
oerornance ef serio management. on annual | assessihe performance ot senior Maragement

bass. on cn annual basis

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| Reasons for non-compliance | Future course of action

|

Details of the related party transactions were | Noted for compliance in future.

not placed before the Board Audit Committee

and the Board for the recommendation / review

and approval.

Quarterly accounts were not approved within

one month time due to non-finalization of

Financial Statements. Board has emphasized the timely completion of

Financial Statements in future so that compliance

of regulatory framework can be ensured

The Board did not get the half yearly accounts

reviewed by the auditors within specified time.

5(10) | The Board has not defined the level of materiality | Subsequent to the year end, the Board, in a

' on 05 July 2018, has defined the

level of materiality

21(9) The Minutes of 7th BAC Meeting held on October | Noted for compliance in future,
11, 2017 were circulated more than 14 days
after its confirmation,

For and on behalf of the Board

if)

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Air Marshal\Arshad Malik Atif Aslam Bajwa

Chief Executive Officer Director

July 18, 2019

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PATTERN OF SHAREHOLDINGS

As at December 31, 2017

375001

Shareholding

335000

360000

360000

380000

No. of

Shareholders

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Ordinary 'A' Class

Total

Shares Held

266,279

8,436,204

4,067,761

13,522,719

Ordinary "8" Class

Tofal

Shates Held

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PATTERN OF SHAREHOLDING

As at December 31, 2017

Shareholding Ordinary "A" Class Ordinary "B" Class

No. of Total Total

From The Shareholders Shares Held Shares Held

390001 to 395000 1 393,000 -

395001 to 400000 5 1,997,000 -

400001 to 405000 2 7,500

405001 to 410000 1 420,000 -

410001 to 415000 1 425,000

415001 to 420000 1 427,500 -

420001 to 425000 1 447,500 '

425001 to 430000 4 460,000

430001 to 435000 7 461,500 -

435001 to 440000 1 475,090 ~

440001 to 445000 1 486,000

445001 to 450000 2 987,500 -

450001 to 455000 9 4,890,000 -

455001 to 460000 2 1,008,500

460001 to 465000 1 620,000

465001 to 470000 1 \$50,000 -

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56500) to 570000 ' 567,504
595001 to 6000 2 000
406001 ta. 10090 2 1,214,000 -
610001 io 615000] 14,000 =
620001 to 625 1 5,000
630001 to 635000] 30,047 -
645001 ta 650000 3 1,950,000.
695001 10 700000. 1 700,003
765001 ta: 770000.] 770,000 -
78500) to 790000 2 1,871,500 -
625007 to 830900 J 827,635
846007 to 850000] 850,000
855001 te 860000 | 859,500
905007 lo 1] i
930001 fo 935000 1 932,500 -
955001 to 960000 | 935,668
995001 to 2 2,000,000
1045001 to 1050000] 1,050,000
1095001, to 1100000 1 1,100,000
1110001 to 1118000 1 1,113,500 -
1220001 to 1225000 1 1,225,009 -
1250001 to 1286000] 1,251 787
1480001 10 1485000] 1,481,000
1558001 to 1569000 | 1,587,000 -
1793001 to 18 | 1,850, -
1995001 To 2000006 1 2,000,001
2005001 io 2070000 | 2,006,500 -
2070007 to 207: | 2,073,100

2195001 to 2200000 1 2,200,000
 224500) to 2250000] 2,248,500 -
 2700001 to 2705000 i 2,704,000 -
 2725001 to 2730000 1 2,728,000
 2895001 to 2900000 i 2,900,000
 2995001 io 1 3,009,000 -
 3280001 to 3285000 1 3,282,500 =
 4725001 to 4730000 1 4,730,000
 479500) jo 4800000 \ 4,860,00G -
 5810001 to 5815000 1 5,810,500. -
 5840001 io §845000 1 6,843,500 ~
 231855001 to 231860000) 231,885,493 -
 4791750001 to 4791755008 | 4,791 ,752,087 1.462,515

Total 57,129 5,233,761,118 1,499,999

mm <20SEN as aowareor 2017 ERS

CATEGORIES OF SHAREHOLDERS

As at December 31, 2017

| _ Number of Shares Held | of Shares Held

Categories of Shareholders Number of Percentage

Shareholders | Ordinary "A" Class | Ordinary "B" Class

Government of Pakistan

Federal Government which holds more than five percent
voting rights Shares are held in the name of Secretary,
Ministry of Defence, and Secretary, Aviation Division

4,791 752.087 1.462,518

PIA Employees Empowerment Trust (PEST) 23) 855,493

Associated Companies, undertakings and related parties

Mutual Funds

CDC - Thustee National investment (unit) Trust

202,650

Directors and their spouse(s) and minor children

Mtr Muhammad Irfan Elahi, Director

Mr Mushiartat Reisool Cyan

i

5,000

Executives

2,577

Public Sector Companies and Corporations \$,047,970

Banks, development finance Institutions, non-bankin
finance companies, insurance companies, takaful,
modarabas and pension funds

4,681,050

Individual

181,680,344

18,533,946 2,927

The above two statements include 9,342 Shareholders holding 188,657,611 Ordinary 'A' Class Shares and 2,622 Ordinary 'B'

Class Shares through the Central Depository Company of Pakistan Limited.

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--- Page 45 ---

SHARE CAPITAL

AS AT DECEMBER 31, 2017

December December

2017 2016

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

\$,349,250,000

1,500,000

0) 50,000,000

2,642,351,960

931,028

233,934,482

2,356,543,648

\$,233,761,118

1,003,374

2,625

494,000

\$,350,750,000

5,400,750,000

___ 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

To be Issued against advance from GoP

'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 December
2017 2016

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

53,492,500

7,800

63,500,000

00,000

54,000,000

Rs 858

in a8

26,423,519

2

arse

a mot <<

310 9,310

é 2,339,345

« | 23,565,436

\$2,337,610. 52,337,610

\$,017|

13

mee 2,470

7,500, 7,500

52,345,110 52,346,110

* Share Certificate for 2,356,543,648 Ordinary 'A' Class Shares of par value of Rs./0/- each issued to Secretary,

Aviation Division, Government of Pakistan,

ee SS I occ 2017 SS

--- Page 46 ---

SIX-YEAR SUMMARY

OPERATION

Route Kilometers:

Revenue Kilometers Flown (000)

Revenue Hours Flown

Available Tonne Kilometers AT.K (000)

Average Seat Kilometers A.S.K (000)

TRAFFIC

Revenue Passengers Carried (000)

Revenue Passengers kilometers (000)

Passenger Load Factor { % }

Revenue Freight Tonne Kilometers (000)

Kg. of Excess Baggage & Cargo (000)

Kg. of Mail (000)

Revenue Tonne Kilometers (000)

Revenue Load Factor { % }

Avg. Kilometers Per Passenger

FINANCIAL

Operating Revenue (Rs. In million)

Operating Expenses (Rs. In million)

Operating Profit/(loss) (Rs. In million)

Profit/(loss) after tax 1%, In million)

Fixed Assets (Rs. million)

Current Assets (Rs. in million)

Current Liabilities (Rs. in million)

Long-term Debts (Rs. In million)

Net Worth (Rs.) In million)

RATIOS

Loss per share (Rs.)

Current ratios

SHARE PRICES (Rs. 10 Share)

High

Low

Closing

PERSONNEL

Average No. of Employees

Revenue per Employee (Rs. in million)

i}

Sy <7 TT <>

2016

(Restated)

382,057

79,842

131,838

2,797,976

19,201,564

5,486

13,750,669

132,694

37,674

225

1,375,423

a9

2,506

88,997.379

120,633.00

(31,636,144)

(44,900,315)

68,838.645

29,449.080

213,702,122

74,829,943

(243,927.154)

0.14

13.55

650

9.16

13,947

6.38

2015 2014

[Restatect}

367,251 389,445

67,630 61,389

111,455 101,856

2,435,908 2,395,855

16,666,536 16,536,888

4,394 4,202

14,711,353 11,903,317

70.30 72,00

125,590 156,285

41,013 51,257

283 378

1,191,362 1,241,933

49 52

2,666 2,833

91,268.545 99,519,057

107,704.44) 114,457.874

(16,435,896) (14,938.817)

(32,529.560) (31,744,564)

76,647.952 BA, 102.15

25,079.416 24,733.53

205,571,050 216,451.94

49,766.42) 36,087.55

(208,363.683) (174,651.719)

(6.39) (6.90)

B.A2 on

12,10 10.55

6.69 5.13

B46 745

16,271 17,383

5.6) 5.73

ans

(Restated)

411,936

63,144

106,476

2,471,474

17,412,376

4 aay

12,237,251

70,00

235,405

82,155

648

1,360,629

55

2,751

95,771.130

429,857,900

(33,786.770)

(44,322,040)

90,452.07

22,737.68

189,491.25

31,409,00

(110.735.907)

d2sn

O13

4.76

176

4,03

16,604

5.77

2012

(Restated)

448,120

76,750

127,248

2,859,450

19,849,476

5,236

13,873,760

70.00

273,414

98,348

art

1,513,041

53

2,650

112,130,060

129,450,000

(17,319.40)

(33,844,000)

97,437.67

22,586.37

167,479.93

13,957.20

(109,678,615)

(11.00)

0.13

4.76

1,75

4,03

17439

6.43

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--- Page 47 ---

UNCONSOLIDATED

FINANCIAL

STATEMENT

--- Page 48 ---

Fr Tae Rhodes KPMG Tess! Mach eo wer

ordered Accountants Chartered

Frogiteasive Piazza Sheikh sultan Trust Butlin, No, 2

Beaumont Road equmion! Road

Karechi~ 75530 orachi ~ 75530

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan International Airlines Corporation Limited (the Company) as at 31

December 2017 and the related consolidated profit and loss account, Unconsolidated statement of Comprehensive Income.

Unconsolidated cash flow statement and statement of changes in equity and reserves of the Company (the Company's financial statements) for the year ended 31 December 2017.

Except for the matters referred to in paragraph 1(a) and 1(b) of the report, we are of the opinion that the financial statements of the Company for the year ended 31 December 2017 are fair and give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting policies adopted by the Company.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

of our audit

1. The responsibility of the Company's management is to establish and maintain a system of internal control, to safeguard the assets of the Company, to ensure the accuracy and completeness of the accounting records, and to ensure the Company complies with applicable laws and regulations.

The above stated management's responsibility is consistent with the International Standards on Auditing (ISA) standards and the requirements of the Companies Ordinance, 1984.

Our opinion is based on the audit of the financial statements of the Company for the year ended 31 December 2017.

For the matters referred to in paragraphs (a) and (b) below, we have conducted the audit in accordance with the International Standards on Auditing (ISA) standards and the requirements of the Companies Ordinance, 1984.

shondclonds og apmicobie in Pastor) These standards (equle thot. wa Rian one perfor | (he audit (o
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0) as deciosed In notes 6.7) and 11.2 ter the wegersolldaled tinancial siaerreans, cle 1a sr Inv OF
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fo Bteosqndiee exlen! ol year end ond subsequently, Consequinlly, we wane Livable te Gite Vur The
Bfysiaa COU at

Sabital suures of RS, 5.544 milion dnd sotes and noms ot Rs S024 rrillian Gs oe) Decsrnbet 2077 or salisiy
ourseves

by any other alternative reasons, Turtiier, snes lhc Cusiva lwenloves forn part of cétetmination at the financial oetornoricen

ond casi fows, we were unoble to delernine whether adjustmems might have Seen qecessary ir respect of Me

Unnonsttidafes Balanee shiéét cis.of 3) Deceniber 2077. toas tor the yeior reforted In (he uneorsmiMrstet pent and (oss

AEeMSUN! Od Uncorisclideted sterement or comprehensive Income aaid the nel cash flows (ren apersting aectiuess

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5) UNeorneet neva tron) lramseortenon services was estimaed by the Cornpsiny usd Conmsten? NaTIGeEIDgy On year

to yer boss 9 coch reporting Gere ucis year ended 4) Decentrer 24 (his melhiodotogy involvert using: cf sas ond

fHefet uflvetion cate fora pariculat yaa to anive ot uneairiad levenue fol Auch veoh HoweVel, in fre absence ef an

Revere AccoLnting systenn (RAPID) to Nook lneamied royerde on o licket Wise Dost, 7 y/cs Anproc tosh Yor the Garmzcnry

le d2fSrmineuineoined ravenvercuneér (han sing the metnaroleay ds sasctioe chav

non IMiplarentalion of RAPID In yea! 2017. the Company has bien oble Cte ne uNeamse evens ap TICKS! Wise

esis Gnd GlS Pes Geer Obie te irock (he uillzation of jiekefyupia December 2078 As 6 result of tye oxetsisee Hite

mMarcicernent detained an unideniiliad potesc= relating fo eaned revantie ArOUMiING fo Re LOBE 1 illior as retekene

note 4! totheurconscideted tnanaial statements. -

Surlhien fe mionagementhos a ranlect oul or exercise subsequent la jeg midéd 2) Decornber 801? lo delenririe

the tolances. of reverii related faxes GS at 37 Deceiver 207) As o tesull Gt Wie ekercie Ne monger snr sseimines

On UnigeMtiier polanée relating ivevenue reloted fofes srsauniina fu Ms 4.700 pnillian as refered in note 6 1 te me

wrieornoldalad tinanclal statements,

Whlletnése s#eroises MOVE aaKonebly esmatilshec! he uneamed reve we firid revel ue eidsc'ioxes cect 31 December

2017, Poould mel bewdetermined In Oppromests manner weiter sulliciant end reliable infarnaiian / Sate was avabile

ietuge! on (he aneduntingvand reporting sysiert Of the Coriaonyas molemented ip 2014 ard exair yecs) (cerry

We were NCLOBIE to safsty ouselyes wwhethel hese acjustents should hays beer Glumsilicd exon eve! co estimate rr

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Estimates and Birors"

(Hiri Adiusimen! Ned besn fecotded Os on eslimnets, the loss for veer Waulel Faye meen lower by Fe 2485 rrallion cInG

the Opening fefained earnings as of tanvary 07, 2077 would hove bee Wighe) bY cohésporoing eilect

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--- Page 49 ---

c) In our opinion, except for the effects of the matters stated in the paragraphs (a) and (b) above, proper books of account

have been kept by the Company as required by the repealed Companies Ordinance, 1954

@) In our opinion except for the effects of the matters stated in the paragraphs (a) and (b) above:

i) the Unconsolidated balance sheet and consolidated profit and loss account together with the notes thereon have

been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books

of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business: on a

Wi

the business conducted, investments made and the expenditure incurred during the year were in accordance with

the objects of the Company

2) In our opinion and to the best of our information and according to the explanations given to us, except for the effects

of the matters stated in paragraphs (a) and (b) above, the consolidated balance sheet, Unconsolidated profit and loss

statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated

statement of changes in equity together with the notes forming part thereof are in conformity with approved accounting

standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1924,

in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31

December 2077 and of the assets, its comprehensive loss, cash flows and changes in equity for the year ended,

{ } (Rouopinion, ne zakat was deductive at Source under the Zakat and Usnt Ordinance, 1980) (XVIII of 1980),

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

i) Note 1.2 to the consolidated financial statements. As more fully explained in the said note that in view of the financial

position of the Company, the Government of Pakistan has continued 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 support,

i) note 26.5 to the consolidated financial statements which states that the Pakistan International Airlines Corporation

Provident Fund's contribution of Rs. 10,997.823 million along with the mark-up thereon of Rs.4,864.96 million were not

deposited by the Company within the stipulated time as required by Section 227 of the Companies Ordinance,

1984 and Section 218 of the Companies Act, 2017;

ii) Notes 30.1 and 38.1 to the Consolidated financial statements which relates to taxes and other contingencies and

states that the ultimate outcome of the matters referred therein cannot presently be determined and, accordingly,

no provision has been made in respect of these matters in the consolidated financial statements

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

Chartered Accountants Chartered Accountants

Engagement Partner Engagement Partner

Shatig Ali Zicil Amit Jami Apoasi

Place: Karachi

ee SSS 2.02017 SS

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UNCONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

December 31, December 3], January01. December 31, December 31, January 07.

2017 2016 2016 2017 2016 201

----- (Restated) ----- soneeeee (ROSFATAC) «-res0e~

Note -----2--e---+-+ (Rupees in '000) -----+-- casscensneeeenee (USS In OOD) ~--+2--teneneen

ASSETS

NON-CURRENT ASSETS

Fixed assets

- Property, plant and equipment 6 68,828,761 76,602,307 656,420 730,440

- Intangibles 7 7,884 45,645 75 235

68.836.645 76,647,952 656,495 730,875

Long-term Invesiments & 4,569,247 4,511,587 AG,577 43,020

Long-term advances 9 = - -

Long-term deposits.and prepayments 10 7,020,724 9,602,902 66,957 91,568

Total non-current assets 80,426,616 90,762,435 787,029 -BB5,443

CURRENT ASSETS a 7

Stores and spares i 2,554,584 3,039,672 24,363) 28)986

Trace debts 12 8,751,598 9,294,690 83,464) \$8,629.

Advances 13 2,154,433 1,674,020 20,547) 15,009

trade deposits and shorten prepayments. 14 3.891.662 2,355,635 37,1 13) 22,462 |

Other receivables 16 8,629,470 6,154,674 52 82,299) 58,683

Shorties Investment 16 19.220 19,220 7 183 183

Cash and bank balances 7 3,448,713] -2,641,305 | | | 937,943 32.885 25,1 86

Total current assets 2 29,449,080 25,079,416 | 290/135) 280,856 239,149

TOTAL ASSETS 109,875,696 115,841,851 | 10lnz29) 1.047.888 1,104,606

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Air Marsh shad Malik Atif Aslam Bajwa

Chief Executive Officer Director

- PAKISTAN

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UNCONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

December 31, December 31, January 01, December 31, December 31 January 01,
2017 2016 2016 2017 2016 2014

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

\$2,045,120 \$2325,110 a 473.594) 699.215 499,736

Issued, subscribed and paid up share capital «= 18

Reserves 19 492,287 = -£.374,62) | 40,268, 42,271 4),714

Accumulated losses € (308/457.190) (268,728,033) | (3.201;814)), (2.913.145) (2,542,451)

Total shareholders' equity J (248,679,793) (212,008,302) 7 eet (2,377,659) (2,021, 4a}

Surplus on revaluation of property, 4

plant and equipment - net 20 4,752,639 4,863,889 ' less 45,326 46,380

NON-CURRENT LIABILITIES

g) 74,829,943 | 49,766.42)

Long-term financing 21 \er02; 474,547

Term finance and sukuk certificates 22 | 97,071 | 25,289,606) | 26,707,209 2id.0b6

Liabilities against assets subject to financing 23 5,611,849 | 13,208,479 126.045

Advances from a subsidiary 24 I} | 4:208.390/) 4,209,086 40,185

Dated liabilities 25 | | 29,960,940 | 24,732,719 ZAG.B38

Total non-current liabilities 740,100,728 118,633,884 1 ia.231

CURRENT LIABILITIES

Trade and other payables 26 119,232,228] | 107;280.026] J T3717) | 1025956

Accrued Interest 27 13,820,144)! 11,965,140 127,034, Wd,095

Taxation - net 561,255} 238,779 5,355 2,210

Shorter borrowings 28 34,351,311 | 36,940,201 327,608', 362,243

Current maturity? non-current liabilities = 29 | 48,237,184! _ 47,935,264 9] | 440,964) | 457,084)

Total current liabilities 213,702,122 204,252,389 19,689 2.058.078 1.248.590

TOTAL LIABILITIES 353.802,850 322.986,264 i A eS) 3,374,278 3.079.827

TOTAL EQUITY AND LIABILITIES | 109,875,008 _145.821.851 1.047.885. 1,108,856

Contingencies and commitments 30

The annexed notes] to 47 form an Integral part of these unconsolidated financial statements,

Alr Marshal\Arshad Malik Atif Asiam Bajwa

Chief Executive Officer Director

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UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

2017 2016 2017 2016

(Restated) (Restated)

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

Revenue - net 31 899,779 « | Be an 848,787

Cost of services

Aircraft fuel (27,152,614) | 6) (258,956)

Others 32 (76,040,362) 4). | (725,196)

fl 03,193,176) (984,152)

Gross loss (14,195,797) (135,385)

Distribution costs 33 {4,831 766}] (46,081)

Administrative expenses 34 (6,318,631) | (60,261)

Other provisions and adjustments 35 (6,744,575) | (64,323)

Exchange loss - net (294,981)) (2,813)

Other Income: 36 749,606 7.149

(17,440,347) (166,329)

Loss from operations (31,636,744 | (301,714)

Finance costs 37 (13,159,579) (125,503)

Loss before taxation (44,795, 723) (427,217)

Taxation 38 (104,592) (997)

Loss for the year (44,960,315) (428,214)

seesceseeee (RUPEES) nena wanes (US\$) -----0-=---+

Loss per share ~ basic and diluted

Loss attributable to:

'A' class ordinary shares of Rs. 10 each 39 (8.58) (0,08)

'B' class ordinary shares of Rs. 5 each 39 (4.29) 0, (0,04)

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

Air jad Malik Atif Aslam Bajwa

Chief Executive Officer Director

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UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

2017 2016 2017 2016

(Restated) (Restated)

----- (Rupees in '000) ----- =-++-+== (US\$ In 000) -----+-

Loss for the year (44,900,315) (428,214)

Other comprehensive income:

fiems that will be reclassified subsequently

to unconsolidated profit and loss account

Unrealised gain on te-measurement of

avaltobie-for-sale investments 57.666 580

items that will be reclassified subsequently

to profit and loss account

Remeasurement of post retirement defined

benefits obligation (2,469,843) | (23,555) |

Effect of deferred tax 46.) 72| 440 |

(2,423,671) (23.118)

(2,366,005) (22.565)

Total comprehensive income - loss (47,266,320) (450,779)

Surplus / (deficit) arising on revaluation of property, plant and equipment has been resorted In
accordance with the requirernents

of the t@épealed Companies Ordinance. 1984, in a separate account below equity and accordingly
changes therein are

reported directly into equity.

The Gnnexed notes 1 10 47 form an integral part of these unconsolidated financial stotements,

=-

Air Marshal\Arshad Malik Atif Aslam Bajwa

Chief Execittive Officer Director

iam SSN ANNUAL REPORT 2017 exo

--- Page 54 ---

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations

Profit on bank deposits received

Income taxes paid

Taxes paid

Employees benefits paid

Long-term deposits and prepayments - net

Net cash used in operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment

Purchase of intangibles.

Proceeds from sale of property, plant and equipment

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long-term financing

Proceeds from long-term financing

Repayment of long-term finance certificates - net

Repayment of obligations under finance lease - net

Proceeds from short-term borrowings

Net cash from financing activities

Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Effects of exchange rate changes on cash and

cash equivalents

Reconciliation of cash and cash equivalents see notes 6.2 and 6.3

Cash and cash equivalents at end of the year

Cash and cash equivalents

Cash and bank balances

Bank finance under mark-up arrangements.

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

Murshad Mollk

Officer

Air Matsha

Chief Executive

2017 2016 2017 2018

{Restated} (Restated)

Note «---+---- (Rupees in '000) +++ -----+- (US\$ in 000) —~---=---

40.1 2,606,901 25,415

78,024 7A

111,683,830) (111,183)

(135,440) (1,292)

(856,521) (8,149)

508,591 : AB50_

19,397,388) 189,623)

{1,495.223} 174,260)

(1.678) 16)

bs! 1° 2.654 _

(3,707,933) (1,494,245) {14.251]

(37,117,079) | 129,706)

57,984,128 \$48,894

(6,596,419) | | \ {57,003}

(7.210,999) (68, m7) |

THB B59 gadis

1,944,029 18,540,

(1:995,059} (19;097)

(102) ia]

| (48,379) Wail

(99.504) (249) _

8,448,113 32,885

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Atif Aslam Bajwa

Director

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UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2077

Reserves

Capital Keene - Unewued apa Seemed = Tei

ond paid-up. reserves 'eserves = gaivon ;

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ee nner eeenee nee

Balance as at December 3}, 2015 as ;

previously reported \$2346,)10 2,501,098 1,779,678 3,508 AS74.62) (269.946°703) (215.226,972)

Tilect of restatement- notes 6.2 ont 5.3, = 2 121ea7o (218.670

Bolance as al December 31, 2015 - as restated 52.948,110 — 2.991,036 1,779,878 95.909 « ——da7AGZ)
(26ai720.099) (222,N8.s0%

Tota! comprehensive income for the

peor ended December 34, 2076:

Loss foc The your - - = | | 4a4-900,375)) | (44.900.375

ther comarchensive come for tse year = me ' 57.566 Bh odb (2A2R471) | (2/366.008)

Tota? comprehensive income for the year - = B78b6 57,465 (a7.328.980) (72649205

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equicmant teciises curing lhe year on account ct

Poremenie Cemecation chaiged thetecn - net ol lax - : . - 74,529 18829

Surplus on revaluation of property: plus

Surplus recorded during the year on account of

capital leased / after tax 3 9584) 4 938\41 |

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STEISALT19) (26.6).980),

Béance as at December 31, 2016 as previously reported 52,345,110 «2.801038 «1,779,474 «= NST.575
4,432,287 (916,738,170) (259,960,775)

Pitct of resiolement-notes \$,1.5.2 ond 53 ; 2 : te2ensnG \$=— | | 26080

Baonce obtat bacaroer 31,20 as resiolodinc 5) S2aahild —2ODI0Se Ti7mers RIBVS 4.482287 [OS
MO7,190) aNeATOTO)

Total comprehensive Income for the
year ended December 31, 2017-

Loss for the year

'Other Comprehensive Income for the year

Total comprehensive income

'Surplus on revaluation of property, plus
equipment recorded during the year on account of
Inherent depreciation changes thereon - net loss

Sum of revaluation of property, plus

Equipment recorded during the year on account of

airteet rated / written off - net of tax

Balance as at December 31, 2017

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

Air Marshal Arshad Malik Atif Aslam Bajwa

Chief Executive Officer Director

ne SASS I 22. c%0%0 2017

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NOTES TO, AND FORMING PART OF THE UNCONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1 THE COMPANY AND ITS OPERATIONS

1 Pakistan infgincnices! Aidines Comoidtian unites jthe Camptiny") was ncolported on sonuoly 1h PS ure
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Company sas heey

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Aulines Sonya

Linilied 'the Company') through Act No. XV.0t 2016 'The Pakistan internation) Atlinss Gembany
(Conversion! Art

2014) the Conversion Act} aparaved by the Porianiénl df Pukisfarl, TRE Conversion Act nos mpeeled thes
Paxisiar

{iteinational Company Act 1956. and Ine Corpany & now Gevemed sie tne Companies Act, 2017
(previcusy

fepeeled Companies Ordinance; 1984), Accomaine tow Convession AGI, cll assets. rights: loonse.
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@cep) for |h3 legal stolus ord cppiicallon of piavisions of ne Conbpanies Act, 207 |previously lepeaed
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Ordinance, 1784),

The principal activity of the Company is To ofovece Goriniercla! af Nansporohon, WNICN Nollids Masse CAKIS.

ond postal Gaiiage senices, Orner activities of tie Company include provision OF engineering anc clied services,

ine head ctice of ne Compally & stuated of PIA Bulicling, Jinnah International Mion, Karach,

12 hat Me curéent yeor He Company incuiee aagt lass OF Rs. 47,760.77 2 million [20] 47 Rs, 42,900,318 rrviiion|

fesulting i Gecurulated losses of @s. 353,855,173 millon as of Decenbes 71, 2017 (2019. RS 105,457.190 mittiion)

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In View of the sitliaticn desciihed above, the management nas tritde on assessrmeu! Gi me Gompanw's ability ta

Continue as a going concam ond eased on the beow mitigating fectors, he management Ssliaves tial Towa" Whe

sustalnabilty of the futures operons of Ine Company is malenally Geoender? en the summer 41 lhe Gevainmerit oF

Pakisten, na mater uncenainiy exist ond going Confer) assumpiion is. cpprepncies Aceodingly, Me unconsolaintert

trondal siatement: o'e prepared wn. G adit concen bass.

G) Goverment of Fokistarl (Goh) being the major shareholder af |eCempany, Proygn ls nance division's lee

dorm) September 02, 2008 communicated hat tl would extental mmaxitiuin suppor fo maintoin tre Comrsny's

going concern stetus. ince (Né7 I Nas Geen extending subcon fo the Commany (Hraush tollowinga measures to

'ensue thot tne Company continues and sustdins inthe lorgptern as c viciue business eriey

~ songderm tindficing te meet workin Capital equiements of Me Company

— Issuance / mrewel of guGTaniees 46 linancic Insitutions, Catt local erst Hereion, enabling he Company To tale

/ (@lovel funds

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picvided fundster acquisition ot ricroaw hoay arcraft on dry Base.

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5) Ina Meeting wan ihe Hlonuable Pirie Minister of Paklstorr on) December. 30.2017, 1! wary agreed thot mareuf

suppor Walid tie provided for the five years- starting from July. 201 8 ane snor-lein 'cons wWovic Se Convetes Te

tong-lem wilhna possibilty of gtace cetied. Theretere, subsequenl| To Decermti 3). 2017 follawna decisions

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prvideti By GaP during the dscadl year 2016-19 In iespecl of motkup suppor

~ through letter acted February 147, 297 8 Gor nas rellerdied its mokimun: suppor je maintain the Gompany's

f0ing concen,

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- Go? guarantee limit enhanced" from Re 176.085 milion (December 3), 2017) le he 222.107 milion Way 31,

POT) to itieet the cash cetict,

al Purhen ino meeing wil) the Honorable Prime Minisiérof Pakistan (PM) on Apna, 2.t]?, thie Company areseveo es

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Compony In terms ut provision of funds /equity In order iq Increase ta potental to cor parte In lne Aviaon matket

Thareatter, in Flea Bil 2079, GoP how Gilotaed fs, 24,500 million in fesheet af mmank-Up suppor tame Company.

2 BASIS OF PREPARATION

2) Statement of compliance

Qullng nie year, the Companirs Aci, 2017 [lhe Act) has beer prOoMmulaagies mowever Secunims and Exqhanac

Commission of Pakistan (SkCP) vide ils cileular No, 23 of 2017 date Oe rae! OM, 2017 Communicated ft deciar

'hal He Conpantes whose financial yeor closes onor betore Desenivet-3), 2017 shat preparer ther financial stoternar i

in Gecordance With lie ofevisions of the 1epealed Companies Ordinaries, 1984 (l@ Ordinance). Accotcirigly. tne

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ore nalified under lne epeo'ed Componies Orainance: 1984, provisons ofan dim@oives issued Linder Ne *epeqied

Companies Ordinance 1984, In case where requirements differ, the provisions of the Ordinance shall prevail.

Companiés,Ordinarice, 1784 shall prevail, see note 2.5.13)

22 Basis of measurement

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certain thonclal assets ene carled af fol vole:

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dened benefit obligations ole stated ot present Value.

23 Functional and presentational currency

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environment in which the Company operates. The unconsolidated financial statements are presented in Pakistani Rupee.

fupees, which is the Gorpani's functional and presentation currency:

The US Dollar amounts are included in the consolidated balance sheet, consolidated statement of income and consolidated statement of cash flows.

unconsolidated statement of comprehensive income and Uncanssited cosh fay statements soled as
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comprehensive Income and consolidated cash flow statement have been restated for the period from January 1, 2019 to December 31, 2019. The restatement was necessary due to the discovery of a material error in the calculation of the deferred tax asset. The error was corrected by increasing the deferred tax asset by \$1.5 million and decreasing the income tax expense by \$1.5 million. The restatement had no effect on the consolidated net income or the consolidated cash flow statement for the period from January 1, 2019 to December 31, 2019.

fs, 110.5274. USS F (alla lts, 154.8548 = USS 1) '

24 New standards, amendments to-upproved accounting standards and new interpretation to existing standards

that ore effective for the year ended December 31, 2017

More new unamended standard: and interpretations that are Mandatory for accounting periods beginning

January 01, 2017 but are considered not to be relevant and do not have any retrospective effect on the opening balance

unconsolidated financial statements and are therefore not stated in these consolidated financial statements

25 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 from

January 01, 2018,

Q1. Amendments to FRS 2 - Share-based Payment clarify the accounting for share-based payment transactions and are

effective for annual periods beginning on or after January 01, 2019) initial amendments cover new accounting areas

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Standards JASB Effective date (annuct

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25.8 Annual Improvements 2014-2016 cyeles (amendments are allective for annual periods beginfing on
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January 01,2016). The newecycle of improvements conlain amendmenis 16 the tollawing standards:

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Cormauny':

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QS.17 | FRIC 22 'Foreign Currency Transactions and Average Conceratinn' (effective for annual periods begining on 01/01/2018)

over the period 01/01/2018) and which date should be used for translation of foreign currency transaction values

However, if the entity is in advance of the date of the transaction, the related foreign currency should be translated using the exchange rate at the date of the transaction

date of the foreign currency is received or paid and the prepayment or deferred payments recognized

date of the transaction for the purpose of determining the exchange rate to be used on the date of the transaction

cash, expense or net (or DEI Of It) Would remain the same on the date of the transaction of the transaction

was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction

transaction for BON Payment or receipt of advance consideration the order of the payments are the same as the payments

of the Company's consolidated financial statements.

2/512 FRE 23 Uncertainty over Income Tax Motives (effective for the period beginning on 01/01/2019)

priorities in accounting for income tax when there is uncertainty over the tax treatment of the transaction

Interpretation requires the Uncertainty over tax treatment be resolved in the measurement of the tax expense and defers

the amendments are or likely to be made in the future the Company's consolidated financial statements

BRI2 The Companies Act 1984 was repealed by the Companies Act 2006 at the time of the Act

OOP, SECP will issue the new 23/2007 dated October 1, 2007 for the purpose of the Act at the time of the Act

26, 0012 has stated that the companies whose financial year ends on 31/03/2007, shall be required to comply with the provisions of the Act

staleman in accordance with the Act. Hence, the provision of the Companies Act 2013 will be applicable from the date of commencement of the Act.

preparation of financial statements (for the year ending 31st December 2013, QO) If the Act requires certain additional disclosures

disclosures under Section 228 of the repealed Companies Ordinance, 1984 relating to the disposal of surplus assets

of the value of assets has not been carried forward in the Act. The purpose of the Act was to provide a uniform system of accounting

in respect of the company's unconsolidated financial statements for the year ending 31st December 2013 & The Companies Act

would be required to give extended disclosures and change its existing accounting policy relating to the disposal of surplus assets

revaluation of fixed assets (Section 4.3) and intangible assets to meet the requirements of AS 4—

Property, plant and equipment"

(ASA requires that any gain arising on revaluation of fixed assets is recognised in the Statement of Profit and Loss)

and any increase in carrying value of an item of fixed assets is recognised in the Comprehensive Income Statement

accumulated in equity under the heading of surplus reserve:

Based on preliminary assessment of charges under the Act applicable from December 31, 2013, would have been or Total

(based on the assumptions of the company / explicit revaluation of fixed assets, Loss and other comprehensive income

net of (a) the year ended December 31, 2013 7 would have been higher by Rs. 3,095.00 million and Rs. 4,424,946

million, respectively accumulated reserves and surplus (as at the end of the year) would have been higher by Rs. 17) (02411

million and Rs. 22,748.209 million) @ 30% of the total of the above (as at the end of the year), 2013 would have been

higher by Rs. 1,662.997 million. Thereafter, the proposed shares in the company (material by the management

lq the Gverall conféd Of lne wnconsolidatée inoncial sicrarripris, see nove 18)

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CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unaudited financial statements in conformity with approved accounting standards, as

outlined in Pakistan, requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, income and expenses. The estimates are based on historical experience and various other factors that management believes to be reasonable under the circumstances,

and the results of which form the basis of making the judgments about the carrying values of assets and liabilities. The estimates are based on historical experience and various other factors that management believes to be reasonable under the circumstances,

and the results of which form the basis of making the judgments about the carrying values of assets and liabilities. The estimates are based on historical experience and various other factors that management believes to be reasonable under the circumstances,

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and the results of which form the basis of making the judgments about the carrying values of assets and liabilities. The estimates are based on historical experience and various other factors that management believes to be reasonable under the circumstances,

and the results of which form the basis of making the judgments about the carrying values of assets and liabilities. The estimates are based on historical experience and various other factors that management believes to be reasonable under the circumstances,

In the process of applying the Company's accounting policies, management has made the following estimates and

adjustments which are significant to these unaudited financial statements,

Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation / useful lives of property, plant and equipment at the end of each reporting period. If the carrying amount of an asset is greater than its recoverable amount, the carrying amount is reduced to its recoverable amount. If the carrying amount is less than its recoverable amount, the carrying amount is increased to its recoverable amount.

of depreciation of each financial year-end. Further the Company estimates the weighted average useful life of each asset.

(The fleet, the land and buildings are depreciated on the straight-line basis over their estimated useful lives. The depreciation is calculated on the cost of the asset less its estimated residual value.

carried out by independent professional valuers. Any change in estimate in future may affect the carrying amount

of the respective property, plant and equipment will be reflected in the financial statements.

impairment, surplus on revaluation and annual transfers of intangible / intangible in effect of revaluation (or

Sum of revaluation of property, plant and equipment account to the equity, and

Change in accounting estimates

As a result of evaluation exercise conducted by an independent valuer on December 31, 2014, the carrying amounts of property, plant and equipment are as follows:

Of which have been reassessed. In addition, the management has reassessed the carrying amounts of property, plant and equipment as follows:

on the related capital spares, There changes in the carrying estimates have an impact on depreciation expense at

the current year, Had there been no charge in the lives and residual values of mine, (the related! Gearing ratio

and depreciation expense pertaining to aircraft fleet with the related capital spares. So the year would have been

negative Rs: 32.452 million, whereas the effect of (the year is immaterial to the results. Considering the subsequent

measurement of the fleet, the related capital spares under the revaluation model and inherent uncertainties

are factored in the estimate.

Stores and spares

The Company at each reporting date reviews the net realisable value of stores and spares to assess any impairment

In their respective carrying amounts, Due to the complex nature and the uncertainty of the estimates of the

the net realisable value is arrived at by estimating the present value of the expected cash flows from the stores and spares,

In the period to the reporting date, the carrying amount of the stores and spares is included in the category of non-current assets

Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess the adequacy of the provision made

again. It is required in the estimation of the carrying amount of trade debts to make an estimate of the future cash flows

defining the level of provision" required, such estimates are based on assumptions about the number of defaults and

actual results may vary. In the event of changes in the provision,

Employee benefits

The principles relating to defined pension plans are determined through actuarial valuation using the Projected Unit

Credit Method. The method involves making assumptions about discount rates, future salary increases, future increase in medical costs and future pension increases. The effect of these benefits such

as estimated by subject to certain uncertainties. Significant assumptions used to calculate the actuarial valuation are:

Discount rate of 2.5% as recommended by the actuarial firm.

Valuation

For making estimates of income tax payable by the Company, the Company uses the GIESCUAN TIE Application (ue

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gutticlar taxable temporary airt@reness and Toxeble profits will be: available against which such losses
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Con he Wilised Significant juogment ts axercied to cetermine the amount of deserted fox usset fo be
recognised,

Labality on account of frequent flyer programme

The Company operains a faqueant liver programm that proviees lave: owards1o members of The
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an eccumuated miltvags, lhe Company occounts for award credits as separately identifiable component
of fie

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aword credils based on thai! fair value and & oceounied for 0 a lichility In ese Umconsaitiated financi
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may be ecesmeo. Deterrnatir of lhe fair value of tha ward credil involves estimocons, buses on the
average

of a0 1ores, 1N€ Vole of ea0n award creuli assuming @ 100% redemption rate, and estriating the expectaa await

Cledit fedemption tate, These estimates are reviewed os and when a signifcant Change in the assumptions used le

observed ond the lability ls adjusted annually os appropriate, (n= preivigier TOP TeqLent fiver Progtarnnnn is cetera

bosed on the valuation conied aul by dn Adepsncent professional vaiusr.

Revenue recognition

Revenue for passenger lickers ond cargo alway bills recognised when (Ne lanspaortaiion sefwices ole pievidest (lie

passenger hckels and Cevgo Airway Bills trance ott uilked, ofe reconisstiosUneulned fevenue on the bass cf scale

Value of those docurmartts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The aigniicsnf acacuniing pollew's Weal Helow. ore consistently applied tor all petiodspiesenied in tase uncensodoted

Thancial stateriants

Fixed assets

Property, plant and equipment

Owned

londs classified os 'otters! If note 4.7 ale stated alicgst, wheleas pulicings classified as 'others' Ty lhe cforesciewe rite

cre sled at cost less aGouMUIEaH deoeclotion ond aecumuloied imparrmen! tosses, | any:

Lacséhed landand bulidinas tnereon arid olicrat fleet are initially ecogngec of cost and are subsequeniy mecsud

of 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 the property, plant and equipment comprises its purchase price including any directly attributable costs

of bringing the asset to the condition for its intended use. Leased equipment acquired on finance lease is recognised

at its fair value at the date of acquisition plus the fair value of the lease payments;

Subsequent costs are included in the asset's carrying amount only if they increase the future economic benefits expected from the asset, and only if the cost can be measured reliably. The carrying amount of the asset is decreased when it is probable that future economic benefits that will flow to the Company and the cost can be measured reliably.

When it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably, the cost of replacing part of the asset is capitalised only if the replacement part is identifiable. The carrying amount of the replaced part is derecognised.

When the cost of replacing part of the asset can be measured reliably, the carrying amount of the replaced part is derecognised and the cost of the replacement is capitalised only if the replacement part is identifiable. The carrying amount of the replaced part is derecognised.

Is capitalised and the asset so replaced is derecognised.

Major renewals, improvements and overhauls are capitalised and depreciated over the remaining useful life of the asset.

Overall, all other repairs and maintenance including costs incurred under short-term contracts are expensed.

to the Consolidated Profit and Loss Statement during the financial period in which they are incurred,

Depreciation is charged to the consolidated profit and loss account using the straight line method.

The cost or fair value at acquisition of an asset, less any residual value, is written down over its expected useful life. The

total depreciation is disclosed in note 4.) In these consolidated financial statements

In respect of additional capital assets, depreciation is charged from the month in which the asset is available

for use until it is decommissioned. i.e. 12 months preceding the disposal.

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Useful lives (x26 for Olcrant fest ond bullcinigs of fevaluation mode!) are catennined by he srangement base

on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence and other

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Surplus orevaluaTiGn of dlicraf fleet, tone and oulidings Is credited [6 The: surplus On teveluotion Of propdrly, mlant

ond equipment decount and Is shown in the unconsolidated balance sheet balow shire capiici and reserves

Revaluation is carigd ut with suificient regularity to ensure tnat the Garying omiaurt ct cxseis dains Act citer Perleslally

trom tnevfaIr value, Cost / jevolued amount at the date of lHe evaluator \$ arilusted / elirrinteddd agaist ie Brose

caitying orraunl 41 lne-asset afid the nehamounlis restates to the reavalued ernount et ING asset, Suipusrcfecit oilges--- --

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the extent 9! lne incrgenantal / reducer?cepreniation charged on thesevalued assets. ha iblates surblilis of revaluation,

of property, dlont ond equiprrtent (net of dotoredt taxotlGn) ts fronsteres cinectiy to mmtainicsd eemnnas,

An arrive etoeeny, plant and expres is derecognised uso disposal or witen fo fulure economic barietls care

expected (earnings use or capital. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement

between the net disposal proceeds and the carrying amount of the asset. We include in the consolidated income statement

and loss account in the year the asset is derecognised,

Gains or losses on disposal of assets are taken to the consolidated profit and loss account. Where the asset is sold

re-sold or retired. For operations: the relevant remaining deficit or surplus is transferred to the consolidated income statement

loss account and the (earnings, respectively:

leased

leased assets under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases

as finance leases. Other leases are classified as operating leases.

Finance lease

Assets held under finance lease are accounted for by regarding the assets and liabilities at the amounts

determined on the basis of the lower of fair value of the asset and the present value of the minimum lease payments. Initially

direct cost attributable to the asset. Lease charges are allocated to the accounting periods in which the asset is used

as to provide a constant periodic rate of change on the outstanding liability. Depreciation is recognised on a straight-line basis

on a straight-line basis similar to that for owned assets,

Operating lease

Buyer's rights under operating leases (net of any income taxes received from the lessor) along with related costs are

charged to the consolidated statement of income on a straight-line basis over the lease term,

Capital spares

Replacement parts and tools are stated at cost less accumulated impairment losses, if any, and are classified as property

plant and equipment are depreciated based on the average remaining useful life of the related asset class.

Assets which are available for sale are classified as non-current assets and are measured at fair value less costs to sell.

Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any, and are classified as property, plant and equipment.

Assets under construction are classified as property, plant and equipment and are measured at cost less accumulated impairment losses, if any.

Assets under construction are classified as property, plant and equipment and are measured at cost less accumulated impairment losses, if any.

Intangible assets

Intangible assets are measured at initial recognition at cost. Costs are directly attributable to the asset.

Patents / licenses acquired by the Company and that have identifiable economic benefits are amortised over their useful life.

Recognised intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses, if any.

Intangible assets are measured at initial recognition at cost.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives as specified in

note 7.2 to the Unconsolidated financial statements,

See page 27 of the

--- Page 63 ---

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net carrying amount of the asset and the net proceeds from its disposal.

Impairment losses are recognised in the consolidated profit or loss when the asset is derecognised.

3 investments

Subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at cost. At subsequent reporting dates, the carrying amount of the investment is reviewed for impairment.

Impairment losses are estimated to determine the extent of impairment losses, if any, and are recognised in the consolidated profit or loss when the asset is derecognised.

Held-to-maturity

Investments with fixed or determinable payments and tied maturity, for which the Company has the ability and intent to hold to maturity.

Initially recognised at fair value, these investments are subsequently measured at amortised cost using the effective interest method.

Plus transaction costs and subsequently measured at amortised cost using the effective interest method. All investments are classified as held-to-maturity.

Investments classified as held-to-maturity are subject to annual review for impairment. Provision for impairment is recognised in the consolidated profit or loss when the asset is derecognised.

only for the unconsolidated financial statements of the Group.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

In orraciive mortkef They cle included in current assets, except for matunties greate; (han lwelve monins-arer tp

Balance sheet date, witch aré classified os non-ourant assets. Loans co feceivatles compriss race cebts, Gans,

odvonées, deposits, Interest déciued, cthet receivables and casn one borik sulences os of he reporting cate. Mmeaxe

dre stated of emdértisect eos less accumulged impalrnert losses, l Oriy.

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{nvestmerts classified as availaible-for-sale dre WWidly ecognisea ot tair value, plus (ansantich ccissand are subsequenily

riarked té market using yeat end bid plices torn stock exchange Quotations anc quotations torn broxers and in cose

of Ungquatec Investments, ot cost, less lmealmiert Any resultant Unrealite gain or loss isrecagnised in unaonsotdaled

otal cemprehenaive Income, Wen these Investments are sold ormpained, tne accumulated fait value cojusimants

recognised in Lintcensdlidated olhercomprehensive Income are reclassified nine unconsolidaled ofofit anatlass

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plus cthin charges Incurred thereon, Cos!'ls deteryined as follows!

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Oiher stores arid spares Weighted moving eyeiaae Cosy

Provision against slow moving stores and spares is made in proportion to the estimated value at the end of the period

carried up to the reporting date.

46 Trade debts and other receivables

These are recognised initially at fair value (net of expected credit losses) plus directly attributable transaction costs

(Hany) and subsequently measured at amortised cost less provision for impairment, if any. A provision is recognised when 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

Is Established | 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

for the original terms of the receivables. Trade debts and other receivables considered irrecoverable are written off

44 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise 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

--- Page 64 ---

4? Trade and other payables

Liabilities that the Company owes and other amounts payable are recognised initially at fair value plus directly attributable

transaction costs, if any, and subsequently measured at amortised cost

4.8 Loans and borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable

transaction costs, if any. Subsequently, these are measured at amortised cost using the effective interest method.

As 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 profit and loss

account,

Pension funds

For all the permanent employees hired prior to July 1, 2008, the Company operates a funded benefit pension scheme

for all three categories of employees. Pension scheme is a final salary pension scheme and is invested through the

funds namely Pakistan Airline Pilot Association (PALPA), Flight Engineering Association (FENA) and Employee's Provident Fund.

Employees of the PALPA and FENA pension fund are entitled to basic salary and gratuity allowance whereas

employees of the Employees' Pension Fund are entitled to basic salary and gratuity allowance. Contingent

Liabilities were made to the extent of the advice of the 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

the contribution of 5% of the pensionable benefits is made to the fund in accordance with the relevant rules.

Actuarial valuation that is conducted annually, net interest expense, current service cost and any past service cost

are recognised in consolidated profit and loss account. Whereas any gains / (losses) and the residual or

assets (excluding interest) are recognised immediately in consolidated other comprehensive income

Post-retirement medical benefits

The Company operates an unfunded defined benefit medical scheme and provides medical allowances and gratuity.

Employees and their spouses are eligible for the scheme. The

post-retirement medical benefit is accounted for on the basis of actuarial valuation that is carried out annually. The

interest expense, current service cost and any past service cost are recognised in consolidated profit and loss

account and any actuarial gains / (losses) are recognised immediately in consolidated other comprehensive

income.

Compensated absences

The Company accounts for all accumulated compensated absences when the employees render service

Increases their entitlement to future compensated absences on the basis of actual valuation that is

annually,

410 Taxation

Income tax expense Comprises current and deferred tax income tax expense is recognised in the

profit and loss account except to the extent that 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 taxon turnover Gass. whichever is higher If also includes any

adjustment to tax payable in respect of prior years.

See 3 cc 217 A <5

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Deferred taxation

Deferred Income tax is recognised using the balance sheet Liability method on temporary differences arising from the timing

difference between the tax base of assets and liabilities and the carrying amounts for financial reporting purposes

Deferred tax assets are recognised to the extent that taxable temporary differences, deductible temporary differences, carry forward of unused tax credits and unused tax losses, of 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 assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits or taxable temporary differences will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that they have become probable that future taxable profits or taxable temporary differences will allow it to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the taxable income of the reporting date

Deferred tax relating to items recognised directly in other comprehensive income is recognised in the statement of financial position

Statement of Comprehensive Income and not in the Statement of Financial Position and loss account

Deferred tax assets and deferred tax liabilities are offset, 1. a legally enforceable right exists to set off the assets against the liabilities and 2. the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity and the same taxation authority

against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority

an Revenue recognition

The Company principally derives revenue from the carriage of passengers, cargo, (including excess baggage and provision of ancillary services to other airlines, including services, aircraft maintenance and related activities

Passenger and cargo revenues

Passenger and cargo revenue is recognised when the transportation service is provided. The value of unused tickets

and away bills is included in revenue as 'advance against' tickets. Unit revenue is recognised as revenue

Tickets

estimates involved in revenue recognition are disclosed in note 3. In these circumstances, the

Engineering and other services

Revenue from repairs and maintenance and overhaul services of engine and airframe parts of the engines & aircraft

When such services are rendered

Frequent flyer programme revenue

The Company operates two principal loyalty programmes: The airline's 'frequent flyer programme' allows frequent

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The Cost of redemption of rules & recognised wtien miles are redeament The eallimates involved l
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Interest / mark-up ond dividend income

frie Company recognises Interest Income / mat-US on shantenn bani, decosits, mteres! beanng advances
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JOurmatuily vestments on tne Broporion Dasit using Bfeciive Interest metmod.

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4.12 Borrowing costs

The Company recognises the borrowing costs as an expense in the period in which these costs are incurred, except for

the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset

that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as

part of the cost of that asset

4.13 Provisions

Provisions are recognised when the Company has a present 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 the obligation. Provisions are reviewed at each reporting date and

adjusted to reflect current estimates.

4.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that

occurred after the initial recognition of the asset. One such event is that the fair value of the asset has fallen significantly below its carrying amount.

Losses of the asset which can be estimated reliably,

Objective evidence that financial assets are impaired includes default or delinquency by the debtor, restructuring of debt for reasons of financial difficulty, the probability of bankruptcy or other insolvency proceedings, and the disappearance or significant fluctuation in the fair value of the financial assets.

For the purpose of this standard, the Company will consider the following as objective evidence of impairment:

1. Significant increase in the credit risk of the financial asset.

2. Significant increase in the credit risk of the financial asset.

The company considers evidence of impairment for financial assets measures at the individual level (Woors Ghearecevablet).

One of the main reasons for impairment of financial assets is the significant increase in the credit risk of the financial asset. All individually significant measures are:

1. Significant increase in the credit risk of the financial asset.

2. Significant increase in the credit risk of the financial asset.

3. Significant increase in the credit risk of the financial asset.

4. Significant increase in the credit risk of the financial asset.

5. Significant increase in the credit risk of the financial asset.

6. Significant increase in the credit risk of the financial asset.

7. Significant increase in the credit risk of the financial asset.

8. Significant increase in the credit risk of the financial asset.

9. Significant increase in the credit risk of the financial asset.

10. Significant increase in the credit risk of the financial asset.

Unconsolidated profit and loss. The difference between the cash and non-cash financial repayments

one contribution, and the Guiver for Value: the Only Immediate | rt loss recognition is previously the
Unconsolidated profit

and loss account.

Non-financial assets

The carrying amount* of non-financial assets are assessed at each reporting date. The amount where
the value is any

indication of impairment, only such indication exists when the assets are not recoverable. An
impairment

loss is recognised, of the expense in the consolidated statement of profit and loss, for the amount by which (the
assets

carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the fair value less
costs of disposal

or the value in use. Value in use is determined through discounting of the estimated future cash
flows

expected to be received from the asset, reflecting the current market assessments of the value of the asset and the
risk of cash flows

For the purpose of assessing impairment, assets are grouped into the lowest levels (or cash-generating
units) for which there are identifiable cash flows

that are largely independent of the cash flows from other assets

An impairment loss (severed) is then ascertained as the difference between the carrying amount and the
recoverable amount

Adjusted impairment loss & reversed only to the extent that the carrying amount does not exceed the
recoverable amount

‘that would have been determined, net of depreciation and amortisation, the impairment loss is recognised:

more ways to see 2017 | 23:25"

415 Foreign currency transactions

Foreign currency Transactions are recognised at the exchange rate of the transaction in those times or the last week of the

preceding month's average rate of exchange, Monetary assets and liabilities in foreign currencies are translated at

the rates using the 'average spot rate with the reporting date, Gains and losses on translation are taken to the

unconsolidated profit and loss account immediately,

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the

exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates as at the dates when the fair value was determined.

416 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual relationship.

Provisions of the instrument. Financial assets and liabilities are initially measured at fair value and subsequently at amortised cost.

For or amortised cost as the case may be, financial assets are recognised at the time when the Company enters into the contract.

Termination of the contractual rights and obligations. Financial assets and liabilities are derecognised when the Company transfers the rights and obligations.

When they are extinguished. That is, when the obligation specified in the contract is discharged, cancelled, or expires.

Any gains or losses on recognition of the financial assets and liabilities are taken to the consolidated profit and loss account immediately,

417 ~ 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 Unconsolidated 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 calculated by dividing the

profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding

for the effects of all dilutive potential ordinary shares,

418 Derivative financial Instruments

Derivatives are used to hedge accounting (see Note 4) estimated fair value which is determined by the

unconsolidated profit and loss account, Derivatives financial instruments are classified as Assets when they have a positive fair value and as Liabilities when they have a negative fair value.

and volatility when fair value is negative,

4.19 Offsetting of financial assets and financial liabilities

The Company's financial assets and liabilities are offset only when there is a legally enforceable right to offset and the intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

8 of legally enforceable right to offset the recognised amounts and the Company intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

basis or to realise the assets and settle the liabilities simultaneously

420 Dividend reserves

Dividend and appropriation 16 / air reserves are recorded when approved, However, if these are not approved, they are recorded in the equity account.

the reporting data but before the financial statements are finalised for issue, they are disclosed in notes to these

unconsolidated financial statement,

5 RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS.

of Migration to new ERP system

As disclosed in note 5.4 to the half yearly financial statements of the prior period ended June 30, 2017, during the year

the Company migrated from its legacy accounting system (COSSAP) to new ERP system (Oracle Financials) user base

migrated from legacy Avenue Genie system (AVRA) to new InVivo GCOUMING system (RAHI), during the year

migration and implementation of ERP and RAPID. management faced various challenges including migration of

data and reconciliation of balances in new system, Setpoint Migration and dissemination of system user manual

the Head of NEW system The aforementioned challenges manifested in significant system deficiencies, errors and

Unidentified balances, which could not be completely addressed before completion of the half yearly financials

statements (for the period ended June 30) 2017, in order to resolve the subject problems before finalising annual

financial statements for the year ended 2017, management initiated various exercises (focusing on following key areas

by SSS I 200 0202017 eo

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Mioralior ot closing balances appealing in the legacy system © ERP os opening balance wil invoice leves details,

Recanciliation of he gerieral ledeesbalances wilt their espective subsidiary ledgers

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GGla of ickets iMilized during lthe Year from the reveere Geckunling sys'em, This resulted in) arriving @t the balance

of Advance-Against Transporation (Uneoined Revenue) with licket wise breakup os co Decenimer 4), 2077 which

is Gia taceadle To the acetic utilisation of sase RoKets in the subsequen! pec,

identification of amounts navabie fo varlous lofeign Aipor AulNoriies In respect of totes collected <at wie lire of

salé of Nckets, Including balance ot taxes savable agains tinkes nut ulll8ed fill Besernter 3), 2017

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anc! December di, 2076 for whiet) fe Infarnanton / supporting record Could be identied:

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In thistesoeet, managerrent bolieves) (mal these unidentiied balances wie a esuifiof Incerens esojusirnentt tlic |

Or Over GecTudl of liabilities in previous Vents,

» While carmauling detclled oreckup of Advonce Against Tanspartallon ineared jevenbey Sr aroun on ts. 3,985

million, wich wab-being camed forward traryprevious yeers, could nl be telafed 7a chy Tickor uMllised ssuting lthe

ourentlinadcia! Year anc future qvallebis record, No breakup br Infarmation Is avarable 79 Supnort Inis erreur

and the management Believes that this amount is a result of error in recording unearned revenue in prior years

Including time. bars tickets,

~ Based on detailed scrutiny of amount payable 16 various companies in respect of tickets collected at for all stations

against sale-tickets, an amount of Rs. 4,700 million was identified being undiluted in any related meency /

authority, Management believes that this arises from accounting errors in previous periods owing to incorrect

accounting adjustments

in order to depict correct position, the amounts of Rs. 918 million, Rs. 2,985 million and Rs. 4,700 million in respect of

identified balances in different heads, Advance Against Transportation (unearned revenue and foreign travel expenses)

respectively which were being carried forward in previous years, have been reversed by adjusting opening balance

of accumulated losses, as it was not possible to ascertain the impact for the year 2016 and for earlier years, therefore

amounts have been adjusted / restored as of January 01, 2017

\$2 Obligation for compensated absences

During the current year. Management as a part of reconciliation exercise, also reviewed the membership details used

for various voluntary, as a result of which excess, management denied certain errors in understanding of accuracy

In respect of unexpired leaves. data listed for total settlement. Consequently, the Company has reversed its liability

an amount of 'Obligation for compensated absences with a corresponding effect on shareholders equity

The above error has been corrected retrospectively in these unaudited financial statements in accordance with

the requirements of IAS 8— Accounting Policies Changes in Accounting Estimates and Disclosure of the Balance

sheet for the year ended December 31, 2014. On January 01, 2014 Due to its restatement, the Company has

presented the balance sheet as at the beginning of the reporting period (i.e. January 01, 2014, and related)

Notes In accordance with the requirements of IAS 7 - Presentation of Financial Statements

December 31, 2014

3), 2014 2016

Tor (Rupees in 00) ——~

The restriction 31 & far has resulted in!

Deferred in accumulated losses - 1,218,470

Decrease in liability for compensated absences 480,721 (11/218,621))

Decrease expense changed to profit on loss account 480,721 (2)

shown on 207 (mm <5!

--- Page 69 ---

5.3

(a)

(b)

mms ©?!

the effect of above stated errors are as follows:

Effect on unconsolidated balance sheet of December 31, 2014 and earliest period presented i.e. January
OT, 2016,

December 31, 2016 January 1, 2016

"Balance as Effect of Balance after Balance as Effect of Balance after
previously restatement restatement previously restatement restatement

reported (Note 5.) & 5.2) reported (Note 5.2)

aidtionses asnee ner tndenennnecseenesenees (RUPERS IM DOM) <-----+04-eeenennennenne ene
renee teen

Trade and other payables 130,744,207 11,501,979. 119,252,228 105,498,696 [7276670 107,280,024

Accrued interest 13,320,252 108. 13,320,144 11,965,170 - 11,245,790

taxation - net 541,326 119.929) 561,265 BNI7F ___ - 29920

Liabilities 144,595,785 1 1,482,158 133,113,627 120,695,585 1,218,670 V19,476,9\5_

Property, plant and equipment 431,882 {2,353} 424,529 197,505 - 197,505

Long term deposits and prepayments 7,032,142 (1,474) 7,020,724 9,402,902 9,602,902

Stores and Spares 2,556,206 (1.622) 2,554,584 5,039,872 3,039,872

Trade debts 8,866,349 185/249 8,751,598 F294 690 F.294,090

Advances 2,289,346 (134,973) 3,154,443 1,374,620 ; 1,474,020

Trade deposits and short term prepayments 3,891,575 87 3,891,662 2,355,635 = 2,385,635

Other receivables 5,817,299 (187,829) 8,629,470 6,154,674 = 6,154,474

Cash and bank balances SAFE APZ _ (48,379) 3,448,173. 2,641,205 - 2,641,995

Assets 37,081,291 (201, 178) _ 36,880,113 34,860,603 3 34,840,603

Equity

Accumulated losses 316,738,170 11,280,980 305,457,190 269,946,703 1,218,670 268,728,033

Effect on consolidated profit and loss account for the year ended December 31, 2016:

As previously Effect of After
reported restatement restatement
(Note 5.2)

ercarenetce (Rupees in 000) -----+

Cost of services 103,539,296 (346,120) = 103,193,176

Distribution costs 4,889,452 (87,686) 4,831,766

Administrative expenses 6,395,546 (76,915) 6,318.63)

Taxation 104,592 _ . 104,592

“Tiagensse —(4a0.721) 114,448,165

Effect on earnings per share

& class ordinary shares of Rs. 10 each (8.67) _ only _____ —B.BE #8)

9! class ordinary shares of Rs. 10 each 4.33)

PROPERTY, PLANT AND EQUIPMENT

2017 2014

(Restated)

Operating fixed assets Note Meese ees in 000) -----

- owned 6) 30,562,152

~ leased 63 37,837,080

; ma 68,399,232

Capital work-in-progress 6.8 1,248,691 { 429,529,

| 166,966,828,518) | 68,828,751

AS AN 3.2200 2017 eS

--- Page 70 ---

6.1 Owned fixed assets

2017

Land Buildings on: Workshops

Leasehold Others leasehold Other land, etc.

(notes 4.1.1 (note 6.1.2) and 6.3)

{notes 6.1.1

and 6.3)

in rupees (RUPEES in 000) -----=+---+s40+ Acsmwsserreeery

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 24,400 1,395,289 ~ 510,457. 94,962

Year ended December 31, 2017

Opening net book value 6,897,860 24,400) 395,289 510,457 94,962

Additions / transfers - + - 62 -

Revaluation ' .

Cost of revalued amount ipa | : | 1,329,942 - -

Accumulated depreciation = 7 : = -

1,794,740 : 1,329,942 = "

Adjustments / transfer a _

Cost or revalued amount - - | - = | -

Accumulated depreciation = 5 | : < s | "Z

Disposals a a

Cost or revalued amount - | - - : -

Accumulated depreciation . >t a : =

Depreciation charge for the year 7 - (219,005) (40,590) (10,618)

Closing net book value 8,692,600 24,400 2,506,231 469,929 84,352

As at December 31, 2017

Cost of revalued amount 8,692,600 24,400 3,990,515 1,787,520 913,604

Accumulated depreciation 3 " (7,484,284) (517,591) (829,252)

Net Book value 8692600 == 24,400 2,506,231 469,929 84,352

Annual depreciation rate (%) + - 25 25 5

6.1.1 These represent leasehold land and buildings owned by the Company that are *eely trensterable and canbe disposed

offas and when required.

6.1.2 Land classified as 'Others' ore amenity plots licensed from Pakistan Civil Aviation Authority (CAA). These are nan~

transferable as nese wete allotted at below market price.

6.1.3 During the year, the Company nas retired / Witten off circratts fleet ana engines having net book value of ffs, 232.272

million (2016: Rs, 2,726.058 million), The related deficit amounting fo Rs. 70.739 million (2018: Rs. 971,386 rillion)

Included in surplus an cevaluation has been releaset fo unconsdliated profit onc loss account [see nate 35),

6.1.4 Alcroff fleet includes one engine (201 4: Nil| held by o'third party for averhauling pumpose as cf December 31. 2017

The carrying value of this engine at yearend is Rs, 404.50) millon (2014; Rs, Nil)

Sy <<< 17 LL <!!572

--- Page 71 ---

2017

Alrcratt Equipment Engineering Vehicles. Furniture, Computer Capital Total
fleet (note equipment fixtures and office spares

6.1.3, 6.4 and tools and sutomation (note

and 6.5) fittings 11.2)

23,235,778 3,163,863 1,766,371 2,843,392 956,479 1,771,401 7,093,574 52,814,783
6,314,129) (2,604,294) (1,588,720) (2,459,294) (850,153) (1,673,858) (3,421,226) (22,252,601)
16,921,649 559,569 197,65) 34,098 106,326 97,543 3,672,348 30,562,152
16,921,649 559,569 197,651 84,098 108,326 97,543 3,672,348 30,562,152

850,382 17,614 128,742 58,123 12,889 172,843 203,098 1,443,753

| aaae.i4e | - = Ty : - | - | - 778,536
(2,346,146) « ™ > 7 > : = 778,536

| 16,360,592 - > _ : | - | - 16,160,592
(4,992,430) | = - | - : : - (4,992,430)
11,168,162 - - - ? + - 11,168,162

(277,545) (130) (7.533) | (27,218) | (18,058) | (6,081) - (336,565)
45,273 130 | 7,533 27,047 | 18,058 6,081) : 104,122 |
(232,272) - - a7 > (232,443)
(1,683,033) (123,648) (79,000) (78,251) (26,677) (60,505) (329.916) (2,651,230)

24,678,742 453,535 247,393 63,799 92,538 209,881 3,545,530 41,088,930.

37,623,061 3,181,347 1,887,580 2,574,297 951,310 1,938,163 7,296,672 70,861,069

(12,944,319) (2,727,812) (1,640,187) (2,510,498) (858,772) (1,728,282) (3,751,142) (29,792,139)

_ 24,678,742 247,393 63,799 «92,538 209,881 3,545,530 41,068,930

4-100 10 19 - 25 10 5-10 4-190

a SES 252 2520272017 eS

--- Page 72 ---

Owned fixed assets

2016

Land and Buildings; Workshops

Leasehold Others leasehold Other land es é

notes 6.1.1 (note 6.1,2) land nga

and 6.3) (notes 6.1.1

and 6.3}

+ so aeeceenteteettne (RUPEES In OD) ---~---== v= aene ten nerrre

As at December 31, 2015

Cost of revalued amount 6,897,860 24,400 2,660,573 1,785,056 933,499

Accumulates depreciation - (1,045,463) 11,233,987} (814,532)

Net book value ; 24,400 118.110 521,089 98,967

Year ended December 31, 2016

Opening net book value 6,897,860 24,400 1.615.110 521,089 98,987,

Additions / transfers - - - 32.681 105

Revaluation ..

Cost or evaluated amount - - | -

Accumulated depreciation 2 | 7 - 4

Adjustments / transfer

Cost or revalued amount : + " - c]

Accumulated depreciation : < } - (1,083) | | 6,926

; z (7.083) 6.928

Disposals : a

Cost or evaluated amount : | - | (279) | :

Accumulated depreciation - — — 279 LU

Write off / Retirement 7

Cost of evaluated amount = - | -

Accumulated depreciation 3 : 2 |

Depreciation charge for the year - (219,821) (42,232) (11,036)

Closing net book value _ 6,897,860 24,400 ____ 1.395,280. 510,457 94,962.

As at December 31, 2016

Cost of evaluated amount 6,897,860 24,409 2,660,573 1,787,458 913,604

Accumulated depreciation . (1,265,284) [1.277,001 | {818,642}

Net book value 6,897,860 24,400 1,395,289 510,457 94,962

Annual depreciation rate (%) 25 25 5

Ex 5 TT

PAKISTAN re

International aye

--- Page 73 ---

2016

a

Aircraft Equipment Engineering Vehicles Furniture, Computer Capital Total

fixed (non-current equipment, fixtures and other assets)

6.1.3, 6.4 and to the extent of the fittings and equipment

and 6.5)

in the net - net value [Rupees in '000] +. moana

15,912,619 3,119,929 1,674,977 2,548,055 922,596 1,787,272 8,571,086 46,758,092

(6,493,017) (2,302,243) (1,528,166) (2,266,984) (809,552) (1,669,207) (4,795,915) (22,959,046)

gareeo2 B17,686 «16,817 281,671 143.048 cs 3.775.141 28,799,dd8

9,419,402 817,686 146,811 281,671 113,044 88,065 3,776,141 23,799,446

629,170 50,988 91,394 9,133 34.849 27,972 363,272 1.289.504

(urn | 7 | 3 | a | | | (56,709)

(50,709) ' - - 7 - {50,707}

| 13,028,507 . 1} : | in, 1 ' | (20,881)) | 13,017,718

| (721,8451 | (145,200) \$0,246 | (168,941) (9,856) 153344 16,865) | (1,397,449)

11,924,952 (165,300) 30,224 (168,941) (9,858) 16,344 (14.078) 11,620,274

(1.117.695) (7.054) ; | (94,394) (966) tia.eaay | | (6.718) | 7.360.949}

107,706 7.035 | - 14,135 937 13,828 5,447 149,367

11,009,989) 119} E (261) (29) 18) 11.289) {V.011,582)

| ,186,204)] | 3 = j = (1.803, 187) (6,989,341)
3,470,135) | - - | - al 1.607.565 | | s.077,700
11,716,089} 5 : ' = . (195,592) 11,911,681]
(2,277,308). (143,786) (70,800) 37,504} (31,682) (33.823) (255,188) (3,123,180)
16,921,649 559.569) 197,651 84,098 106,326 97.543 3,672,348 30,552, 152
25.235,778 3,164,868 1,766,371 2,543,392 956,479 1.771,40) 7,093,574 52,814,753
6,314,129} (2,604,294) (1,568,720) (2,459,294) (850,183) (1,673,858) (3,421,226) (22,252,601)
~ 16.921,689 589.549 197,65) 84,098 106,326 97,543 3,672,348 30,662,152
4-100 5-10 io 10.25 16 5-10 4-100

i | a <3y PAKISTAN

a

0.51207 STIRS

--- Page 74 ---

6.2

6.3

During the year, upon Implementation of new ERP, the Company has made following changes in Classification of asset

categories,

Reclassified from Reclassified to

Buildings on Equipment Vehicles Furniture, Computer

other land fixtures and office

and fittings automation

Renovation and Improvements 54,840 -

Operating ground, catering. communication

and meteorological equipment 48,919

Traffic equipment = 75,851 -

Motor transport - 6,045

Office equipment - - - 21,555

Precision engineering equipment 1,781 2.202 311 266

Cthe: equipment 508,868 -

Leased fixed assets

Aircraft fleet Ground Total

equipment

Note 9 =sseseeeeenn ee (Rupees jn G00) -----

As at January 01, 2016

Cost or revalued amount 65,126,560 - 65,126,560

Accumulated depreciation (12,521,204) - (12,621,204)

Net book value \$2,605,356 52,605,356

Year ended December 31, 2016

Opening-net Hook value \$2,605,356 - 52,606,356

Additions / transfers - 75,387 76,387

Revaluation

Cost or révalued amount 6.4.2 | 367,879 | | | 367,879

Accumulated depreciation | - | - | -

367,879 - 367,879

Transfer to owned fixed assets a. v.

Cost of revalued amount (18,764,571) | | (15,764.57)

|

Accumulated depreciation | 3,837,619) | = 3,837,619 |

[11,926,952] = 111.926,952)

Depreciation charge for the year (3,283,962) (628) (3,284,690)

Closing net book value 37,762,321 74,759 37,837,080

As at December 31, 2016

Cost or revalued amount 49,729,868 75.387 49,805,258

Accumulated depreciation (11,967,547) {628} (11,968,175)

Ne? book vaiue 37,762,321 74,759 37,837,080.

SSA oe co 017 A <>

mms

--- Page 75 ---

Aircraft fleet Ground Total
equipment

Note 9 ----+----- (Rupees in '000) -++-+-----

Year ended December 31, 2017

Opening net book value

Additions / transfers

Revaluation

Cost or revalued amount 6.4.2

Accumulated depreciation

Transfer to owned fixed assets

Cost of revalued amount

Accumulated depreciation

Depreciation charge for the year

Closing net book value

As at December 31, 2017

Cost or revalued amount

Accumulated depreciation

Net book Value:

Annual depreciation rate (%)

6.3.) Aircraft fleet Includes one engine (2014: Nil) held by third party for overhauling Purpose as at December 31, 2017

The carrying value of this engine at year end is Rs. 397.364 million (2014: Rs. Nil),

6.4 Revaluation of property, plant and equipment

6.4.1 Revaluation of leasehold land and buildings

The leasehold land and buildings on leasehold land were revalued by the following Independent professional valuers.

as of December 31, 2017;

Oceanic Services Private Limited, based in Pakistan

Cosmis Developers Private Limited, based in India

Subash Shah and Associates based in India

Skyline Appraisals Inc, based in USA

Callies International Valuation BV, based in Netherlands

The valuation was carried out on the basis of professional assessment of fair values with reference to market based

evidence, based on active market prices, and adjusted for any difference in nature, location or condition of specific

property and resulted in a net revaluation surplus of Rs. 3,124,682 million as at December 31, 2017 except for certain

buildings on leasehold land aggregating to the carrying value of Rs. 18.950 million at year end which were subsequently

revalued by the Company, the revaluation impact of buildings subsequently revalued amounting to Rs. 179,097 million

have not been recorded in these unconsolidated financial statements:

ce SS (20. 2017 AES

64.2

64.3

66

Aircraft fleet

The aircraft fleet of the Company was valued by an independent valuer, Ascend Flight Global Consultancy [UK],

on the basis of professional assessment of current market values as of December 31, 2017. The current market value

represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes

into account a thorough review of market activity and known transaction data involving the subject aircraft types,

covering 'open' market and financial sales. It additionally considers the perceived demand for each type, its availability

in the market and further takes into account the expressed views of informed industry sources,

The appraisal has taken into account the age, specification, accrued hours and cycles of the aircraft and produced

Current Market Half Life Values (CMHLV), Half life or mid-time assumption that the airframe, engine, landing gears and

major components are half way between major overhauls or in the mid point of their useful lives for the life limit

parts, CMH has not been advised 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 IRelr records, but does take into account (the maintenance status of the

airframe, engine, landing gear, auxiliary power unit [APUs] and engine limited life parts (LPs).

The fair values were determined with reference to 16 market based evidence, based on active market prices and relevant

equities 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 buildings on leasehold land falls under level 2-of fair

value hierarchy (i.e. significant observable inputs),

had there been no fluctuation, the written down value of the revalued assets in the balance sheet would have been

as follows:

2017 206

Cost Accumulated Book Cost Accumulated Book

depreciation value depreciation value

penne nen nnn nnn nnn eee nnn+ste= (Rupees in '000) -----+---+22- te

Leasehold land 44,166 - 44,166

Buildings on leasehold land 258,148 134,918 121,230

Aircraft fleet

Depreciation charge for the year has been allocated as under,

2017 2016

No. of ~---+-- (Rupees in '000) -----~

Cost of services - others 32 "5783512 = 4,975,992

Distinction costs 33 r W197 12,145

Administrative expenses 34 18,741 12.693

5,814.2 6,407,770

mx Sara sua cro 2017 | a = ENTS

--- Page 77 ---

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

Description	Sold for	Method of Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain/Loss
disposal						
disposal						
se erenenrenne	wera	nrnsee	(Rupees in '000)	-+-----"	--++--rr--r->	

Vehicles

Toyota Coralia XL) Car Me. Arnit All Company's 1,361 W197 170 15? {}

Reg, No, BBE-380 poloy 1,461 191 170 159 ti}

Aircraft engines Pratt Whitney Canada = Exchange

{S.E.A) Pte Umities basis 277,545 48,273 232.272 232,272

Aggregate value of items where

NBV is less than Rs, 50,000 - Varlous Vendors 57,658 \$7,658 : 23,008 23.0086

2017 836564) 104,122 232,442 255/440 922/997

amé 1,160,949 149.367 1,071,582 1,260,949 249,367

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

6.8 Capital work-in-progress Note Aircraft fleet Others Total

Year ended December 31, 2017

Balance as at January 1, 2017 at 429,529

Additions during the year 6.1 1,054,074 159,918

Transfer to operating assets - (394,831

ee —

Balance as at December 31, 2017 1,054,074. 194,617.

Year ended December 31, 2016

Balance as at January 1, 2016 185,106 42,399 197,505

Adjustment (155,106) ; (155, 106}

Additions during the year 629,170 708,564 1,337,734

Transfer to operating assets 61 (629,170) (319,081) (948,251)

Adjustment due to restatement 5.3 - (2,353) {2,353}

Balance as at December 31, 2016 - Restated 429,829 429,529

2017 NS

7. INTANGIBLES Note = -===== (Rupees in '000) -----~

Computer software

Cost 7.1 366,967

Accumulated amortisation 7.2 (359,083)

7,884

em 2ST 2.2. cer 2017 ems

2017 2016

71 Cost Note -+r-+» (Rupees in '000) -----

Opening balance 366,967, 365,289

Additions during the year _ (409,507 1,678

Closing balance ___ 776 ATA 966,967

7.2 Accumulated amortisation

Opening balance 359,083, 319.44

Arortisation tor the year 7.21 -B8,722) 17,816

Adjustrrient Eo 21,623,

Closing balance 447,805. 359,083

Useful lite 5 years B years

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

Cost of services others 32 7,098 1,485

Administrative expenses 34 181,624, 14,391

88,722) 17,816

8 LONG-TERM INVESTMENTS

Unquoted - at cost

Subsidiaries 8.1 4415714 AA15714

Associate 82) "396 296.

A410 = 4,416,) 10

Other investments 8.3 471,553, 183,137

"4587,663, _4559,247

8.1 Subsidiaries

PIA Investments Limited (PIAIL) ee

792,000 (2016: 792,000) fully paid ordinary shares of AED 100 each, j "4,418,712, 4,415,712

Equity held 100% (2016: 100%), Break-up value of each ordinary share '

of AED 100: Rs. 85,160 (2014: Rs. 69,302) per ordinary share based on u

the audited (2016; audited) financial statements for the year ended recat

December 31, 2017.

Skyrooms (Private) Limited

4,009,000 (2016: 4,000,000) fully paid ordinary shares of Rs. 10 each.

Equity held 106% (2016: 100%), Break-up value of each ordinary share

is negative Rs. 23 (2016: negative Rs. 16) per ordinary share based on

the unaudited (2016: unaudited) financial statements for the year ended

December 31, 2017,

Midway House (Private) Limited (under winding-up) i

2,960,000. (2016: 2,960,000) fully paid ordinary shares of Rs. 10 each, 28,520 98,520

Equity held 100% (2014: 100%), Break-up value of each ordinary share pent
'of Qs, Nil (2014: RS. Nil) per ordinary share, Financial statements are not ' :
ovalicbie.

Abacus Distribution Systems Pakistan (Private) Limited (formerly 2
Sabre Travel Network Pakistan (Private) Limited 7
312,586 (2016: 312,586) fully paid ordinary shares of Rs. 100 each
Equity held 70% (2016: 70%) Break-up value of each ordinary share of
Rs. 982 (2016: Rs. 858) per ordinary share based on the Unaudited (2016;
Unaudited) financial statements for the year ended December 31, 2017 i.

68,522

Provision for diminution | p velue of Invesimernss Z (68;520)_ {68,520}

—— ?

sais 74 4415.74

Sy <r 27 A 257

--- Page 79 ---

8.1.1 All' subsidiaries were Incorporated In Pakistan except for PIAL which was incorporated in Sharjah, United Arab Emirates.

However, subsequently It was registered In British Virgin Islands,

2017 2016

8.2 Associate Note = ===== {Rupees in '000) -----

Minhal Incorporated - Sharjah

1,600 fully paid ordinary shares (2016: 1,600) of AED 100 each, 396 396

Equity held 40% (2016: 40%). Break-up value of each ordinary share

of Rs, 47,197 (2016: Rs. 45,391) per ordinary share based on the

uncudited financial statements for the year ended December 31, 2017

8.3 Oihet investments

Avollable tot sale 8.3.1 171,553) 153,137

8.3.) Available for sale

Quoted TM

Pakistan Services Limited = fl

172,913 (2016: 172,913) ordinary shares of Rs. 10 each ie |

having market value per ordinary share of Rs, 790 (2016: Rs. 883) each 171) 84 152,768

Unquoted

Pakistan Tourism Development Corporation Limited

10,000 (2016; 10,000) ordinary shares of Rs, 10 each 100. qo0

Duty Free Shops (Private) Limited

87,512 (2016: 87,512) ordinary shares of Rs, 100 each 269) 249

| 163,137

9. LONG-TERM ADVANCES

Subsidiaries - considered doubtful

Skyroorns (Private) Limited 37,042

Midway House (Private) Limited 82,476

19.518

Provision for doubtful long-term advances (119.518)

Soe

ee 2ST (A 20% 56-021 2007

2017 2016

(Restated)

10, LONG-TERM DEPOSITS AND PREPAYMENTS Note = -+----- (Rupees in '000) -----

Deposits

Considered good

Aircraft fleet lease deposits \$,079,150

Mainisnance reserve 19.1 1,559,638

Engine maintenance 118.690

Depasits to service providers T3497

Guarantee deposits 55,204

683. 6,883,179

Considered doubtful 318,05) | 318,057

Lass: provision against doubtful deposits 10.2 | (318,081)) | (318.051);

7,971,883 6,883,179

Prepayments ms

Exposure fee to suppor financing 10.3 1747 343,540 |

Less: Current porlion 14.2 =| 135,606) | (226,295)

39,169 137,545

~78,010\052: 7,020,724

10.1 This represents the remaining balance-of maintenance reserve which was required to be kept by the Company with

a lessor under the terms of the lease cgreement that was terminated In the year 2012 Which Will be utllised for future

purchases;

2017 2014

10.2 Movement in provision is as follows: Note +nr=-- (Rupees In '000) -----

Balance at beginning of the year 189,461

Provision for the year 128,590

Balance af the end of the year 318,057

10.3 Movement in Exposure fee to support financing

Balance at the beginning of the year 363,840, 801,177

Additions duting the year 59,829, 116,694

Amorised during the year 37 (248,894) (254,031)

WATTS 363,840

10.3.1 This represents consideration paid to various finance providers for the purpose of guarantees issued in favour of the

Company, which is being amortised over the lease term,

2017 2018

(Restated)

11. STORES AND SPARES Notes GSS (Rupees in 000) -----

Stores. ; 678,162

Spare parts W2, 4,762,382

inventory held for disposal « adjusted to net realisable value 2,859. 252,859

8,424,382 7,690,373

Provision for slow moving and obsolete spares Wa (5,331,798) (8,135,789)

3,092,587 2,584,584

ma poo. rerer 217 | 85

2017 2016

11.1 > Movement in provision is as follows: Note = -+---== (Rupees in '000) -----

Balance at the beginning of the year 5,135 789 4,448,636

Provision for the year 35 196,006. : _ 687,153:

Balance at the end of the year 5,195, 759

11.2 the Company has a practices of Conducting physical verification of jams of capital stores and stores and spares on

acyclic basis covering the stores at various locations in a manner to cover all stores over a maximum period of three

years, Due to non-availability of adequate human resources and other operational problems, the aforementioned

exercise of physical verification could not be completed. However all the transactions for receipt and issuance of

Inventories were executed through Oracle EBS (ERP) system implemented during the year

The management of the Company's, at present, in the process of devising a plan to undertake the physical verification

of capital stores and stores and spares covering all stores on a cyclic basis,

2017 2016

(Restated)

12. TRADE DEBTS Note = ==---- (Rupees in '000) -----

Considered good ois. 743) 6:781,598

Considetd doubtful 2,392,530

Less: provision for deubtlul Gebts 12.2 _ (2,392, 530)

B 8,751,598

1241 The aging analysis of these trade debts is cis follows:

2017 2016

Trade debts Impaired fiodededls impaired

Gross Gross

aa nece aces tes en seen (Rupees In '000) -----+--+-----=

Within current year hex 8,080,65) 21, 760

| year old 1,539) 318.823 302,704

2 years ald ee 141.582 153,755

Over dyecrs ald | 634.426 426 2,018,072 1,724,011

21492530) 11,144,128 2,392,530

2017 2014

12.2 Movement in provision is as follows: Note ~~- (Rupees in '000) -----

Balance at beginning of the year 1,901.132

Provision for the year 35,538.915

Write off during the year (47,517)

Balance at the end of the year 2,892.530

12.3. Certain portion of trade debts is secured by cash and bank guarantees received from agents but due to very large

number of agents all over the world the amount of secured trade debts is not determinable.

see SY I 50% circ 207 AS

--- Page 82 ---

13. ADVANCES

Considered good

Employees

Fuel supplies

Other suppliers

Others

Considered doubtful

Subsidiary - Skyrooms (Private) Limited

Employees

Other suppliers

Provision for doubtful advances

Note

13.1

13.2

13.3

2017 2016

(Restated)

oe (Rupees in 000) -----

148,925, 86,632

602,142 77,899

1,889,881 1,985,842

ip 4,060

2,640,948 2,154,433

174,746

102,890

| 809,268

1,086,304

(1,086,304)

2,154,433

13.1 This includes advance of Rs. 816,248 million in respect of infiaht enterainment system to be installed In Boeing 777.

13.2 Maximum aggregate gross amount due from the subsidiary at any month end wes Rs, 174,146 milllion (2074:

Rs, 174,146 million),

13.3 Movement in provision is as follows:

Balance at beginning of the year

Provision for the year

Balance at end of the year

14, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits

Considered good

Considered doubtful

Less: provision against doubtful deposits

Prepayments

Note

35

Note

14.1

14.2

2017 2016

1,086,304 834,820

251,484

1,086,304

2017 2016

(Restated)

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

3,806,031 «3,553,505

46,462

(46,462)

3,806,031 3,553,505

303,252 338,157

4,109,283 3,891,662

mS anus. re°orr 2017 | <5 25'S 7S

ma

2017 2016

(Restated)

a4 Movement in provision is as follows: Nole = ----- (Rupees in 000) -----

Bolonce at beginning-of the year 86,462 56,4604

Reversal af provision ee CL .82}

Balance. ot the ond of lhe year 6,462 46, 46E

Bite i

14.2 Prepayments

Curent portion of exposure lee to support financing 10 ' 135,606 226,295

Rental on leasad areratt 35,940 64,989

Others 131.7 3 66,914

303,252, 338,157

en

15. OTHER RECEIVABLES

Considered good =

Claims receivable 154 ae A |,340,988

Excise tuty 30.1.1 ta) 10 ioe 709,000

Soles tax receivable 15,2 4,954,893 5 4,878,835

Receivables frarn Gor 15.3 8 536,272

Others 15.4 _ W735.

5.629.470

Considered doubtful (218,758) |

Less: provision for doubtful other receivables 15.8 216,756 |

8.429.470

15.1 The Insurance claim amounting to Rs. 1,258,295 million in respect of aircraft bearing tail number AP-BHO, which was

crashed on December 07, 2014, near Havelan Tetsli, Abbottabad has been received during the year ended December

31,2017,

15.2 This includes sales tax refundable aggregating Rs. 4,745,637 million (2014: Rs, 4,745.697 million) representing Unadjusted

portion of Input tax under Sales Tax Act, 1990 [the Act], The Company has filed Application for refunds of input sales

on 1st 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 47A(4) of the Federal Excise Rules, 2005 [see note 30.1.1 (e)]

The Company in consultation with its tax advisor believes that apportionment (which is not applicable in the subject case

Interalia, of first instance, no sales tax was required to be collected at import stage on capital goods [spares / engines

/or parts) In view of the exemption available under entry No, 16 of SRO 575(1/2004, which is applicable to the Company

being registered as a Service Provider in transportation business and registered as service provider under the Act. The

management has represented its view to the tax authorities. Therefore, the management is confident that sales tax

was not payable on such imports and the amounts collected from the Company at the import stage shall be eventually

recovered | adjusted,

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

15.4 This includes receivable from lesser amounting to Rs. 1,082.017 million (2016; Rs, 1,592.043) in respect of demurrage

Incurred by the Company on aircrafts under operating lease contracts per lease agreement, This also includes balance at

Rs, 17.582 million receivable from certain parties against which cheques have been received but not encashed at

the year end and subsequently,

see SY (IN 2008 5F0% 2007 pao

--- Page 84 ---

16.1

17.2

17.3

17.4

17,5

7.6

2017 2016

Movement in provision ts as follows: Note = ---+ (Rupees in '000) -----=

Balance ct beginning of the year 194,334

Provision for the year 35 22;422

Balance at end of the yecr 216.756

SHORT-TERM INVESTMENT

Available-for-sale - Unquoted

SITA INC NLV. _

325,49) (2016; 325,491) ordinary shares 16.1 19,220

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

conditions,

2017 2016

(Restated)

CASH AND BANK BALANCES Note ---- (Rupees in '000) ----~

In Rupee 11.924

With banks: , =

- In current accounts 17.1, 17.4, 17.5 & 17.6 Ser | 2,729,446 |

- in Deposit accounts 17.2, 17.3. & 17.5 106,743

3,436,189

3,448,113

This has been adjusted by an aggregate amount of Rs: 1,359.668 million (2014) Rs, 1,402,586 million}.
representing

bank overdrafts.

These carry interest ranging from 0.1% to 7.5% (2016) 0, 1% to 7.5%] per annum,

This has been adjusted by an aggregated amount of Rs. 38.748 million (2014: Rs. 39.517 million), representing bank overdrafts.

This includes restricted balances amounting to Rs. 432.414 million (2016: Rs. 448.885 million),

This includes a bank balance of BDT 607.690 million (Rs. 823.209 million) held at National Bank of Pakistan, Dhaka and

Hoébib 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.

This includes bank overdrafts balance of Rs. 1.465.376 million reflecting the balances held in banks at Gawadar, Panjgur

and Turbat. Bank reconciliation statements of balances held in banks on these stations have not been prepared either

due to subsequent closure of the station or inability to retrieve records due to political and other inherent limitations,

However, the net exposure (i.e. the difference between the bank balance and ledger balance) of balances held with

these banks is not material in the overall context of these consolidated financial statements

18. SHARE CAPITAL

2017 2018 2017 ame

(No.ofshares) nine (Rupees in '000) -----~

Authorised capital

Ordinary share capital

5,349,250,000 A! class shares of Rs, 10 each 53,472,500

1,600,000 8 class shares of Rs. § each 7,800.

6,350,/750,000 63,500,000

Preference share capital

50,000,000 Preference shares of Rs: 10 eact 500,000

5,400,750,000 64,000.000

Issued, subscribed and paid up share capital

Ordinary share capital

'A' class shares of Rs. 10 each

4,998,895,608 Issued for consideration in cash 49,996,955

{ssued Tar consideration oiner than cash

931,628 -tor acausihon of snares DAG

233,934,482 |ssued as bonus snares ____ 2:359,345,

5,234,761.118 52:337,410

'B' class shares of Rs. 5 each a

1,003,374 | Issued for consideration in. cash 5.017

issued for consideration other than.cash

2,625] - for acquisition of shares 13

494,000) Issued as bonus shares 2,470

1,299,999 7.800

\$,235,261,117 Wo) 52,348,110

18.1 At December 31, 2017) the GoP held 4,791,752,087 'A class ordinary shares and |,462,515"B) class ordinary shares..-

respectively (201: 4,791,752,087 and 1,462,515 A' class ordinary shares. and. '8! Class-ordinary shares respectively)

representing 92% and 98% holding.

2017 20té

19, RESERVES Note ~---=- (Rupees In 000) -----~

Capital reserves

Reserve for replacement of fixed assets 9.1 1,988,779

Capital redemption reserve fund 250, 0001

General capital reserve 284,259

2,501,038

Revenue reserve 1,779,674

4,280,712

Unreclised goin on remeasurement of investments 151.576

"4,492,287,

19,1 Upto June 1988, depreciation on fully depreciated aircraft was charged and cteited to *ne reserve for replacement

Of fixed assets and excess of sale proceeds aver cost of fixed assets disposed off was cise erectifad to the cforesad

acéount Wilh elfect fromm 1989-90, The Cornparny changed this policy to comply wilh lhe requirements of |FRSS and

the depreciation and excess proceeds over cost of relevant assets are recorded In the unconsolidated profit and

loss account,

ee SSS (aN 02% 2017 ESS

2017

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-Net Note = ----- (Rupees i

Surplus on revaluation at beginning of the year 3,852,187

Surplus / (deficit) arising during the year on: g

Aircrafts (2,626,123):

Lands 1,794,740.

Buildings 1,3: .

Deticit released to unconsolidated profit and loss on account of »

altcratt retired / written off dunnng the year 6.1.3 70,739

4,421,485

Less: transfered to accumulates loss:

- \$urplus on revaluation of propery, plant and equioment

realised during the year on account of incremental

depreciation charged thereon - net of tax

- \$urplus on revaluation of property, plant and equipment released

during ihe year on eccount of aircraft retired / written off ~net

of tax

Related deferred tax

4,384,060

Related deferred tax asset an:

- Revaluation at beginning of the year 900 452 ee)

- Deficit / (surplus) arising on property, plant and equipment during the year

Deficit released 16 unconsolidated profit and loss on aircraft |

retired / written off (20,514)

ene s

- Incremental depreciation charged during the :

year on related assets transferred to unconsolidated profit a

and loss Account 9,726

- Surplus released during the year on account of aircraft retired /

written off

Effect of change in tax rate

Deferred tax on revaluation at the end of the year

Surplus on revaluation at the end of the year

ESS cr 7 TT

2016

4,011,116

317,171

___ 971,386

5,299,673

(74,829)

(938,471)

{434,245} |

(7,447,486)

3,852,187

852,773

(95,151)

(291,416)

\$2,070

402,176

900,452

4,752,639

- PAKISTAN

Enternasional Airlines

Goma Baad 3 We

a

21. LONG-TERM FINANCING

Finoncle Note Type of Facility Repayment Number of 2017 a4

facility omeount petlod installment/

(miltiion) Mode = ----- (RUpees In ODD) «+++

Secured - ftom banking companies

Askes| Bank Lenitied m2 Terrence = PERSO) 207-2019 = ak Manthly 3.000.000

A) Boraka Bank (okisfan| Limited Z2B211) BoemcTemfrance PKR ARO 2014-2021 a4 Monthly 4,800,000

Bank Slarni Pokistary Limitood 23 Isamictermtrang= PRR 1500 «2019-2021 | 6 Quartery '300.000

The Bork ot Puig 2 Tern Finances = PKR SOD DTG - 2021 = 40 Mary 4,260,008

The Bani of PuNje® 22 Termfinance == PKR SDOT «BUN 202) «AO. Monthly 4,563,338

the Bank of Purses 2242012 Derundriionce PKITaO000 2076-2023 Ba Monthly 78,237,524

Pays! Bank wrttect 212 TemAirance «= PKR = POIS-201B = 12 Quely 1,090.00

Poyso! Bank Lirite 22 JemArance = PKR 2000 -2016-2019 12 Guattelly 1,500,900

Faysul Bank Limited 22 blomclemfrance PKRIDIG 17-2019 12 Gtuartetly Vbatioab

Faysal Bank Lirritect 22 jammFinoce «= XR OM OUI7 22) | Guonerly a.Qy,UR0)

Notional Bank of Pakister 214 Tern finonce = PKR3000 2076-2079 — 36Monthiy 3,080,009

Naticaal Bank of Pakistan 212 Tern Finonce PRE @75 86208-2020 «12 Quotierly 2175003

Natisenal Bank of Pakistan 2a Temmfinoncs == PKR 2826 = PNA-2N27 = 12 Herlerly 2,625,900

United Bank Limited a2 fomfinonce = PKR SOD. 2015.2020 SA monthly 373.004

United Bank Lirritect a2 FemAnance = PRIE |50Q) © 2074-2021 «Sa mentry 1,905,559

Notional Bahk of Soidstan « Bohresn 228213 Syndicotefinones US ST23 «= 2014-2022 4D Quataily iy an7,e2a

'Abu Dna Isccris Bank 216 Wemelomtronce US\$ 70.7 2016+ 2019 4 haltyscily 4,838,240

Cilibark,. NA 27 DemandFacce us S82 2006-2017 20 hei yermiy 224,601

Caliban, NA, 2 Tarn Finance = US G S42 «-POIS~2GIA = udrtesly 1,289,514

Oltipank Mashed na SomnVinance => - US\$ 120 AUN6-POIA «2 meniinty 6.480.529

Stardard Chartered Berk Pakston| Lintted = 2hIT Syndicote France USS1975 20)d—VOI? 43 Monshly 424.895

Stardore Charerad Berik (Pakistan) Limited = 2110 Syndicate Finance USS TSO 2017. 20219 Monthly

United Bank Uimitedt ale Syndicate Finance = US\$ 180 2017-2019 = 33 Monthly 13,631.15"

38 Bank Limited B22 NZ JemFrionce = PKR S000 FONT 2024 66 Month

Fayso! Bark Limited 212 lerntinancs «= PAR AUD 2019-2022 Sé Mortny

Sonet? Bonk tirnitedt U2eIA2 Tormfingnee «= PER SOD OT) BEAR = BG Meetthy

The Bank of Pungo az Tern tinance = PKR 2500 «= 2OIF- 2022 «60 Monthly

Al Boreskes Berik [Pukistoon) Lites 22821,4 Terrifinanee = PKR 2509 2020-2022 Gé Monrly

Askar Bonk (Irrited uz tenance = PER DDO YI9~ 2024 = 4B Maniihly c

Others - unsecured.

long tem ioan - Gar ns Tem Srérce PRR AOIO «6—BOT)- S020 la noe yearly 8:006,000

"105.242, 15

Cument matunty shown under clet=nt liabilities 3), (30,412.81 a)

oe 22S (EE 22522022017 SS

--- Page 88 ---

wt Horewits in PKR Comprise of tree ond yarloble rate borrowings: Fixed rate narrowings cary rratkun at the rote of

10% (2014: 10%). wherecs Vorabie rate Corowings In PKR Comy morkup ranging trarn sarece oh 1.4544 over | nonitt

WIBOR 70 2% over 1 month KIBOR [207 4: spieod of 7.5% ver | month KIBOR fo 2% over | apa Lp Ah Jarrawinas

In bag coreg Of fed and variable rote borwings, Fixed rate barowings Gary maikup ct the tate of 5, 26% (2014*

5.28%) whereas varlanls rate borrowings Carry markup renging trary spread of 0.70% over 3 morn LIBOR fo 4% over

Drrionth LIBOR (2016: Gi7% over 2 monin ROR to 4% over 1 mortir BOR),

212 fhelinance ls secured by way of uncundillonal and ifevocanie GaP quarantae fof cin ameunt Seqivelent ta Me

facility amount,

213 = Thetacility Wos converter frarn sir-falm (oan to tane-tenn financing \$n Birnlvishing Wusrearman basis, Te tinance

i Sequted by way Ut len ove Mushayakch Asset arrounting tas | 800 yritiian HACORGHIONG) GING lreyvaccines

GoP guaranles toy the faclliry crnaunt.

214 The linanice wos securad oy wetter af Gorplorl [rom GaP ranking chee over auran* cand led asset of Compsiiy

amounting to Rs. 4,000 milksn inclusive of 255 margin: and len ant speeilic nyhe te ' | off ayer cli receivattss Ir

connection wit the Companys sales routed threuah collctign) aechunt NEP Alroon Branch, Koracn), However op ihe

ustter-o! Comfart has been replaced by GoP gluaranles, the aloresaid ranking chornge hos been released by Nat

Furlherno-e, pincioal amounting to Rs, 146.667 milion due asa) December 31, 201 7 has sexan poidd by the Cormpaniy

diufling the extenden paridd en danuary 09,2018,

215 9 The following ore He aaticipaling wank in ts syncicated finan tail'

National Bank of Pakistar) (NBR) - Banrain, anc

~ Habits Bank Limited (HBL

216 9 The finance ifsesured caning ICIEC/ GeP Gualantee for icans outstancing alany gIVEn poly cr anne
2\7 [ne tinanios issequred by Way o]

Mofigage over esctt of the tive AI alretars and two spare snaines Suichioses, ard

- Buropean Srecit Agencies / SaP Gucirantes,

218 = fre iinante ls secured against E¥IM / GoP guerantes for lear Guistanding a any givan malnt ce finn

27.9 lthetmarice lsseurec ey way of coleener tauled treuon the offsrrote mank qisteuuit raninikdinedd
qth -Citl Minsrreig,

2010 The Sypdieaie tinanee has bee: obtaines liom a syndicate cf infemational barks anchtha lead
arangets or:

- Stoddard Choreved Bank - United Kinckyn)

» Masreabenk psc - United Ara Renate

The tnance lssecured by litst piloilly secuty over the cdleclion account cind facilly savies ceGaunh Aly
legally

2riforcenble ossignmenisaf tickets sales collection lo the UK sector trough IATA wits Gppicpil@le
deknowledaments

21.17 thétincnes issecuted by Woy of

- jstexclusive hypathecution chaige over five engines willy 10% naigin: dna

- |revecadie assignment Instluction forthe Corpany to Benk-of Punjab for tniisie:! of tuncis fer ABPLon fortnightly

bocuats

27,12 The finance lsseckned.by way Of len. over (ATA polities falas 6) We Company, ecalvatee of assignment

271% hw Syndicate (inance nas beer) cbtained fora synamate of International bonks and 79 lead alranidels cies «

+ United Sep hrri (UBL, ona

- Crodi \$ulsse.AG, Singapore Branch

The tence. 6 secured by wey of,

+ Tstonarty secullly vet he master collection account facility service acGount,

- fagally entoreable assignment of ine tickat sles Collection {or lthe sciec ESP aiqresmanr sector ihtiatiah) ALA Will!

gupropiate coknowledgment and .

Ireveceble ond Uncanditional irstuation fo ATA qnaIS3/, in the Kingdeém of Saudi Araria lo pay all bloceeds frorry

the sales Gotodd the Company tients Into rrasnat collector accounn The asceinvpank shell Wonsier fines receiver!

to the rooster colieellan aacaunt into the taslity service occounl alsa malntained with the mecount bum

2108) refinance bsecured by way of nynethiecslicin of Boeing 777-104 BR circratt,

2115 Mheco ny has not paid any Installment since ue dgté cf Installment, |p Octekser 23, 2077. The over clus pall Cina

and markup dua as at DeGernibet 31. 2017 6 Rs 6062 SO In (Rs.5,U62.60 milion) and @s, 4,700 rrililen (Rs. 5, 508

million}, resaectively: The over due-principal a Mount Is Inoiudedt ry cumrernt /riatuitity,

q o t a r

aviv sero 2017 | 51° 2

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22 TERM FINANCE AND SUKUK CERTIFICATES

Note Security Repayment Number of Mark-up 2017 201d

period — installments (a)

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

Term finance

certificates 22.1 GoPGuarantee 2014-2020 is Quareny 4 rnanth 20,544 007 | 26.707,209 |

KiBOR P

+1.25%

Sukuk certificates 22:2 Go Guarantees October 20, 2019 Bullet 6 mani \$800,000:

KIBOR

rh75% F |

444,007, 33,507,209

Less: current maturity of Panel G00} (6.217.403)

2 2,007 25,289,606

22.) 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 4 years, with 2 years

grace period on the terms and conditions to be approved by Ministry of Finance (the Ministry), G1 December 01

2014, (the Ministry approved the terms and conditions of new TFCs, amounting to, 42,870 million, including the

conversion of short term loan of Rs. 26,080 million on the terms, applicable from February 20, 2014. Principal amounting

10 Rs. 2,054 Million due on November 20, 2017 and interest amounting to Rs. 366.03 million due on August 19, 2017

and Rs. 383.187 million due on November 19, 2017 have been paid by the Company during the extended period

on January 05, 2018,

22.2 The Company had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31,

2009, The principal amount was payable after grace period of two years in six equal half yearly installments, 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 along with offer 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, as per the

26, 2014, the Sukuk Investors agreed to further extend the term of Sukuk Certificates for a period of further five years

starting from October 20, 2014 and the Company will be required to pay the entire principal on October 20, 2019.

The markup rate and security will remain unchanged, The Ministry of Finance has approved the restructuring and new

agreement was signed on June 30, 2016, Accordingly, The same has been classified as non-current liability,

2017 2016

23. — _ LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE Note = -----~ (Rupees in '000) -----+

Present value of minimum lease payments - circratt flee!

8-777-200 LR 23.2 a841122

B-777-300 Efe 23.3 10,375,265

Technical ground equipments 23.4 202,230

(3,418,617

Less; Guinerit maturity (7,604,768)

5,811,649

ne SPAS 2008 70% 2017 exe

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

2017 2016

Minimum Finance Present value Minimum Finance = Present value

lease costs of minimum lease COST of minimum

payments lease payments lease

payments payments

are not less than the present value of the minimum lease payments (RUPEES in 000) -----+--- 22+ term of the lease

Not later than one year 4,52 78,098. 4,345,677, 8,02.683) 496813 7,608,788

5,028

Later than one year but not more than five years

5 as 3) W78163 6,026,336 S1e4B6 6,811,849

not later than five years 1,828,

; 225,591, G1278A 14150918 712299 13.416,617

=

6,353,230)

23.1.) The above schedule is made on the basis of the implicit interest in the lease and the Payment is made as per the rates mentioned

nine notes 23.2, 23.3 and 23.4. These are unconsolidated financial statements. The resulting difference between them

in the current year is Rs. 106.851 million (2016: Rs.516.722 million).

23.2 During the year 2006, the Company availed on EXIM Bank guaranteed financing of US\$ 266 million to acquire two

Bombardier CRJ-900 LR aircrafts and one propeller from Taxila - 2 Limited, a special purpose entity incorporated in

Cayman Islands, The guarantor is Citibank N.A. The lease term of the propeller has expired during the year 2014

The salient features of the lease are as follows:

2017 2016

Discount rate - aircraft and propeller 7.50%

LIBOR+0.02% = LIBOR+ 0.02%

Lease period - aircraft 72 months, 744 months

Lease period - propeller 96 months, 96 months

Security deposits (Rupees in 000) 846,178 802,750

23.3 During the year 2004, the Company arranged an EXIM Bank guaranteed financing of US\$ 472 million to acquire three

Boeing 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 month LIBOR 5.28% =

Discount rate - two month LIBOR Three month LIBOR. —

"LIBOR= 0.04% UBOR~1/04%

Lease period — aircraft 144 months | Jet engines

Lease period - engine 96 months 15 94 months

Security deposits (Rupees in 000) 1,700,597 1,613,318

23.4 During the year ended December 31, 2014, 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, 800 million with lease period of 46 months. The lease arrangement is secured

by GaP guarantee (any markup at the rate of 2% spread over one month LIBOR). The Company has utilised the LC

balance of Rs. 260,557 million and converted it into finance lease:

23.5 The Company has an option to acquire the ownership of the aircraft and engines mentioned in
holes 23,270 23,4

to these unconsolidated financial statements, at the end of lease term.

a

--- Page 91 ---

24, ADVANCE FROM A SUBSIDIARY

This represents advance of US\$ 10 million, US\$ 1 million, US\$ 3 million, US\$ 19 million, US\$ 20 million, US\$ 2.5 million

US\$ 0.675 million, US\$ 0.96 million and US\$ 2 million received on March 02, 2011, September 12, 2017, 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 (PIAIL), a wholly owned subsidiary of the Company which will be adjusted against future

dividends, if any, distributed by PIAIL. The advance carries mark-up of the rate of 12 month LIBOR plus 1.75% per annum

2017 2016

25. DEFERRED LIABILITIES Note = =*=- (Rupees in '000) -----

Post retirement medical benefits 25.2 41,785,642, 10,927,712

Pension obligation 25.3 "21,746,345 19,034,228

33,531,987 29,960,940

25.1 General description of the type of defined benefit plans and accounting policy for measurement of the net defined

benefit obligation / asset is disclosed in note 4.970 these unconsolidated financial statements.

25.2 Post retirement medical benefits

Liability recognised in the balance sheet .

Present value of defined benefit obligation 41,785,642) 10,927,712

SS

Movement in liability during the year \)

Balance at the beginning of the year 10,252,096

Expense recognised in profit or loss 25.2.1 1,272,987

Total remeasurements recognised in other

comprehensive income 25.2.2 153,708

Payments made during the year (751,279)

Balance at the end of the year 10,927,712

25.2.1 Expense recognised in profit and loss account

Current service cost 285,341

Interest cost 981,646

1,272,987

25.2.2 Total remeasurements recognised in

other comprehensive income

Actuarial loss on liability arising on

~ financial assumptions -

~ experience adjustments 753,908

153,008

oe SY I 2005. co% 2017 SS

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25.3

Pension obligation

The details OF three differen! Calegoilés of piaris are as follows:

Gabaiy / (asse!) recognivod

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Movemon| In fhe defined

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Opigotor ct beginfing of the year

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Post service cost

Interest cost

Expected return on plan assets

Cost of goods sold and other expenses

Movement in fair value of plan assets

Forfeiture at beginning of the year

Forfeiture of benefits

Forfeiture of contributions

Expense recognised in

profit and loss account

Current service cost

Post retirement benefit

Net interest expense (income)

Total remeasurements recognised (income)

— other comprehensive income

Measurement of plan assets

Measurement of liabilities

— demographic assumptions

— financial assumptions:

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25.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences [now

26.3) were carried out at December 31, 2017, The valuations have been carried out using Projected Unit Credit method

and the following significant actuarial assumptions have been used:

2017 2016

----- (Percentage) -----

Valuation discount rate 8.25% 8.00%

Salary increase rate 7.25% : 7.00%

Pension indexation rate 1.75% 1.50%

Medical Inflation rate 2.00% 1.78%

Mortality table Adjusted SIC 2001-2005 with
one year age set back

25.5 Number of employees covered by the various schemes as follows: 2017 2016

(Number

Pension scheme

Active employees 2993) 14,191

#beneficiaries 22,178) 16,104

Post retirement medical benefit scheme 22,178) 18,404

25.6 Sensitivity analysis.

The sensitivity analysis below have been determined based on reasonably possible changes of the respective

assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Increase / (decrease) in defined benefit obligation of

PALPA Fund FENA Fund Main Pension Fund

Change in Increase in Decrease in Increase in Decrease in Increase in Decrease in

assumption assumption assumption assumption assumption assumption assumption

teen eme nnn seme nanem enn ann ine (Rupees in (000) -----+----+»9r-----+~ seme

Valuation discount rate 1% [158.786] 184,457 (30,042) 34,220 (2,246,168) 2,662,216

Solory increase rate 1% nachonge ochenge nochange nechenge 1,033,536 (929.173)

Meécical inflation rate 1% 176,901 (154,808) 38,854 (94.442) (13,293,415) (16,546,756)

Increase / (decrease) in defined benefit obligation of

Post retirement Compensated

medical benefits absences

Change in Incredse in Decrease in Increase in Decrease in

assumption assumption dssumption assumption assumption

aeesssenees ----- (Rupees jn '000) -----~--

Valuation discount rate 1% (991,985) 1.173.629 (407,177) 462,878

Salnry increase rote 1% no change no chenge 456,975 (408,923)

Medical inflation rate 1% 1,100,723 (961.856) retadpicable notapnicable

in pleserting the above sensitivity analysis, the present value of the. defined benefit obligation has been calculated

using the Prajectéd Unit Credit Methos at the end of the reporting period, which ts the same as that apalied in

calculating the defined benefit Cbligtian liability recognised In the unconsoliacted balance sheet,

pe 2S NN 900508: 2017

--- Page 94 ---

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

Mortality risk; The risk that the actual mortality rate is different. (The effect depends on the effectiveness / age

distribution and the benefit,

Investment risk) The risk that the investment underperforming and being not sufficient to meet the liabilities,

Final cost risk: The risk that the final salary at the time of cessation of service is greater than when the cost is determined.

The benefit is calculated on the final salary, (the benefit amount increases slightly).

Withdrawal risk: The risk of higher or lower withdrawal experienced than assumed, The final amount could be either with

depending on the termination date / age distribution and the benefit

25.8 The Total Value of plan assets' extension funds includes investment in the Company's shares, at the end of 2016, 2017

Prullory (2016: Rs. 4,846 million)

25.9 The following table shows the pension obligations as at December 31, 2017 in US\$ million

Years

Post retirement medical benefits 9

PALPA fund 7

FENA fund T

Main Pension fund 10

Compensated absences 1

25.10 Theeimectid Pension and medical expense tonthe next one yedr Horn January 0) 200 | 8 arriqunts
19 Bs. 4 Ol2 728

million ond.3y 1044.04 million tespectively, The expected amount af Pension {une ts heerourt Whalen te
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ses 'p the-omcuril of Rs.1,856 172 ree Rs, 1,947°764 millon) Re 979 O53 million (20a Re 1,009 951
Million) andl Rs. 629-39 | vvillion (2016) Rs, 64% 255 riltan) tespentively,

December 3), Destin ti, donueryii,

OTL | 2017 2016 aft

no --- (Rasiated)

25. TRADE AND OTHER PAYABLES Note ----- (Rupees in '000) -----+---~

Trode creditors

Goods 26.1 17,357,512 15,807,236

Services 5,832,620 4,322,660

Nipon rolated charges 20,212,685 _ 16,525,429

43,402,817 36,655,525

Accrued Natilifies: 26.2 6,461,938 4,900,439

Advance against tenspxstation funeamnes verive} 7,295,097 10,964,375

Cbilgation for cornpensatec dinsences 263 6,443,331 5,166,886

Unredearnd frequent tives abilities 264 755,829 744,008

Advances tron custarnmers 687,112 1,007,858

employees Providen? Funa 265 10,202,468 10,470,475

Unclolmed dividend - Preterence shares 3,297 8,493

Collection on behalf of others 26,6 28,944,630 24,608,025

Customs, fecerd excise duty ard soles tax, 3,581,117 2,855,999

Fedetal axtise duty - intemational fravel 8,900,499 7B AI

Income tax decucted at source 1,941,709. 1,327,034

Shorten Geposits 612,384 859,715

Offers 26.7 -

119,232,228 107,280,028

24.) this INGLlides Gn mount of Rs. 14,141.44F million payable to Pakistan State Dil Limits (PSO) which comprises of

ince balance of Rs, 12,783,020 millon and iote payment interés! bolanee of Rs, 4,556,648 million, Theve is 9

'over ne adlustrnent of payments made by the Company, PSO ae lne tore paymernt Interest firshand Hen

the piincioal while fhe rnanegement considers lhat basé on the Interpretation of agreemen= with) PSQiall payT Herts

Tnade should be adjusted ist win principal ond once the whole pnncipat bolarcs is paid off, theerariing hoymens

will be adjusted ao lone payrnt Interest balance:. The disagieed fecordnd arnaunr x this aspect ds af Docernne

31, 2017 Is Rs. 972.890 million.

26.2 Ibis includes total management fee Upto December 31, 2017 amounting @ Rs 225 million (2015: Rs. 122 million)

payable to PIA Investments Limited, a subsidiary company.

management fee 2017 | => SS 2

--- Page 95 ---

December 31, December}, January 01,

2017 2018 2016

a (Restated) ———

243° Obligation for compensated absences Note aa-atess-se-es- (RUpESS in '0DD) -----+---+0-~

Liability recognised in the balance sheet

Balance at the beginning of the year 6,443.33), 5,166,886 5,337,919

Expense recognised during the year 322 ek :180) 1,765,094 1,055,565

Benefits paid during the year | (65,683) (7,928) (7,928)

Adjustment due to restatement 53-0 = 480,721) (1,218,670)

Balance at the end of the year | 6,146,468 6,443,331 5,166,886

Bose oe eee

26.3.1 Number of employees covered by the compensated absences are 12,9935 (2016) 14.191]. The assumptions used!

to deeming the obligation for compensated absences, sensitivity analysis and weighted average duration are

disclosed in notes 26.4, 26.6 and 25.9 respectively to these consolidated financial statements

26.3.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and

administrative expenses in the amount of Rs. (156.14) million (2014; As, 24.748 million), Rs. (37.155) million (2014;

Rs. 154.125-million) and fs. (43,885) million (2014; Rs. 265,50 million] respectively.

26.4 The liability for frequent travel programme is based on the valuation carried out by an independent professional valuer

Significant assumptions include:

- ticket inflation rate at the rate of 8% (2016: 7%).

- discount rate at the rate of 6% (2014: 8%):

~ expiry of unavailed points after three years; and

> accumulated points above 11,000 can be used for purchase of tickets, Points lower than 11,000 are valued on

aggregate cost of redeemed points,

265 This represents amount deducted from employees on account of contribution to Provident Fund, the Company's

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 1 day

as required by Section 227 of the repealed Companies Ordinance, 1984 and Section 214 of Companies Act, 2017

due to the liquidity constraints, Hence, Mark-up thereon have been charged based on the discount rate as announced

by (the State Bank of Pakistan up to April 19, 2014 and thereafter based on 1 month KIBOR _

26.4 This includes taxes payable at foreign stations and amount payable to CAA relating to embarkation, security and

Infrastructure charges,

267 This represents balance payable to various vendors against which cheques have been issued but not encashed as

of December 31, 2017 and subsequently,

2017 2026

{Restarea)

27, ACCRUED | NTEREST Note = sen (Rupees In 000) -----

Mark-up / profil payable on: — _

-longdemm financing a 8 j 6,528,888

-teim finance cerificates 1.087,768 1.418.905

+ SUKUK cerliicates 107.712, 224,958

~liobttities oagainstassets subject ta (nance edse 295

+ short-term bomawings 464,229

- provident fund 26.5 4, 85,404

advance form a subsidiary 5 297,740,

1 13,020, 144

SS 20320 ecP080 2017 eam

--- Page 96 ---

2017 2016

26. SHORT-TERM BORROWINGS - secured Note ven== (Rupees in 000) -----~

Short-term loans 28.4 - \$1)186)329 80,803,496

Running finance under mark-up Grangements 28.2 3,172,1 a5) 3,547,617

34,358,474) 34,351,311

28.1 Short-term loans - secured

Financier Note Security Facility Expiry dole 2017 20146

amount

«mitlion) ----(Rupees in '000)-+~

From Banking Companies

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fedib Alles Inteinciiona bank 28.1.2 Evra recevonies 4e5

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28.1.1 The borrowings in PKR cary mark-up with a spread af 1.5% over 3 months KIBOR (2014: spread of 1.5% over 3 monins

KIBOR), The borrowings in foreign culrency cety mark-up of 3.5% aver 3 month LIBOR (2014) a spread of 3.5% ove:

3 months LIBOR). |

28.1.2 During the year, shorter term and running finance facility of US 9 million and USD 3 million respectively have been

transferred from Habib Allied International Bank Limited - London to Habib Bank Limited as a short-term loan of USD

12 million.

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

maturity dates,

i

margin. x 2017 | <5 5

--- Page 97 ---

28.2 Running finance under mark-up arrangements

Banks Note Security Facility Unavailed credit Expiry date 2017 2016

amount amount (million)

(million) (Note 28.2.2)

--(Rupees in 000)---

Secured

Hoo Bank Urrted Hypothecation cheige cn all 380 237 30Sen-18 "93.706 121 429

present and future spore ports, PER PKR

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of the company for PKt'2.800

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as per SAP requirement.

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note has been issued in the :

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28.2.1 The-borrowings InPKR carry mark-up with a spread of 1.5% fo 2.0% Over 1 month KIBOR (2616: 1.6% to 2.0% over |

month KIBOR). Borrowings in LSD comprise of fixed and variable 1cte borrowings. Fixed rate borrowing caries mark-

up ot the tale of 3,25% (2014: 3.25% Der annum) whereas Voliable tale borrowings carry matc-up with o spread of

3.5% ove 3 manth LIBOR (2016; spread of 3.5% over 3 monin LIBOR),

28.2.2 Unavailed credif represents the difference between the facility amount and tne closing balanée ds al December 31,

2017

28.2.3 The agreements of these facilities have expired On their Maturity, however, these were renewed on their respective

maturity dates.

2017 2016

29. Current maturity of non-current liabilities Note ----- (Rupees in '000) -----

Long-term financing 2) 30,412,813

Term finance and sukuk certificates 22 \$;217,603

Liabilities against assets subject to finance lease 23 7,606,768

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30.1

_ aan)

CONTINGENCIES AND COMMITMENTS

Contingencies

Sales 10x and Federal Excise Duty

& the department had to set aside of Rs. 544 million (20 Tbe Rar GAb IM million) b Demeter MIDE rye

Federal Basic Duty (PED) (with partially obs.) till 2) é 8s | portion) are contingencies. ty of Rs. 2,784, 0be

Mullen (201 Re. 2925 005 Allies) on the contention that the Company has not SGLcies FEO on tickets cugviches

fogs employed either fee of over of al concessional sales the Company has paid ttm ON million in the 1.0)

claims lesibles! demand which is Carcinoma highly verifiable her (Ma current [hip case @.cuneetty Lrcler

judicial before Appellate Tribunal Inland Revenue (ATIR) Batco on resumption with 'ego! adviser the management believes that the case will be decided in the favor of the Company, Accordingly, no provision has

been made in these circumstances financial: elements 9 ms yegord

The department has set aside demands of Rs. 4.804 million 2014 Rs 4804 tiller | ore Rs 277 421 million

(RY for Rs 277,621 tiller) on March 1), S508 cis FEDana sales for respectively along with penalty of Re T4 Ap

MnWign (2078 Re 12476 million) and additional duty) default suspension of Re. 17,9) prior 2078: Rs, 717.9) ruilior)

during the tax litigation of the Company for the periods 2004-2005 and 2005-2004. These demands were
rakes ory

The issues of late payment of F&E collection of FED at the interest rate, recorded appropriate of unpaid tax
and

(olive tax collection F&E ory Camaye at boots / mgd Gt Pokston Pgs Ta Gamisary hrs parc on amMauAnct hy.
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Podlioni (NOT 6- 7s. 26 million) in this regard. Which is considered fully recoverable thea Goptocay has in
appeal win

the Collector at Customs, Sales for and Federal Excise (Appeals), which was decided partially in its Sayan,
created early

against and accordingly warranted back the Company and the department have thea made a) or AN

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Gaileves Sat ite

Case WW) be Gliders In The favor of the Company. Accordingly no provision has been made in the
original statement

Financial statements in *high regard

Cc) The Government has (aise demands of Rs, 2045 million (207.8) Ro 2056 riley and 1 B19 10+ eric
[2014; Rs, 1,389,007 million) as F&E ariel sales tax respectively along with) penalty of 2 6F38E million
(Che: Re.

66.088 million) and accordingly duly) demand switch over of fe 544,412 million (A A) Re, 58! 412 million)
duera the

TON. OUGI of the Company for the period 2007-2005) the demand AGS SIEO Mainly on the issues of
collection

of FED at Incorrect Rate and! incorrect opportunity of input tax, The.-Cor ny ed appeal st
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has

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decided inthe favor of the Company, Accardingly, na provibtn nas bee race nese Le consalidates:
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of Rs, 5,877,951 millian (2016; Rs, 8,872.35) milion), Rs F679 1G millon (Lobb Rs, 5.479 110 mii) and Qs,
7,026,270 million [2014: As, 7,025,270 rmillibn), respectively of acteaunt of celsye? poymenher sales tox
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PAKISTAN

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m) Eeningenciak relating to nicer lor qattens are disccsred note 6B Ć te IneKe uneoreiichated #intarionl
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30.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 253.777 million (2016: Rs. 324.443 million).

b) Outstanding letters of credit amounted to Rs. 0.449 million (2016: Rs. 143.512 million),

c) The Company has entered into an agreement for purchase of aircraft, the remaining commitments of which

aggregate to US\$ 1,527.904 million (2016: US\$ 1,527,904 million) equivalent to Rs. \$48,875,257 million (2016: Rs,

161,489,521 million) based on catalogue prices. The Company has not made certain payments on the due dates

as per the terms of the agreement,

d) The amount of future payments in operating lease arrangements 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 as follows:

follows:

2017 2016

Note. = -----~ (Rupees in '000) -----

Not later than one year 8,223,239 7,235,512

Later than one. year but not later han five years 24,750,051 | 25,070,274

Later than five years 1,152,042, 3,737,597

34,125,332, 36,043,383

31, REVENUE - NET

Passenger 81,324,660 80,426,927

Cargo 4,193 ,830 3,486,515

Excess baggage 732,615 815,468

Charter services 490,645 683,842

Engineering services 708,616 | 094,838

Handling and related services 379,788 422,994

Mall _ 263,872 288,40)

Oihers 1,608,874

311 88,997,379

3a. Revenue by geographical segments

Revenue analysis

USA / Canada 5,593,835

Europe 15,879,688

Middie East / Aitica 18,701,168

Asio (excluding Pakistan] 4,296,337

Pakistan 44,526,351

88,997,379

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

312 Gross Revenue

Revenue -¥02,350,564) 101,451,575

Less: Federal Excise Duty (11,455)722)) (12,408,783)

Previncicl sates tax 1173) 45,713),

Net Revenue "90,843,729 88,997,379

SS 9 0 07 A

32.1

COST OF SERVICES - OTHERS

"= Salaries, wages and allowances

Welfare and social security costs

Refirement benefits

Compensate addendums

Legal and professional charges

Stores and spares consumed

Maintenance and overhaul

Flight equipment rental

Landing and handling:

Passenger services

Crew layover

Staff training

Utilities

Communication

Insurance

Rent, tolls and taxes

Printing and stationery

Depreciation

Amortisation

Others

Note 2017 2016

(Restated)

sees ~ (Rupees in '000) -----

15,088.34 15,49,270

217,26) 2,387,626

2:24) ,221

924,745

2).555

1597 1,421,594

AS 10,098,314

9,069,290

14,465,149

9,989,437

2,882,140

128.674

360d)

3,609,593

1,186,914

2,052,708

181.635

6,375,932

1,28

i i 806,586

76,836,830 76,040,362

32.1

263.2, 32.2853

181,156

156100)

(22,413.

ane 5

10,1

The Company's staff retirement benefits include provident fund - 6 celines contribution plan, the Company has

established a separate provident fund, Following information of the provident fund has been derived from the unaudited

financial statements of the provident fund as at December 31, 2017 and 2014,

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

2017 2016

eee (Rupees in 000) -----

Size of provident fund 22/365,052 22,890,155

Cost of Investments made Bzes ae 14,085, ' 42

Percentoge of Investrnernts made: — 45.80% 40, 70%

Fair value ot investment 10,247,430) 13,885,570

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

2017 2014 2017 2016

=+--- Percentage----- ----- (Rupees in 000) -----

Teim finance cenficates Maze) = 17.6% « | BIT75,694 4,087,208

Pckisian | nvestment Bands 02%, 2.5% 41,881 565,073

Islamic bonds 92% 71 Pb 2,102,711

Bank deposits 54% (44276) 1,282,546

PIACL shores) 0% ease 5.768

Special Savings Certincale We 26.0% __51087,040) __ 5,940,100

Total (45.80% — 20.70% 7 10;247,430 12,885,570

32.1.1 The mvestments out of provident fund neve been made In accordanne with the previsions of Section 227 of the

repecies Companies Ordinance, 1984 and Section 218 of Companies Act 207 ond the mutes formulated for this

Purpose,

32.1.2 Number of employees of the Company; 2017 2018

(Number

Average number of eriplayees duling the year 13,268" 14,980)

Number of employees as at year end m2; 1491

432.2 This Includes reveisol of Rs. 1,267.379 millior' due to expesience:adijusimen! based.on ociuaricl assumptions.

oe SY 0% crc 207 (ESS

33.

DISTRIBUTION COSTS

Salaries, wages and allowances

Welfare and social security costs

Retirement benefits

Compensated absences

Distribution and advertising expenses

Legal and professional charges

Insurance:

Piling and stationery

Communication

Staff training

Rent, rates and taxes

Utilities

Depreciation

Others

ADMINISTRATIVE EXPENSES

Salaries, wages and allowances

Welfare and social security costs

Retirement benefits

Compensated absences

Legal and professional charges

Insurance

Printing and stationery

Staff training

Rent, rates and taxes

Utilities

Auditors remuneration

Communication

Depreciation

Amortisation

Donations

Others

Auditors' remuneration

Audit fee

Fee for review of Interim

financial Information

Consolidated financial statements

Code of corporate governance

Out of pocket expenses

2017 2018

[Restatec}

Nofo ----- (Rupees in '000) -++---

1,756,042

298,774

1,162,115

154,126

649,988

38,320

12;3%3

84,27)

171.810.

42,805

242,649

20,597 18,420

66 11,972 12.145

4276,422' 188.339

26.3.2, 32.2 &5.3

2,718,638 2,486,413

939,664 481,659

(727,052, 787,074

(43,885) 205,500

179.626

22,972

31,340

155,407

583.206

841,063

17.200

191,092

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26.3.2, 32.2 & 5.3

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2017 2016

KPMG EY Ford Total KPMG EY Ford Total

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& Co, &Co.

5,334 5,434 10/668

1,899 1.599 3.198

793 793 1,586

274 97a 5A8

600. 600 1,200

6600 B600 17,200)

Donatlons represents payments aggregating Rs. 3.6 million (2016: Rs. 3.6 million) to &s CSR setup viz Al-Shifa Trus?,

situated at Terminal 2, Road, Karachi Aion, Pakistan in which the Chie! Executive Officer al ne Company gets as a

Trustee | Chaltmon. Besices this, none of the directors or their spouse have any interest in the donee

Say cr 27 A <5

--- Page 103 ---

35.

36.

37.

38,

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2017 2016

OTHER PROVISIONS AND ADJUSTMENTS Note ----- (Rupees in '000) -----

Property, plant and equipment

« Capital spares written off - 195,892

- Other assets written off : 308,272

- deficit released from surplus on aircraft written off / retired 971,386

- aircrafl fleet written off / retired L767

3,191 426

Provision for slow moving and obsolete spares 687,153

Provision for doubtful debts 538,915

Provision against doubtful advances 251,484

Provision against doubtful deposits 116,388

Provision against other receivables 22,422

Late payment surcharge on fuel 1,363,116

Late payment surcharge on maintenance reserve 560,563

Others 12,838

6,744,575

OTHER INCOME

Income from financial assets

Profit on bank deposits 76,024

Interest on maintenance reserve 65,903

80,927

Income from assets other than financial assets — — —

Gain on disposal of property, plant and equipment 249,367

Insurance claims | 234,323

Others 184,989

668,679

749,406 -

FINANCE COSTS

Mark-up on:

-long-term financing 5,563,179

- term finance certificates 2,413,416

-short-term borrowings 2,613,489

- advance from a subsidiary 96,000

16,686,034

Profit on sukuk certificates 593, 147

Interest on liabilities against assets subject to finance lease 419,400

Discounting on deposits (103,424)

Interest on provident fund 26.5 656,790

Asongement, agency and commitment tee 718,902

Amorisation of prepaid exnosure fee 10.3 254,03}

Bank charges, guorantee carrimission ond othe related charges 76.689

13,159\629-

TAXATION

Curent - for the year 38,1 444,987

Defered 38.2.2 (840,395)

___ 104,592

PAKISTAN (I 2s. 2017 ES a

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Rey 20,2. 797 million, respectively The Company Ada tiita on opment SI (A) ogee ina adic ater GIRIAI te

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Done Sr rede ond Rs.17 007,920 million respectively, The Compsiny haa Had a Oppel Hafan CHA) aca
Cee afdcts Sursequently, CIRIA) Issued Appellate order doiec Febuary 14, 2075 m respectot TY 2014 anced
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367,58 The la, depailment Nos also lssed ode; uncer seco 141/705 of tre LC. 200) pete fax year 20) 7 ined
paral in ena of Rs, 324.379 million, The Company has tiles an aeseo! against tne ororbelare CIA) which
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36.1.6 Thetox deporment Tos Olso Seuiektd os AboWwoase under section 141 / 205 of the income Tax
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Ordinance, The Company hos tespiorcedd the sliowcase

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74 ond raised c Gemand of AFN 738. ay million een fo Rs, 374,294 Tilion) On tequest af "ne Company,

tie Ministry of Finence of Reponeun a hes Gunstillufed an er en Review Unit [ORU] to ey the disputed

matters, Qn acvie of MoFA, the Com sre fox deriand recon Ued by the ORU In lls Intern

feopor amounting to FN 414378 relives Mectivoert to i re ee undioe protest subject 10 tne tine! armaunt

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2017 2014

O82 Deferfedtoxation 00000 re (Rupees in '000) -~---

Deferred tax credits:

Atoeernea fox depreaation (iui ade

Surplus on revallcSan OF pidpety, plat' ane ecuiPMENT (9R5,453)

14,)4a 8AL

Deferred tax debits: 7

Unused (Ox tosses (Ald 2A}

Provisions fer ticiimsr apts ihe dew olhes ossets 9.864.498

L14, 145,884)

36.217 in accordance with the accounting policy of the Company set out in note (i), the net tax expense of Rs. 90,414.43 million

2016) (restated) Rs. 83,489,202 prior to the recognition of the consolidated financial statements of the Company in the year ended 31.12.2016. The uncertainty in the valuation of the financial assets and liabilities.

38.2.2 Movement in temporary differences during the year

Recognised = Balance at the beginning of the year + Recognised during the year - Balance at the end of the year

Profit equity is calculated as follows:

Profit equity is calculated as follows:

Profit equity is calculated as follows:

(Note 64.2.2.

Profit equity is calculated as follows: 635.444 million (Rupees ft OD) —2— the net tax expense of 635.444 million (Rupees ft OD) —2— the net tax expense of 635.444 million (Rupees ft OD) —2—

Acceimaterd tow seresiqien 4,581,741) 1,832.4081 :

Suipies On revaluation at

blonery, pier ond

eoupran! =f 773) saieagy) — best —

73728 903 i i ett 7

Detarrad tax-cebits:

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1\$, 723.5655 [Sebo (£4,122] Beanees

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\$8.2.2.1 this incluoess effect ol Ghoride i few fate POE TOM Bh ty 29% AMIGUNTING 13-7) aii \$ million,

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--- Page 106 ---

2017 20146

{Restated}

39. LOSS PER SHARE - BASIC AND DILUTED Note

Loss for the year [Rupees in '000] (47,760,712), (44,900,315)

Weighted average number of ordinary shares outstanding 18 '5,235,261,117 5,235,261,117

Loss per share attributable to — =

'A'-class ordinary share (Rupees) (9.12). (8.58)

'B' class ordinary share (Rupees) (4.56), - (4.29)

2017 2016

40. OPERATING AND FINANCING CASH FLOWS (Restated)

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

40.1 Cash (used in) / generated from operations

Loss before taxation | (46,760,181) (44,795,723)

Adjustments for: :

Depreciation \$814,225) 6,407,770

Gain on disposal of property, plant and equipment - net (22; 9 : (249,367)

Amortisation of intangibles 88,722. 39.439

Provision for slow moving and obsolete spares 196,006 687,153

Provision for doubtful debts 300, 100° 538,915

Property, plant and equipment retired/written off - net of insurance claim - 2,373,552

Provision against doubtful advances = | 251,484

Provision against doubtful deposits > a 116.358

Provision against other receivables : 22,422

Provision for employee benefits 4,891,345

Finance costs 13,159,579

Unrealised exchange loss / (gain) ; 993,30 {4,217}

Profit on bank deposits 48,392) (75.024)

Deficit released on write off of aircraft 70,739) 977,386

(15,664,928)

Working capital changes

Increase in stores and spares (734,009) (203,487)

(Increase) / decrease in trade debts (1,894,150) 189,426 |

Increase in advances (486,515) (946,810)

(Increase) / decrease in trade deposits and prepayments (217,621), 259,108

Decrease / [Increase] in other receivables 906,932 | {1,426,752}

increase in trade and other payables 19,657,975 | 20,478,344

17,232,612 = 18,329,829

ay

Cash (used in) / generated from operations | (1,967,730), 2,664,901

Say 99. cr 217 ms 25'S

--- Page 107 ---

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

2017

Liabilities Equity

Short-term Other Loans = Finance Share Reserves Accumulated Total

Issuance: and lease loss.

Finance borrowings liabilities

Outstanding = (including

accrued interest

markup) markup)

Balance at 1 January 2017

Change in cash and cash equivalents

Proceeds from loans and borrowings

Interest on short-term borrowings

Repayment of loans and borrowings

Change in cash and cash equivalents

Total changes from financing activities

Changes in fair value

Other changes in liability

Change in interest rate

New finance leases

interes expsrse

newest pala

Teval fablity - reiofed other changes:

Total equity - ralated other cnanges

Bolonce.as at 3) December 2017

4I REMUNERATION OF CHIEF EXECUTIVE, HEAD OF DEPARTMENTS AND EXECUTIVES

(Key Management Personnel)

Chief Executive Officer Head of Department Executives

2016 2017 2016 2017 2016

2017

{note 41,1)

(Restated)

woeenseenssetseneene= (RUPEES IN 00D) -2n2nreree reece

Manageval remuneration 7,480,999

'Companys contipution to previden! fund 239,856

Olher perquisites 1,059,765.

Number {as al December 31, 2017) BS

41.1 Aggregate amount charged in these unconsolidated financial statements for fees to directors was Rs. 0.19 million

(2017 Rs. 0.286 million). Chief Executive and certain executives are also provided with the Company's maintained

cars and facilities as per the Company's rules.

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

the above amounts,

q1 Ag

see SS a 2902.05.00 2017 page 5a

42.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, Interest rate risk,

Fuel price risk and other price risk), Credit risk and liquidity risk. The Company's overall risk management programme

focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's

financial performance. The Company's senior management carries out financial risk management under guidance

approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks, wherever it is

necessary.

Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes:

In market prices, Market risk comprises 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 oil-cum-fuel. The Company manages these prices as follows:

limited extent through use of derivative contracts. There are no derivative contracts outstanding as at year end,

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange

rates, The 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 (USD), Saudi Rial (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

instruments to satisfy its foreign currency obligations, The following table demonstrates the sensitivity of financial

instruments to a reasonable possible change in the foreign currency exchange rates, with all other variables held

constant, on loss before tax:

2017 2016 2017 2016

in millions of US\$ (Rupee in '000) ---+---+8+-----+---

re BSG assets and liabilities net of tax [ES] million

Change in US\$ rate

(Increase) / Decrease in loss before tax CASAS SIS) (2,743,169) 2,743,109

Change in SAR rate Semmes Bes +[S]---

.. (Increase) / Decrease in loss before tax Wyyysse7 5,453 —a4327)" __ 15.853]

Change In AED rate Se SR pr 141%) nr ——erenmnnn

(increase) | Decrease in loss Defare fax Waist 7s AOS _(55.375)

Change In GBP rate ET is a ene

(inetease) / Decrease Ir loss before tax pe 1-8 2245 t46jS58)7 (7.263)

c) Interest rote risk

Interest rate tisk (s the tisk that the fal value or future cash flows of c financial insturnent will fluctuate because of

chonges in market interest rates. The Company's exposure to the rss of Changes in market Interest rates relates

Primarly to tne following:

oF LYEPARISN

sows ecr 2017 mmm <0!

--- Page 109 ---

Variabile rate instruments at carrying amount:

Financial liabilities

2017 2016

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

Long-term financing 97,016.155

Term finance and sukuk certificates 33,507,209

Liabilities against assets subject to finance lease 10,525,657

Advance from a subsidiary 4,208,390

Short-term borrowings 34,247,947

179,505,358

Financial assets _

Long-term deposits and prepayments 576,62 (1,559,438)

204,822,568 = 177,945,720

Fixed rate instruments at carrying amount:

Financial liabilities E

Long-term financing 8,226,607]

Liabilities against assets Subject to finance lease 2,892,960

Shorter borrowings 103,364

11,222,925

Financial assets

Bank deposits (706,743)

10,514,182

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

2017 2076 2017 216

whereby RCE in (000) = +-----+----- - - - -

seen 0.25% +

Change in interest rate

Increase In loss before tax 4,627,773) (1.384.606). 134,108)) (136,668)

Change in interest rate ee see ee

Decrease in loss before tax Dyie2t5773) 1.334820 sdio8! 154,663_

d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes

are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar

financial instruments traded in the market. The Company is not significantly exposed to equity securities price risk

as Majority of IIS Investments are in subsidiaries and associates companies which are stated of cost,

me PSA (I 0005 520702017 roo

42.2 — Liquidity risk

Liquidity risk is the risk that an 'entity will encounter difficulty in meeting obligations associated with financial liabilities

that are settled by delivering cash or other financial asset, The Company manages its liquidity risk by maintaining

sufficient cash and cash equivalents, financing facilities and through support of GoP either in the form of capital }

loans or in the form of guarantee to obtain financing from lenders [refer note 1.2),

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

Interest payments;

Carrying Contractual Less than 1-Years More than

Amount cash flows \ year 5 years

as of the end of the reporting period => (RUPEES in OOD) -+-----2n rere eee ee ee

2017

Long-term financing

Term financed and sukuk certificates

liabilities against assets subject to finance lease

Advance from a subsidiary

Trade and other payables

Accrued interest/ re-arrange / profit

Short-term borrowings

Carrying Contractual less than 1-Years More than

Amount — cash flows year 5 years

{Restated} ;

aabenennnrenesamenessssseesermnre= (RLD@SS In '060) nnn esas anno ot mereet rt eteetere

2016

Long-term financing 105,242,756 143,580.919 44,404,074 90,999,795 8,177,082

Term finance and sukuk certificates 33,507,209 38,499,370 10,467,342 26,032,036 -

Loans against assets subject to finance lease 13,418,617 14,130.916 8,102,581 4,025.345

Advance from a subsidiary 4,208,390 4,208,390 - 4,208,390

Trade and other payables, 79,421.769 79,421.769 79,427,769 - =

Accrued interest / markup / profit 9.134809 13,320,144 14,320,144 - -

Short-term borrowings 34,351,311 34,351,311 34,351,371 - -

279,284,852 327,512.81 190,067,213 129,268,558 8,177,042

423 Credit risk

=. (Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to

: "discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of

financial assets as at December 31, 2017 represents the maximum credit exposure, which is as follows.

2017 2016

Long-term deposits 6,883,179

Trade receivables 8,781,595

Advances 4,060

Trade deposits 4,253,505

Other receiveoles 3,433,679

Bank bolances 3,436,189

612, 26,062,410

Say 2 <r 27 LL <5!

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 system operated by the

International Air Transport Association ("IATA") which is responsible for checking the creditworthiness 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 guidelines is relatively low,

Ageing of trade debts is disclosed in note 12.16 of these consolidated financial statements,

Other financial assets -

The credit risk on liquid funds (cash and bank balances) is limited because the counterparties 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 receivables are from the

42.4 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The

Company has incurred losses in recent years and the disclosure in respect of the Company's ability to continue as a

going concern is disclosed in note 1.2 to these unconsolidated financial statements,

43 FAIR VALUES

Fair Value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing

parties in an arm's length transaction.

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

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable-

for the asset or liability, either: directly (2, as prices) or indirectly (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 following analyses financial instruments measured at the end of the reporting period by the level in the

value hierarchy into which the fair value measurement is categorised:

2017

Carrying amount Fair value

Available- Loans and = Other Total Level? Level 3 = fatal
televables i

Financial assets measured of fair value
Long-term investments

Financial assets not measured at fair value
Non-current assets
Investments in unaffiliated entities
Long-term deposits

Current assets

Trade debts

Trade payables

Other liabilities
Financial investments
Cost of bank deposits

_ OA 28,639,612 a 28,848,719 i mL

ce S/S 2.207 IS a

--- Page 112 ---

Financial liabilities not measured at fair value

Long-term financing

Term finance and sukuk certificates

Liabilities against assets subject to finance lease

Advances from subsidiary

Trade and other receivables

Accrued interest

Short-term borrowings

Financial assets measured at fair value

Long-term investments

Financial assets not measured at fair value

Non-current assets

Investment in unquoted securities

Long-term deposits

Current assets

Trade debts

Trade deposits

Other recotvoties

Short-term invesiment

Cash and bank balances

Financial liabilities not measured al fair value

Jong-tem firancing

Term finance and sukuk cerficates

Kabillies against ossets subject to trance lease

Advences from subsidiary

Node and omer payables

Accrued Interest

Shordern borrowings

Fair yalue

Level! Level2 Level3 Total

2016

Carrying amount Fab vale

AYOICDI- Loans one 'Other Total Lavell] Level2 Lavel3 Tato!

forsale feceivables —fincrcial

assets

= ane bet RU ROE AN IDLY tense renee ners pesinicgicnes iio aee

152,768 - : 152.768 152,768 152,758:

- - Re uy > OC - - :

4,863,179 > 6,883,179 - - .

' 8,751,598 - 8,753,598, - .

- 3,553,505 . 3,653,505 . e a =

; 3.434.879 - 3,433,579 . : - -

19,220 - - 79,220 - - .

= 3436189 1924 -3.448,113 - - - =

171,988 — 26.058,380 12,293 26,242,531 152,768 - ~ 82,765

2016

Camying amour Fairvaiue

Avaliable Loans ond 'other Total level tevel2 leveled Iota)

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: > 33,607,207 35,607,209 = :

- 13.438,417 13,478,417 - -

= . 4.208.590 4,208,390 ' : :

- - 79421769 99,421,769 - .

. 2 7154600 9.134,500 - * '

° . 34,351,311 34,351,511 - - ba

279,284,852 279,284,852 ; 4 7

evn ccror 2017 | <2 ES

TRANSACTIONS WITH RELATED PARTIES

= 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 to concessional

travel for employees and directors according to the terms of employment / regulations and those not mentioned!

elsewhere In these unconsolidated financial statements are as follows:

2017 2016

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

Skyrooms (Private) Limited — Subsidiary : Rs

Payments made against In-transit passengers "275,062" 184,712

Advances extended WW 1.833

Services hired 337,583 3

PIA Investments Limited - Subsidiary

Management fee expense. 66,955

Finance cost.on advance 96,000

Minhal France S.A. - Sub-subsidiary

Management fee income 79

Sabre Travel Network Systems (Private) Limited Pakistan - Subsidiary

Chatges in fespect of Courer services 123

Retirement funds

Contttribution to. provident fund and others 3476668

Interest on overdue balance of provident fund 655,790

Profit oriented state-controlled entities - common ownership

Purchase of fuel 10,807,888

Lote Payment Interest 1,363,416

Alport retated charges 10,952,243

insurance premium 983,139

Finarice costs 4530/8533

GoP - Major shareholder wet

Finance costs 800,000 802,192

Haj revenue __ 3,517,599 2,443,746

44.1 Transactions with the directors, chief executive and key management personnel have been disclosed in note 41 to

these unconsolidated financial statements.

44.2 Details of balances held with the aforementioned related parties excluding profit-related state-controlled entities:

have been disclosed in respective notes.

44.3. The Company's sales of transportation services to subsidiaries, associates, directors and key Management personnel

are not determinable:

ce SS NN 2 017 EES am

As. 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-SQEs) 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 (G cost) payment to employees on retirement or termination based on the price of shares of the

Company. Under the scheme, Pakistan Employees Empowerment Trust (PEET) was formed and 12% of the shares held

by the Ministry of Defence were transferred to the Trust. The eligible employees have opted 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 the GoP

BESOS also provides that 50% of dividend related to shares transferred to PEET would be distributed amongst the unit-

holding employees. The balance 50% dividend would be transferred by PEET to the Central Revolving Fund managed

by the Privatization Commission of Pakistan for payment to employees against surrendered units. The effect, if any, to

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 SOs

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 SESOS, the Secures and

Exchange Commission of Pakistan on receiving representations from some of the entities covered under BESOS and after

having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the

application of IFRS 2 in respect of BESOS vide SRO 587 (I) 2011 dated June 07, 2011

Had the exemption not been granted, the accumulated losses as at December 31, 2017 would have been higher

by Rs. 725,707 million (2014: Rs. 725,707 million), staff costs and loss after taxation of the Company for the year ended

would have been higher by Rs. 46,654 million (2016: Rs. 66,654 million) while earnings per share would have been accordingly

lower by Rs. 0.078 and Rs. 0.009 per share (2016: Rs. 0.012 and Rs. 0.004 per share) for class A and 'B' shareholders."

respectively,

a6. GENERAL

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

in the report,

47. AUTHORISATION OF FINANCIAL STATEMENTS

These unconsolidated financial statements were authorised for issue by the Board of Directors in their meeting held

on July 18, 2019.

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Alr Marsh) shad Malik Afif Aslam Bajwa

Chief Executive Officer Director

SSA cL <>!!!

--- Page 115 ---

SOK NO)E DANI SD)

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STATEMENT

--- Page 116 ---

EY Ford Rhodes KPMG Taseer Hori & Co,

Chartered Accountants Chartered Accountants

Progressive Plaza Sheikh Sullan Trust, Building.No, 2

Beaumont! Rood Beaumont Road

Korachi~ 75530 Karachi - 75530

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Paktan International

Airlines Corporation Limited (the holding Company) and its subsidiary companies till 31st December 2017 and

the related consolidated profit and loss account consolidated Statement of Comprehensive Income consolidated cash flow

Statement and consolidated statement of changes in equity together with the notes thereto (forming part of the financial statements) for the year ended

31st December 2017. We have also audited the separate financial statements of the holding Company and its subsidiary companies for the year ended

31st December 2017. The consolidated financial statements of PIA Limited (PIAL - a subsidiary company) was audited by one of the other auditors, whose

report has been furnished to us and our opinion, in so far as it relates to the consolidated financial statements for the year ended 31st December 2017, is based on the work of the other auditors.

In our opinion, the consolidated financial statements of PIA Limited for the year ended 31st December 2017, are in accordance with the accounting policies adopted by the holding Company and its subsidiary companies.

Our opinion is based on the work of the other auditors and is not a separate opinion on the consolidated financial statements of PIA Limited.

Our opinion is not a

2. After this is studied in paragraph 3 and 2 below, Our Outer War Commission is advised that the
Guerrilla is serious

Senior Lt. Pakisiah Gnd accordingly included such Tests of Boobytraps and such other
Guerrilla operations

et we Considered necessary in the circumstances

3. We have qualified our opinion of the financial statements of 2 Holding Companies as follows:

It is disclosed in note (22) that the Consolidated financial statements, due to the uncertainty of the
resources and other operational problems, the exercise of physical verification could be complicated by
management

to a reasonable extent by year end and subsequent). Consequently, We were unable to ascertain the
balance

Of Gupta) shares of NS 3.546 Pullen and the states of R-S.095 in the month of December 2017
of certainty

Our view is that the alternative means, further investigation of the closing inventories: for part of the
inventory

in the statement of the company, We were unable to determine whether the amounts might have been
permissible

In the statement of the consolidated balances sheet as at 31 December 2017, the year ended in the
consolidated

profit and loss account and Consolidated statement of Comprehensive Income did the net cost of
operation

detected in the consolidated cash flow statement

&) undivided share of the company was estimated. by the holding company using the
method

for year 2014/15 the company reported that the year ended 31 December 2014, the
management

all sales and like utilization of the company: year to date the unearned revenue for the year However,
if the

absence of REVENUE Account Statement (RAPID) 1c has been earned (revenue on a tick-by-tick basis, |
Was the management

for (he Holding Gompony te cetermine unitcined mvenWe olner (iran using the methodcloay os
cescybed above

Upon inyplenentation of RAPID in: yeor 2017, AeHolding Garnpany had been able to deternine unedited
evenle

On licket wiit Gosh aria alsa Ads been oct to tack he Lilizcoson of fokets Up ta Danernbes IO) Mee restill
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Further, the mancgemun! hus also Guided cail Ghexeicise QUOSeqUeAMG yes Staind 21 Deserntie 2C}}
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determines on unitentified nalance relating to revere (elated foxes crreunting ta Rs 4,700 roillion op
metered Ir

note 5,! tothe consolidated tinancial statyrmerits,

While thees exercises nave reasonainy estebkhed the eared revenue ond evenve relorsd taves as of 3)
Decanter

2012, WH oGuid not be Geseimiqed in or opproprote manner whether suifice| old vellaole infoimoycn /
cota wee

Available based on lhe eecounthe dnd eparing.-systery af The Holding Qormpcmny eye leripltiantteet
wry 2274 opt

Soll year, Accordingly we were riot able le salisfy qutselves whether iese acer rian ys ahitid "caves Deter
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5 81) Bro ar estimale In terms of 12 require hen! Of ifematviandl Acecunting Sancziata (JAS a) Acealining
relics

Chonges in Aoécating Estimates cnet Errors

Finns adiyaimients hoa beer recested as-g9 sstimate: lhe lnes "or year would nave been lower by
Rs.6.68erullicny

and the opening retained earnings as of 7 January 2017 would "ave Seen Hane by Cotfespacing etlact

SSA 2. <-c 217 (A <7

4, The auditors of PAIL have qualified their opinion as follows:

Q) as more (Ulivenplaines Innote 4,43 of the consolidated financial statements) we were unable to obtain sufficient

Onprostate Sud evidence about the carrying value of eOperly, tent Gud equinrrant Gt tecsqueilt Hote] Corpcranon

NY, reported at Rs. 70,094 million (\$644 million) as of 31 December 2017, because the Groups rearrangement

TOF Take Into consideration any costs associated with closing down the operations of the Fetal oropeny

salvage value of the contents of the hulking. Consequently, We Were unable to determine whether any adjustments

To These items are Worn Necessaries i

b) as more fully explained in note 9,1 of the consolidated financial statements. received from Cenke Hotel

of the state of joint Venture's net current assets amounting to Rs, 835 million (US\$ 7464 million) as at 21 April 2017,

the date when joint venture: period expired, The share. has been incorporated based. on joint venture's management

accounts as at 27 April 1997. The arbitration proceedings concluded during the year 2012, and the Arbitrator ordered

Shelth Khaiife to pay PAIL a sum of Rs, 702 million (US\$ 6.355 million) along with interest at the rate of 4% from the

date of the Judgment or judgment The said order was satisfied by Abu Dhol commercial court during the year 2014),

However, because the eventual outcome / resolution of certain matters as stated in said note are pending

date, It is not possible to determine with reasonable certainty the amount which would be recoverable

@) as More fully explained in note 11,3,) of the consolidated financial statements, during the year ended 31 December

2016. the Group had recognised long term prepayment in respect of a tax amounting to, 67 million (US\$ 743.260),

representing consideration paid to Pakistan Cricket Board (PCB), by way of settlement of amounts due for POR for

depleting the right to use a parcel of land for 64 years, which right is vested in KONGHE BANGKOK OF sub: leases Section 19

journal of Avant Hotels (Private) Limited The Group and POR aged to settle the outstanding

amounts against sub-lease of the aforementioned parcel of land, The process of carrying out an independent exercise

to ascertain the fair value of the subject rights to use the land being to be completed, Based on the fair value 4.

be determined, Avant will evaluate the fair value of the shares in accordance with the accounting framework

because of pending results of these tax exercises. we were unable to determine. with reasonable certainty, the

fair value that should have been recognised in respect of the asset and its corresponding effect on equity of

Group,

5, In our opinion, except for the possible effect of the matter stated in paragraphed above: the consolidated financial statements

holders present fairly the financial position of the Group as at 31 December 2017 and the results of their operations

for the year then ended,

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

) adle 1.2 loMe corsoledtes Ararcial slaiements, As mare tilly 2zplaides in Tha said Neate frat in vieW of tre tinaricia

postio of the Holding Company. the. Government of Pakiston has conlirmed lo extend necessary Ilnencicl supper

foe Horning Camporiy te raintain tt going concer statis, Henge, lthe Sustainability Of lne fuTULe_epetanans.of ne

Holling Company Taleally depenserit on the sald support;

sole 27,5 to the consolidated finsacalsicternents which dates that the Pakistan IMematicicncal Ailines Carmcratica:

Provident Funds contoution. at %. 10.478 million aluna wiring rrark-up thereon of Rs:.4.\$55 million weie ro} desositen

by he Holling Company within slipulaied tite as equiled by Section 227 ct the (epeaiag Companies Ordinancr2,

1¥84 ond section 218 of the Companies Act, 2017; ane

{ll} Motes 30,1 end 38,9 tathe consolidated linonecial statarnents whieh y ielales to leas gnc oiner coriingercles cries

Slates that the afimote oUtromerof the matters refered lnsréi connel preseritly be deierpined and, occerdinaly,

no provision Fas heen made ln respect at these matters in fhe consqlicatecd: linancial statements

Gur coinice) ls nol qualified in respect of atiowe matiers.

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ngagement Partner agemen j

Shaner Zaid Arn arn Abhgsl

Plage: Karcicn)

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--- Page 118 ---

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

December 31, December 31, January 01, December 31, December 31, January 01.

2017 2016 2017 2016 2016 2016

Assets (Restated) -----+ > (Restated) -----

Note ----- »-> (Rupees in 000) -----~ socet neterceenecese= (US\$ in 000) -----2---22-reeee

ASSETS

NON - CURRENT ASSETS

Fixed assets

- Property, plant and equipment 6 160,597,360 138,098,487 1,537,615 1,316,835

- intangibles 7 3,444,521 3,490,204 32,850 33,281

164,04},881 141,588,497 1,564,465 1.360,116

Long-term Investments 8 221,960 144,897 ZIV |,572

Receivable in respect of Centre Hotel = 9 792,096 792.329 T7554 7.855

Long-term loans and advances 10 520 - 5

Long-term deposits and prepayments 11 9,318,291 10,723,347 2 88,863 102,252

Total non-current assets 174,374,748 — 183,269,264 |.663,009 1,461,495

CURRENT ASSETS .

Stores and spares 2,596,696 24,765 29,485

Trade debts 9,403,911, | 9,870,517 89,685 94,120

Short-term loans and advances 14 | 2,186,722 1,580,917 20,569 15,078

Trade deposits and short-term prepayments 15 4,516,584 | 3,130,515 43,078 29,851

Other receivables 16 8,882,877 84,716 61,468

Short-term investment 7 24,98) 239 1,985

Cash and bank balances 18 8,175,442 77.989 72,710

Total current assets S4T/018 304,694

TOTAL ASSETS 6 270,131.96) “185, 222,86) 86] 2.004.027 1,765,189

The annexed notes 1 to 48 form an integral part of these Consolidated financial statements,

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Ait Marsh shad Malik Atif Aslam Bajwa

Chief Executive Officer Director

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CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

December 31, Cole at, daca ot. Retesipentit prteieet su ser

2017

anes (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 52,345,110 299,215 499,134

Reserves 20 6 4,325,092 4,395,485. a134a 41.915

Accumulated losses (296,299.590) (260.315.6758) (2825.905) [2.482215]

Attributable to the Holding Company's shareholders:

Non-controlling Interest

(29,629,388) SDR : (2,285,342) (1,941,166

1774,904 1,457,742 aries 1,927 15,807

Total equity (237,954,484) (201,975,278) (2,589,580), 80}, (2,268,415) (1,725,359)

Surplus on revaluation of property, 21 48,200,578 30,949,447 460,259 295,118

plant and equipment - net

NON-CURRENT LIABILITIES

Long-term financing 22 69,339,698 | 44.362,644

From finance and sukuk certificates 23 26,289,606 | 26,707,209 234,656

Wollites agarisrassets subject to finance lease 24 5,811/849. | 13,218,479 126,045

Long-term advances and deposits 34,837 99,611 950

Deferred taxation 25 33,512,827 | 20,450,267 195,003

Deferred liabilities 26 0 930.124.7248, | 24,862,040,

Total non-current liabilities 164,163,241 149,699,465 91,662,567 1,758,953 1,427,498

CURRENT LIABILITIES —

Trade and other payables 7,721,450,924 109,315,077 2,872

Accrued interest 23,13,082,047 11,790,241 2,242,288

Provision for doubtful debts - net 321,587 79,177 755

Short-term borrowings 29,345,513,111 34,940,297 382,243

Current maturities of -

- long-term financing 22,30,562,588 -27,964,997 1,091,071 244,650

- Islamic finance and sukuk certificates 23,4,27,603 13,196,479 783,711 125,834

~ Liabilities against assets subject to mortgage 24,7,806,788 7,204,008 3,72,506 1,000,000

Total current liabilities 215,862,822 206,489,027 2,055,820 1,968,977

TOTAL LIABILITIES 399,726,067 456, 148.672 4027385 3.812189 3.594430

TOTAL EQUITY AND LIABILITIES 210,131,796) 785,222.64) 2,004,027 1,75 1a?

Conlingencles and commitments 30

The annexed notes } 14 44 fomn an integral oan of these consaiidates financial salements.

Alr Marshol\Arshad Malik Atif Astam Bajwa

Chief tive Officer Director

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

2017 2016 2017 2016

(Restated) (Restated)

Note +---+ (Rupees in '000) ----- senenese= (US\$ In 000) -----

Revenue - net a 102,426,562 976,841

Cost of services

Airccatt fuel | | (27,152,874) 6) | | (288,954)

Others 32 (85,378,710)) | (814,256)

(172,537,524) _ (ho7a272)

Gross loss (10,704.972) {96.371]

Distilbution costs 33 (5.599.528) |

Administrative expenses 34 (9,198,376)

Offer previsions and adjustments 35 (6,748,317);

Exchange loss + net (298,940) |

Cther inceme 36 658,786 is

: (21,186,379) (202.055)

Loss from operations {31,291,351} (298,426]

Finance costs 37 (13:585,691) (129,867)

Share of loss in an associate 8.1 (338 {3}

Loss before taxation (44,877,380) (427.996)

Taxation 38 DAVIE 1125

Loss for the year 72} (d,759,464) (426,871)

Attributable to:

Equity holders of the Holding Company (44,767,438) (426,948)

Non-controlling Interest A174 74g

(44,759,464) (426,871)

Loss per share - basic and diluted

per share (Rupees) ----- a

Loss attributable to:

'A' class Ordinary shares of Rs 10 each 39 (8.55)

'B' class Ordinary shares of Rs 5 each 39 (4.28)

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

Chief Executive Officer

SSE oo. <r 017 LL <3

L—

Air Marshal Shad Malik Alif Aslam Bajwa

Director

» PAKISTAN

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

2017 2018 2017 2016

(Restated) (Restated)

+--+ (Rupees in '000) ----- sresteeeee (US\$ in '000) ----- “-

Loss for the year (44,759,464) (426,871}

Other comprehensive income

items that will be rectassified subsequently to

consolidated profit and loss account

Untealised gain en remeasurement

of avallatie for sale Invesiment 57,666 550

Exchange differences on translation of a

foreign operations (142,761) __35;2 (1,362),

(85,095) {812}

tems that will not be reclassified

subsequently fo consolidated profit

and loss aecount

Remeasurement of post retlement defined : —

benefits obligatian (2,505,797) (23,898)

Efiect of deterred tax | 46,172 445

(2,459,626) (23,458)

Total comprehensive income - loss (47,304,184) (457.141)

Attibutable-to:

Equity holders of the Holding Company (47,297,456) (451,079)

Non-controlling Interest (6,528) 5 (62)

(47,304,184) (451,147)

Surplus / [deficit] arising on revaluation of property, plant and equipment has been reported in accordance with the requirements

of the repealed Companies Ordinance, 1984, in a separate account below equity and accordingly changes therein are

reported directly into equity,

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

Air Marshal Iad Malik Atif Aslam Bajwa

Chief Executive Officer Director

as at 30.06.2017

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash (used in)/ generated from operations

Profit on bank deposits received

Finance costs paid

Taxes paid

Employee benefits paid

Proceeds from longer loans and advances

Long-term deposits and prepayments « net

Net cash used in operating activities.

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment

Purchase of Intangibles

Proceeds from sale of property, plant and equipment

Proceeds from short-term investments

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of long-term borrowings

Proceeds from long-term financing

Repayment of trade payables

Proceeds from (repayment of) long-term deposits

Payment of dividend to non-controlling interest

Repayments of obligations under finance lease - net

Net cash from financing activities

Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Effects of exchange rate changes on cash and cash equivalents

Reconciliation in cash and cash equivalents see notes 5.2 & 5.3(a)]

Cash and cash equivalents at end of the year

Cash and cash equivalents

Cash and bank balances

Running balance under: major-up arrangements

Note ----- (Rupees in 000) -----

75,024

(12,173,178)

(536,955)

(858.908)

2,260

(671, 457}

(8.997, 184}

| 01,923,253)

(4,728)

2,156

163,085

(737,797)

y) | (51,473,955) |

57,554,134

(6)394,419}

(14.965)

(34.942)

(7.216.999)

__12)422.886

1 687,935

2,968,885.

(614)

(48,379)

A627 625

8,179,242

___19.547,87)

? 4,627,625

The annexed notes 1 0 48 form an integral part of these consolidated financial statements,

Air Marshal Malik

Chief Executive Officer

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5,165,130"

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AD BAG:

71

(114.0953

{5.121}

(8,183)

22

16404

(85,605) ~

(78,342) |

(45)

68 |

1,748

116:574)

(208,147)

548,893.

(41,003) |

(143)

(333) |

382); 166,772) _

77,989

183,834)

rer

—

Afif Aslam Bajwa

Director

--- Page 123 ---

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

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Total comorehsnsive income for the year

ended December 31, 2016:

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(Ciher comonermindive Incars i | }

| Carency hrorduction dileepces Hem 895) Liay| (iaiaae) (hanes | (aided

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ieorce cs otDecerrbard! Wltassicted | note 5) \$2.045,110 = 2,501,038 1779674 151,875 Haas ___ asa ec
(205,801,389))7t4 908 (267434253

Scarce at Decenbar 3120's wo peowsy Epo SSO 250).088 1.979.874 181.575 (142.0481 "35.723.
4325.002 (307 S80.5891 VA72.904 (249_135.463)

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35225 -4,525,072 (296,299,590) 774.904. (257,854.484)

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Balance as a Decamber 31, 2017

lhe annexed notes] to 48 form an integral port cf these consolidated financial siaterments.

AirM Malik Atif Aslam Bajwa

Chiet Ex. ae Officer Director

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NOTES TO AND FORMING PART OF THE CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1 THE GROUP AND ITS OPERATIONS

The Group consists of Pakistan International Airlines Corporation Limited, & 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, 1985, which was subsequently repealed and replaced

by the Pakistan International Airlines Company Act, 1964 (the Act), which effect from August 19, 2016, the Company has

been converted from a statutory company into a public limited company by Shales, Pakistan International Airlines

Company Limited ('the Company'), through Act No. XV of 2016 The Pakistan International Airlines Company (Conversion)

Act, 2016 (the Conversion Act) approved by the Parliament of Pakistan, The Conversion Act has repealed the Pakistan

International Airlines Corporation 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, liabilities, 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 if substance there is no change

except for the legal status and application of provisions of the Companies Act, 2017 (previously numbered Company

Ordinance, 1924),

The principal activity of the Holding Company is to provide commercial air transportation, which includes passenger

freight and postal carriage services. Other activities of the Holding Company include provision of engineering and

related services: The head office of the Holding Company is situated at PIA Building, Jinnah International Airport, Karachi

Subsidiaries

PAIAL Limited (PAIAL) was incorporated on September 10, 1977 in Sharjah, United Arab Emirates as a limited

liability company under the laws issued by H. H., The Ruler of Sharjah. During 1986, PAIAL was registered in British Virgin

Islands under the Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act

2012) as a company limited by shares. The principal activity of PAIAL is to carry on business as promoters of and investors

in projects related to construction, development and operation of hotels, motels and resorts in the world,

the Holding Company's controlling interest in PAIAL is 100% (2016: 100%). The registered office of PAIAL is situated at

Citico Building, Wickham Cay, Road Town, Tortola, British Virgin Islands.

Following are the details of PAIAL's subsidiaries:

Place of Nature of Effective ownership Effective ownership and

Incorporation business and voting power voting power of the

of PIAL Gi) Holding Company (%)

~ Roosevelt Hotel Methenoncds - See note (A) 100 1

Gomory, NV RHC) Antilles

~ RHO Operating |uc Slate of wher of (00 la

Delaware, Roosevelt Hote,

USA New York

Minhal France \$ at! (uxermbaurg See note (B) 10) 102

Minhal France BY, Netherlands See note (B} ion io

~ PIA Rotes Limited British vigin islands See now (6) \pG \@3

~ PIA Aviotion limited (PAL) —AlifishA Vii lands See note (8) }o0 (oD

Avant Motels (Mivetel Lnnited Pakistan See nete (C) An% a2

- Minhal France \$4 (MPSA) Pronce \$e6 “ate (DY 90 oy

ESSAY 2 cr 217 (mm <2

--- Page 125 ---

Note (A): Roosevelt Hotel Company N.V. (RHC) is the intermediate Holding Company and a sole member of RHE

Operating LLS, a company which owns the Roosevelt Hotel, New York Guiting the year 2012, for compliance with the

requirement of the outstanding loans, PHO transferred the net operating assets of the Roosevelt Hotel to RHIT

Opening LL.

Note (8); These companies are interrelated Holding companies of PIA Hotels United and ZM. with the same amount

Companies

Note (C); Avant Hotels (Privates Limited (Avant) is a joint venture between PIAL and Sajastan Cricket Board (PO) Sela

subscribers to 62.5% and 37.5% respectively of Avant's shares. However Avant is at this planning stage and has no

significant commercial activities.

Note [Dy Minhal France 3A is a subsidiary of Mintrale Inc AY, whose registered office is in Rotterdam, Netherlands:

MRSA Sotivies are Provincially in the hotel and restaurant sector MPSC old earnings are: Incas tax losses stop

space, The management of the hotel is undertaken by ACCOR with the assistance of PIACL,

PIA has been consolidated in these financial statements (financial statements on the basis of its audited consolidated

(interim statements for the year ended December 8), 7

Skyrooms' (Privette) bimites! (GRU Wasuntionscrtee on May 28 (1975) in Pakistan the private limited company in the

the Companies Act, 1973 (may be repealed Companies Ordinance 1984) sRLaws and manages Aipar Hotel, Karachi

SRI Isa Wholly @wned subsidiary of tie Holding Compngny: Sil has been. consalidaled cr the bars of ts managerant

occounts for the year ended DecernteY 41, 9017 asthe sare ie not consicised to be rratenal to thease consolicdiatetect

'nancial otalerrents.

Sabre Wave! Network Pakistan (Private) Limited (Sciote) was Incerototed tn Pavistar on October 12, 2004 As @ nrivole

Company linrited by shores, Under the repeued Companies Oiainance, 1784 (now Commanics Act 20) /\ Solin

fmonkets.cnd distiiputes o.computer reservation system to sultsctibers In Paxistan, uncle o sub-distloulion egnesrrent

with Sobre Asia Pocllic (Mte,) Linitea (Sabie TN APAC) {en associated, Company. and voint venti partner, the

mon pores o software poiokage whith performs various functions Including alin oillines wal' Teshdivallonis

schedlues, bookings foro voristy of off, Cor and hotel 4ervioes. aulotratéd ticketing ord tare disolays The Holding

Company's Controlling Interest In Sainre Is 70%, Scobie hos been consolidated Om (he Geis Gt tty Unysunies financial

Slofemanis forthe year anced Dacarmoer 31, 2017 as the sare is not considerad miiericl to thus Gensalksutet,

finonasal stoiemernts.

he ulnar subsicharies of the Kolding Company, PIA Holding (Pévate| Limes, Midway House (Private) Lirrited, PIA shower

Poulity Breeding Farris [Ptivele) Linnlted and PA Hotels Limited, hod applied ulidat lthe 'Easy Ex Scheme - annaunéed

by the Securities. and Exchange Con imesion of Pakistar [the SECP) for Voluntary Winding Ups Assets cared licitilltitis or

these sunsidiaiiies were faken ever By the Holding Conmpany, Gno, aceertigly, Nave fat best Consolidated In hes

sonsdliiated fincniotal staterndints

The Special Purpose Entities (SPE) Joined for cequiting aireratis hayes nol bern eriesalidefied In hese consolidatsd

{inanal siafementsastnesnareholting, controlling Interestand vk anciiewarde of SHE veils Wilh [Me Suelees Hepreseniinyy

foreig7 banks.

Associate

Minh incorporates vilittal), Sratian was Incoiperoted on January |, 1477 in Sieujah, Umied Aro Ersiretasas

limited. ability comoany end le currently walsiered in Bntish Vigin isons. The principal aciiVillas.of MINNal ove ta con

on busines? os paoMmoters cind he managers of prajecisrelaied To. cohstuction, developmant and operation ot hotets,

restaurantsond clubs #FaLighall ne Wwaild. The Holding Gommeaney's interest in Minhtahis 4U%

12 During the cument year the Group incuned.ct net loss at ls, 47,734,072 millean (2012 Rs 14,759 282 rriliovn) repulliscr

ih a@curnularesd losses of Rs, 444,14) 489 million as of December 31, 2007 (2984) Re 294,299 597 million). Furthel,

aro) Regember 31,2017, curect latiltigs of te Gioun exceeceed fs curent amet ay Re 219%! 91 A Tmillcn (201d

Rs 1795805.501 milion),

in view Of hé.sllutliGn deselbed dbovs, themanagem@int Nas made Grassessment of ine luionny Gerripariv's Gtully

fo CONINUe 08 Oo Going COM“elr UNc cassd on the below ratigaling factors, [he management belloves.tinat ne

Matera! wneetainiy Bist and going conven ossumption Is cppropricte AsGondnaly, Iresecorsaliddledl Aransal

stolemantns ore prepiaredt aria going concern basis

ee SY 20% on 217 (RES

--- Page 126 ---

a) Government of Pakistan (Gor), being the sole shareholder of the Holding Company, through its Finance division's

letter dated September (12, 2008) communicates that it would extend full financial support to maintain the Holding

Company's ongoing operations. Accordingly, since then it has been extending support to the Holding Company

through the following measures to ensure that the Holding Company continues to operate in the near future:

1. Financial assistance:

~ 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 of extending repayment period of / short-term finance certificates,

provided funds for acquisition of new body aircraft on ory lease.

Waiver of financial charges on term finance and sukuk certificates

6

In a meeting with the Honorable Prime Minister of Pakistan on December 30, 2017, it was agreed that

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 Government AI, 2014 following conditions--

have been taken by the Government to support the Holding Company:

~ RPP approval for reimbursement of markup for five years: accordingly an amount of Rs. 16,079 million has been

provided by Government during the fiscal year 2018-19) respect of markup support

through order dated February 19, 2018, GeP has determined its maximum sum to end to maintain the Holding Company's going concern,

Go? guarantees initiated an amount of Rs. 176,085 million (December 31, 2017) to Rs. 222,107 million (May 31,

2019) to meet the cash deficit.

t) Further, in a meeting with the Honorable Prime Minister of Pakistan (Riyaz) on August 4, 2019, the Holding Company

presented its strategic business plan (Z) 7-23 which was approved and during the meeting PM assured BoP's view)

SUDDON for the Holding Company in terms of provision of funds/2 quaterly interest (6 months) its PALE in US Dollar

In the Aviation market. Therefore, in Finance Bill 2019, GeP has allocated Rs. 24,500 million in respect of MaseUp

Support 10 New Holding Company,

In view of the above mitigating factors, the management believes that the going concern assumption & appropriate

and accordingly, has prepared these consolidated financial statements on a going concern basis

7. BASIS OF PREPARATION

21 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated. However, Securities and Exchange

Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 communicated its decision

that the companies whose financial year closed on or before December 31, 2017 shall prepare financial statements

in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance) Accordingly, these

consolidated financial statements for the year ended December 31, 2017 have been prepared in accordance with

approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of

International Financial Reporting Standards (IFRSs) Issued by the International Accounting Standards Board (IASB)

repealed Under the provisions of any directives issued under the repealed

Companies Ordinance, 1984, in the case where requirements of the provisions of or directives issued under the repealed

Companies Ordinance, 1984 shall prevail (refer note 2.6.13)

2.2 Basis of measurement

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

in the items of property, plant and equipment, are stated at revalued amount;

- Financial assets are carried at fair value:

liability or account of frequent flyer programme is recognised at fair value and

- defined benefit obligations are stated at present value

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--- Page 127 ---

23 Functional and presentation currency

figures included in the consolidated financial statements are measured using the currency of the functional entity

environment in which the Holding Company operates, the consolidated financial statements are presented in Pakistan

Rupiah, which is the functional and presentation currency,

The US Dollar amounts are shown in the consolidated balance sheet and consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of equity and reserves.

Statement of comprehensive income and consolidated cash flow statement are stated in US Dollars or additional information

solely for the convenience of the users of these consolidated financial statements. The US Dollar amounts in the

consolidated balance sheet and consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of equity and reserves

are set out in the consolidated statement of cash flows and consolidated statement of equity and reserves. The US Dollar amounts in the consolidated statement of cash flows and consolidated statement of equity and reserves

(04,8509 = WSS |)

24 Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries:

and the associates of the Group as at the end of the year ended December 31, 2017

24.) Subsidiaries

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies

generally accompany a share trading of more than one half of the voting rights. The existence and effect or

Potential voting rights that are currently exercisable of Convertible are considered when assessing whether the Group

control an entity, Subsidiaries are consolidated from the date on which the control is established until the date

They are recognised from the date control ceases:

We purchase the cost of acquisition is used to account for the acquisition of subsidiaries. The consideration transferred

for the acquisition is the fair value of the assets transferred, net of any liabilities assumed. The fair value of the

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 intangible assets and liabilities and contingent liabilities are recognised in the business combination are

initially at the fair value of the acquisition date. The group recognises only non-controlling interest in the acquiree

on an acquisition-by-acquisition basis, either of fair value or at the noncontrolling interest's proportionate

Recognised amounts of acquiree's identifiable net assets

The excess of the consideration transferred over the fair value of the identifiable intangible assets acquired

at the acquisition date is the fair value of the Group's share of the identifiable intangible assets acquired

is less than the fair value of the net assets of the subsidiary acquired in Case 01. In such cases, the difference is

recognised in consolidated 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 subsidiary share capital equity 1 (the

consolidated financial statements, All material intra-group transactions and balances of subsidiaries in, The

The financial statements of the subsidiaries are prepared at the same reporting periods as the Holding Company, The

ACCOUNTING Policies for subsidiary companies have been changed where necessary (the policies adopted

by the Holding Company, where necessary.

Net - Controlling interests represent the portion of profit or loss and net assets that is attributable to the

presented separately in the consolidated profit and loss account and within equity in the consolidated financial statements,

separately from Holding Company shareholders' equity, transactions will not be moving interests that are not in

In the case of CONT are accounted for as equity transactions «that is, as [transactions with] the owners in the company

the owner The difference between the value of any consideration paid and the relevant share capital of the Company

value of net assets of the subsidiary is recorded in equity,

24.2 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 20% and 0% of

the voting rights of another entity,

--- Page 128 ---

The ascertainment of the Group's is conducted by using the equity Method (early accounted Investments) and (recognized

initially, the Group's Investment includes goodwill identified on Acquisition, Net of any Goodwill

loss. The Consolidated financial statements include the Group's share of (the Income tax Expenses ON

Movements of equity accounted Investments after adjustments to align with the accounting policies will

Group, from the date that significant influence commences until the date that significant influence ceases

the Group's Share. of the ex-CFOs' interests in the equity accounted investments. the carrying amount at

Recognizing carry over investments to the purchase (the full fair value of the Group's Share (the less the

the extent (the Group's Share or obligation to the payments or benefit of the investee.

the Carrying amount of Investment in associate is the fair value/BO of BOC's market value at the date of

indication of impairment If any such indicator exists, the recoverable amount of the investments

the higher of its value in use or its fair value less costs to sell (AN) Payable AS (recognized FM carrying amount

BOBS of the [EQUITY AMOUNT] AS is Merged 1.0 Consolidated financial statements, A further increase

reversed for the net share charge on entities used to determine the recoverable amount of the investments (the earn

of carrying amount that would have been determined if no impairment loss had been recognized 4

Impairment loss is recognized in the consolidated profit and loss account

25 New standards, amendments to approved accounting standards and new Interpretation of existing

that are effective for the year ended December 31, 2017

There are new Ontario standards issued in November 2011 that are more prescriptive regarding

So under 01. 280 7 DO) or Consistent NoI (6 be Relevant of IO nel have any Significantier Haric Group
we will discuss

JIABAO) statements are more relevant in less consolidated financial statements

26 New standards, amendments to approved accounting standards and new Interpretations of existing
standards

that are not yet effective and have not been early adopted by the Group

The following standards, amendments and Interpretations of approved International Financial Reporting Standards will be
effective

Securing periods beginning after January 1, 2016,

24.1 - Amendments to IAS 2 based on the requirements for certain types of arrangements
related to

On the other hand, periods beginning on or after January 1, 2018 the amendments cover the accounting
related to

to the measurement of cash-settled share-based payment transactions: (p) Classification of share-based payments related
to the

tax withholdings; the (c) accounting for the recognition of the share-based payment (to the shareholders
to the related

The new Requirements for the classification of the share-based payment for the shareholders and
potentially new

AICO Orta it Gt Separke engaged (of Tax and accounting awards The amendments are not likely 19
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with respect to the Group's consolidated financial statements,

2462 (FRE 4 insurance Contracts: 4th IFRS © Arendal insurance with FPS 4 insurance Coniac
(Amendment)

the amendment to the IFRS 4 insurance Contracts: 4th IFRS © Arendal insurance with FPS 4 insurance Coniac
Insurance

contacts (including revenue contracts) financial issues and to standards that do not will

be (placed by (FMS 17 as of January 2021) and will maintain a minimal rate of the Sanus Perhalictetd in the

sidemerts.

26.3 (FMS 9 Financial instruments | effective to annual periods beginning on or after January 1 2012) INAS ©
eetimses the

classification, Measurement and recognition of financial assets and liabilities are replaced by the
guidance

(AS.29 not related to the classification and measurement of financial instruments. (A25 FPL to the Sur
similarity the

Measurement of the fair value of financial assets and liabilities for financial reporting:
Measurement of the fair value

Value (through OP AND the fair value of the P&L The basis of classification is the fair value (ie the 6 business
model)

The contractual cash flows of the financial assets and liabilities are: Investments in equity instruments are
=Sulred. to be

measured at fair value through profit or loss with the exception of changes in
fair value

(NOC) and not recycling. That is OW NAW exposed to the risk of loss (the incurred loss
impairment)

model Usid In (43 4%, For financial instruments there are no changes to classification for the
exemption for

Tyco Group of changes OWN credit risk after comprehensive Maartig, 1a" the Gosigriatoel el! fal
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How does The Group intend to evaluate its Impact on the Consolidated (financial statements,

264 FRE EO in the IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint
Venture Investments

for M28 TO and AS 28.. "the amendment addresses the conflict between IFRS 10 Consolidated Financial
Statement and

IAS 28 Investment in Associate and Joint Ventures the dealing with the loss of Control of the subsidiary
then into

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Statements abeus he maturs. amount, lining and unceranty of revenue and cesh hows onsing fam an eyityt

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conanidaten financial sateriants.

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assets 'and llabilites o7 cdeytlorr et ther stander

267) Transfers of investnent Proseny (Amendments ta 1AS 4G 'investment Fropery~ eitsotive tor annual getions beginning

on.erofte: January 2), 2078) clarfes thaton entity shell tanister 7 property: te, Gr herm investment mopar, were,

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28 | Further the following nawstandarck: rave bean keuerd hylASE which ore yet fo a= nolilled by lthe SECT fer [Me purpose

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(ASB Elective date (annual perinds

beginning standards on or etter)

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IFRS | 7 —Insurence Gorttiact O) danuaw aoe"

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alte ment in ine panodio; ieal anpiiccithan.

26% Annual Improvements 2014-2016 cycles (amenaments are effective for annual periods beginning on or atter

January 2016), The new cycle of improvements contain amendments to the following standards,

2.46.10 Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2016)

After January 1, 2016, the following standards may be applied to similar situations in practice.

Investments in associates and joint ventures or their value. However, for the measurement of joint ventures

separately at the time of recognition of investment. However, the 72 non-investing

-any that are in (the in an agreement of a joint venture that is a minimum investment; the equity memo

of the value of the investment is determined by the Investment. However, the 72 non-investing

of the value of the investment is determined by the Investment. However, the 72 non-investing

of the value of the investment is determined by the Investment. However, the 72 non-investing

of the value of the investment is determined by the Investment. However, the 72 non-investing

26.1) FRIC 22 'Foreign Currency Transactions and Advance Consideration' is effective for annual periods beginning on or after 1 January 2016

other January 1, 2016) which should be used. It is required when the foreign currency transaction is in the scope of the

RAY. The amount of the advance is the amount of the advance. However, the 72 non-investing

So the value of the currency received is the value of the currency received. However, the 72 non-investing

of the value of the investment is determined by the Investment. However, the 72 non-investing

of the value of the investment is determined by the Investment. However, the 72 non-investing

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pecrisons of Companies Act, 2017 wil) be cppoicablete: the oreparchan of fimcancal siorenens forte year coded

on December 3! 2017, The Act requires cesaln oddripnial disclosures ane) Section 235 of the repealed Conmpariap

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the Act The application of the Act would have significant Mmpaceonthe Grt.c's cepemicdianed freq waci deotarraile

tor ihe year ended Gecember 31, 2018, The Group would be equired 70 qe extended disclosures ond shames ls

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requierments of AS 18» "Plopety plant and eqjulement',

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ono any Increase In caving value of dr (rer ct tked asses ls tecaghised Ineatlien cornmencrsive leary GH

accumulated in equity under the heading of surplus reserve

Based on preliminary assessment of changes in the Act) recorded at December 31) 2017, would have been as follows:

In) part On 5 Goecualing 1) surmounting det) on evaluation of fixed asset Loss and other comprehensive income

net tax for the year ended December 31, 2017 would have been higher by Rs. 3,701,600 million. We have

millat, respectively, accumulated losses and surplus reserve in equity would have been higher by its. 17, 102,441}

(HINDIA) of RS 22,746.409 million respectively and surmounting Net equity as of December 31, 2017 would have been higher by Rs. 59,494.897 million,

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements in conformity with approved accounting standards,

management in India, requires management to make estimates and assumptions and use judgments that affect the

OPINION of the auditor and the reported OATGUNIA of the assets, liabilities, income and expenses. [The Sustainability of the business]

assumptions are based on historical experience and various other factors that are believed to be reasonable under the

the circumstances. The results of the audit of the financial statements of the company are as follows:

and the results of the audit are as follows: (om) the results of the audit are as follows: the results of the audit are as follows:

The results of the audit are as follows: the results of the audit are as follows: the results of the audit are as follows:

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SI Property, plant and equipment

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tem of property, plant and equipmernr wih o corfespanding eifearur ine depreeluhort tyigraie Gre lepealeyenat il)

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Change in accounting estimates

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ond related capstal spares, These changes ly accounting astimerss have Of Pach on RepIScatien expense fol

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x2 Stores and spores

The Group at each reporting date reviews the net realisable values of stores and estimates any impairment in

their respective carrying values. Due to the complex nature and the significant volume of items of stores and spares, the net realisable value is determined by estimating the provision against slow moving, obsolete stores, which is made

in accordance with the accounting policy of the relevant category of inventories obtained up to 15 ie reporting: dates

33 Trade debts

The Group (reviews doubtful trade debts) at each reporting date to assess the adequacy of the provision there against

If 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.

and Employee benefits

The liabilities relating to defined benefit plans are determined using actuarial valuation using the Projected Unit

Credit method. The method involves making assumptions about discount rates, future salary increases, mortality rates,

future medical costs and future pension increases, etc. The long-term nature of these liabilities is such

that the Group uses actuarial valuations to carry out the actuarial valuation of these liabilities. The Group uses actuarial valuations to carry out the actuarial valuation of these liabilities.

been disclosed in note 24.16 these Consolidated financial statements,

36 Taxation

In making the estimate for Meome tax Payette 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 such

taxable temporary differences and taxable profits will be available against which such losses can be used)

Unsettled. Significant judgement is exercised to determine the amount of deferred tax asset to be recognised)

34 Liability on account of frequent flyer programme

The Airline Company operates its 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 earned. The consolidation in respect of Initial sale

is allocated to award credits based on their fair value and is accounted for as a liability in the consolidated financial

statements. The fair value of credits awarded is estimated by reference to the value of the services that can be redeemed

award credits may be redeemed. Determination of the fair value of the award credits involves estimates, based

on the average of air fares; the value of each award credit assuming a 100% redemption rate, and estimation of the

expected award credit redemption rate. These estimates are reviewed annually and when a significant change in the

assumptions used is observed and the liability is adjusted annually as appropriate. The provision for the frequent flyer

Programme is determined based on the valuation model used by an independent professional valuer

3.7 Revenue recognition

Revenue from passenger tickets and cargo airway bills is recognised when the transportation services are provided. The

passenger tickets and Cargo Airway Bills are initially recognised as unearned revenue in the Income Statement: Of Sale

value of (those documents:

3.8 Goodwill

Goodwill is reviewed for impairment annually or more frequently events or changes in circumstances indicate the

carrying amount may be impaired. The impairment loss, if any, resulting from such review is charged to The Consolidated

Profit or Loss account,

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

financial statements

as at 31 December 2017

AI

Fixed assets

Property, plant and equipment

Operating fixed assets - owned

Non-current assets classified as 'others in note 4.) are stated at cost whereas buildings classified as 'property, plant and equipment' are stated at cost less accumulated depreciation and accumulated impairment losses. If any.

Leasehold land and buildings (hereafter, 'land and buildings') are initially recognised at cost and are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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, and the cost of dismantling and removal of the asset and the cost of restoring the site on which the asset is located, if any.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets as appropriate only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

When it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably, the cost of the asset is increased by the cost of the replacement part.

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is Capitalised ond the ase} so rapiaced Is descognisen.

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of depieciation at@ disclosed Ir Note 6.1 (6 these consolidated financial siatwrrriens,

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Managemont based on expected usage of asset, expected physical weal did faa) technical and commercial

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Surplus on revaluation of freehold, leasehold and other fixed assets and goodwill is credited to the surplus on

Goodwill is properly, Goodwill and equipment account and is shown in the consolidated Statement of Financial Position below share

capital and reserves, Revaluation is carried out with sufficient regard to the nature of the underlying assets

does not differ materially (at the full value, Cost / evaluated amount at the date of the revaluation is eliminated

against the gross carrying amount of the asset on the net book value to the revalued amount or the lesser)

In the Statement of Financial Position / AUCed capital charged on the evaluated assets, the related surplus on

revaluation of property, plant and equipment (net of depreciation) is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected

expected from its use or disposal, Any gain or loss arising on derecognition of the asset (calculated as the difference

between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Profit and Loss

loss account in the year the asset is derecognised.

Gains or losses on disposal of assets are taken to the consolidated Profit and Loss account when the assets are

disposed of (from operation, the relevant revaluing deficit and surplus is transferred to Consolidated Profit and Loss

account and to retained earnings, respectively

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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 to expense

on a basis similar to that of owned assets,

Operating lease

Payments made under operating leases (net of any incentives received from the lessor) along with related costs are

charged to the consolidated profit and loss account on a straight-line basis over the lease term,

Capital spares

Rotable capital spares are stated at cost and treated as property, plant and equipment and are depreciated

based on the average remaining useful life of the related pool of capital spares which are not useable are treated

as scrap and charged to the consolidated profit and loss account,

Capital work-in-progress

These are stated at cost less impairment, if any, and consist of expenditure incurred and advances made in respect

of assets in the course of their acquisition, construction and installation. The assets are transferred to relevant category

of property, plant and equipment when they are available for intended use,

42 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 there is a carrying value. may be impaired. The impairment loss, if any, resulting from such review is charged

to the consolidated profit and loss account. Impairment losses on goodwill are not reversed. Gains and losses on the

disposal of an entity include the carrying amount of goodwill relating to the entity sold,

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made on the basis of the relative value of the units.

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 the intangibles

software products / licenses controlled by the Group and that have an economic benefit beyond one year

are recognised as Intangible assets. Following initial recognition, Intangible assets are carried at cost less accumulated

amortisation and accumulated impairment losses, if any,

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in

Note 7 to these consolidated financial statements.

Gains or losses arising from derecognition of an Intangible asset are measured as the difference between the net

disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit and loss

account when the asset is derecognised.

as of 31 December 2017

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a3 Invesimenis

At fair value through profit or loss + held for trading

There are securities WHICH are acquired with the intention to trade by taking advantage of short-term market interest

In movements, These are initially recorded at fair value and subsequent changes are recognised in

unrealised profit or loss account, Subsequently, these are carried at market value, with the related surplus | (Profit)

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 an ability to hold them

to 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 the effective interest method. All Investments

categorised under held to maturity are subject to annual review for impairment, Provisions for impairment in value if

any is taken to the consolidated profit and loss account,

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted

in an active market, They are included in current assets, except for maturities greater than 12 months after the

balance sheet date, which are classified as non-current assets, Loans and receivables comprise cash, bank balances, and

advances, deposits, interest accrued, other receivables and cash and bank balances as of 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 measured at fair value using year-end bid prices from stock exchange quotations and

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

value adjustments recognised in other comprehensive income are recognised in the consolidated profit or loss

account. Impairment losses recognised in equity are reversed in the consolidated profit or loss when the

subsequently,

4.4 Stores and spares

These are stated at lower of cost and net realisable value, less impairment. Inventory, Goods in transit are

plus other charges incurred thereon. Cost is determined as follows

» Finished medicinal inventories (first-in, first-out basis)

- Other stores and spares including food and beverages weighted averaging method

Provision against slow moving stores and spoils (related 15 aircraft fleet to risk in off-Merionline (Ne
astirated Liliseed

We of the relevant category) of the aircraft to be up to the reporting date,

45 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 the lower of 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

46 Cash and cash equivalents

For the purposes of the cash flow statement: cash and cash equivalents comprise Of Cash In Bank and
balances will

banks, Cash and cash equivalents also include financing that are repayable on demand and form an
integral

part of the Group's cash management

SN

--- Page 135 ---

47 Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost

Transaction costs, if any, are subsequently measured at amortised cost

48 Loans and borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable

Transaction costs, if any, are subsequently measured at amortised cost using the effective interest method

49 Employee benefits

49.1 The Holding Company

Provident fund

The Holding Company operates a defined contribution provident fund scheme for all its employees.

Contributions are required to be made to the Fund by the Holding Company and employees in accordance

with the Fund's Rules. The Holding Company's required contribution to the Fund is charged to these-considered liability

and loss account,

Pension funds

For all the permanent employees hired prior to July 01, 2008, the Holding Company operates a funded benefit pension

scheme for its three categories of employees. Pension scheme is a final salary pension scheme and is vested

frag. Tunas RaMToly Pakistan Ailine Plot Association (PALPAY, Flight Engineering Association | FENA) and Employees”

Rension 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 of the advice of actuary, For all (the permanent employees hired or are

July 0), 2008 in view of the pension funds as described above, the Holding Company operates a defined contributory

pension fund whereby a Contribution of 6% of the pensionable benefits is made to the Fund in accordance with the

relevant rules,

Administrative expenses that are incurred annually, Net interest expense, current service costs and any past service costs

are recognised in Consolidated profit and loss account whereas actuarial gains / losses are recognised in the consolidated profit and loss account

net (excluding interest) are recognised immediately in statement of comprehensive income,

Post-retirement medical benefits

The Naiging Company operates an unfunded defined benefit medical scheme and provides medical services

and 66 health insurance benefits to all full-time employees and their spouses in accordance with the service regulations

The post-retirement medical benefit is accounted for on the basis of actuarial valuation method as carried out by an actuary

Net interest expense and current service costs are recognised in consolidated profit and loss account and any

actuarial gains / (losses) are recognised immediately in statement of comprehensive income, 2010

Compensated absences

The Holding Company accounts for all accumulated compensated absences when the employees render service.

For increases (help entitlement to future compensated absences on the basis of current valuation that is granted

out annually,

4.9.2. Skyrooms (Private) Limited (SRL)

Defined benefit plan - gratuity

SRL operates an unfunded defined benefit gratuity scheme for all its permanent employees who have completed

the prescribed qualifying period of service: Provision for gratuity is made in accordance with the Gratuity Act

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 for its employees. Equal monthly contributions are made, both

by SRL and employees in accordance with the Funds Rules

by SLY 200 and 2017 SS a

49.3 PIA Investments Limited (PIAIL)

Gratuity fund scheme

PIAIL operates a funded gratuity scheme for its permanent employees who have completed one year of service. A

corollary 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 should not be reflected in the overall context of

PIAIL's consolidated financial statements.

Provident fund scheme

PIAIL also operates a provident fund scheme as a contribution plan for its permanent employees. Equal contributions

are made, both by PIAIL and the employees to the provident fund at the rate of 10% of basic salary,

4.9.4 Roosevelt Hotel Corporation N.V. (RHC)

Defined contribution retirement benefit plan

RHC is a party to the industry-wide Collective Bargaining Agreement between the New York Hotel Trades Council (Union)

and the Hotel Association of New York City, Inc., which provides a Union-sponsored multi-employer defined benefit

plan [the plan]. The Multi-employer Pension Plan Amendments Act of 1980 imposes certain liabilities upon employers

associated with a plan upon withdrawal from or termination of the said plan.

Further, all RHC staff, both union and non-union, are employees of RHC's management company, Interstate Hotel

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 for defined contribution retirement benefit plan are charged as an expense as they fall due.

Short-term employee benefits

the cost of short-term employee benefits, [has] payable within 12 months after the service is rendered. such as par

vacation and bonuses}, are recognised in the period in which the service is rendered and are net discounted,

The expected cost of compensated absences is recognised as an expense as the employees render services that

increase their entitlement to, in the case of non-accumulating absences, when the absence occurs,

4.9.5 Minho France S.A. (MFSA)

Employees pension plan

In addition, MFSA's employees are entitled to an indemnity under the law and in accordance with the law

agreements. Provision is made for the liability at the reporting date in accordance with the agreements,

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

Provident fund

Sabre operates an approved contributory provident fund for its employees. Equal monthly contributions are made,

both by Sabre and the employees, to the provident fund at the rate of 10% of basic salary, Sabre's contribution is

charged to consolidated profit and loss account,

4.10 Taxation

Income tax expense comprises current and deferred tax, income tax expense is recognised in the consolidated profit

and loss account except to the extent that it relates to items recognised directly in equity or in other comprehensive

income,

Current

Provision for current taxation 4s based on taxable income at current rates of taxation after taking (into account) tax

credits and rebates available; It may, or minimum tax on turnover basis, whichever is higher, It also includes any

adjustments to tax payable in respect of prior years:

I

Deferred taxation

Desired Income tax recognised using the balance sheet liability Method on temporary differences at the reporting date

balance between the tax base of asset and liabilities and the carrying amounts for financial reporting purposes

Deferred tax asset 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! When 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 income or taxable temporary differences will be available to allow all or a part of it

deferred tax asset to be utilised. unrecognised deferred tax assets 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 entity

is expected to realise the assets or settle the liabilities, based on tax rates (and tax laws) that have been enacted or substantively enacted

at the reporting date,

Deferred tax relating to items recognised directly in other comprehensive income is recognised in consolidated

statement of comprehensive income and not in consolidated profit and loss account

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists in the same tax jurisdiction and the deferred tax assets and the deferred tax liabilities relate to the same taxable entity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists in the same tax jurisdiction and the deferred tax assets and the deferred tax liabilities relate to the same taxable entity.

4.11 Revenue recognition

The Group recognises revenue from the carriage of passengers, cargo, mail and excess baggage, freights

of shipping services to include: all lines, engineering services, air charters, hotel operations, distribution of 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 the revenue is the net

and airway bills is included in current liabilities as 'advance against transportation' until recognised as revenue.

Revenue is recognised in revenue (revenue) and is disclosed in note 3.7 to these consolidated financial statements.

Room, food and beverages

Revenue from (com and shop, food, beverages and other related services) is recognised as and when the service is provided.

Revenue from

Revenue from (com and shop, food, beverages and other related services) is recognised as and when the service is provided.

Revenue from (com and shop, food, beverages and other related services) is recognised as and when the service is provided.

Revenue [reerirepall ond maintenonce and overhaul semses of Brigine and componen to. cltvar cifinies receguined

when such services ore rendered.

Frequent flyer progamme revenue

The Haldina Company Gbéates two rilncipal toyalty Htograrames. The aistine's Wrequent livcr Plogramme! allows

Hequen! fravelats to SCcUrnulonS iraver miles That eniitie lhercto o choice of wanaus.cwares, primarily les Navel The

tale value atiibuted to he awarded mileage credits ls defered as a liabilty and ecounised anavenue on lecempston

of ine miles by the participants to whom the milles dre issued. When fhe miles exmifa or wher iney oe ror exdedcted

to be redeemed.

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Interest / mark-up and dividend Income

The Group recognises Interest Income mean-up on shorter Sonk Benosits interest ceang advances and Heid

marily investments on a Times proportion ois using sifecive interest mefion

Divittend income is tecosrisea When the Grupis riahy te sieneve dividend is etiottrire

4.12 Borneowing Costs

'The Sinus lecagnises the Nafowing costs as an expense tn the period im which these casts ofe incuted |, excen! tne

borrowing costs diectly atmibuteble to the acquisition, constuction or production of @ qualifying asset [l,.6), on asser

mat net tokes.a SUBsTantia! peted of ime to get ready for Its intended Use or salle] one capitalised a5 Oar of

The cost of Mat Asser

413 Provisions

Provisions a2 rceansed |r the conkuldatect balance sires when lne Gieup has a legal or eaystuctive ebliesar

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414 Impairment

Financial assets

A financial asset is impaired if there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, the loss event(s) is (are) the estimated cash flows from the asset which can be estimated reliably.

Objective evidence that financial assets are impaired includes "delinquency or default" or delinquency or default.

On arrival of the Group on terms that the Group would not consent to the @ ceptgr or Isai ic

will enter into a Wipey, Odes] ebarices in the management status of SqrewSrs. c Islets BCOMoMmIC CONGiors

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the Group consents to the | meoimeen for financial assets means that the cost of the receivables

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assessed [by specific impairment, Those found to be specifically impaired, are the collectively assessed for the

the Group consents to the | meoimeen for financial assets means that the cost of the receivables

dine Nele-te-mermuy financial assets) at the specific asset and Collective loss of the | aviciwately

assessed [by specific impairment, Those found to be specifically impaired, are the collectively assessed for the

the Group consents to the | meoimeen for financial assets means that the cost of the receivables

assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of the financial asset is measured as the difference between the carrying amount and the recoverable amount.

HS CONVINING AMOUNT of the present value of the estimated cash flows discounted at the Getel's

the most recent. Losses are recognised in the consolidated income statement. When the Group is

impairment loss is recognised Causes The CUMOUNT of IMPAIRMENT loss to INCREASE |n
(impairment loss's

saved through the consolidated profit and loss account,

Impairment losses on available-for-sale financial assets are recognised by accumulating the losses
accumulated to

(BServes IN equity The Consolidated profit and loss account The cumulative loss that is transferred from
equity to

consolidated profit and loss account is the difference between the acquisition cost, net of any financial
repayment

and amortization, and Fair current fair value, less any impairment loss recognised previously in
Consolidated profit and loss account

loss account.

Non-financial assets

(the carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there
is any

Indicator of impairment Any such indication exists when the cash recoverable amount is estimated. An
impairment

loss is recognised as a GN expense in the consolidated profit and loss account, for the amount by which
the carrying

amount exceeds the recoverable amount The recoverable amount is the higher of fair value less
costs to sell

4 (G36) GA value In use, YOIUE In Use is Determined Wrought discounting of the fair value less
costs to sell

carrying amount that exceeds the recoverable amount of the fair value less costs to sell and the carrying
amount, for the difference

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4.15 Foreign currency

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates approximating those prevailing on the date of the

transactions. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the

rate of the reporting date. Gains and losses on translation are taken to the consolidated profit and loss account (unless

non-monetary items are measured in terms of functional currency and are revalued using

exchange rates as of the dates of the initial recognition. Non-monetary items measured at fair value in a

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 the functional currency at the reporting

date. Income and expenses are translated at the exchange rates approximating those of the exchange rates at the

of the transactions, or the rate of exchange at the end of the reporting period. Differences in exchange rates are

recognised in the consolidated income statement and are included in other comprehensive income

4.16 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions

of the instrument, Financial assets and liabilities are initially measured at fair value once subsequently

amortised or derecognised as the case may be. Financial assets and liabilities are derecognised when the Group loses control of

the: contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they

are extinguished, in full or in part when the obligation specified in the contract is discharged, cancelled, or expires. Any gains

or losses on derecognition of financial assets and (financial liabilities are taken to the consolidated profit or loss

account immediately.

4.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for 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 number of shares

or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the

effects of all dilutive potential ordinary shares,

4.18 — Derivative financial instruments

Derivatives that do not qualify for hedge accounting are measured at fair value with changes in fair value recognised in

the consolidated profit and loss. Derivative financial instruments are recognised as assets when they have a positive

fair value and as liabilities when fair value is negative,

4.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet

only when there is a legally enforceable right to set-off the amounts and the Group intends to settle

on a net basis to realise the assets and settle its liabilities simultaneously,

4.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating

decision-maker, The chief operating decision-maker, who is responsible for allocating resources and assessing

performance of the operating segments, has been identified as the chief executive officer who makes strategic decisions

4.21 Dividend and reserves

Dividend and appropriation (if) from reserves are recorded when approved, However if there are approvals

the reporting date before the financial statements are authorised for issue, They are disclosed in notes to the

consolidated financial statements,

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beldentified,

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quthotity, Management believes that this aroun! nas accumulated omer lre previaus Pevods cwing to mocirect

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32 Obligation for compensated absences

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lor @ctuatal valuation. As avesull, of sud) exeralse, mranageman iserilied cerdin enam in witelslardina of ecivary

in tespect df unovolled leaves date) Used Tor actuarial yaluaticn, Ceonseuueritly, the Holding Gormpeiny Nes lestatescs

fsiicbily an aveourt of 'Gibligation (cr comrjeensated absénces' wilt a Coresconding effectyin snarehalees' equity,

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December January 07,

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The tectification of enor hos resulted In:

Decrease In eccurnulated losses - 1,218,670

Decrease ih liability for compensated absences (480.721) (1,283,670)

Decrease In expense charged to profit & loss account 480,721

5.3 The effect of cbove stated errors ore as'folkows:

a) Effects on corisolidated balance sheet of December 31, 2016 anc earliest period presented Le. January 01, 2014

December 31, 206 Jenuary 1, 2016

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(Note 5.1 & (Note 5.1)

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jrade anc ciher poyables 132,952,903 | 8501.975 121,450,924 11053574 [1.218.671] 109,215.977

Accrued Interest 13,052,047 108 13,051,939 19,790,147 18,790,147

Taxation - net 542,549 9.979) \$62,078 282.963 e 353,283

Liabilities 146,547,099 15,482,158 135,064,941 122,556,152 (1,218,677) 109,315,077

Property, plant and equipment 160,599,715 (2.63) 180,597,360 138,098,487 138,098,487

Long Term deposits and prepayments 229,709 (1,408) 9.318.291 10,723,347 10,723,347

Stores and Spares 2596.318 11,622) 2,590,696 \$092,446 . 3,092,445

Trade debts 9,218,582 185,249 9A0S,917 PB7LET + DARDS?

Short term loans and advances 2.291.635 (134,913) 2,156,722 1,580,917 \snory

Tags and Prepayments 4,516,497 87 4,516,584 3,130)516 3,130,516

Other receivables \$070,704. (187,829) 3.882,877 £445,893 6,445,893

Cash and bank balances 4,223,623 (48,379) _ 8,175,442 7,625,262 = 7,625,242

Assets 205,849,061 (201,178) 205,647,883 180,567,365 : 180,567,385

Accumulated losses 307\580,570 11,280,980 296,299,500 261,532,286 (1,218,671) _ 260,313,815

b) Effect on consolidated profit and loss account for the year ended December 31, 2014:

As previously Effect of After

reported restatement of restatement

(Note 5,2)

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

Cost of services. V12,877,644 (946,120) 14.2,53),524

Distribution costs 5.657,224 (57.484) SAO? 538

Administrative expenses 9, 275.291 176,945) VR SIS

Taxation (117.916) = [117.914

= 127,692,243 (480,721) 127,27 1,322

cs) Effect on earnings per share

A class ordinary shares of Rs. 10 each [8.64 009 _ (6 55)

B class ordinary shares of Rs. 10 each {4.32} DN [4.28]

6. PROPERTY, PLANT AND EQUIPMENT 2017 2016

(Restated)

Operating fixed assets Note ---> (Rupees in '000) -----

- owned 6.1 122,084,247

- leased 63 37,837,080

[59,860,327

Capital work-in-progress 6.8 737,033

160,597,360

a SY I 200% cc 2017 ISS

--- Page 142 ---

4.1 Owned fixed assets

2017

Land Buildings on! Hotel Workshons All

lwosehold Others Leasehold Other Gera 65) en oe nate

(notes 6.1.) tnote 6.1.2) land (notes Jord ' " OAS, oa

'ond 6.33 6,1.) ond and 6.6)

Asaf Dacember.31, 2016

Cost orrevalued omaunt 6,897,860 24,400 2:738,329 1,787,458 «© 105,847,248 913608 «= «23,238,778

Accumulated depreciation. - . (1,908,205) (1,277,001) (15,588,845) (816,442) 3141299

Nat bopk value 6,897,860 —24A00 ——STAS3.124 «—S10,457 89,888,663 94982 16,921,649

Yea ended December 33, 2017

Opening net book value 6,897,860 24,400 1433, 128 510,457 89,858,643 94.982 16,921,449

Additions / Mansters - ' 6a 549,136 - 850,382

Revaluation si is

Cosi or fevetued amount 1,794,740 | : [1,329,942 : - (2,346,146)

Accumulcted depreciation | = | : + ' | : - -

1,794,740 - 1,329,942 = - - 346,146)

Translation adjusiments

Cost oF evalued omount - - - | 10,160,988 - 'II = al

Accumulated deprectation - | = o | S | _ 91,966,152)! { }

, . 8,194,738 - -

Adjustments / fronster ete

Cos! ct javalued amount - j , (1,180) * . - 16,160,592

Accumulated depreciation - | - (2,995) = | =| 2 __ 4,992450)

- - 14,175) - 11,168,162

Dispatals b — as be, ce

Cost or revalued amount - - | - | - (3,794) | = (27,545)

Accumulated depreciation - L | - | a | 6.254 + 45273

= - : (3,794) ' 232,272)

Depreciation charge for the year - = (221,241) (40,590) {1,281,672} 110,610) (1,683,033)

tosing net book value 00 24,400 2,537,650 489,929 97,317,088 B4ae2 (24,878,742

As af Ducamber 31, 2017

Cast oF revalued amount 8,692,600 24,400 4,087,091 1787520 118,183,477 913,04 =—37,623,061

Accumulated depracietion - - (1529.451) (33759 (18,836,409) (829,252) 12,944,319)

Net beak vaiue 8,692,600 24,400 259760 awe 377,068 84352 24,676,742

Annual depreciation rate (%) - - 25 25 30-50 5 4. 100

6.1.1 These represent lecsenold land and buildings owned by the Kolding Company that are freely
torsfercble and can

be disposed off as ond when requited,

6.1.2 Lond classified as 'Cihers' are ornenity plots licensed from Pakiston Civil Aviation Autherity (CAA).
These are ron

transferable os nese were allotted at below rriarket price.

6.1.3. During the year, Ine Holding Company has retired / written off aitcraft flee! and engines having
net book value of Rs,

232,272 million (2016: Rs. 2.726.058 million). The related deficit amounting to Rs, 70.789 million (2016; Rs.971.366

million) included in surplus. on revaluation has been released to consolidated profit and loss account (refer note.35)

6.1.4 = Aircraft fleet includes one engine (2016: Nil) held by a third party for overhauling purpose as at December 31, 2017

The carrying value of this engine-at year end is Rs.404,507 million (2016; Rs, Nil),

Te

2017

Equipment Engineer Vehicle gb iomaeg Computer Heat Kitchen Talevision Capital Total

and office ventilation and {dish / tes,

tools ond na fitings automation ond cir bar stend note

conditioning equipment 122)

aoa cl. a nncensnaceneanenasnseneseseenrnsnenscnersneneeces (RUPEES IM OOD) --=---

=++++eeeeenaeeeenavenenrererrersennrrrensnnentnnencnnnnnnnnen

3,196,076 1,766,371 2,586,272 9,023,805 1,941 474 18,785 6217 2710 7,093,574 166,649,981

(2,631,263) (1,568,720) 42,485,489) (7A2O171) (1,795,935) (12,205) (8.440) (2,703) (3,421,226)
(44,626,714)

\$64,813 197,651 90,783 —_—*1,603,634 145,539 6580 77 7 3,872,348 122,023,247

564,813 197,652 90,783 1,603,634 145,539 6580 m7 7 3,672,348 122,023,247

21.389 128,742 \$8,123 225,043 181,984 - - : 203,098 2,217,918

lo TESTS TT So

: ee os - = t : : 5 TERS

- 62s | | pounce - . .] - | . | 11,065,862 |

3 248) | | ageoas| ot : | * 2 (2,680,126) |

* na - - : . - 3.385.436

557 - | . | 1,124 a 1,400 : { . | 16,162,487

(244) : | } aa) | | 1,609 (\$0) a) | - (4,997,379

307 > 3 1,082 ® (209) (60) w > 11,165,114

(667) | | 7838) | | = | - mee A2 : - | i - | - | | “Ql. 198 |

615 7.533 | | 27,092 | 9,422 | | | Se : | : 123,992

GD > am - : 5 > - (237,206)

(124,685) (79,000) (78,288) (370,624) (84,895) (1,238) «ty @) (329,918) (4,305,888)

~_ ab1772 247,393 70,841 1,648,525 242,585 5,333 636. 4 3,545,630 140,027,160

3,217,349 1,887,580 2,887,738 10,119,066. 2,113,996 20,185 6,217 2710 7,296,672 196,513,266

(2,755,577) (1,640,187) (2,516,897) 470581) 1,871,411) «18,052) (8.581) (2,708) (3,751,142).
(56,486,104)

287,393 70,841 1,648,525 u2s05 5,133 636 4 3,545,530 140,027,140

10 19 10 es 15 10 1a 20 4-100

a SSN NE 255 6F0%0 2017

trees

--- Page 144 ---

Owned fixed assets

2016

tow Buildings o9 roost Worksrrors Aroratt

propart and teat

Ofhexs Ober ‘

intesa? (role) lana inato lend ieee en eee

ond 6.3} lewd 6.3) ond 6.4)

Asal Dacembe a1, 2015

Cost or evolved amount 6.897.860 24.000 2.736.929 1,755,055 F3.853,868 913,499 1G P2018

Accumulated depreciation ' - 11,084.21 41 (1,233,967) (14,270,225) (814,532} (6.494.017)

Net book value 5.897.860 24,200 —52),059 59,593,740 8.967 9.819.002

Year ended December 31, 2016

Operating net book value: \$897,480 24,400 1,652,715 521,08? 89,593,740 98.967 BA19.602

Additions / transfers 1,400 92.681 108 629.170

Revaluation = he

Cost or tavelued amount | - | anees.620 - (80.709)

Aocumulted depreciation _ - = . L

; ; * 3),89\$.620 150,709)

Transiohon odjudrments -

Gost orrevaized amount ; | . | 1392.237) | -

Accumcted depreciation JL - a 114.174 .

. - (198,066) -

AGlustrents/ fonser -

Cost Orievalued amount - |

Agcumuated dapeaciaton L - (3,081) | | " ie '

, . i O81) 11,926,952

Dagposcs x

Cos or rewolund omount" - | (279 - (1,117,695)

Accumuvated depreciation = + 279 | : = G

« . - - {1.009789}

Vite ctf / tetireenent =~ =

Cost of revalued omcunt . - - (5.184.204)!

Accumulated deprecialien - J} E. + | < SAPO IAS:

- . + - - (1.756.069)

Gepiociation charge

tor the year - (220.991) (42.232) (1.492.637 (11,056) (2,277,208)

Closing net book vate 1,433,124 310.457 39,856,683 96,962 16,921,649

As ct December 31, 2016

Cost or valued emount 6,897,860 24.400 2,738,829 1787656 = 105,447,248 913,608 29,235,778

Accumulated depreciation' = (1,305,205) (1.277.091) (05,688,585) 1826,642) (6.314, 129)

Not book value 3897 240 24,400 ae tat 510,457 59,859,853 PA962 16.921.649

Annual depreciation rate (55) = 25 25 30-50 5 4-100

mar voow 5ercrr 2017 |r <3! 'S1\N

--- Page 145 ---

Equipment Engipaiing vehicle Funtse, Comouter Heck whohen Teeveion Copii Toles

equiomer foctures ond. office. ventiialion and bar foun; spares

ord tools and fittings cufomatian and cir equioment Sond

conditioning

3.161,944 1,674,977 2,861,919 8,878,299 1,694,714 15,366 4207 2710 8,571,086 128.850.6850

(2.826.235) 11,528.186) (2.273.595) (7.118.170) 1,774,083) (V.a7ay (5.36ç| (2.708) (4,395,915)
(49,728,488)

823,107 788,388 1,763,120 123,631 a912 9 9775141 182362

823.109 148,811 288,384 1.762.129 123.63) 3912, 883 ? 3.775,141 86,182,862

51,78? 91,394 11,298 228,097 60,753 3.399 : . 363,272 1.823.386

| | as | es ! li or

= . : - : . - - : 3) ga4.97)

- 2 (103,963) ' | : 2 ; | | 1474,.202) |

| r= = LN | 78,012 2 = - 186.184

> ty (29.953 + + (228.088)

= . * i os | : . | : 2 ¢30.4a)) | | 6

(185.300) 30,246 | | (198.941) (9.854) 15:365 + ~ 16,855 (1,397,089)

(365.900) 30,285 (168.941) (7.854) 15.328 - 2 114,018) Wear?

{7,054} 128,537) (13.993) = 7} - 7g | | (())199,017)

7,035 24.106 15978 x 4 od, ee | 8.407 | 198.283

1 14.531) {18} - - 11.269) (1,014,084)

| _—_. | ot [=F} - Ti eoxt5h | | (6.980.451)

al 3 “ a | -__ | tar.ses | | 8.077.700

: : : = (196,592) 10.917,68)

[144,264 (70,600) 139.694} (3921250) (54,175) (731) (80) a (255;188} {9.941,8981

7 3.072.248 122,023,247

566313 197,65) 90,783 1,603,634, 145.539 6.580

3,196,077 1,766,877 2,586,272 9,028,298 \,941,a74 18,785 62i7 2789 7.093574 186,949,985
(2031.26ç) (7,868,720) [265.489] (7,420,162) [1.798.951 (2,205) (5.480) (2.708) (3,421,226) 44,626,706)
542,814 90,783 1.403.684 145,559 580 a 7 3e7z gah —_1ez0Rkad?
5-10 19 10-26 10 b-10 10 ic 20 4-160
So —. a a . ea

A SY NR 0. ccs 2017 SS aa

--- Page 146 ---

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

categories:

Reclassified from

Renovation and Improvements

Operating ground, catering, communication
and metaormiogical equipment

hattic equipment

Motor transport

Office equipment

Precision engineeting equipment

Other equpment

6.3 Leased fixed assets

As at January 01, 2016

Cost or revalued amount

Accumulated depreciation

Net book value

Year ended December 31, 2016

Opening net book value

Additions / transfers

Revaluation

Cost or revalued amount

Accumulated depreciation

Transfer to owned fixed assets

Cost of revalued amount

Accumulated depreciation

Depreciation charge for the year

Closing net book value

As at December 31, 2016

Cost or revalued amount

Accumulated depreciation

Net book value

Reclassified to

Buildings on Equipment Vehicles Furniture, Computer

Other land fixtures and office

and fittings automation

Sita homh vineiahateprinaanignsains (Rupees in '000) -----+-----

54,840 -

- 48,919

- . 75,851 : -

6,048

21,555

1,781 2:202 34 266

\$08,868

Aicratt fleet Ground Total

equipment

Nofo = -+--+----- (Rupees in '000) -----

65,726,560 5,126,560

(22,521,204) - (12,521,204)

52,605,356 52,605,256

\$2,605,356 - 52,605,386

. 75,387 75,387

642 | 387,879 | 367,879

367,879 367,879

(14,764,571) - (15,764,571)

| 3.887.619 3,837,619 f - 3,837,619

(11,926,952) (11,926,952)

{3,283,962} (628) (3,284,590)

37,762,321 74,759 37,837,080

49,729,868 73,387 49,806,255

(11,967,547) (628) (11,968,175)

87,762,321, 74,759 __ 37,837,080

maar annua. reer 2017 |) <1

ram

--- Page 147 ---

Aircraft fleet Ground Total
equipment

Note 9 sees---n=+-- (Rupees in '000) -~+-----+---

Year ended December 31, 2017

Opening net book value

Additions / transfers

Revaluation

Cost or revalued amount 6.4.2

Accumulated depreciation

Transfer to owned fixed assets

Cost or revalued amount

Accumulated depreciation

Depreciation charge for the year

Closing net book value

As at December 31, 2017

Cost or revalued amount

Accumulated depreciation

Net book value

Annual depreciation rate (%)

6.3.1 Aircraft fleet includes one engine (2016: Nil) held by a third party for overhauling Quiposé-as of December 31, 2017

The carrying value of engine at year end is Rs. 391,364 million (2014: Rs. Nil)

64 Revaluation of property, plant and equipment

64.1 Revaluation of leasehold land and buildings

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

31, S

- Oceanic Services Private Limited, based in Pakistan

+» Cosmos Developers Private Limited, based in India

- Subash Shon and Associates based in India

» Skyline Appraisals Inc, based in USA

~ Collets International Valuation B.V, based in Netherlands

The valuation was carried out on the basis of professional assessment of fair values with reference to market based

evidence, based on active market prices, and adjusted for any difference in nature, location or condition of specific

property and resulted in a net revaluation surplus of Rs. 3,124,682 million as at December 31, 2017 except for certain

buildings on leasehold land aggregating to the carrying value of Rs. 18.950. million at year end which were subsequently

revalued by the Holding Company, The revaluation impact of buildings subsequently revalued amounting to Rs:

179,097 million have not been recorded in these consolidated financial statements,

He SS NN 200 217 ESS II

--- Page 148 ---

542 Alrcfalt feet

Tre aleroit feet of me Solwing Company was revalued by an ndependert values Ascand Nighi Slolval
Gonmulianay

(UK), on ihe foulds of professional assessment of ucen! marke! yalles af af December 31.20) 7 The clirent
manet

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cicroh tices.

Covering omsh market ond fincincial sales, rocditicnaally Gorsiters Pie RerGeysa demiane foreach type,
Its avellaneity

in 1h Theres ono Turner lads imi Gees! Ihe expressec yiews of Infarnes ncusty sarees

The operas nets taken interoecount Ihe age, speciicaion, accrued Fens and cycies Gf heairdia!! Gnd
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Curent Moke! Hall Lie Values [CMHLV), Saif lite or midAra.assuires IAG! the oilfame, efigine landing
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variation in

perceived Vallis Must be axpeated,

The volderhds craugted an exiended desktop qoprmsal uf te aldol and etyines. This dees not |pouce an
Inspection of the aircraft or engines not thal) tecards BU does Fake Inte Occaur! the Mainteriorios Selle
ot ite

noiframé, enging. landing Gecls, dusiiary pawner Units ond angie imiter le pert

£43 Hotel properties

Roosevelt Hotel Corporation WV.

In 2007, the Company engaged an independent third party appraiser, HVS Consulting & Valuation ("HVS"), to determine the fair market value of the property as of December 31, 2014.

On December 31, 2014, HVS concluded that the highest and best use of the property is as a hotel.

The property is currently used as a hotel and is being redeveloped as a Class "A" office building.

The highest and best use determination was based on HVS evaluation of comparable properties for mixed use Class "A" office buildings.

"A fine and retail development in the downtown area of New York City. In its evaluation, HVS concluded that the highest and best use of the property is as a hotel.

The value of the land is \$1,000 (Rs. 4,855), which is less than the value of the developed area of \$47 million (Rs. 66,783 million).

The "as is" value determined by #73 is significantly less than the highest and best use value determined by the

appraiser of the hotel building and the hotel operations.

(The estimated value incorporated an estimated cost of \$1.5 million (Rs. 7,220,487) to demolish the

existing improvements. Out of the total costs associated with the demolition of the existing improvements, the

Hotel, including the estimated cost of the other requirements under collective bargaining agreements; nor the

consideration. been given to the value of the contents of the Hotel. The Management considers that in order

to determine the actual cost of exit costs, RECAVOR have to determine the value of the properties which would entail

an expense for RHO and therefore it is difficult to determine

in addition, HVS concluded in its 2014 valuation that the "as is" market value of the Hotel as of December 31, 2014

excluding its own and personal property and excess development capacity [In the form of waste (obsolescence of equipment

rights}], assuming Continued operation as a Hotel was US\$502.5 million (R\$ 41,729,092 million),

The 2014 "discovery" Vollicherd was performed using the Income Capitalization approach, which is based on the principle

that the VOIWE of the SOpacity is indicated by % of the return, The future Generation of Income-producing properties: such as

hotels, net income before debt service and depreciation and any anticipated transactional proceeds remain stable,

These (value) Benefits can be considered into an indication of market Value "through a capitalization process on a

Discounted cash flow analysis: In connection therewith, the following assumptions were used for the 2014 "value

valuation:

- Discount rate 12.5 %

Stabilized year 2021)

~ Rate of inflation 3%

- Terminal Cap Rate 10%

RHC recorded the value determined as the Net Present Value of the property, which includes only the value of

(the land, Therefore: this value has been allocated to building and furniture and fixtures based on the fair value of them

Current US "costs" In order to reflect the use of these assets in the current operations of RIK the remaining balance

of the total value was allocated to land,

,

--- Page 149 ---

RUC polled o meihedcleay consstent Win allocations of the namponents of |he hotel's proweretty plant and equinmest

wis 20) tevaluation bosec on HVS" opinion Ghhe "as is" value of US\$ 392.4 million (Rs, 37,727 (77 milton) Resuilanity.

US\$ 127.76 milan | Rs. '9.394,.262 milan) was allocated i land, US\$ 165.387 milion [Rs 1 4.588.5)4 rian) wos

Olloceartiod to bulletig, US\$6.550 millicn (Rs. 686.813 million) wos clla@otan te turitue and fixtures ciel USS 2939 millior

(R= 307.904 rillllon) was dilocoied to renovations Inprocess. The excess of lhe conclucied value between he Alaheart =».

and best use and "as is" valuations, USS 34.4 million (ls, 85,043.47 millon. wes altocated fo fond.

Asc#Decembey 37, 2077 RCs managernent In consuatlon with HVS reviewed the incesendent teyelictian peiomed

osol December 31, 2094 and determined ina! (rere has Deen no material change ta 'ne tell value of the RHC In

the Iniewening twelve-morih peed, Accordingly, Ne evaluation adiuistment has Hein made ncorwolideted financial

siotements us oY Decetnise 37.267 7, The monugement hos nel Getenired the casts associates with closing clown

Intosing / exit caste; the perations of Hotel duc ta the reasonsistaled above. Therefore, the comying volus at the fat

plopellies as.alDecember3'! 2017 was 634.175 millon (Rs. 70,093,661 moillan) without aajusirent of Clusia |e!

costs

Minbal France S.A.

The latest valuation of the Sorve Hotel was carried-out as on December 31, 2016 by an Independent appraiser, The

independent firm determined that the market value of the freehold interest in the Sorve Hotel as of December 31, 2016

was Euro 225 million (US \$237.175 million) (2016: Euro 225 million) approximately Ns, 26:21 4,060 million using Discounted Cash Flow

Cost method with an exit Cap of 6.4% and a discount rate of 4.4% which is higher than the market rate and

included accordingly This valuation includes lands, buildings and improvements and the value of the equipment and

£5) Value of furniture and equipment approximates to. Carrying value as at the end of the revaluation is as follows

the lands, buildings and improvements, before revaluation the carrying value of lands, buildings and improvements

at December 31, 2014 amounted to US\$ 206.177 million approximately Rs. 22,758,263 million and accordingly

the year 2014 a surplus of US\$ 22.492 million approximately Rs, 2,505,129 million was added to the surplus of the year

of operating assets',

As of December 31, 2017 the management has reviewed the independent

valuation prepared as at December 31, 2016 and determined that there has been no material change to the

fair value of the hotel as at the intervening twelve-month period, Accordingly no revaluation adjustment has been

made in the consolidated financial statements as December 31, 2017 Therefore the carrying value of the hotel is as follows

as of December 31, 2016 was \$241.550 million approximately Rs, 26,947,632 million,

64.4 The hotel was determined with reference to market based evidence. based on the above findings the hotel is

Sound and Information is considered necessary. and accordingly for any information in the report, location or other details

af the specific oroperties, The tal) value of eciseholc land and oullaing on leasehold ane: folig unedie
levee! 2 of fein

Value hierarchy (le. signiticantobservainls mouts),

65 lne Ganying arnount of the-ossets as ol Decembe) 31, 2017 nag the ossets 8sen comes SF Mstonenl
cms, walle

have Deen as follows;

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2017 ao6 un

Cos} Accumillated Book Cost = AocUrminiea = Beto

depreciation = =value depecionan value

tense wep eesece ete eeeomen (RUDOSS ln) DDD) -----~-----~ +02 +

Leasshoic anc 46, 16d - £2, 1 Abs

Eluledirigs ory leakehotd land 258.140 134.618 721.230

Hotel propemas WAI 8590556 RW

mulcrall theet) 100.587.2585 AS21719 55,75¥,508

Tea pss 70) 48.340198 2 7De7oB

ee SY (60%: 2017 RSS

--- Page 150 ---

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

2017 2016

Note = ----- (Rupees in '000) -----~

Cost of services - others 32 | 7)433,543, 8,190,633

Distribution costs 33 13,358 13,869

Administrative expenses 34 22,484

8,226,486

6.7 Following operating fixed assets were disposed off during the year

Description Sold to Method of Cost Accumulated Net Sale Gain/loss

disposal depreciation book proceeds on

value Disposal

srtearoasn+----- (Rupees in 000) -+---+-+-----

Vehicles

Toyota Corova XL Car Mr Amir Ag Company's 1,361 1,791 170 189 (Wy

fag: No. BBE-380 policy = Se

1,361 1,191 170 189 ay

Aircraft engines Pratt Whitney Canada. Exchange 277,543 48,273 232,272 232,272

{S.E.4) Pre Limited basis

Aggregate value of items where

NV is above Rs 50,000 - Various* 82,292 77,928 4,764 6764

NBV is less than Rs 30,000 - "Various 52,894 52,894 23,008 23,004

2017 govt. assets

2016 1,191,818 176,235 1,016,085 1,265,457 249,367

Sale of operating fixed assets of the Holding Company is made through a disposal committee in accordance with

the prescribed procedures,

6.8 Capital work-in-progress

Note Aircraft fleet Others Total

Shareholders' interest (Rupees in 000) -----

Year ended December 31, 2017

Balance at beginning of the year 737,033: | 737,03 % 3

Additions during the year 370,084 1,424 15

Transfer to operating assets 6.1 . E ee

Balance at end af the year

Yeor enced December 31, 2016

Balance ot beginning of the year 155,166 205,663

Adjustment / provision (155.108) -

Additions during the year 629.170 852,804

Transfer to operating assets 6.1 (629,170) (319,087)

Adjustment due to restatement 5.3 . (2,353),

Balance at end of the year- Restated - 737,033

Say <2 LL <>

386,634) __ 1440708)

340,769

(155.106)

1,481,974

(948,251)

(2,353),

737,033

- PAKISTAN

pati Seine Atetines

--- Page 151 ---

a INTANGIBLES

Computer Goodwill Total

software

Note arrenra--n--n=> (Rupees in '000) «-~=-----

As at December 3], 2015

'ao anced 410,907 3,405,784 3,816,491

eae ctadt ongameaion (326,487) (326,487)

a gone 84,420 3,405,784 — 3,490.204

Year ended December 31, 2016

aes ase 'ore 84,420 3.405.784 —-3,a90;204

' re mii ae 4,725 - 4,728

saan ear Eceeeaes (21,826) (641) (22;187)

ra ITE NS VAR 71 (28,241) 3 (28,241)

EIGER 39,278 3,406,248 3.404.521

As at December 31, 2016

ry) mn. 415,632 3.405.243 3,820,875

a ons age amenisation (376;354) ~ (376,964)

PN 3.278 3a05203 3,204,501

Year ended December 31, 2017

Opening net book value 39,278

Additions during the year 40 9, bas

Transtation adjustment aa

Amionisation for the year

Net book value

7.1

As at December 31, 2017

Cost

Less: accumulated amortisation

Net book value

Useful Life

2017 2016

7.1 Amoriisation for the year has been allocated as under: Note = -===== (Rupees in '000) -----

11,396

16,845

28,24)

Cost of services - othe:s 32

Administrative expenses 34

fe SS NY Oo rc 217 ASS

8.1

8.2

8.3

8.3.)

Ey <1) TT

2017 2016

LONG - TERM INVESTMENTS Note = ----- (Rupees in '000) -----

Associate 8.18.2 68,823

Other Investments 8.3 \$53,137

221,960

Movement in investment in an Associate - unquoted

Balance at beginning of the year 59,426

Share of profit during the year @ 034), (338)

66,789. 789, 69,088

Translation adjustment 4.697 {265}

Balance at end of the year 71,486. 68,823

Associate - unquoted

Summarised financial information of the associate along with the Group's respective share is as follows:

Name of Country of Total assets Total Revenue Loss Interest

associate incorporation liabilities held by the

Group

---- (Rupees in 000) ----- (%)

2017 Minhal British Virgin \$= (492870 3593 fC 40%.

Incorporated Islands , =

2016 Minhel British Virgin 184,586 3,023 (846) 40%

Incorporated islands

2017 2016

Other investments Note = ----- (Rupees in '000) -----

Ayailatle for sale 8.3.1 171,553. 153,137,

Available for sale

Quoted

Pakistan Services Limited

172,913 (2014; 172,913) ordinary shares of Rs 10 each

having market value per ordinary share of Rs. 990 —

(2016: Rs; 883) each 171,184 152,768

Unquoted

Pakistan Tourism Development Corporation Limited

10,000 (2016: 10,000) ordinary shares of Rs. 10 each 100,000

|

Duty Free Shops (Private) Limited - Pakistan

87,512 (2016: 87,512) ordinary shares of Rs. 10 each : - 269

— 171,553. 153,187

PAKISTAN

Toreroionnt * Airlines

--- Page 153 ---

2017 WOE

% RECEIVABLE IN RESPECT OF CENTRE-HOTEL Note ~----~ (Rupees in 'OGD) -----

a1 asaya

a Fis Wepreserits PIAS share of netassets of Centre Hotel, Apu Dhol, o joinryenture between the Holding Bomnany

ond + . Sheikn Kamen Bin Mohammedél Nahyan Theqnarties entered Into a tarineiship Agraementorr Juris 444

197? and Simultaneously entetac m a Join Venture Agisemerit an tne same day to consuiict and opetcte a Hoel

on clond owned Sy Sheikh Hamdan, (2 ae known os Cenhe riche), Suesequentialy cinder c2 Sulplplernertal Agreerr int

dated January 1 1976 the rights and obligations of Shaikh Hamcion cana He Holoing: Company under oath He

egfee Tents Wele essigned *o Sheikh Kania and Pid), resmecliively, NOWeve, INESSSIQNMNent re PIAL Was rid TexgiaManset

The joint venture was fora paring of 1/4. years. which expired on Aj 21. 1997, i Gecokdance with hetlesris of Me

AQSenei, net} Curerirassets OF INE join! Vaniurevor Theend Of the tem WeTeria Oe aistihuTsd 70,|OInF Venture PorIners

in fhe satio af thet Investec! Howove, a cispule aiose belweetr lthe maflies over o eriovation program initiated my)

Shon Khcllia pilot to the exolly of ihe joint venture-tetm, PIAL-cispUlect the sic ferovation on tha:gfauna's that there

Was Ro CohgStior onthe jcinh venture to ranavare omreinsiate lne Hole| piernises ofr No fesveston to\Shan Hondan

ond recognised an amour of AED 27,744,414 as asse represeriing PIAL's share of nai asses as af Aor! | | 897

cn jhe boss of unGUGited monggemean! Secounis G1) lthe joint Yen tures

The parties could not reach an agreement as for the award (see Feb 23, 1997). A Notice of Arbitration

was sent to Sheikh Khalifa, Sapsauley on generation was submitted to the Arbitral Tribunal order to Chair

on the date: Khalifa won the case at various courts in Abu Dhabi and finally in March 2016, the Supreme Court of Abu

Dhabi issued the Record! Supreme Judicial Council to appoint one of its judges as arbitrator (in sub) judge

In August 2010, Judge Anwar Ay Mulla of the Abu Dhabi Court was appointed as the Judge Arbitrator The

proceedings concluded during the year 2012. and the Arbitration Award or hereinafter referred to as panel of

experts from the Ministry of Justice, issued the Award of AED 23,842 million (US\$ 6355 million)

along with interest at the rate of 6% from the date of the issuance of the award,

the award, in order to: Nave Me Al-Balghs of the said award notified, file a ratification claim with the Court of Appeal

in Abu Dhabi. However Sheikh Khalifa also filed a claim for nullification of the Arbitration Award The Court of Appeal

instigated the AGC of the award: not it did not have jurisdiction to decide in the matter: one retracts in the line

competent court in Abu Dhabi judicial department the Abu Dhabi Court of Appeal [the Court] for carrying out

the proceedings The Court conducted a hearing on May 14, 2013 one of the parties RUMI S claim for ratification of

Award of AED 23.542 million (US\$ 6,365 million), along with interest at the rate of 6%, and the award of AED 23.542 million

Khalifa's claim for nullification of award,

Sheikh Khalifa challenged the decision of the Court in Abu Dhabi Appeals Court which on its order directed the

23.2013 decided the case in favor of PAIL In response to this decision, Khalifa filed an appeal (against) the

said decision in the Cassation Court,

On October 02, 2013 PIAIL submitted its reasons for the appeal filed by Sheikh Khalifa in the Cassation Court which

gave its final decision through its order dated January 08, 2014 in PIAIL'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 his payment, the Execution Court ordered the placement of Sheikh Khalifa's name on the property. Gite?

and Abu Dhabi: the markets and also addressed a letter to the land department inquiring on the lands owned by

registered under the Sheikh's name-

see SY of 2017 RSS and

--- Page 154 ---

However, Sheikh Khotite (led a grievance against the said execution order and on December 23, 2014, the Executor

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 that, the Execution,

Court could not execute the arbitration award i.e. to pay the amount awarded by the arbitrator to PIAIL. PIAIL filed an

appeal against (the said suspension, however, the court disallowed the same-

During the year 2016, based on PIAIL's application, the Execution Department re-opened the case, and gave hearings

which were held in the matter. Finally, on February 26, 2017, the Execution judge ordered to resume the execution proceedings

against Sheikh Khalifa, whereby, the Court has decided to approach various competent authorities to check 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. Sheikh Khalifa has not filed an appeal against the said order, as per law

order, the Court's accountant has determined the PIAIL's claim amount along with interest (the sum) of AED. 22,940

million. Subsequently, the Court issued a letter to Abu Dhabi's Identity Department to provide a copy of Sheikh Khalifa's

passport and to process the travel documents. Various competent authorities. On 09/04/2017, the Court issued

an order to the management of Centre Hotel to attach Sheikh Khalifa's share 1% of the Hotel for settlement of PIAIL's

arbitration amount

On 27 February 2017, the Company's representatives had a meeting with Sheikh Hatita's representatives
whereat

Sheikh Hatita's representatives offered the following proposal to settle the principal amount of AED
23.541 million if

(the interest amount: approximately AED 8 million to be waived by FIAIL:

AED: 20 million (US\$ 5.45 million) to be paid upfront as @ full and final settlement) or

AED 18 million (US\$ 4.91 million) to be paid upfront, and the balance amount of AED 5.541 million US\$
1.46 million

to be settled in equal annual installments over a period of 5-4 years via FIAIL Cheques,

PIA's management is presently considering and evaluating these options,

The management is confident that the amount of AED 23,342 million along with interest at a rate of
4% from the

issuance of the aforementioned judgement will eventually be received by FIAIL. Accordingly, the
management)

PIA continues to recognise the subject amount of AED 27.747 million (i.e. US\$ 7.564 million). The GML
itally

recognised based on PIA's share of net assets as at 2) April 2017, as an asset. In the enclosed
Statement of Financial Position (Balance Sheet)

statements as it believes that the eventual result against the arbitration award will not be materially
different than

the amount recognised as asset

2017 S00

in LONG-TERM LOANS AND ADVANCES Note - schedule (Rupees in DOD) -----=

Secured, considered good

Employees WI | 2,7

Current maturity shown earlier

short-term loans and advances 14 a (2, —2sae

10.1 This represents loans given by SRL to its employees which are secured against gratuity fund balances of respective

employees, The loans carry interest at the rate of 8% to 10.20% (2014: 8% to 2059) and are receivable within

four years from the date of disbursement, There are no loans to directors, Officers or executives

4, . .

Page 217 (A <5!)

--- Page 155 ---

mE

W.

Wd

11.2

2017 2016

(Restated)

LONG-TERM DEPOSITS AND PREPAYMENTS Note = -=- (Rupees in '000) -----

Deposits

Considered good

Aircraft fleet lease deposits 5,052,938

Maintenance reserve Wi 1,559,638

Engine maintenance 141,902

Other lease and utilities 84,503

Deposit to service providers 73,497

Guarantee deposit 55,204

Others 2,095,161

9,064,843

Considered doubtful at 8,051

Less! provision against doubtful deposits 11.2 (318,057)

~ 9,064,843

Prepayments

Rental commission 23,035

Prepayment in respect of lease 113 70,304

Premium on acquisition of leased land 4 50,778

Less: amortisation to date (27,082)

23,696

» oan

Exposure fee to support financing 1S V4; 75° 363,640

(| 480,875

Cudent portion shown under shortern prepayments 15.3 (227,427)

253,445

9,318,291

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.

2017 2016

Movement in provision is as follows: Note 25 (Rupees in '000) -----

Balance at beginning of the year 378/057) 189.461

Provision for the year 35 =a" ! 128,590

Balance at end of the year _ 318,051) 318,05)

SLY TT 200 cc: 2017 ES a

--- Page 156 ---

2017 enr 

1.5) Movement in prepayment in respect of lease is as follows: Note ---r---= (Rupees in 000) ---»

Balance of beginning of the year 70,500 70,500

Amortization for the year 34,000 ; 34,000

franchise adjustment | 1,000

Balance at end of the year 36,500 36,500

V3.1 Up to December 47/2012, PAIL was claiming on cogeonte OMOUAN GF LISS \$43,980) from Faklerr Crleket ihrer FRC AY

Commonwealth Board of Control for Cricket in Pakistan (BCCP), on account of various Payments made Gulng yi colencial

Years from 1980 to 19785 In fact, agreement dated October 07. (1980 and Fromussory'Nale deed   04

1980, signed between PAIL and POR According to the agreement, PCR agreed to 10 xay IAI al surmsincuaing

AURIANGING PIINGSa! AMOUNT Glory with the hereon, In order to settle Pail'* gloresaict claim, PCS inmllyexccutec

a@sublease for transfer of Land of 4 acres (separate plot) in the name of | holding Carnpony Gr Sptemtue! 13, Pay

and here! PCS and PAIL entered into a Joint Venture Agreement dated October 11, 2007, whereby, PCB altered FAN

Common piece of land as an attached to the Saliannen! Plot measured   Acres (Le Aneniale alr), was agreed

that after the date of signing of the JV. Agreement 2007, PCB and PAIL source a limited Haury company wit

Ownership of 42.5% and 47.5% 1 be the PAIL and PCE respectively

Accordingly, GullnG IMs Year 2003, a separate company was formed Willi (the name of Avent Hotels [Private] Limited

(Avant), which is owned by PAIL Gnd PCB in the atarssald agreed rate, As pening J" Agere 20117, the rights or

me shoreholders' in Avant shall be outlined in the shatenaidden! agreement to be executed between ROR and) FAIL,

which has not been executed to date On February 14, 2013, representatives of FCS and Avon) sign the sublease

Agreement before the registrar for first: Gt. a plot measuring 53 acres Avon) in consequence of sublease or

In the aforementioned land in favour of Avon), the technical form PGE was Serenogmed on a consensually

On 1st February 1991 @U was MacCanisia by a long-term prepayment against Avant's right to use the land to 4é veins

commencing from February 14, 2014, in accordance with INE Sub lease agent, Jndn the akpiy: a ternliar

of the said sublease agreement, Avant shall peacefully handover the plot to PORNelucing al) me devlopment and

ann. studying, According to the terms of the joint venture agreement, the granted over its use of ionciwee

considered settlement of all outstanding dues of PAIL to PCS,

The process of carrying out an independent exercise to ascertain the value of the subject 70 Use he eared

remains 10 b= commiseration, Bonaerica the fall vote to be determined, Avant will evaluate the recognition of handsary

In accordance with its accounting framework, Pending results at the Sale fair Value exercise and Avant's valuation

Gt IE Opposite Gocountina policy the financial effect of (the tax to see the lara' does not) [reer rear of Heve's

financial statements

PAA'L believes that the fair value of the aforesaid right to Use the lone Would Ge sufficient to save in a principal

Good interest Neteh, now, pending results of the said exercise, 08 of a tier of prudence, the amount of

recognition of long term prepayment has been restricted to extent of outstanding principal amount of
USD 0.715

million Only, The amount of prepayment has been classified under non-current asset in those
consolidated financials

statements which is borne in mind over the 10 years. Appropriate accounting adjustments
acquired,

anal) be Made Upon determination of the fair Value of the subject intended to Use the bond as set Out above
4) Pimse

consolidated financial statements,

1)4 (his represents lease rentals payable by SRL 14 Civil Aviation Authority Pakistan (DAS) for Giequincir
of the right to use

Bond of fund on behalf) bulletin which amounted over a period of 50 years on a straight line basis

Initial recognition was effective on June 3, 1981 for a period of 20 years which expires On June 02)
2607

Lease arrangement for further 38 years has been finalised with the GAA in their meeting held
on January

07 2008, Moreover, the sum of agreement has not yet been finalised due to disagreement between
the parties

over the completion of certain legal formalities. SRL is currently pursuing the subject matter with relevant
government

quotes:and is confident that "showing resolution of the dispute, The lease arrangement will be at salaries

Amortisation charge for the year has been allocated as under;

- 2017 wale

Note ~----- [Rupees in '000] -----

Cost of services - others at rates

ESSAY course 2017 As <5!

--- Page 157 ---

2017 2016

Ws Movement in Exposure fee to support financing Note = ----- (Rupees in '000) -----

Balance at beginning of the year j 363,840 501,177

Additions during the year 59,829 116,694

Light A Be)

Amortised during the year 37 | (248;894)) (254,031)

Balance ct end of the year 174775, 343,840

11.5.1 This represents consideration paid to various finance providers for the purpose of guarantees issued in favour of ine

Holding Company, which is being armnorised over the finance lease Term,

2017 2016

(Restated)

12. STORES AND SPARES Note -r-r-- (Rupees in '000) -----

Stores. 717,274

Spare parts 6,762,352

Inventory held for disposal - adjusted to net realisable value 252,889

7,732,485

Provision for slow moving and obsolete spares 12.1 (5.1.35, 789)

_ 2,896,698

2017 2014

12.1 Movement in provision is as follows: Note ~----- (Rupees in '000) -----

Balance at the beginning of the year | 5,135,789, 4,448,636

Provision for the year 35 | 196,006: 687.153

Balance at the end of the year 5,331,795. 5,)35,789 |

12.2 The Company has no practice of conducting physical verification of items of capital stores and stores on spares on

a cycle basis covering the stores at various locations in a manner to cover all stores over a maximum period of three

years. Due to non availability of adequate human resources and other operational problems, the aforementioned

exercise of physical verification could not be completed. However all the transactions for receipt and Issuance of

inventories were executed through Oracle EBS (ERP) system implemented this year,

The management of the Holding Company is, at present, in the process of devising a plan to undertake the physical

verification of capital stores on stores and spares covering all stores on a cyclic basis,

2017 2016

(Restated)

13. TRADE DEBTS Note ----- (Rupees in '000) -----

Considered good (ey 9)03,911

Considered doubtful 2,395,054

Less; provision for doubtful debts 13.2 (2,395,064)

9,408,911

a SSN I 2%. ccr0%1 2017

--- Page 158 ---

13.1

13.2

13.3

14.1

The ageing analysis of these trade debts are as follows;

Within curent year

| year od

2 years old

Over 3 years old

Movement in provision is as follows:

Balance at beginning of the year

Write eff during the year

Provision for the year

Translation adjustment

Reversal of provision

Balance at end of the year

2017 2016

Trade debts impaired Trade debts Impaired

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

9,305,488 214,284

318,823 302,704

161,582 153,756

2,013,072 1,724,311

11,798,965 2,395,054

2017 2016

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

2,395,054 1,902,112

(2,193) (51,478)

35,300,000 5a, AbA

lis (20)

(a (44)

2,696,500 2,895,054

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 credits is not determinable.

SHORT-TERM LOANS AND ADVANCES

Considered good

Loans - unsecured

Current maturity of long-term loans - employees

Others

Employees

Fuel suppliers

Other suppliers

Others

Considered doubtful

Employees

Other Suppliers

Provision for doubtful advances

2017 2016

(Restated)

entity (Rupees in '000) -----+

2,027

86,894

77,899

1,985,842

4,060

2,154,695

| 102,890

809,268

912,158

(912,158)

2,156,722

14.2

ESHER)

This includes advance of Rs, 816.246 million in respect of inflight entertainment system to be installed In Boeing 777

amar Annu. °or 2017 |r <5 21S 7A

--- Page 159 ---

2017 2016

14.2. Movement in provision is as follows: Note: se-<-- (Rupees in '000) -----

Balance at beginning of the year 662,507

Provision for the year 35 249,651

Balance of end of the year 912,158

2017 2016

(Restated)

i. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS Note = -++-++ (Rupees in '000) -----

Trade deposits

Considered good ~ 3,809,582 3,857,055

Considered doubtful 46,462

Less: provision against doubtful deposits 15.1 {46,462} |

3,557,065

Restricted Cash 15.2 -

Prepayments 15.3 959,529

4,516,584

15.1 Movement in provision is as follows:

Balanée at beginning of the year 58.694

Reversat of provision 35 (12,232)

Balance at end. of ine year 45,462

15.2 This represents restricted cash balances {escrow accounts} consists of replacement and other reserves required by

agreement with RHC's lenders which are held in separate bank accounts.

15,3. Prepayments

Curent portion of long-term prepayments 227,427

Real estate taxes A50,628

Commission 72.981

Rental on leased aircrat 54,949

Insurance 89,509

Rent. 12,066

Others 111,969

959,629

mee <7 STAN (uN 2: 0:0 2017

2017 2016

(Restate)

16. OTHER RECEIVABLES Note === (Rupees in '000) -----

Considered good

Clirns receivable esa) =i, 540,938

Excise duty 30.1 (a) "100,000; 700,000

Sales tax receivable 16.1 "4,984.89. y 4,878,535

Rental income 16,2 190 534 173,214

Receivables from GoP 163 720,817) 594,272

Others 16.4 '1,728,975. —_A53.618

7)704,, 8882.57

_ | 4

Considered doubtful 272;909 | | 216,754

Less: provision for doubtful oier receivables 16.5 (272,909), (216,758)

- _ ' -

17,704,303) _ 6.682.877,

16.1 This includes sales tax refundable aggregating Rs. 4,745,637 million (20) 4; (2s. 4,745,637 million) representing Unadjusted

portion of input tax under Sales Tax Act 1990 (the Act). The Holding Company has filed application for refunds of input

sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has inter alia stated

that as the Holding Company is engaged in both domestic and international air travel, therefore, input tax paid

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 [rule 40.1 (e)].

The Holding Company in consultation with its tax advisor believes that apportionment rule is not applicable in this

subject-case. Inter alia, 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 576(1) of 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.

As the import stage shall be eventually recovered / adjusted.

16.2 RHC's commercial leases provide for scheduled rent increases and fixed rent periods. The rental income receivable

represents pro-rata future receipts. RHC, as lessor under the various net leases at the Hore, will receive rental income

over the next five years, and thereafter as follows:

Not later than 1 year 479,077) 494,769

later than) year but not later than 5 years 1,652,609, 1,842,554

Later than 5 years 971,387, 1,119,665

*3,103,073) 5,454,988

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

16.4 This includes receivable from lessor amounting to Rs. 1,082.07 million (2014: Rs. 1,692,043) in respect of overhauling

Incurred by the Company on aircrafts under operating lease as per lease agreement, This also includes balance of

Rs. 17.582 million receivable from parties against which cheques have been received but not encashed at the year

end and subsequent:

2017 2018

16.5 Movement in provision is as follows: Note 16 (Rupees in '000) ---*

Balance at beginning of the year | 216,258) 194,336

Provision for the Year 35,561) 22,422

Balance at end of the year 272,909. 216,286

me S Sar ooue. err 2017 |) E5258 "AS

--- Page 161 ---

2017 20a

17. SHORT-TERM INVESTMENT Note = +*--+ (Rupees in '000) -----

At fair value through profit or loss

Bred Institution Nil (2016; 36) Ordinary shares =e 5,741

Available for sale - unquoted |

SHA Inc, NW, 328,491 (2016; 325,491) Ww

Ordinary shares 17.1 19,220 19,220

19,220, 24.981

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

specified conditions.

2017 2016

[Residual]

18. CASH AND BANK BALANCES Note ---+--- (Rupees in '000) -----

in hand 29,081

In transit 1s.al7

44,468

With banks:

- In current accounts 18.1, 18.2 & 18.4 | 3,363,395

- in deposit accounts 18.3, 18.5 & 18.6 | 4,767,579

8,130,974

"9.716.786. 8,175,442

T&T This has been adjusted by an aggregate amount of Rs, 1,389.668 million (2014: Rs, 1,402.586 million), representing book overdrafts.

18.2 = These include restricted balances amounting to Rs, 432.4 million (2014: Rs. 448.685 million)

18.3 This includes a balance of BDT 407,496 million (Rs. 823.209 million) held at National Bank of Pakistan, Dhaka and Hanoi

Bank Limited, Dhaka. The management of the Corporation is currently facing challenges in remittance of such balance

to Pakistan due to 7a compliance / procedural matters. However, the Molding Company holds clean and disallowed

of subject bank account, being free to make payments / transfers within Bangladesh territory.

18.4 This includes book overdrafts balance of Rs, 165.1376 million reflecting the balances held in banks at Gwadar, Panjgur

and Turbat, Bank reconciliation statements of balances held at banks on these stations have not been prepared either

due to subsequent closure of the station or inability to retrieve records due to political and other inherent limitations.

However, the net exposure (i.e., the difference between the bank balance and ledger balance) of balances held with

these banks is not material in the overall context of these consolidated financial statements,

18.5 These carry interest ranging from 0, 1% to 7.5% (2014: 0.1% to 7.5%) per annum for Holding Company balances and

0.08% to 1.10 % (2014: 0.04% To 0.5%) for PIAL balances,

18.6 = 'This has been adjusted by an aggregate amount of Rs. 38,738 million (2016: Rs, 39,617 milllan),
tepiesenting Sook

overdiatis.

ee SLY NN 20. cc%0 2017 SS a

19. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2017 2016 2017 2016

(Number of shares) -+----~ (Rupees in '000) -----

Authorised capital

Ordinary share capital

\$,349,250,000 A' class'shares of Rs, 10 each 53,492,506

1,500,000 "B' class shares of Rs. \$ eact 7,900

\$,356,780,000 63,500,000

Preference share capital

50,000,060 Preference shares of Rs. 10-each 500,000

_5,400,750,000 p 54,000,000

Issued, subscribed and paid-up share capital

Ordinary share capital

'A class shares of Rs, 10 each

4,998;895,608 |ssued for consideration in cash 49,988,955

Issued for consideration other than cash - tor

931,028 acquisition of shares t 9210

233,934,482 |ssued as bonus shares.) 2.339, 345

5,233,761,118 52,337,410

'B class shares of 8s. 5 each

1,003,374 | Issued for considerction in castr

Issued for consideration other than cash

2,628) for acquisition of shares 13 13

494,000! issued as bonus stares 470 akg

1,499,999 ris 7.500

5,235,261,117 52,345,110

19.1 At December 31, 2017, GoP held 4,791,782,087 'A' class ordinary shares and 1,462,515 2 class ordinary shares (2014:

4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares] representing 92% and 98% holding:

2017 2016

20. RESERVES Note --- (Rupees in '000) -----

Capital reserves

Reserve for replacement of fixed assets 20.1 1.966.779

Capital redemption reserve for 250,000

Others 284,269

2,501,038

Revenue reserve 1,779,674

2 4,280,712

Unrealised gain on remeasurement of investment 151.876

Foreign exchange translation reserve (142,918)

Legal reserve 20.2 38,723

44,380.

4,325,092,

Ne

--- Page 163 ---

20.1 Up to 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 RSs and the

depreciation and excess proceeds over cost of relevant assets are recorded in the consolidated profit and loss

account.

2017 2016

20.2 Legal reserve Note 10 (Rupees in 000) -----

Balance at beginning of the year 19

Translation adjustment 1,335,

39,454

Non - containing interest (B73th

Balance at end of the year 35,723

20.2.1 This balance comprises of legal reserve of MFSA and Minha France \$:0.4,

ah SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET

Balance at beginning of the year 47,823,458

Surplus arising on property, plant and equipment

during the year 31,974,851

Deficit transferred to consolidated profit and loss on

account of liability retired / written off during the year 6.1.3 971.386

80,769.695

Less: transferred To accumulated losses:

+ Surplus on revaluation of property, plant and equipment?

realised during the year on account of incremental
depreciation charged thereon - net of tax (7217, 108}.

~Surplus on revaluation of property, plant and equipment
released during the year on account of aircraft retired /
written off - net of tax (938,411)

- Related deferred tax ____ (811,032);
(2,470,051)

Translation and other adjustments: (6,935)

21 78,292,209

Less: related deferred tax liability on: po

+ Revaluation as at beginning of the year 14,873,991

« (Deficit) / surplus arising on property, plant and equipment
during the year 13,680,263 |

J

as {

- Deficit transferred to consolidated profit and loss on aircraft
written off / written off 297,416

- Incremental depreciation charged during the year
on related assets transferred to Consolidated profit and loss (408,856)

- Surplus released during the year on account of aircraft
written off / written off (402,176)

- Change of tax rate

- Translation and other adjustments

Balance at end of the year

a SES LY 28. 27002017 es a

--- Page 164 ---

211 This represents the Group's share in gross surplus on revaluation of property, plant and equipment of PIAL She shorn

of Non-controlling Interest is Rs, 2,122,977 million (2016° Rs. 1,636,095 million),

22. LONG-TERM FINANCING

Financier Note Type of Facility Repayment Number of 2017 2016

facility amount period in million

(million) Mode © +++ (Rupees in 1000) ----»

Secured

Holding Company

Aska Bank Limited 22.2 Term finance «=—OON PKR BAIT. 2m19 demonthly — 200,900 3.0ca.000

Alboraka Sonk (Pakistan) Limited 22.2 & 22.11 Islamic term finance 4.500 #42 2018-202) sé monthly 000) 4.5110),000

Sankisorre Pastor United 223 «—Islamic term finance \$1,800 PKR 2079-2021 Ss queretiv 1,920,000

The Bank of Punjab 22.2 Term finance S000 KR GO 208) 40 monthly 4.502.538

The Bank of Punjab 22.2 Term finance 5,000 4h 2016-2021 4a monthly 4,260,000

The Bank of Punjab- 22:2'&22.12 Islamic term finance BLOQU PKR QU) 20s 84 month 18,239,524

Faysal Bank Limited 22.2 Term (Islamic term finance ZOCOR QOIS-2015 22 quarterly 1,000,000

Faysal Bank Limited: 22:2 Islamic term finance LOA PKR POM 2019 V2 quarterly 1,400,090

Faysal Bank Limited 222 Islamic term finance 1.000 PKR 2017-2059 TZ quarterly 1.000.000

Faysal Bank Limited 222 Islamic term finance =. OOPKY -20)"-2N20 M4 quarterly | my 000,000

National Bank of Pakistan 22.4 Islamic term finance SDOOPKR BWIA ZOYI I monthly 3,000,090

atone Bank of Pakistan 222 Islamic term finance BITS PKR -A018- 2020 °2 quarterly 2.198.000

Nafherre Boris of Rosset 222 Islamic term finance ZELSPAR WIs- WHA] 72 quarterly 2,825,000

United Bank Limited 222 Term finance «= SOOUPKR 2015-20720 84 monthly 3,008,704

United Bank Limited 22.2 Term finance VSOGFKR 3016-2021 SA monthly | 105,558

Natoncr Bonk of Moxstan -Eohicn 22.2%22.5 Sydicctstnancs (2018D 2073-2002 adquarnety | 7 |
er7.9ue

Abu Dhaky Korie Bary 22.6 «= slamistemiinence «7 7LS0 20d 2007 Anal yoony 4,858,240

Cribank NAL 227 Demandfinanse = B2UGD. ADA - 2057 2D hall yemniy 924,801

Cilivank NA. 22.8 fam france SA2U80 2075-2098 Fquarteny T.259,514

Citinank Masanecs 22.9 Terr inance (20180 2016-2078 32 monthly B650.509"

Stondard Cnantersd Bank (Poestan) Uimited = 22.90 SyidicateManse 13ASUSD BIM= 2017 3s monthly
L5G.B95

Slondard Chartered Sank (Po<szan| Limited =—- 22.10 Syadicate hones = IS LSD DIF APF] BF Mmonihy

Unite Bank urritet 22,13 Symilodletinanee = TAN USD' BOT - 2019 "IS monihy 12.851, 1d7

JS BUNK 22282212 lem fnarce (SOOO DK -RO1F 2023 64 Monthly

Farysal Bank Limited 222 fern Mance ADODPKR 2019-2022 34 moniny

Bonet Dank Limile 22282212 femlinance BDOOPKR = 2079-2022 aémoanthy

Bearik of Purijests 22.2 jem france SSN PKR 20)! eRe 60 monty

Al Baik Beink Pakistan 22282214 Tem france PSDIPKR 2020+ 2022 36 ponte

Askall Bonk Werle 22.2 lemrtnarce SON PK 4020-2087 ad monthly

PIAIL

Hog foie menanc 22,16 & 22.17 Loan 28,87 Eun 2004-9077 Veanteskies 149,77%

_? Moigort Chase 22.17 Loan igus 2011 2086 Vatohe 14.509, 28

Wets Forge Bemis, NA 22.17 Loan 14s 2011-2078 Valais

Unsecured - Holding Company

Longdenm lean - Gor 22.18 Term feance BOOOPKR =«207) = 2020 1é hatyeaily 8,000,000

Curent metuity shown inder cument tabiihes

--- Page 165 ---

221 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of

TD% (2016: 10%), whereas variable rate borrowings in PKR carry Markup ranging from 1.45% over 1 month

KIBOR to 2% over 1 month KIBOR (201 & spread of 0.5% Over 1 month KIBOR to 2% over 1 month KIBOR }, Borrowings

In US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowings carry Markup at the rate of 5.28% (2014)

5.25% whereas variable rate borrowings carry markup ranging from 0.70% over 4 month LIBOR to 4% over

1 month LIBOR (2016; 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR)

222 The finance is secured by way of unconditional loan agreement with the bank for an amount equivalent to the

facility amount,

23 = The finance is secured by way of lien over Musnaraka) Asset amounting to Rs. 1,500 million and unconditional and

unconditional GAP facilities for the facility amount.

224 = The finance was secured by Letter of Comfort from the GoP tanking of the fixed asset of the company

Company amounting to Rs. 4,000 million inclusive of 25% margin and interest and specific plan to set all over all

facilities in connection with the Holding Company's sales routed through collection agent NEP Alport Bahich,

However, the Letter of Comfort has been replaced by (GoP guarantee, the loan is now being provided to the

company released by NBR Furthermore, principal amounting to Rs. 144.467 million due as at December 31, 2017

Keer paid by the company during the extended period on January 9, 2018

225 = The following are the principal banks in this syndicated finance facility:

National Bank of Pakistan (NBP) - BoB Saing onc

- Habib Bank Limited (MBL)

224 The tranche is secured against ICIEC/ GoP guarantee for loans outstanding at any given point in time

227 The tranche is secured by way of

- Mortgage over each of the three ATR aircraft and two spare engines pledged, did

- Eulex Credit Agencies / GSP Guernsey,

22.8 = The finance is secured by the EXIM Bank / GoP guarantee for (the outstanding of any given point in time),

22.9 The finance is secured by way of assignment of the Sifshore bank account maintained with CI Mashed,

22.10 The Syndicate finance has been obtained from the syndicate of International banks and the lead arrangers are

Standard Chartered Bank - United Kingdom

+ Mashreq Bank - United Arab Emirates

The tranche is secured by first priority over the Collection account and facility service fees @caunh and legally

enterance assignments of tickets sales collection for the WK sectors! through IATA with appropriate acknowledgment of its.

22.1) The tranche is secured by way of

» The 6% share hypothecation over five engines with 10% margin. and

in the assignment of the Holding Company 7a Bank of Punjab for the period of 10 ABPL or

on a daily basis,

22,12 me finance Is secured by way of lien over MATA 10Ufeo Sales of the Comoany, tiesivable or assignmnenr

22,13 The Syn@cate Snonce Nas been obtained fom o syndicate of |hlematicna) fank: and the Isacd arangers are

- lines Sork Linnlied (UBL)! ane

+ Credit Sulsse AG. Singapore. Branch

The thange Is secured by way af

ist priority secuilly over the raster collection decourt, (aelilly Service cocoury

legally enforceable assionment of the ticket soles collection fer the select BSP agreement sector thraugh IAjA) willy

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- \revocable and uAconditional insructan to IAIA arid SS4 ir the Kingcorioi Scud) Arabia to pay all process trom

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nacelved tothe master collection aécaount intone facility service acmaunt alsa maintained with the Goceuh! matt ik.

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2214 The nancs Is secured by way of hypothecation of Boeing 777-400) 8R mins',

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(124-75 millon ond. USS 54.eilich respectively, cagregating to US 4 131.4 millon We proceads a! Mose
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Te ket) has @ rigturity date of May 09, 2078, This locrts secwied by arena ofner {hings, GHEs oapeny and
eyulprrent and requires payments of Interest only ot lthe annuahrelé of LIBGR plus 240% (3.45% and
@.73% a

December 3), 2617 and 94, respectively) The loan agleareant contains cavenents Sat RHC raust adhe ts
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the Vorlabla rate preting of he debra; a soteof 4.00% pe onnum) lhe cest of (he lnerest ale cada wes \$61,000,

NHC copsiders the ae of nan-parlomance oN these agleements Fa bevamots Moniaciteriment has determined he

ces] Of Hése Rervotves or Yecernber 37 2017 ond 2016 apaisimate me) fall veal

In Mebrieny 2018, RHC executed a fern sheet wilh G Lendet [ora loan in he @MoUN of \$75 mullimn, ite eriiginetscl

than Me toan Will Consist Ht or, \$65 miler MME URGING {"Iniia) Funding") Gia evallovle tLe eayarges of upto \$20

Million, THE priicemes af tne inital Funding wil be Usec to partallyrepay the 31.0 milion toor payable mosuing Ir

May 2018 the repayment'ol the remaming \$55 mnillonof thetoon osivyadis wil' Be tunded ny RUC 'S crash In berks

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2218 The Holding Company as dt Bald any installment since Gue Gate al Insialinvant, 1.8; Ooroine 23,
211, (he ever

dun piinaivar anc markup cue as ai Pegumber 3], 2017 is Rs, 6,062.30 reiiitan (20) fr Ra: 802.50 enillary]
cind Ps.

6,700 prillion (2016; Rs. 6.900 prillion), manectively The over cue-piincipal amen! im iaciuced iy Curent
Mackin!

maar awa. re°or 2017 |) <5!

23., TERM FINANCE AND SUKUK CERTIFICATES

Note Security Repayment Number of Mark-up 2017 216
period Installments (%)

Tern finance 23.1 For 2014-2020 16@Quarterly A month
certificates (TFC) Guarantee KIBOR
+ 1.25%

Sukuk certificates 23.2 Gap October Bullet 6 month
Guarantee 20, 2019 KIBOR
+1.75%
Less; current maturity

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, within 2 years

grace period on the terms and conditions to be approved by Ministry of Finance (the Ministry), On December 2012

2014, the Ministry approved the terms and conditions of new TrCs, amounting Rs. 32,870 million, including the

conversion of short term loan of Rs. 20,020 million on the terms, applicable from February 20, 2014. The amounting

to Rs. 2,054 million due on November 20, 2017 and interest amounting to Rs 466.03 million due on August 19, 2017

and Rs. 383.187 million due on November 19, 2017 have been sold by the Merging Company during the exercise

period on January 05, 2018,

23.2 The Holding Company had issued GoP quaroneed privafely placed Sukuk Certificates in financial year anced

Deésernber 31, 2069, The principal ameunt was paycble offer grace pened of two years In six halt yeary instaiments,

however, the Holding Cornpany had not made any principal payments That were due until December 30, 2013, The

Suauk Investors were requested to re-profile the principal repayment schedule along with other terns of Sukuk Cetificates,

with the assistance of the Ministry: On December 30, 2013, the Sukuk agreement with Sukuk Investors was rescheduled

by witue of which ine Helcing Company was required to pay tne entire plincindl on October 20, 2074. However, on

December 24, 2014, fhe Sukuk Investots agreed ta Turner extend the tenn of Sukuk Cerificotes fora period of luriher

Ive yeors staring from October 20, 2014 and the Holding Company will be requiled To pay the entire principal an

October 20.2019, The markup rete and. securlty will remain unchanged. The Ministry has approved the restructuring

and new agreement hos been slagnee on June 30, 2016, Accerdinaly, the sarne has been classified as nen-current

Wataitity,

2017 2016

24, —_ LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE Nole ----- (Rupees in '000) -----

Present value of minimum lease payments

B-777-200 LR 24.2 2,84), 122

B-777-300 ER 24.3 10,375,265

Technical grourid equipments 24.4 202,230

—)SA18.617

Less: curent maturity (7,604,768)

5,811,849

a SSN 000 er 2017 xo

--- Page 168 ---

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

2017 2076.

Minimum Finance Present Minimums Anarice Present value

lease cost value less cost of minimum

— payments of minimum = payments lease

lease payments

payments

anpaeeaceneenseasenssscaenesnens (RUPEES in 000) ==+----- aaenn ane aeeneen panrenee

Not later than one year 8,102,587 496,813 7,606,768

Later than one year but

not later than five years 6,026,335 216,486 5,811,849

14,130,916 712.299 13,418,617

24.1.1 The above schedule is made as per the rate implicit in the lease and the payment is made as per the rates mentioned

In the notes 24.2, 24.3 and 24.4. The resulting difference between both in the current years Rs. 106,85) million (2014

Rs. 516,722 million — =

24.2 During the year 2006, the Holding Company arranged an Exim Bank guaranteed financing of US\$ 2466 million

to acquire two Boeing B-777-200 LR aircraft and one propulsor from Taxila - 2 Limited, @ special purpose entity

In Guyana, the guaranteed lender is Citibank N.A. The lease term of propulsor has expired during the year

2014, The salient features of the lease are as follows:

____ 2017 ____ 30N6. -

Discount rate - alternative and propulsor "Three in Three months

__ UBOR - 0.0: LIBOR - 0.02%

Lease period - aircraft . pre = 144 months

Lease period - propulsor onetime 94 months

Security deposits [Rupees in '000] -84¢ 176 802,750

24.3 During the year 2006, the Holding Company arranged an Exim Bank guaranteed financing of US\$ 472 million to

acquire three Boeing 777-300 ER aircraft and one engine from White Crescent Limited, 4 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 - alternative 5.25%

Discount rate - White Crescent and spare engine Three months

UBOR - 0.04%

Lease period - aircraft 144 months

Lease period - spare engine 60 months

Security deposits (Rupees in '000) 1613,318

24.4 During the year ended Deceme: 3}. 2014, lhéHolding Company aranged a letter of credit (LC) limit of Rs. 200 million

forinhe purpose of acausition of technical ground equisment-On the manunty of LC. the amount of LC is converted

inta finance lecse,. having a limit of Rs. 500 million with lease period. of 48 months, The lease ancngement is secured

by Go? guarontes (cary markup ot the sale of 2% spiead over ene month AIBOR), The Halding Company has utilised

Ine LC balance of Rs, 260.557 million and converled it into finance lease,

24.5 The Holding Company has an option to acquire the ownershig of ine Gircratt and engines miantioned In nates 242

to 24.4, at the end of lease tem.

ply

wows rer 27 | <!\S!S7\% mm

2017 2016

25. DEFERRED TAXATION Note -----+ (Rupees in '000) -----

Roosevelt Hotel Corporation N.V. 25.1 25,484,575

Minhal France 5.4, 25.2 8,028,252

The Holding Company 25.3 i .

BS) 33,512,827

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

25.1 Roosevelt Hotel Corporation N.V.

Deferred tax credit:

Revaluation of hotel property 456,248

Excess of tax over book depreciation 26,422,233

25,876,481

Deferred tax debits:

Allowance for doubtful debts | (637)

Accrued vacation. | (153,051)

Net Operating Losses | (negative)

(393,904)

Net deferred tax liability 25,484,575

25.1.1 On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Act"). The

Act reduces the U.S. federal tax rate from a maximum of 36% to a flat rate of 21%, effective January 1, 2018) and

on a prospective basis, starting with the year ending December 31, 2015, changes the computation of RHC's U.S.

federal income tax, including the introduction of new components of income tax which may apply to RHC. As of

December 31, 2017, RHC has recognized provisional tax impacts based on reasonable estimates; the ultimate tax

impact may differ from these provision amounts; possibly materially, due to, among other things, additional prospects

basis, starting with the year ending December 31, 2015, changes the computation of RHC's U.S. federal income tax,

including the introduction of new components of income tax which may apply to RHC.

As of December 31, 2017, RHC has recognized provisional tax impacts based on reasonable estimates. The ultimate

tax impact may differ from these provision amounts, possibly materially, due to, among other things, additional analysis,

changes in interpretation and assumptions may be incorporated in the remeasurement of deferred taxes from a tax

rate of 35% to 21%.

The reduction in the U.S. federal tax rate from 35% to 21% has resulted in a tax expense of \$202,045 that is recognized

In the statement of profit or loss for the year ended December 31, 2017, the reduction in the U.S. federal tax rate

35% to 21% has also resulted in a tax benefit of \$64 million for the year ended December 31, 2017 that has been

recognized directly in other comprehensive income,

25.22 Minhal France S.A.

Deferred tax credits:

Excess of book value over tax depreciation 1,908,662

Revaluation of hotel property 6:122.278

Provision for major repairs 18.600

8,049,540

Deferred tax debit:

Employees pension plan ____ (21.288)

Net deferred tax liability _ 8.028.252, 028.252

es SS 2. cer o17 CS a

--- Page 170 ---

2017 201%

25.3 Holding Company ----- (Rupees in '000) -----

Deferred tax credits:

Accelerated tax depreciation 15,049,336

Surplus on revaluation of property, plant and equipment (900,452)

14,148,884

Deferred tax debits: 955), | (4,494,206)

Unused tax losses. F | | (9,654,638) |

Provisions for liabilities and to write down other assets i

(14,148,884)

253.1 in accordance with the accounting policy of the Holding Company [note 4.10], deferred tax asset of Rs, 90,414.33

million [2016: (Restated) Rs, 83,489.204 million] has not been recognised in these consolidated financial statements

due to uncertainty in availability of sufficient future taxable profits,

25.4 Movement in temporary differences during the year

Balance of Deferred Tax Recognised in Statement of Financial Position Recognised Balance as

Ot Jaren ene otha uy nt Dacersibey b and other in

1201> = consold = Gcuatmentt oonotdotet 31 2016 = consolidated adjustments consolidated
December

Hot equity. 34,2017

ond loss (Node 28.41) 'ond loss

Note 2501)

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759 (46,172)

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(\$5.716,948) 1.489,508 72 (A6,172] (14,286,491)

20,460,207 (877,947) (64,908) = 14.004.815 33h} 2027 7

25.4.1 This includes effect of change in tax rate from 30% 10-29% amounting to Rs. 30.015 million In respect of the Holding

Company and from 35% to 21% amounting to Rs, 6,995. | 82 million in respect of RHC

Say 201217 A <5! '2

--- Page 171 ---

26.

26.1

26.2

mame =

DEFERRED LIABILITIES

Post retirement medical benefits - Holding Company

Pansion obligation - Halding Company

Stoft retirernent benefits. - PIAIL

Unfunded staff retirement gratuity - SRL

Note

26.2

26.3

26,12

26.13

2017 2016

s+-+-(Rupees in '000) -----~

2 10,987,712

21,746,346 19,033,228

; 77.708) 63,863

99.926

b 30,124,728

General description of the type of defined benefit plans and accounting policy for remeasurements of the net Gefinect

benefit obligation / asset is disclosed in note 4.9 to these consolidated financial statements,

Posi retirement medical benefits - Hoiding Company

Liability recognised in the consolidated balance sheet

Present value of defined benefit obligation

Movement in liability during the year

Balance at beginning of the year

Expense recognised in consolidated profit and loss cecount

Total remeasurements recognises in other comprehensive Income

ayments made during the year

Balance at end of the year

Expense recognised in the consolidated profit and loss account

Current service cost

Interest cost

Total remeasurements recognised in other comprehensive income

Actuarial loss on liability arising on

+ financial assumptions

- demographic assumptions

~ experience adjustments

|

Interventions | bhi

2017 2016

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

19,927,712

10,252,096

|,272.987

153,908

(751,279)

~ 10,927,712

285,341

987,646

1,272,987

153,908

| 783908

ANNUAL REPORT 2017 ate

--- Page 172 ---

26.3

Pension obligation - Holding Company

The details of three different categories of pensions are as follows;

Unbilled (asset) recognised

Present Value of defined pension obligation

Financial assets

Management liability / (income)

during the year

Opening balance (Note)

Provision for contingencies in profit or loss

Total non-current assets

in other comprehensive income:

Employees' contributions

Closing balance (Note)

Movement in the defined

benefit obligation

Opigeron & beginning of the year

Current service cost

Post service cost

net expense

Benefits paid

Remediation

Duration of the plan

Movement in the liability

of plan assets

Fair value at beginning of the year

interest income

Employer Contributions:

Current period

Return on plan assets

Administrative expenses

Retiree death benefit

Expense recognised in

consolidated profit or loss

Current service cost

Fosteomies com

Net Nerast exsense / hear

Totol temeasuremenis recognised

PALPA FENA MAIN PENSION 'TOTAL

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858,259

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48,702,375

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Apa Fei 90 74

2:24)38? 25i8.000

{47,398} [hsm9.503) (1,782,549)

138.175] 1,377,033 Liars

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9036,.940 1), datoe

MBI (075,708

79.7BS Frau

1) SB9.t04) (126,549)

(7Ob.080) 108.222)

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1 413.136

1,484,509

___ 108.9981

1,877,535

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--- Page 173 ---

26.4 = Actuarial Valuations of pension funds, post retirement medical benefit scheme and compensated absences {note

27.2) were carried out at December 31, 2017, The valuations have been carried out using Projected Unit Credit method

and the following significant assumptions:

2017 2016

tier (Percentage) -----

Valuation discount rate 8.25% 8.00%

Salary increase rate 7.00%

Pension Indexation rate 1.60%

Medical inflation rate 2.00% 1.75%

Mortality table

Adjusted SLIC 2001-2005 with

one year age set back

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

2017 2016

(Number)

Pension scheme, as at 12/31/18

Active employees 12,993 14,191

Beneficiaries 15,104

Post retirement medical benefit scheme 22,178 15,104

26.6 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective

assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Increase / (decrease) in defined benefit obligation of

PALPA Fund FENA Fund Main Pension Fund

Change in Increase in Decrease in Increase in Decrease in Increase in Decrease in

assumption assumption assumption assumption assumption assumption assumption

Value added by the company (RUBLES IN '000) -----+-----= a= enone n—e .

Valuation discount rate = 1% (158,784) 184,457 (30,042) 34,220 (2,248,165) 2.662.216

Salary Increase rate 1% nochange nochange nochange nochange 1,033,536 (929,173)

Pension indexation rate 1% 176,901 (154,803) 38,854 (34,442) (13,223,418) (15.546,752)

Increase / (decrease) in defined benefit obligation of

Post retirement Compensated

medical benefits absences

Change in Increase in Decrease in Increase in Decrease in

assumption assumption assumption assumption assumption

erverepresnrscstsniser (RUpeeS In 000) -++++--0+--0-nn0s0ee.

Valuation discount rate 1% (991,985) 1,173,629 (407.111) 462,878

Salary increase tate 1% no change no ahange 456,975 (408,923)

Medicol Infistion rote 1% 1,100,723 (96),856) notapplicable not applicatie

in presenting the above sensitivity analysis, the oresent value of the defined benefit obligaton has been calculated _

using the projected unit cred! metiod at the end of the reparing period, which Is the some as that angled In

eoiculating the cefined benefit obligation liapilily fecognised in the consolidatec balance sneei.

a SSN I 215 22007 2017 ps at

26.7

26.8

26.9

26.10

26.1)

26.13

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 one 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.

The fair value of plan assets of pension funds includes investment in the Holding Company's shares, amounting to Ks.

2,28] million (2014: Rs. 4.646 million).

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

Years

Post retirement medical benefits 7

PALPA fund 7

FENA fund 7

Main Pension fund 7

Compensated absences 7

The expected pension and medical expense for the next one year from January 01, 2018 amounts to Rs 2,512.78

million and Rs. 1,044.4466 million, respectively. The expected amount of Pension fund is the amount which the Holding

Company has to contribute for the next one year.

The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative

expenses in the amount of Rs. 1,888,172 million (2016: Rs. 1,947.764 million), Rs. 979,053 million (2016: Rs. 1,009.95}

million) and Rs. 629.391 million (2014: Rs. 649.255 million) respectively,

This represents retirement benefits of PIAL, since the amount is not considered material to the consolidated financial

statements, therefore detailed disclosures have not been presented / recognised in consolidated profit and loss

amounting to Rs. 214.996 million (2015: Rs. 199.217 million),

The scheme provides for post employee benefits for all permanent employees of SRL who complete qualifying period

of five years of service with SRL and are entitled to one month's last drawn basic salary for each completed year of

service, since the amount is not considered material to these consolidated financial statements, therefore detailed

disclosures have not been presented. The expense recognised in consolidated profit and loss account amount to

Rs. 9.6 million (2017-18: Rs. 9.6 million)

Net

December 31], Decembersd!, January 01,

2017 2016 2016

snas (Restated)

27. TRADE AND OTHER PAYABLES Note -----~ (Rupees in '000) ~-----

Trade creditors

Goods Vyxess399 «= 7zr6os1 5.807.280

Services " | 9,180,782 5,866,947 4,332,592

Allport related charges (755,234 20,212,685 16,525,430

"3554715 43,345,663 96,465,261

Other liabilities

Aociuved llabilities 5527473) 1,699,981 6,088,564

Advance against transportation (unsamed revenue) 9, 319,30: 7,295,097 10,844,375

Obligation tor compensated absences -Halding Company 27,2 6,146,461 6,443,331 5,166,884

Unredeerned frequent fiver liabilities 27.3 623,527 755,829 744,008

Advance from customers be 852,817 687,112 1,007,858

Amount cue fo associated Undefaking 274 ~=- '161 653 222,496 189,096

Adyanaes and deposits 164,736 787,808 219,088

Eamest money 3,406 1,083 999

Payable 1 Holding Company's employees' provident fund = 27.5 Sas 823 10,202,468 10,470,476

Unclaimed dividend - preference shares 3,297 BAIS

Collection on behalf of others 276 | Beers and 28,944,630 24,608,025

Customs, federal excise duty and sales tax 42) -608 207 3,581,117 2,885,999

Federal excise duty - International Wreath Sarees 8,900,499 1B

Income tax deducted at source Roe 1,943,584 1,328,105

Sales tax payable 867. 4211 4,303

Bad tax and 694 682

Payable to EQAI / SESSI a 687 ass

Short-term deposits 612,883 889,715

others 618,989 420,329

f 40,719,420 121.480,924 = 109,315,077

27.1 This Includes an amount of Rs. 14,141.66? million payable to Pukisian Stole Oil Limited (PSO) which comprises of

principal balance of Rs, 12,763.020 million and late payment Interest balance of Rs, 3,358.648 million. There is a

dispute over the adjustment of payments made by the Holding Company, PSO adjusted the late payment interest

first and then the principal while the management considers that based on the interpretation of agreement with 730

all payments made should be adjusted first with principal and once the whole principal balance is paid off, the

remaining payments will be costed against late payment interest balance. The disagreed recorded amount in this

respect as of December 31, 2017 is Rs. 912.890 million

wae (Restated) om

Company

a. rege

Expense recognised during the year 322 231,179) \, 765,094 1,065,565

Refect of restatement 5.3 {489.721} 11,218,670)

ee SS NN 05 2017 (ESS

--- Page 176 ---

27.2.1

27.3

27.4

27.5,

27.6

27.7

28.

29.

Number of employees covered by the compensated absences and 12,993 (2024: 14,191), The assumptions used

to determine the obligation for compensated absences, sensitivity analysis and weighted average cost of capital are

disclosed in notes 26.4, 26.6 and 26.9 respectively,

The total expense relating to compensated absences has been allocated to cost of services, distribution costs and

administrative expenses in the amount of Rs. (154,14) million (2016: Rs. 927,742 million), Rs. (37,135) million (2016:

Rs. 164,125 million) and Rs. (43,885) million (2016: Rs. 206,50 million), respectively,

The liability for frequent flyer programme is based on the valuation carried out by an independent professional valuer

Significant assumptions include;

~ ticket inflation rate of 8% (2016: 7%);

~ discount rate of 8% (2014: 8%);

~ expiry of unavailed points after three years; and

- accumulated points above 71,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points,

This represents amount payable to Minhal incorporated by FAAL.

This represents amount deducted from employees on account of contribution to Provident Fund, the Holding Company's

own contribution and deductions from employees on account of tax recoveries on behalf of Provident Fund which

is payable to Pakistan International Airlines Corporation Provident Fund (PF), which could not be paid to the PF within

15 days as required by Section 227 of the repealed Companies Ordinance, 1984 due to the liquidity constraints,

Hence, amounts thereon have been accrued based on the discount rate as announced by the State Bank of Pakistan

upto 19 April and thereafter based on 1 month KIBOR,

This includes taxes payable at foreign stations and amount payable to CAA relating to embarkation, security and

Infrastructure Charges.

This Includes balance amounting to Rs, 370.463 million payable to various vendors against which cheques have been

[issued but not encashed as at December 31, 2017 and subsequently,

2017 2016

[Restated]

ACCRUED INTEREST Note => (Rupees in 000) ---

Work-up / profit payable on:

- long-term financing a; 6,558,231

- term finance certificates of 1,418,995

- sukuk certificates of 224,953

- liabilities against assets subject to transfer 295

- short-term borrowings 664,229

~ provident fund 4,185,344

13052087

SHORT-TERM BORROWINGS

Short-term loans - secured 29.1 T31y86|s29) 30,808,404

cd 29.2 3,172, 14 3,547.617

Running finance under work-up arrangements 17: 5

(34;358,474) | _34.351,311

SSS 20. cr 217 mm <5!5!!5 2

29.1 Short-term loans - secured

\ 1

Financier Note Security Facility Expirydate 2017 Olé

1 amount

(million)

From Banking Companies

Notional Bank of Fokistan Uneondtronnl ineynontte coniiuuing GeP Guaanise; 6, 008) 30-Sep-10

han | specite right 10 set-arl-over oll receobies. in PER

connection with soles tauted through collection

accor in NEF Akpor Brericn, Kavach.

Notional Bank of Pakistan Uneeeentiional levecnate oonlituly Gor Guarantee; 6,000 S0Sep-16

; fan) specitic light to setatt over all receivabiesin --- PKR

connection with sdles fouled theugh colectian

. account I N8P Akpan Branch, Karach

National Bank of Pakistan Uncondrond mvoontte conlinulng Gor Gaaariee; 5.000) SDSep-18

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Notional Bank of Pokistar, \incondiionc! Inevocabie conhnulng GoF Guarariée, 4,340 30-Sep-18

fen / speci® light to setoi over all iecevanias PKI

connection with sales touled through collestian

eccourl I) NBP Almoc Granch, Kamei

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connection with sales routed Through collection

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Nation! Bonk c# Postar Unéercillians inejocobe aonkrung Go Gucyentes; = 3,000 andap- 1a

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connection with sales joules Inraugh collection

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Gecount mn NAP Arpar Branch, Kerachl

Habib Bark United 29.1.2 Per erengeny way af hypothecttion over ali present 12USD S0sepe1 6

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company in tavorof he bark

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Bork Limited - Landon ond lulwe noveobet and iegeveables at the = USD

sormpany in favor of the bank.

29.1.1 The borrowings in PKR cary merk-up with o spread of 1.5% over 3 months KIBOR (2014: 1.5% over 3.monifs KIBOR)

The borrowings In foreign currency cary mark-up of 3.5% over 3 month LIBOR (2076: a spread of 3.5% over d rmonths

LIBOR),

29.1.2 Guring the year, shor ferm loan ond running finance facility of USD 9 million and USD 3 milion respectively have been

transferred from Habib Allied International Bank Limited - Londen to Halil Bank Limited as a shart tern toan of USC.

12 million,

29.1.3 The agreements of these borrowings have exnired on their maturity, however, these were renewed on theit respective

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tenecenticnal ass

moturity dates,

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--- Page 178 ---

29.2 Running finances under mark-up arrangements

Banks

Secured

Habib Bank Limited

Notional Bank of Pakistan

United Bank Limited

Habib Allied International

Bank Limited - London

Note

Security

Hypothecation charge on all present and future spare parts, accessories of aircraft assets of present and future lease liabilities of the company for Rs. 2,800 million including 25% margin of Rs. 700 million as per SBP requirement, whichever is higher.

First priority hypothecation charge of Rs. 746,667 million on all present and

fulue Curent assets with a margin ot
25%; fen ond specific right to set-off
over 1ecelvanies In connection wan sales
routed fuough cobsction account in
NB Alrpor Bronch. Karach. Further, a.
promissory note hos been issued In the
name of NBP amounting to Rs, 686
milion payabie'on demand,

Hypofrecalion chage of Rs.3.427 milion
on. all present and future stocks and
spoes ond asignment ot ecelvabies
from Karachi and Lahore.

EURO receivables.

Facility Unavailed Expiry date 2017 2016

amount credit

(million) amount

(million)

(Note

28.2:2)

aso 28,20

per PKR

378 78

PKR PKR

2,870 71

rR PKR

a Ni

Usp

18 Dra

usp uso

=+-(Rupees in '000)---

30Sep-18 321,829

30-Sep-18

33-Ju-18

On Demand

On Demand

29.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.0% over 1 month and 3 months KIBOR (2016: 1.5%

to 2.0% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings, Fixed

rate borrowing carries mark-up at the rate of 3.25% (2016: 3.25% per annum) whereas variable rate borrowings carry

mark-up with a spread of 3.5% over 3-month LIBOR (2016: spread of 3.5% over 3 month LIBOR),

29.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at

December 31,2017.

29.2.3 The agreements of these facilities have expired on their moturity, however, these were renewed on {heir respective

maturity dates,

mar anu. err 2017 |) <=

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30.1.1

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International Airlines

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CONTINGENCIES AND COMMITMENTS

Contingencies

Sales tax and Federal Excise Duty

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1G SPSVKION Pas Beer Mode In Presa Our slleted linear alii mwr lela Nass were ;

The tax department nad clto idsea demands offs. 6.204 million 2016. 6.804 rniiian ciel Re 277 027 ville (20h. RaR7 7,62) milleayon.Marrah |, 2008 os FED ond stiles 'ox resrectvey along wih oenony of ks MTs millon (S01 de RE 4114 milion) anctodditiional duty default swcharge of Re 179) milion (20! 4 Re 9% prior gine Het: Quel Of Ne HOlaING Cormpany lot Me perotls 2004 ZONS er ROWS OA, Mian derviariich wens faved. o9 the issues Of aie Sayment oT FED).collection of Feb-on Incorrect tore, incotreact Qeparlionnmery oF tpt

tow ond faliureto collect FED on cating? oj qdods / mail of Polistan Past, The Holding Company ries paid a7

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parfally 'n ts tavou, partially agains: It ane cartel @monced bac The Foiaing Combanyand he decane

both Fave fled appealsat the-ATIR which oe pending adjudicotian Qased or Consultation wih legal cavsor lhe

MOndgement helinvoes tot the case wil be dectasd in Me taveur ot the Molding Carqnmny Accortinay, ro

PIOVsign Fas been fade in Thies Consetigiges finahivlal skditery ins In Histagured,

The (OX Senate' hae (ised demands ot is; 2045 rilllon 201 As 2.065 millany and es. 1.91910) Pilar

4016 85. 1,.979,10) milion) cs FED anit sates ray tespectively clonig wih penalty a7 Rs, £6,050 milion (201 le

4058 million) and odcitcinal cuyy) default surcharge of R\$ S34.412 milltorr Ot A fey 034.0): rpiilon) rluilra {ite

tax audit of the | Loidina Company GI 12 period 200 /-200s.. these demands were raised mainly on new issues
of!

collection of FED of income tax and Incomes! Assessment of Income tax. The Hottie Company led
appeal

of Cornrriessorer Infand Revenue (Appeals) (CIR (AI), which was decided in favour of the tax department
The

Holding Company has filed appeal against this at AUR and a @citation appointed with Gir (A). (the
Tieuric)

has disposed of the Holding Op Real, Vide GarlInte of the BTA We, DAK3/2017 dated September 24

2016, as recommended by the issues a! | | correct sales of FED charged on excess baggage and allowance
of claim

of Input Tax. Further= Wibur has deleted the penalty. Descent on consultation with legal advisor, the
arrangement!

believes that? the case will descend in "the favour of the Holding Company, ascertained on advisory
Hep fee)

add in these consolidated minutes of the meeting re in this respect

Tha tak Gepariet lhaugh cite é cloted Maich 04. 2009, December 01, 2012. On May 30. 201 | tax
panels

of .A5, 6,877.05) million P20: Rs, 5277.35) million), Re 479,170 million (Nos Ra. 5907'21 FU Piller came =
7025270 million (2014 Re, T1025.570 million), respectively, on account of delayed! payment! of sales tax
FEL

for the ironhead Noverliner « December 2008. January - March and November 2030 — January 2011
respectively,

for addition of tax that has department levied on the surcharge on 5% penalty on the Unrci Asia Tax due
him

amounting to Re, 33,84 million, Rs, 21.19 million and Rs. Morrill, (especially, Tre Holeints Corrigan
issues

application for. waiver of penalty for the Monn Of Navarier « Boceribe: 2008 netore Faceiol Boats of
Revenue

(FBR) On which the Pleoatsicis le ringing)

In @-CIR (A) deleted the penalties of Rs 5,479,110 million and its UMS. 270 Tilly, moreover, *augl is
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doled) Septemipel 19) 20/7, nawaver Gatauit surohotge arid 4% esnially on ine unpaid sclesae ond FD were

mointginsd, The Melding Company and the depanhrent rove flee apmeuis with AIR, ween ware decided |

rovenrol the Holding Cariprany, Further, forthe months of Jantar March F510 aed Maweamiey Who farcry

2011, the déldiag Campony hdd test cin ojppllaction (Or wettleetior. Whiner Wes aianeses an Hy ANE ory July 22

2076 while maintaining he Getoull simhoree,

On SO Api, 9013, he AddihoAdl Compnmesoney Inara Reventie | ACIR) lavidel RAanatty of Ma 7h BN? rnilllinry (201°

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400,446 milion (2014: Fs 400 44eOriliin). The Halding Campary fied an copped) against the said orclers mentor

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The ECS Gommuniented tts deciaan through ts letter dated July 72. 200.3, diracting the Yolding Campany arc

he PBR 9 fecénole tie outstanding arriounts and meanwhile thie cote tor mavrrent at Gulstancing URS In resect

Of=D, snail be Geamec to be extandec til jthorconsisaration by the ECC. Mth, Goat on consumo wi

legal odyer, the raenagement hefieves that ther case vill be decided In Ine tavaui of the: Halaing Gornpeny

AccOodinh, ra provision s required to be secognliod In hose cansolidatén MMancial Naterie ts in resacer ot

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& Op Febiuary 22, 2074, DCIR saved a ahow cause nolce Om the same Qaqunos os InyovVed FI sties TaX lund which

wad Cantestea by the Holding Company betoie the Honctanle Hign Cour gincn (SHC ono qntoined stay order

Thaoyor of thy doldind Company. Syosequently on November 0). 2b4, OCIR ssiviec oy corer egrricguntirig te (Be

6.747, 56F millon (201 dc Ra 8747449 milan) under Section |1-of the Solas Tax Ach, 1990 Inv respect of Lox yer

FUNG 201 arch 2012 of the contention Mal tha Holding Corparly Mas adjusted Gicess lapul tan orraunting to

Ra BANS AN? reuse 4629450) Neibllen cerial RS 1.61487 & rruilicn iA the fetes or tay year JBVG, 2017 ane 2072

respectively without considera thatthe matter wasn coun Being agoreyad Me Holding Conmpeny My liipel

Opes! before CRIA) agains! The sai DCIF Oger, which wardecided by ONA) 9 the Laval ot he Hataing Gurmgcry

*HOUGH Inélotet oted June 2, 207 7 ironed Sank the cas= te DCR of Gceaidinaty in Adclcing Corrpiony

hes Witteirawn The appeal Wee pete SHC, Late, the depanrent hasissued healling netics ty Januony 2037 4)

remand back pioceedcings.

=

DG passed order dated March 04, 2010 and February 20, 2010. The order directed the Director of Income Tax, 24th Ward, to issue a writ of mandamus.

Re, \$6.07 million respectively, which are the amounts of the interest on the loans for the year ended March 31, 2010.

and pursuant to the provisions of the Income Tax Act, 1961, and the Income Tax Rules, 1962, the Director of Income Tax, 24th Ward, is directed to issue a writ of mandamus.

for the purpose of the writ of mandamus, the Director of Income Tax, 24th Ward, is directed to issue a writ of mandamus.

advice, the management is confident that this matter will ultimately be decided in the Holding Company's favor.

There is no provision for the same in the amended financial statement in the respect.

9) Since the DCIR passed the order dated September 10, 2017 and issued a notice of Rs 2,43,900 to the assessee.

The order of the DCIR dated January 20, 2017 is set aside with the interest of Rs 1,28,71,97 paise.

The Holding Company has filed an appeal with the CIT(A) against the order since the assessee is not satisfied with the order.

Payment of the amount on March 30, 2017 and September 10, 2017 which were the dates of the order.

Subsequently, the CIT(A) vide order dated March 27, 2018 set aside the order of the DCIR and directed the assessee to pay the amount.

Deleted the amount,

During the year ended, the assessee has paid Rs 1,28,71,97 paise by 14th March 2017 to the Director of Income Tax, 24th Ward.

Regional Tax Office (CRIG) - Tarachi has received the amount on March 27, 2018 wherein the assessee has alleged that the Regional Tax Office (CRIG) - Tarachi has not received the amount.

and paid the amount to non-residents which is the same as the amount paid by the assessee to the assessee as provided in the order.

the Federal Excise Act, 2005 and the Federal Excise Duty (FED) is set at 10%. The Company has paid the amount.

Oemlon before the Honourable High Court of Sina (SHC) against the aforementioned. snow-online nation:
with

penoina. ddjudication Managers) believes that the matter will be heard in Sornpeiry's Savene,
traiesliones,

Novoravielory here examines the consolidated financial statement in (is esse,

a"

\) During the previous year Sabre received notices from the Sindh Revenue Board [578] that the payments of
dst

(including State surcharge! netting of Sstreturis for the tax periods June, July and August of 2014
depicted

'or amount of (Rs. 7.4 million) (aspect of the tax for the period from 2014 to December 2014),
Sukseant

for the year ending December 31, 2017, Sdpre also received from Couse poroe tony Assistant
Commissionaries in the

Revenue Sera (SRB) for entering SST in indenting services being rendered Luis lax preladis Torry July
2016 to

December 31, 2017, of SST feMins for the tax period from 2014 to December 31, 2017, Later,
in the

Cotes Petrusy 21 2017 was issued showing a total of Rs 49.75 million for the tax period July 2015 to
March

2017. The amount of Rs; 136.02 million is to be calculated at the time of payment. ON
e@oLily

\$4, 2012, Sore Med on appeal against the Commissioner (Appeals) SRE. which is sending
the appeal,

WWadoltan, Sabre also took the matter in SHO prayed for specific decision of the appeal. The court
order is

March 02, 2016, directed the Commission (Appeals) -SRB to decide: the case with the prescribed time limit
whereas #

warolse agrees because the parties that go adverse to Sabre 4) the decision

Of the General Commissioner of Appeals - SAR

In respect of the above, while the 2ST returns have not been fwd by the State II vet t Aas SF PrUdlice cits
Maintained a provision in respect of SSP amounting fr Rs. 42.48 million (2078) ese 22,006 million) fer
tom Tel

Juy S015 Pravin Decarnber 2017, The nraivn (eapresents Setinnoted tan ublity complet Gn reverie
eqined

la Sinor provincee on the cpopicalles texyewtels). Subsequent to the your Ort Junie 12, 2078, on cman ot
Rs. 19 ay

Millon Wes polel t2.8RB lef he toy pefods July 2015 through Decent 207e, Scsed on the Grmqiats pela,
oo

CRORE MSENTGried) fie Gr lthe. cdyics cf trea lege wavisen The manogemert lo nopehul ole neulliwe on
icome ir

repent af (ie appeal pending wih Commissioner (Appensis] = SEZ

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anus ero 2017 | <2 (5)

30,1,2 Other contingencies

Q) Competition Commission of India (CCI) vide its order dated November 20, 2007 in the case of the Competition Commission of India v. Penalty Cit

Rs, TO million on ctecount of unfeeéassnaile increase ln Hal foreduiting the yaar 20068 cs compared to Haljsecutw)

2007. Fulthai, OF oOeduit of Geonnrunation between Hal pasengers. cad eQquicrpassengars fhe Moding Comadny

was dictated by work out: amount of refund to be paid back to Walk bases on the difference of lar between

TegLiloy Passengers on short duration flights who flew during Hajj season 2008, The total exposure of refund
exclusion

by the Honairtg Gornpuary is Rs, 417 rriillen. "he blelding Company had filed gpcecis sinnuitanecusly tm
Lerore Hint!

Coull und SuMerne oun of Fakision, However afer It Ofer a INE HORmUEBIE Summrma Saunt in july are
(he Goce! has deen tonstereo % ihe Competition Apeilate Tipunal, slamabea Mencoement relevertnat
bol Appeces Will be Geicedd (016 tv AGabitinally. io Bidwsion has Geen made in fuse consiided
fnaricial

stofements In this regass

bij Ne Cive Aviano Auinaily (CAA) nosogen cloimiia excuesive ac wunts (tom ina Melding Company wrich mainly

IBIGIES To FION-Geranaufical charges Complisirig oF land | ease eat ang the licema les. As Gh
Decerniberd | Aly

wa excessive amounts cicimed ov CAA cafe not acknowleddes py m= Holding Company agaedaotec to 1%

16,792,894 million OVS Me, 12,249,380 milan) inclucitg late Rayment surcharge and inferest thereon
amauanng

70Rs. 11,732,900 million (2014: Rs 7,264,253 million). in view of the understanding reached through the Memorandum

of Understanding (Mal) which was considered in the meeting held on January 24, 2011 between the representatives

of the Holding Company and CAA. The management does not accept the above circumstances being decided by

GAA

During the aforementioned meeting, he noted: of the character of the terms of the non-conditional services agreement

was agreed that the OA shall charge the Rs. were agreed in the addition of Rs. 148

The Mal was signed in the first minutes of the meeting, however CAA has continued to charge the same rates

for non-conditional services rather than those agreed by virtue of the said Mal. However, the management

maintains its position on the basis of the fact that the same was agreed on a non-binding basis at the end of the understanding (Mal)

between the representatives of the Holding Company and CAA in January 2011

Further, the relation of the aforementioned circumstances and interests payable. the management considered "at the

some of the part of the Holding Company's agreement with CAA and accordingly with the management

Such change in interest payable shall never be part of the Holding Company, The Holding Company

is considering to take up the matter with the Aviation Division of Government or Pakistan for settlement in the

light of the previous understanding reached with CAA. Accordingly, the excessive amount shall even be paid

payable to CAA and in return, no provision for the same shall be made in the consolidated financial statements

Volos employees of the Holding Company have lodged claims against the Fusing Company for their
Cues

specifically relating to the reinstatement of earnings amounting to Rs. 3255.744 million (204. Ry. 22.45. 244 trillion)
Ine

management believes the claims to be frivolous, Nevertheless, No action has been taken in the
consolidated

financial statements.

q

The Holding Company is contesting the allegations mainly relating to the breach of contract # feet
Unlawful termination

of contracts. Breach of contractual rights. and obligations, non performance of services of the company due
to

negligence or otherwise the management of the view that these cases have no sound legal basis
and the costs

unexpected (these contingencies to meet arise according to, no provision has been made in these
Consolidated

financial statements against (these claims amounting to Rs. 736477 million (2076 Rs 232,55a million),

Canon lawyers who are present in the POCG! Counsel GNGUSINESS is Sending SGCinst RHG On PIAIN Te
operational

Operational of these legal matters. In, the opinion of Management based on AHT available evidence Covelaas
Ont

The assessment of the matters of such claims by the court, will not have a material adverse effect on
the

Financial position of the company (as per AIL

zB

| Quis arding letters of request amounting to (Rs. 202.464 million (2016, Rs, 198,) 4 million),

g} Contingencies relating to Income tax Mentors on a disclosed in note 48 | 1 esse consolidated financial
statements

eg

--- Page 182 ---

320.2 Commitments

a) Commitments for capital expenditure amounted to Rs, 253,777 million (2014: Rs. 324,443 million).

b) Outstanding letters of credit amounted to Rs, 0,449 million (2016: Rs. 143.512 million).

3} The Holding Company has entered into an agreement for purchase of aircraft, the remaining commitments of

which aggregate to US\$ 1,527,904 million (2018; US\$ 1,527,904 million) equivalent to Rs. 166,875,257 million (2014:

Rs, 161,489.52] million) based on catalogue prices. The Holding Company has not made certain payments on

its due dates as per the terms of the agreement.

G) The amount of future payments in operating lease arrangement relating to aircrafts B-772-200 ER, 777-240 ER, AIR

72-500, A-320-211, 4330-300 and A 320-200 and the period in which these payments will become due is as

follows: 8-737-800, A-320-232 and A-320-200 and the period in which these payments will become due is as

follows:

2017 2016

~er= (Rupees in 00D) -----

Not later than one year See 7,246,012

Later than one year but not later than five years 24,750, 0.05) 25,070,274

Later than five years

RE 2.042 3,737,597,

36,043,383

e) Sobre has entered into an operating lease agreement in respect of premises and vehicles; The amount of future

lease payments and the period during which they fall due are as follows:

Not later than one year 4,465

Later than one year but not later than five years ; “

7 4,465

f) Minha France S.A. - financial guarantee = 1,105

3, REVENUE - NET

Passenger 80,426,927

Cargo 8,686,515

Excess baggage 815,488

Cartage services 653,342

Engineering services 1,094,838

Handling and related services 422,994

Mail 288,401

Room, food and beverages sales 11,891,234

Others 3,146,813

102,426,552

31 the analysis of revenue by geographical segment is disclosed in note 42.2 of these consolidated financial statements,

312 Gross Revenue

104:198,621/ 102,426,552

Lass. Federal Excise Duty VW i (12,408,783)

Provincial sales tax (45,718)

Net Revenue / Bis 89,972,056

margin Annual Rec 2017 | <5 \$19.15

Revenue

2017 2016

(Restatag)

32. COST OF SERVICES - OTHERS Note = -#=#0= Geupees In '000) ----=-

Salaries, Wages and allowances 20,580,906

Welfare and social security costs 2,422,119

Retirement benefits. 32.) 2,241,221

Compensated absences 27.2.2 & 32.2 924,748

Legal and professional charges 2) 555

Stores and spares consumed 1,429,499

Maintenance and overhaul 10,675,485

Flight equipment rental 7,069,290

Landing and handling 14,468, 149

Passenger services 2,987,437

Crew layover 2,882,760

Food and beverages 514,882

Staff training (28,674

Food cost 5

Utilities 72,273

Communication 3,631,340

Insurance 1,167,121

Rent, rates and taxes 2,104,522

Printing and stationery 182,059

Depreciation 6.6 6,190,453

Amortisation of Intangibles and prepayment 7.1 13,089

others 1\671,548

85,378,710

32.1 The Holding Company's stait retirement benefits includes provident tuna - a defined contribution plan, The Horii

Company nas established a separate piovident fund. Following infarnation of the sravident fund nas been derived

from the unaudited financial statements of the provident fund as at December 31, 2017 and 2016.

The information related to provicent fund estabiished by thé Holding Company Is as follows:

2017 2076

Se of provident tuna 22, Seopa 22;890, 155

Cost of Investments made Rea 14,065,162

Percentage of invesiments made 60,7%

Fall value of investments eit 430, 18,.883)570

The break-up of fair value of Investments Is as follows:

2017 2016 2017 20/6

(Percentage) = $\frac{\text{Value}}{\text{Total}} \times 100$ (Rupees in '000) -----~

Teim finonte certificates 17.6% 4,937,235

Pakistan Invesiment Bonds 2.5% 565,015

Islamic bonds 92% 2,102,911

Bank deposits 5.4% 1,282,546

PIACL shares 0.0% 5,765

Special Savings Cerificate 26.0% 5,940,100

Total 60.7%. 13,853,570.

Se SLY NN 20. ccc 2017 SSS a

--- Page 184 ---

32.1.1 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the

renewed Companies Ordinance, 1984 and section 218 of Companies Act, 2013 and the rules formulated for this

purpose.

2017 2016

32.1.2 Number of employees of the Holding Company! (Number)

Average number of employees during the year 13,268) 14,280

Number of employees as at year end | 12,993 14,191

32.2 This includes reversal of Rs. 1,267.379 million due to experience adjustment based on actual assumptions,

2017 2018

(Restated)

33. DISTRIBUTION COSTS Note ----- (Rupees in '000) --+---

Salaries, wages and allowances Rs. 2,112,475

Welfare and social security costs 298.714

Retirement benefits Rs. 970 1,162,115

Compensated absences 27.22&322 (31,135) 154,125

Distribution and advertising expenses | 776, 745 662,159

Legal and professional charges | 39.846 38,320

Repairs and maintenance 10,630 1,458

Insurance 875 12,454

Printing and stationery 84,271

Communication 172,494

Staff training 42,805

Rent, rates and taxes 249,084

Utilities 19,404

Depreciation 6.6 13,369

Others 876.295:

5,599,538

34. ADMINISTRATIVE EXPENSES

Salaries, wages and allowances 34.1 3,695,500

Welfare and social security costs 446,376

Retirement benefits 747,074

Compensated absences 27.2.2 & 32.2 206,500

Legal and professional charges 274,248

Repairs and maintenance 6,701

Insurance 23,049

Printing and stationery 81,917

Management fee 34.2 227 Bas.

Staff training 155,407

Municipal taxes 907,085

Rent, rates and taxes 79,349.

Utilities, 863,380

Remuneration of subsidiaries' directors 798

Auditors remuneration 34.3 18,248

Communication 101.672

Amortisation of intangibles and prepayment 7 16,845

Depreciation 64 22,484

Amortization in respect of long term lease - PIAL 113 1,331

Donations 34.4 3,600

Others \$69,964

Say 20. cc 217 A 2572

--- Page 185 ---

34.) These include Rs. 8.134 million (2016; Rs, 14.737 million) charge for the year in respect of employees' gratuity fund,

Rs 3,999 million (2014: Rs, 3,941 million) in respect of employees' provident fund and Rs, 240.639 million (2016 Rs.

194.306 million) in respect of other retirement benefits of a subsidiary

M2 The breakup of management fee expense incurred during the year is set forth below:

2017 2016

Note 34.2 (Rupees in '000) -----

(i) Interstate Hotels and Resorts Holding Company (IHC) 34.2.1 114,899 119,358

(i) ACCOR 34.2.2 Bells: 10,497

26,31 227,849

34.2.1 RHC entered into a contract for management of day-to-day operations of Roosevelt Hotel with IHC. The agreement

provides for a basic management fee calculated at 20% of gross operating revenues per year and an Incentive

management fee calculated at 14.5% of net operating income as defined in the agreement.

34.2.2 MPSA entered into a management agreement with ACCOR whereby ACCOR is entitled to a basic fee of 2.625%, of

Sere Hotel's turnover less lease rentals plus an Incentive fee of 9% of gross operating profit subject to a cap of 4.26%

Of turnover less lease rentals.

34.3 Auditors' remuneration

2017 2006

KPMG KPMG

teers Taseer riba, Tota

Hadi & Co, Rhades Hadi & Co. a

Se eee e rae sae sae cea (Rupees in '000)-----+--+-----++-

Audit fee of the Holding Company 5,344 5,334 10,668

Fee fot feview of condensed

interim financial statements 1,599 1,699 3,198

Consolidated financial statements 798 793 | 586

Code of Carparate Goveinance 274 274 548

Audit fee of PIAL 1,048 } 1,048

Cut ol packet expenses 600 600 1,200,

P.d43 8600 18,288

344 Donations represent paymants aggregating Rs, 3.6 millions (20 6: Rs. 4ré million) to as CSR setup ve Al-Shita Trust! Stuartad

at Terminal 2, Rood, Karach | Airport, Pasistan in which the Chief Executive Officer of ine Halding Carnpany acs aso

Trustee / Chalirnan Besides this, nons of the Directors or their spouse have any interest if the donee.

2017 anié

a5. OTHER PROVISIONS AND ADJUSTMENTS Note = =s== (Rupees in 000) -----

Properly. pkant ane equipment

- capital spares walten off 195,598

- defici released trorn suroijs on aitceathwritten oft 6.1.3 971,386

- aierell heet written off / retred Lies

- clhet assets wittan off 808,272

3.191426

Provision for slaw moving and obsalete spares 2.1 087,153

Provision fot doubttul debts 13.2 544,454

Provision against doubttul oavences 14.2 249,057

Provision against doub*tul deposits 11.2 & 15.) 176,358

Provision aadinst other receivabies 16.5 22,422

Late payment surcharge on fuel 27.) 7,563,414

Late Dayment surcharge on maintenance reserve: 560,563

Others AT, 12.898

\ 9 i 4,746,311

mg SS Ne ANNUAL REPORT 2017 eS

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2017 2016

36. OTHER INCOME Note = =+=+=+ (Rupees in '000) -----

Income from financial assets

Profit on bank deposits 15,024

interés! arn maintenonce reserve 5,903

~ BO,997

Income from assets other than financial assets sot

Gain on disposal af properry, olant and equiprnent 22,997 249,307

Insurance claims 2,379) 234,34)

Cthers 365,319 94,151

"461,148, 658,786

xv. FINANCE COSTS

Mark-up on:

- long-term financing 6,085,288

- fen finance cerificates 2413416

~shor-term borrowings 2.613.439

11,172,148

Profit on sukuk certificates 553,147

Interest on liabilities against assets subject to finance lease 319,400

(Unwinding) / discounting of long term deposits (103,424)

Interest on provident fund 275 654,790

Anongemen |, agency and commitment fee 716,912

Amorisation of prepaid exposure fee Ws 254,031

Barik charges, guarantee commission and offer related charges 76,692

38. TAXATION

Current 38.1 759,431

Deferred 25.4 (877,347)

(117,978),

48.) Current

38.1.1 This includes Holding Company's provision for minimum taxation made in accordance with section 113 of the Income

Tax Ordinance, 2007

Minimum tax rate under section 113 of Income Tax Ordinance 2007 (1.1.0) for tax Year 2017 is 1% of turnover, however

the rate for the Holding Company is 0.5% in accordance with the Division IX of First Schedule of 1... 2001.

38.1.2 The Holding Company has filed tax returns for tax years Up to tax year 2017, The tax returns from tax years 2003 to

2016 have been filed under self assessment scheme. All assessments for tax years 1991 to 2002 have been finalized

by the department. The minimum tax liability under section 80D of the 11.0; 2001 had been levied by the department

from assessment year 1991-92 to assessment year 2002-09 at the rate of 10% of net turnover on estimated basis. The

Holding Company had filed appeals against the above demands which had been decided in favour of the Holding Company

Company at ATIR level The department had filed appeal against the decision before Sindh High Court which was

decided on few grounds in favour of the Holding Company. Thereafter, the department filed an appeal against

the decision of Sindh High Court before Supreme Court which is pending to-date. Based on consultation with legal

advisor, the management believes that this issue will be decided in favour of the Holding Company Without any

additional tax liability,

ig ye

SSA 0c 2017 A <2

--- Page 187 ---

361.3 A command of Rs 298,777 million [2016 Rs: 898,177 million] was raised by the Deputy Commissioner of Income Tax Revenue

(CAIN) by issuing orders in the year 2005. The main contention among them was disallowance

of depreciation allowed on leased assets. The Netting Company claimed the depreciation unit (the Contention Matter)

In the case, the orders were obtained under the provisions of the Income Tax Act, 1961 which were set aside by the Ministry of Finance

9 finding of fact: The department did not accept this contention and allowed the depreciation expenses

the amount of Rs 48,235 million was disallowed. On this point, the Hon'ble Bench held that the Holding Company's

appeal at the CIR (A) level was decided in favour of the Holding Company, being a company, the

the Holding Company has filed appeal at Income Tax Appellate Tribunal (TAT) which is pending before the

27, 2014, based on consultation with legal adviser, the management concluded that this issue will be decided

in favour of the company and will be set aside.

Further, (REACIR has issued orders under section 122 (SA) of the Income Tax Act, 1961 in respect of tax years 2006-07 to 2007-08)

Disallowance of depreciation allowed on leased assets and other provisions amounting to Rs 44,24,42,797 million, respectively, (the Holding Company has filed an appeal. CIR (A) allowed the disallowance, the

the matter is still pending for adjudication,

8.1.4 ACIR had issued an order dated June 30, 2014 in respect of the year 2008 on the basis of the evidence of the company

on the basis of the provisions amounting to Rs. 13,802.227 million. Sumit Kumar, GINA) vide order dated

January 17, 2078 fad orruilec the ACIR's are! os WOs fime bares. AGIF nus les an cppenl before ATIF
ogenst

the Gbove eicer

ACIN nés passed ar; oteler Gated December 19, 20) 6 under section 124/192 (SApat the | 1.6. 2201 in
respect qtsax

Voor 2009 and falsed ocdentand af Rs, 109 428 millon while maintaining = clisailowarce ofagpreciutlir,
Sacionge

loss ond tox credit arnnurting fa [s.17.069,522 million. #030 nriliion anc tee 742 eriilon ssapectively,
Cemondien

In the aonisnoteler sitet June +5, 2075, Tre etolding Company Ted an esata! before CIRIA) arc GIR(AY
vier Itt eitedes!

died February 14, 20148 maintained te ciscllawonce of deprecation. déletsa He clAllowir ice af exchange
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ond semanded back Irie soll allowed tax ewat unele! Various Sections, Balle Holding Coerpony and
therdesarttrnen!

rove lleM apcensl beter ATR unde: section 147 of the! 1. 2007 against the onder dated Pecrudry 14, 20/9

AQIP issued an order ceted June 86, 2076 Linde: section 122 (64) of tre (NG! 2081 ty reemecs of fox year
ZULD cle

talked @ demand of Rs 143,074 millin; disallowing Geptociaton ctolmec on lieaseed Geral! ana other
provingrn

orounteg td Rs, | LATO milion, The dolaiig Caripany filed a recliligalian gantecton ageanst the abeve
oceronrc

ACIR Vide lis.cldel dated Oscernne: 12. 207 malntairtee Wie disallowance of Sepeclalio | and ome)
aroviehuns ott

allowed certain lax eedils and revised 4 fox demand of Rs. 10.4 @ milion' The Holding Gompany (lea a
opps

belore CRA) aQdingt these above cide: whereas CRA) vide ts order.ceted January DT 3018 upheld ea rote
Slated to. disaliewance of depiesiaton and remoncadiback Gisalinales tamer piowtinns and 1Sy-ctecths,

ThE CIRIA) cispased OF Corporation OpPEed! Onaissus Combines appellee onder dated Dalene 40, 2015
traugn

which ne maintain disallowance depreciate Gnd cessed otherplovasey (Me Holdin Company hae hed'a eppsel

against the CIR(A) decison at ATIF Newevet, he mater stl Peraing tor Cojudicollar ard th Kolding Comparty &

Gorman tee 27% issue pill urimraltely be decided In fis fawoun The AQIR Issued an sider acted June 20 2075 torr

year 20) | ord aised a demand al c\$) 327,538 million BY aeiving 1% minirwiry Te eos acainst ~1 | lolclng, Company centention at 1.6% In adaifion 1 deciowing depreciation claimed on jedsed sical? cnel other payisions

ommounting ha Rs. 7,492:992 million, le Haleting Company Nas lied an opmen Helo Gir) against tht fale orders

wiieeos GNA) Vide IIs side! dated Oetogendo, 2015 upnaid the mote relisted ta mintmurn taxcand dscllowanioe

of damecisiion ond rarmanded pack disallowonee of oirer prowisions Gnd lex cfedits, Jatt ihe HelGing Coripany

and the deportmenl have fled copes betore STIR undé Section 731 of the 1m, QU07 Boainst tie cectar whlesr ls

Pending tor hearing

ee SEY NN 2G 27 (ES

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TRE ACIN Raw sued he Steers doted June 3U, 2018 S felvery 14,2018 under section 122/54) of tran .O 200" In

lespectiof fax.years IN)? & 2014 Grkd disciiéwanced dedteriation me) leases! alleéralts ond othe picvwons omnauning

we Rs, 9,725,975 million ane fs) 1.067.920 ntillan iespectively The Holang Carripany Ares Med & a2peal before CIRIA)

Agulnst hase sod rdeis, SubsSQUENTY, CIA) sued Appellate uncer dosece February 14, 2015 Inraspechot IV 2) 4

one disoosed ihe appen! bY delaling he derfiand maintaining the alnslowanced depreniation op (edsed airta™

Onn dlhescegvisions, The Holding Company ceylefted @ appeal' to AN against he Grcision ! CNA), however the

Mather is. fil penetra few cnet edisettion,

Howevu, If lhe aneye mortars one cegiced egoimit the Holding Company, Fmoy siéde the Lenent ct fod desreiciation

Who rerriciits OVOISENE S57 On INdelinite pened, contaderd le business losses

381,58 The tax deparment tes ols issued ode unde section (61/205 0 the |... 205) peRainina ta tok year 20)) arnct

saved /G tteamand efits 2263/9 million, fe Holding Compony hes Neal an Oppee cgeinst he aiee: Before OA)

whieh are pendiaa sojudlartoan

30.1.6 Wetoxceormenr has ols sung o showeose undersection 141/208 of letngome Tax Qdinance, 200! petaniig

fo tax yeut 2076 te plovids fecoratllations under (ule 44(4) Of The Care Tax ql, 200, Ol Ne Graunts shown in

2 Sotemert of aceaunts and Qmounts elected In le MOAT / GnnUGI statements Moet Uncle: seqrarr 145 et hrs

Oroinonce, The tlolding Gurmpuny sas fesponced the showcove,

38,17 tax department of Afghanistan has Guditédd iricerne tax fetuins of the Holding or iaariy's Kabul
saran for Tax yeats

2004 16 2014 and (also co demene of APN 234: [Tb rniliior(equivalent to Rs, 374-294 million!. Ori
equew® of he Holoing

Company. ine Ministry of Anante of Afohaniston (Mona) las Gurisitures on Oblsction Roview Umb(ORL)
te review the:

disputed matters, On advice of MoFA, We Holding Company has prsry (/@ piihcial tex derrans
tecarputed Lay thie

ORU |e Its iriteting eagarhariounting to ABN <1 098 million fequivalent lu Be 44,9746 million) unde
protest and sublimely

fo the final orfourit 3) tax te be determines hy ORU Appeal has also been Mod withthe Cormmsial
Courts In Kata,

Algnanstan which & panalig lon cajudicaron, The Holdirig Gomnpary has avoisa Tox aririmsly Soha ne 20
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48,1.8 PuwincMe yea 201d, the Me pormuint skueed notices fo Sobre yntibrsector 122 (5A) era | o2- af
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respect. oftex years 2077 and Z0Y! ond' has considered the gross INncorniy ot Sabre es comnissian
Income, on Whiley

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qyairisl he Sald orders, the Ganmissiere: Intend Revenue (CIR) st! aside Bothy Me ofdess on the qreirints
that GSPoRUTTy

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On May 28 014, final enow cose notes in fesspect of toxyeers 20) | andl 212 Wwardssues to. Sobre wich were

lepiled on May 20, 2014, On June 25, 2016, Otficernland Revenue |OIR) wsvd 4 sinfikal show cause nates [ge

OUaVE) Ih lespectoMaxyear20T10 which was aplied by Sabre wir) wune 29, 20% 6 contending thal the riots was frre

bares! ned inet forsion commission income eamad by Janke Was (kt SUDPEST TO taxation LNGET oCsONRIS Oris

Ordindhewewevel, on June 29, 204) GIR passed three sepaiiue Oaeis Unde) Section 142/205 of tye Oretifanite

felecting Sabres contentionsanc.aveging ihat foreign BaMMission carted by Salo wes ilable to acdlcion af tras.

fhe above orden allowed by notldes of cemand under seellon 13712] oF the Oidinaroe daled June 30. 20) oway

issue To Sabre raising demand {including :clefaull surcharge] ot es 254A milion, Rs. 13-4 prior one! Rs. 34 7 milion

for he tax VEaeVTO, 205 7 ond 2012, WAM a0, 20146) Sobre mode an appeal with CIR iA} qaalnst tlhe above oldels

nnd simultorecusly covered lf by oblaling pretettion (ror any advere ackon @y the Toy Departrgnt thraugh

rv bilelin orces Dassed by ne SHE on Sabre's fequadl le IKisiessSct Soto's Aprecr with Ci 4 against ine ohwve

orditrs Weis deelded in favour of ihe Satie arte which te (nceme Tox Desgarrent ties 8 Aopen! Getors the Ale

which pending. Maneigenant believes (Nat the noner wil he decided InSdbies tovmun (herefar, no pravilon "au

267 mraden these consolidated Aharcial statements In this mspect.

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soon eo 2017 |) <5 2 mm

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--- Page 189 ---

The Tax Department also issued notices under section 172(9h) of the Ordinance in respect of tax years 2010. 2019 and

2013, In respect of tax year 2010, Sabre filed reply to the notice and also challenged the notice before the Hon'ble

High Court of Sindh (SEI) praying that the said notice was time barred. The Hon'ble Court accepted the contention and

the notice was set aside. In respect of the tax years 2012 and 2013, Sabre filed replies to the notices by submitting

that the return was not assending in 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,

36.1.9 CIR (Regional Tax Officer), Karachi Issued & notice dated February 2012 with respect to BUGI proceedings to Tax

year, 2012 under Section 177 of the Ordinance which was responded to by Sabre. Subsequently on December 17,

2014, the Tax Department issued notices under section 177(1) of the Ordinance to: selection of audit at the

2013. Harshly 2013, Such notices were challenged by Sabre in the SHC which suspended all such notices until

an order of the High Court dated January 21, 2014 and the matter since the Hon'ble Court is confident that there

would not be any adverse position in respect of these notices in SHO and accordingly no provision has been made

in the consolidated financial statements in this respect.

36.1.10 ACIR has shown show cause notice to the management under section 122(SA) of the Ordinance for the

year 2009 disallowing the expenses. Sabre replied to the show cause notice which was not accepted by the

The ACIR. passed order dated 29. 01. 2015 under section 122(54) of the Ordinance and served the tax demand.

Rs: 132,263 million (Imekucingy aatiitionol tax oF Rs, 42/277 million) MaSdbte, Sop ted on appe0|
Derone CIR(A) wrich

was decided against Sabre through the oder dated Janay M1, 2016. Sabie fled an appecl before AMK
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these consoldateddinancial statements in is respect,

38.1.11 The Gfice: Inland Réveriue (GIR) had 68.20 nofices te Sante under Seallon 774.0° Ihe Ordinance
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DIR did net ocean} the submissions of ne Sabrerand passed ar onde; whereby 0 fox demand of Rs, c 44
millon wag

clecrad Une Sectlon 641 of the Ordinance. Sabre lied l\$ appeal agais? soid Genes wilh the Gik fA) which
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decided in Sdbire's tavol, Accordingly, ne noyision lerraintained [r tese consolidated financial statements
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For tax year 2014. 2071S and 2014, the OIR Hee issuest notices Under Section | 74a! Ne Ordinance for
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Inforrieion regarding nronitanng oF wihhickling faxes. Sabre has-subretted the 1equisite information.
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ef Tax yeor 2015; Deputy Commissianer Inland fevenue issued o folice feguiding monrorng of
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which was Complied wih. Thete ls no funhehcommunicotion (rar Ihe Tax Depanmen fh resprerof
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38.112 fox cudf forthe tax year 2015 was sescted through computer bello! by the FS on Jonwaty 08, 20)
7 under Section

274€ of the Ordinance, The srcsedings have been ilnikoted cAd Sobre nos subsite Ine requisite niomaicn
and

etalls as feauitec by FER,

ay LOSS PER SHARE - BASIC AND DILUTED

The calculation.of loss pershare ot December 37 1s based on toss atiisuled to cwners Of onsiniary
shigras el (| 1 Polellry i

Company,

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(Restated)

-----~ (Rupees in 000) -----

Loss for the year (Rupees #1 'OOCl (44,747,629)

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Loss pew shore ciltritsiseikile to

class Ordinary share (Rupees) (e551

'B class Cidingry share |RuZe3s) a 38)

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40. OPERATION AND FINANCING CASH FLOWS

2017 2016

(Restated)

40.1 Cash (used in) / generated from operations ~-=- (Rupees in '000) -----

Loss before taxation (44,877,380)

Adjustments for:

Depreciation 6,226,486

Gain on disposal of property, plant and equipment - net (249,387)

Property, plant and equipment written off / retired 2,375,146

Unrealised exchange loss / (gain) (3,306)

Amortisation / adjustment of intangibles 49,868

Amortisation of long-term deposits and prepayments 2,824

Provision for slow moving stores and Obsolete spares 687,153

Provision for doubtful debts \$44,486

Provision for doubtful advances 249,651

Provision for doubtful deposits 116,358:

Provision against other receivables 22,222

Provision for capital work in progress

Provision for staff retirement benefits 4,897,345

Finance cost 13,585,491

Share of loss / (profit) from associates: 338

Profit on bank deposits (75,024)

Deficit released from surplus on account of aircrafts retired / written off 971,386

Other provisions 12,838

(13,469,088)

Working capital changes

Increase in stores and spares (193,025),

Decrease In trade debts 107,371

Increase In short-term loans and advances (763,149)

Decrease / (increase) In trade deposits and prepayments 409,067

increase / (decrease) in other receivables (1,401,778)

Increase in trade and other payables 20,661,988

Currency translation difference 13,744

5 18,684.218

Cash (used in)/ generated from operations \$165,130.

ma Sar pyuaL err 27 | 25"

--- Page 191 ---

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

2017

Liabilities Equity

Balance as at January 1, 2017

Changes from financing cash flows

Total changes from financing cash flows

Changes in fair value

Other changes - Treasury

Currency translation difference:

Change in foreign exchange

write-off expense

Whereas per

Total liability - latest order changes:

Total equity - stated order changes

Balance as at 31 December 2017

41, REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

(Key Management Personnel)

Chief Executive Officer Head of Department Executives

2017 2016 2017 2016 2017 2016

Managerial remuneration-

Holding Company's contribution to provident fund

Aggregate amount charged in these consolidated financial statements for fee to directors was Rs, 0.197 million {2016

Rs, 0,286 million), Chief Executive Officer and certain executives are also provided with the Holding Company's

maintained cars and facilities as per the Holding Company's rules. Key Management personnel of PIAL are also

provided with free use of company maintained cars and are entitled for reimbursement of actual medical expenditures,

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

the above amounts.

See SST (UN 2022017 ES

42, SEGMENT INFORMATION

The primary segment separating the Group into business segments is determined by the Group's risks and returns arising from the nature of 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 related services.

Hotel operation segment provides accommodation and related services in Pakistan, United States and Europe.

Transactions 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 transactions between business segments,

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers

disclosed in geographical segments are based on the geographical location of its customers,

42.) Revenue analysis

\ 2017 oma 2017 206 2017 2006 2017 26 wT mune

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pom a eee deen pennee arama amen nana nenneaenemey eee

Peyénus

Eerncy serine 13470, 797

Interment bates. - 7 :

Total revenue ta 11097 (napaa)

Results

Sogeeant fesuts 363.008

Ilene eeperne (16, (Ub tSR67 97 \$622,177) (15,585,671)

Interest inieorre { 60,927 426 ynSS

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Inceris taxes 4 f104.292} [249.622] (22.1771 [ae.4¥1)

Depierintan (8,407,770) 1) 71a) (20.580) seh dBA)

Arreunsetan. WB tay - Ha425} (2A, 74))

Assets ond fabilitios

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Huvestnent in AY,4u6

Coole Oxminate a1 1,226 ZM}ADS 280, 142° SSOP) 1,980,226

Segment sacuris 403,295,408 352.5 47,235,061 9 SI.074,717 (50d) e853) GaS,\$83,543) a97,045,49%

42.2 Geographical segments - by area of original sale

- 2017 aoe

= PAKISTAN UNITEDSIAIES EUROPE © OTHERS TOTAL. «= PAMSIAN « UIMTED STATES © FLOPE «=
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the fest of the Koding Company ® depiavec---

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FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, fuel

price risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses

on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial

performance. The Group's senior management oversees financial risk management under governance approved

by the Board of Directors. Senior management identifies, evaluates and hedges financial risks, wherever necessary

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 comprises three types of risk: interest rate risk, currency risk and other price risk, such as fuel

price and equity price risk. Financial instruments affected by market risk include loans and borrowings, bank deposits,

available-for-sale investments, investments at fair value through profit and loss and derivative financial instruments. If

any,

a) Fuel price risk

The Holding Company's earnings are affected by changes in price of aircraft fuel. The Holding Company hedges

fuel prices to a limited extent through use of derivative contracts. There are no derivative contracts during and at year end.

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange

rates. The Group's revenue streams are denominated in a number of foreign currencies resulting in exposure to

foreign exchange rate fluctuations. In addition, the Group has substantial foreign currency borrowings and lease

liabilities that are primarily denominated in US Dollar (US\$), Saudi Riyal (SAR), United Arab Emirates Dirham (AED),

Euro and Great British Pound (GBP). The Group can experience adverse or beneficial effects arising from foreign

exchange rate movements. The Group manages some of its currency risk by utilising its foreign currency receivables

to satisfy its foreign currency obligations. The following table demonstrates the sensitivity of financial instruments

to a possible change in the foreign currency exchange rates, with all other variables held constant,

On loss before tax;

2017 and 2016

wasn't a significant change (Rupees in '000) «es 2017 and 2016 —

OB Rt neti nef Se meee

Change in US\$ rate

(Increase} | decrease in loss before tax Hi2:40/2019) 12.733.557) V2GAGOT) 4.753.557

Charge In SAR rate . aes %6 | ————

increase} / decrease In loss before tax A327) 853 GaS27 _ts,453)

Change in AED rate anne ct HES nn Bioneers

(increase) / decrease In loss before tax Wee) even aera pa.)

Change In GBP rate FE Mian i

[increase] / decrease In loss before tax Sagsse: “7269 SSH! zh)

Change IA Euro rate seme emmy rast te Ae momo Sa =

(increase} / decrease In loss before tax DOG) 2.545) 78) as

Sn

AS TAN (ER 0.12017 ESS am

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily

to the following:

2017 2016

in thousands of Rupees (Rupees in '000) -----

Variable rate instruments at carrying amount:

Financial liabilities

Long-term financing 150,985,276 11 (475,685

Let finance certificate sukuk Certificates 27,344,007, = 33,507,209

Liabilities against assets subject to finance lease 4,786 5 10,525,657

Short-term borrowings 34,275,739 34,247,947

217,391,947 = 189,956,498

Financial assets

Long term deposits

Fixed rate instruments at carrying amount:

id

Financial liabilities a

Long-term financing 8,000,000 8,226,401

Unsettled against assets subject to finance lease 2,892,960

Short-term borrowings 82,738 103,264

9,423 68) —111,222,925

Financial assets .

Bank balances (6,261,903) (4,767,579)

Long-term loans “ = 1791), (2,547)

—4,160,956) 6,452,799

Fair value sensitivity analysis for fixed rate Instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss

Therefore, change in interest rates at the reporting date would not affect consolidated profit and loss account,

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables

held constant, on the Group loss before tax.

2016

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

Change in interest rate of 1%----- = -- +0 ea

Increase in loss before tax Net 1.334.830) 934478) 173.474)

Change in interest rate of 1.80%-- -- -- -- -- 0.28%0}-----

Decrease in loss before tax Net 1.334.830) 934478) 173.474)

dg) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

changes in market prices [other than those arising from currency risk or interest rate risk], whether those changes

are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar

financial instruments traded in the market. The Group is not significantly exposed to equity securities price risk.

43.2 Liquidity risk

Liquidity risk is the risk (that the Group will encounter difficulty in meeting obligations associated with financial liabilities

that are settled by delivering cash or other financial asset. The Group manages its liquidity risk by maintaining sufficient

cash and cash equivalents, financing facilities and through support of GoP either in the form of capital / loans or in

the form of guarantees to obtain financing from lenders [reference 1.2)

Say 27 LL <>!

The following Table shows the Group's remaining contractual maturities of financial liabilities, chitin
estimated Interest

Payments;

- Carrying Contractual Less than 1 year More than

Amount = cash flows. 1 year Syeore

Net financial assets (Rupees in Q00) «+---+---+---+---+ sss ste -2 s+

2017

long-term financing

Term finance one sukuk Certificates

Liabilities against assets subject to

Finance lease

Trade and other payables

Accrued interest / Break-Up / icf

Short-term borrowings

2016

Longer financing 119,909,286 158,500,772 44.489,24% 105,798,682 5177 42

Term finance orig sukuk Certificates 33,507,209 38,499,470 104,673,392 28,087,038 -

Liabilities against assets Subject 10

finance lease (S4)RO1? 141,309,14 61,025,8 60,283,05 -

Trade and other payables 75,40,07) YA ADI 091 75,407 407 E

Accrued interest / Break-up / aro 41,970,87 & IV, OS/ 8, 97,087 +

Short-term borrowing 34,851,817 34,551,311 84,357.91

ZBA97700\ 929,379,948 TSLADK.SAA | 29,794,080 8,177.042

43.5 Credit risk

(Credit nstis the tisk that one party to 2 tiqancial instUrment will cause o financiol loss [Sr ime offer poly by fallligyyp.

discharge an obligation. All fnanciol assets except cash in hand are subject fo cred risk. The cartying ornoun of

ilnoncial assets as af December 31, 2017 represents the maximum crech exposure, which is as follows;

2017 2016

~-----= (Rupees in (000) -=-+-

Recelvahle in fesdect of Centre Harel 834,947, 792,096

Lorigteim deposits 6,054,223 9,076,268)

Jrade debts) 9218662,

Shorten loans 5,056

Trade deposits 3)587,NES

Otmerseceivables: 6) 397257

Bank bclarices 9.657.477 8,) 79.355

; 35,994.6 BO 34,807,520

Trade debts

The Group mas (7 { policy In plocce and the exposure fo credit risk la rriontores on an Ongoing basis. The Holding

Company ner ¥ grants a credit terra of 30 to 60 Says to customers ond in certain Gircumstanees Sch exposure

is partially protected by bonk guarantees Trade debtors mainly tenfesent passenger arid feight sales dus for agents

and government! organizations, The ne of the agents are connected ta the settlement systems operctied Sy lhe

International Air Transport Association ("IATA") who is responsible for checking the creditworthiness of such agents must

collect 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 airlines

and airlines is relatively low,

Ageing of past due and impaired trade debtors is disclosed in note 12.10 in the consolidated financial statements:

Other financial assets

The credit risk or liquid funds (cash and bank balances) is limited because the counterparties are banks with a good

credit rating, 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 lessor's lease obligations. Other

securities are not significantly exposed to credit risk as they have been paid as security deposits to receive future

services

There is no significant concentration risk against other receivables as the majority of the receivable is from the Group

for SY 23 to 207 SS

43.4 Capital management

The Holding Company's objective when managing capital is to safeguard its ability to continue as a going concern.

The Holding Company has incurred losses in recent years and the disclosure in respect of the Holding Company's

ability to continue as a going concern is disclosed in note 12 to these consolidated financial statements.

44. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing

parties in an arm's length transaction,

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable

for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices),

Level 3 : Fair value measurements Using Inputs for the asset or liability that are not based on observable market data

(i.e., unobservable inputs).

Investments in quoted security is classified in level 1 Input and other Investments in unquoted securities are stated at

costs. The fair values of all the financial assets and liabilities at the reporting date approximate to their carrying value

(refer note 8 and 17).

2017

Carrying amount Fair value

Available Heldfor Loansend Ofher Total level| Level2 Level3 Total

forsales {rating - at Receivabies financial

folr value ossols

Financial assets measured at fair value

Long-iwim investments

Financial essets not measured al fair value.

Non-current assets

Recwvenie In respect of Cente Hotel

Carrying amount Fair value

Available Heldfor loansand Other Total Level) Level? Leveld Total

2 financial

Financial liabilities not measured of for value

songdern financiog

Term finanes and sukuk cerileales

Uchillies garnet assets subject to finarce asa

ade ond otter payables

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Leasehold fond and buliding and Averon illest hove been carled ot revalued amounts determined by profssioneal

yaluers (evel 3 measurement) based on their assessment of he arket valles as disclosed in mote 6.3 and 6 4,

Hotel oropesies have been varied ab ravalved arnounts determined by protessoria' yaluers (leve' 3 measurereni)

based on their assessment! of lhe market votues os disclosed In note 4_1 The Serine Hotel is a luxury & star Motel kacectened

Ot |, fue Sefibein Pads, Franée. The Serie Hotel has 214 guest rooms, including 13 suites and 4 duples apertmeris.

The Scribe Hot) IS located in the center of Pars, between the Gperd house, Place Vendome, La Madeleine ane thitr

depariment stores on boulevard Maussrann, Thé-Geribe Hotel is cunantly managed by Accor Hotels with the branc

Sofitel in mideliticin to Quest fooms, the: Serine Hotel hes a: gayranomic restawart, a bay, ates house wilh libeay, ©

wellness centey a meeting space ond olher typically fauna ino full service filet [Ne Seine Hotel Is Glso. composes'

off retail lab stroat rétaill unit of) rue Scting and the comer of boipvard des Capucines, The Roosevelt Hotel Is lqucalect

of 46 Gus! 45th Steet New York, New York 10017 United Slate ot Amerca, which opens In 1924, fealures |,025 rooms

a festaurony, a lounge, o rooftop lounge, a stest level lounge, foom service. approximately 26.000 squary leet of

Meeting soace, concierge senicés, o Gusiness center, a tiiness Center, valet parking, and a gif shop: In actaition,

the property foatuies approximately 23,000 savare leel of retail space [including storzage spaces), leealed on ihe

ground floor ane featuring street fontage, [n additian to ihe exsting lmarmvernents, he property also:Inciuces 51 ma?

square feat of transferable development rights,

The valuation was conducted by the valuation experts appointed by the Group who used different approaches to

arrive at the fair value including discounted cash flows, the simple interest, the recent comparable transaction 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

Standard approach 1 value the Scribe Hotel is the DCF method and for Rosavell Hotel is the simple interest method.

As it vacant and available to be developed to its highest and best use, other valuation methods were employed

Porter to corroborate the stated value.

Valuation Technique Significant unobservable inputs in the relationship between key unobservable inputs and fair value measurement

Scribe Hotel The estimated fair value was assessed as follows:

The valuation model considered the following factors: 120 floors = Average floor area were higher / lower

the present value of the cash flows = 69% Occupancy rate 74-70% Occupancy rate were higher / (lower)

growth rates: the Terminal growth rate 7.00% Growth rate were higher / (lower)

Property facing the main entrance is an adjustment of 6.40% Risk adjustment discount rate were higher / (lower)

OWEIDOS Soay rate, Occupancy

role. value On working Capital

requirements

Fla ehallé Unies, Income Viewed eons? 290% Yieictrone were suwwer / (begtieel

Copieudidn approach sused =

yhich Conmars GNNIDPOTOR Tas Purchosesscns! FSU Pulehese tate were lower) higher

flows into present! Vaile tiy

cexitaizing nel opefaliig

Incorie by O mnorket derives

'Casitwizatian rate*

Roosevell Hotel

tne eslmotes lol venue would Increase | | GesrEase| It

The valuation rode is Fer Square tact o-

consideded is fee. sirmnie Interest devesarnent

method os If yacrnt vd Zoning) fear ares [SFOAL \$7,000 Fel POA Inciocse / iclesrecs)

ovalluble tobe redevstoperl tor

is Mqhest ond Dest use

MabeF LA 40.69% Mor SDA inaretiie / | Socrmase)

oe SY (2022017 RSS a

2014

Carrying amount Fair value

Investments in subsidiaries and other entities | Level 1 | Level 2 | Level 3

for Sales for Value through the Income Statement

Profit or loss == Minority interest,

Investments in subsidiaries and other entities [ERLE ID LHI] reenter the

Financial assets measured at fair value

Long term investments 152,068 = VS2,748 \$52,768 182,765

Short term Investments - 5,741 - 5. fl 5.7A1 a74t

Financial assets not measured at fair value

Non-current assets

Receivable in respect of Centre Aatel 792,096 722,096 .

Long term deposits = 9,064 843 - 906A BAS :

qwestmentsin UyauetEd secures 369 - 369

Cyrrrent assets

Trace Gebts - net 9,a03,911 4 e059)

Shevt-tenn loans und odvences 4,060 4,080

Toca deposits 3.597,085 - 3,357,055

Other receNabled 3,904,042 . 5,904,042

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172,357 5.74) ~ 34856981 44468 \$5,079,567 158.529 + 58.509

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Financial llatililies nol measured at fair value

Long-tem financing 119,902 266 | 19,903,284 -

letm finance anciukuk ceticatss - 33,507,009 33,S07.209 -

Lichililios against ossals sussst to Naanes 'ease, WSAIGOL? 1S4tRO1F

trode cid other payouiss - 75,601,091 75.601,091 -

Aacruad interest — 8.197.087 8197.08? -

Shottern barawhnas 34,351,311 34.351,315

45, TRANSACTIONS WITH RELATED PARTY

The related parties

benefit plans, directors and key management

- 264,977,601 264,977,601

of the Group comprises associates, profit oriented state-controlled entities, employee retirement

personnel. Transactions with related parties essentially entail sale and

purchase of goods and services and expenses. charged between these companies. Amounts due from and to related

parties, amounts due from executives and remuneration of directors and executives are disclosed in relevant notes

Transactions with related parties are as follows:

Retirement funds

Contribution to Provident Fund and others

Interest due on outstanding balance of Provident Fund 669,816

Profit oriented state-controlled entities - common ownership.

Purchase of fixed

state payment Interest

Alipext teloted charges

insurance premium

Finance costs

GoP - Major shareholder

Finence cost

Haj revenue

Management fee paid to ACCOR

a P i - — ~

— EW ANNUAL REPORT 2017 B

2017

(Rupees in '000) -----

2016

2455502, 3,476,068

456,790

10,807,888

1,363,418

10,952,243

985, 139

8.530.850

802,192

2,443,746

108,491

PAKISTAN

Inerationat Avrlices.

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--- Page 199 ---

AS.) One of the hotels owned by PIAL, Rote! Seine Pauls. 6 managed SY affected party, ACGOR, the amount of management

tees based on the agreement with the rated party,

452 Transactions with the directors, chief executives and key Management personnel have been disclosed in item 40.1)

these consolidated financial statements.

453 = Details of balances held with aforementioned related parties including state controlled entities have

been disclosed in respective notes

45.4 the Holding Company's sales of Transportation services to subsidiaries, associates, directors and key management

personnel are not determinable

Ab, BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

On August #4, 2009: GoP launched the BESOS for employees of certain State Owned Enterprises (SOEs) including He

Holding Company and Non-State Owned Enterprises (Non-SOE) where GoP holds significant Investments, BESOS is

applicable to permanent and contractual employees who were in employment of these entities on the launch date,

subject to a five year vesting period of 10% of total shares held by permanent employees in

certain instances,

BESOS provides for a cash payment to employees on retirement of a sum based on the price of shares at the

Holding Company, Under the scheme. Pakistan Employees Empowerment Trust (PET) was formed in 2006 and

shares held by the Ministry of Defence were transferred to the Trust. The eligible employees have been allotted units:

by REET in proportion to their respective length of service and on retirement or termination of service employees would be

entitled to receive such amounts from REET in exchange for the surrendered units. This would be determined as follows:

For once of shares of the Holding Company, The shares relating to the surrendered units, would be transferred back

3 SOP

BESOS also provides that 50% of dividend related to shares transferred to REET would be distributed amongst the unit

holder employees. The balance 55% dividend would be transferred by REET to the Central Resolving Fund managed

by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any in

PEP MO meet the repurchase commitment would be met by Sols

BESOS would have been developed in compliance with the policy of GoP for empowerment of employees and SCs

needs to be accounted for by the covered entities, including the Holding Company, under the provisions of the FRE

2, However, considering in view the difficulties that may be faced by the entities covered under BESOS, the Securities and

Exchange Commission of Pakistan for receiving representations from some of the entities covered under BESOS and for

having consulted the Institute of Chartered Accountants of Pakistan and granted Exemption to such entities for the

application of FRS-2 in respect of BESOS vide SRO-S87 (I) 2011 dated June 07, 2011

If the exemption had not been granted, the accumulated losses as at December 31, 2010 / would have been higher

by Rs. 725.207 million (2010: Rs. 725.707 million); total costs and expenses after tax for the Holding Company would have been higher by Rs. 66.684 million (2010: Rs. 66.564 million) While earnings per share

would have been lower by Rs. 0.018 per share (2010: Rs. 0.009 per share) for class A and class B Shareholders respectively,

a). CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, for the purpose of better presentation and

COMMENTS.

1. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of the Company

on the Meeting held on July 18, 2019

Air Marshal: Shad Malik Atiq Aslam Bajwa

Chief Executive Officer Director

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PROXY FORM FOR SECOND ANNUAL GENERAL
MEETING OF PIACL

We, Lesesesevvebsded 1KET1 1) UL FINERIEES CO OUTER THE He CCOeE +1 eR being Shareholder | sjof
Pakistan

Interonioral 'Anlings Corporation Limited holding aa tollowing Shares:

Folio No aan '

inary eat Ne Fas ___ ID No / Account No A" Class Shares | B" Class Shares

Werebsy apoint Mr / Mts f MIBS cos icc r ey useee of. ie or falling Aim } her

iter who is / areciso | a shareholders} of the PIACL vide Registered

Folio/Porticipant iD No. Accaunt No. .., was ray/our Proxy in miyfaur absence to attend ane yole for
meus

ond on my/our behalf ot the Second Annual General esting of PIACL fo be held on Selurday, August 24.
2019 and ct oany

adjournment theroot

As witness my/our Nanc/s@ah TIS... esses serene stieenree doy of August, 2079,

Signed by Sharaholeer wy... ane evi iae AMET SLE v0mh, \cloecorpebp th aes ooleh o1a0

WITNESSES

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NOTES

[1] This Proxy Form, duly executed, must be lodged at the office of Company Secretary, PIACL ees Olfice, koroeti, net less

ihan 48 hous before the time fixed for holding the Meating be. uote 10/00 AN, Thursday 22, 2019.

(2) No passon shall oct as Proxy unless he himself / she herself Is 0 Shoraholder ofthe PACL except inal a comoerale

entity may aopoint a person who is nat o Sharengider,

(a

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-

(8) 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.

[4] 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

(h) In case of corporate entity, the Board's Resolution / Power of Attorney with specimen signature of the Director / Attorney shall

be produced at the Meeting unless these documents have already been provided

(7) Detailed procedure is provided in the Notes for the Notice of Second AGM.

