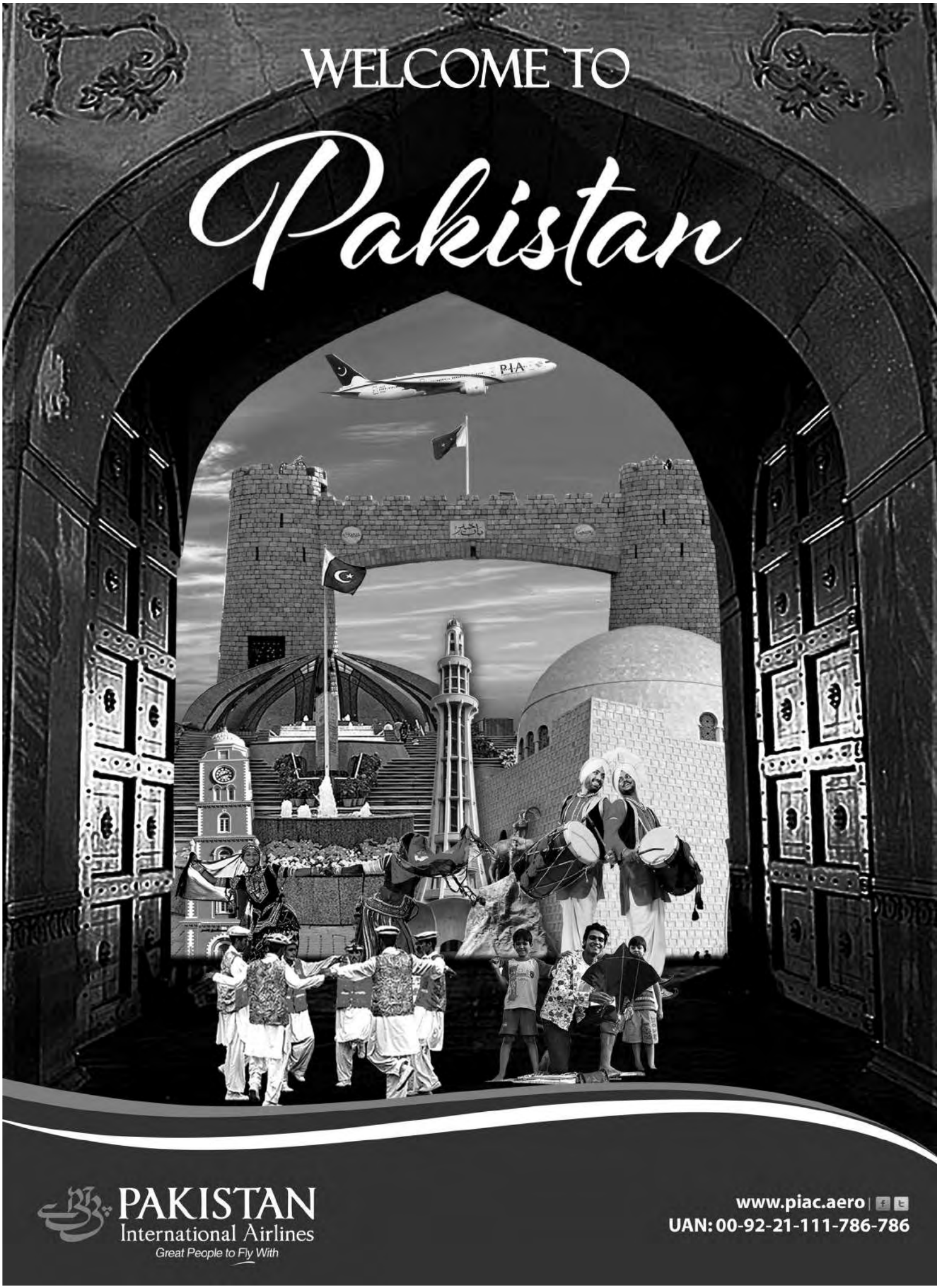
Annual Report



2014

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WELCOME TO
Pakistan
PIA
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Vision

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

Mission

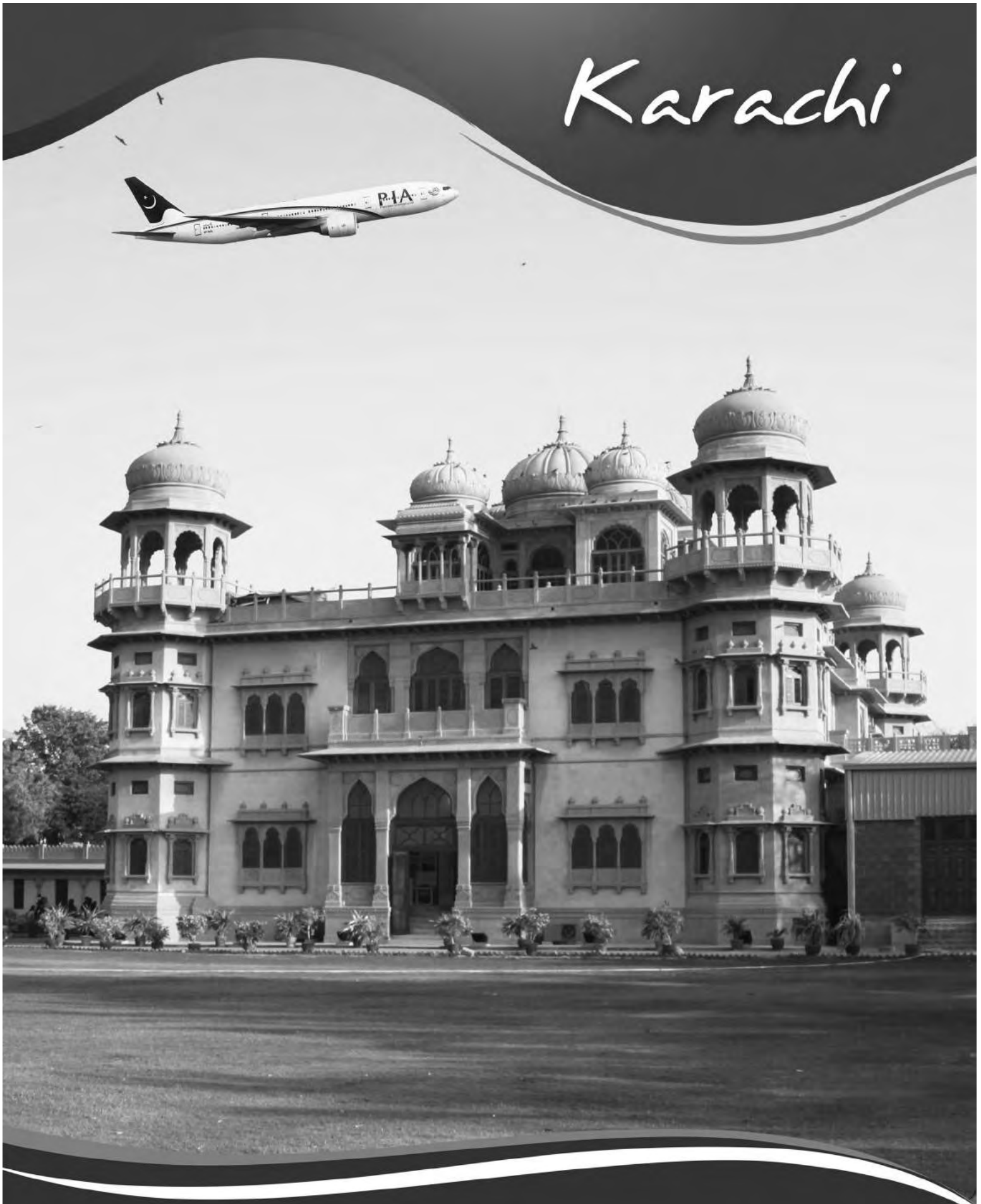
Employee teams will contribute towards making PIA a global airline of choice through:

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

Corporate Values

- **Customer Expectations**
  (Convenience, Care, Affordability)
- **Service**
  (Personalized, Courteous, Passionate)
- **Innovation**
  (New Ideas, Products, Value Added Services)
- **Cohesiveness**
  (Respect for Individuals, Teamwork, and Effective Communication)
- **Integrity**
  (Business Ethics, Accountability, and Transparency)
- **Reliability**
  (Loyalty and Consistency)
- **Safety**
  (Passengers, Employees, Environment)
- **Social Responsibility**
  (Welfare, Health, Education)

Karachi



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Notice of 58th Annual General Meeting

Notice is hereby given that 58th Annual General Meeting of the Shareholders of Pakistan International Airlines Corporation will be held at 10:00 A.M. on Friday, May 29, 2015 at CAA Jogging Track Lawn, The Grand Ball Room, Opposite CAA Club, Near Star Gate, Main Shahrah-e-Faisal, Karachi to transact the following business:

1. To receive and adopt the Audited Accounts for the Financial Year ended December 31, 2014 together with the Auditors' and Directors' Reports.

2. To transact any other business with the permission of the Chair.

By order of the Board

Younus M. Khan
Secretary - PIA

Karachi. May 07, 2015

Notes

1. The shares transfer books of the Corporation will remain closed from Saturday, May 23, 2015 to Friday, May 29, 2015 (both days inclusive). Transfer documents (Physical Scrip Transfers / CDC Transaction IDs) received in order at the office of PIA Share Registrar / Transfer Agent, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, upto 05:00 PM, by Friday, May 22, 2015 will be in time for registration of transfer of shares.

2. A Shareholder entitled to attend and vote at the Meeting may appoint another shareholder as his/her proxy. Proxy and Power of Attorney, in order to be effective, must be deposited at the registered office of PIA Share Registrar / Transfer Agent alongwith copy of CNIC, not less than 48 hours before the time fixed for holding the Meeting, unless the Power of Attorney has already been registered in the Corporation books, and must be stamped, signed and witnessed.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at the Meeting, must bring his / her CNIC or Passport to authenticate his / her identity alongwith CDC Account Numbers. However, if proxy is granted by such a shareholder, the same shall also have to be accompanied with an attested copy of CNIC or Passport of the granter. Representatives of Corporate Shareholders should bring the usual documents required for such purpose.

4. Shareholders are requested to promptly notify changes, if any, in their registered mailing addresses and also for the consolidation of folio numbers if any shareholder holds more than one folio to PIA Share Registrar / Transfer Agent.

INFORMATION REQUIRED AS PER SECP S.R.O. 779(1)2011, DATED AUGUST 18, 2011

In compliance with Securities and Exchange Commission of Pakistan (SECP)'s S.R.O.779 (1)2011. Shareholders of the Corporation are requested to provide copy of their Computerized National Identity Card for updation of computerized record, directly at the Office of PIA Share Registrar / Transfer Agent.

Lahore





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Corporate Profile (as at May 03, 2015)

Board of Directors

Mr Nasser N S Jaffer
Chairman-PIA

Mr Ghiasuddin Ahmed

Malik Nazir Ahmed

Syed Yawar Ali

Mr Atif Aslam Bajwa

Syed Muhammad Ali Gardezi
Federal Secretary Aviation

Mr Arif Habib

Mr Aslam Khaliq

Dr Waqar Masood Khan
Federal Secretary Finance

Mr Muhammad Azam Saigol

Mr Yousaf Waqar

Mr Younus M Khan
Secretary-PIA

Mr Jawed Mansha
Chief Internal Auditor

Executive Management

Mr Shahnawaz Rehman
Managing Director

AVM Rana M Imran
Advisor to Chairman

Mr Nayyar Hayat
Chief Financial Officer

Mr Maqsood Ahmed
Director-Engineering & Maintenance

Syed Aijaz Mazhar
Director-Information Technology

Mr Rashid Ahmed
Director-HRA&C

Ms Ghazala Rashid
Director-(President Al-Shifa Trust)

Mr Khurram Mushtaq
Director-Customer Services

Mr Omar Razzaq
Director-Special Projects

Capt. Salman Azhar
Director- Flight Operations

Mr Amir Ali
Director- MRO, Training & EASA-145

Mr Anjum Amin Mirza
Director- Corporate Planning & Accountability

Mr Amanullah Qureshi
Director-Works & Projects

Mr W J Bornshin
Director-Coordination

Capt. Adnan Haris
Director-Safety & Quality Assurance

Mr Wasim Bari Salimi
Chief Legal Officer

Mr Waseem Ahmed Khan
Director- Vigilance & Monitoring

AVM Sohail Ahmed Malik
Director- Precision Engineering Complex

Air Cdr Imran Akhtar Khan
Director-Procurement & Logistics

Mr Rashid Aziz
Director-Markteing *(Officiating)*

External Auditors

Messrs A. F. Ferguson & Co.
Chartered Accountants
Member firm of PriceWaterhouse Coopers(PwC)

KPMG Taseer Hadi & Co.
Chartered Accountants
Member firm of KPMG International Cooperative

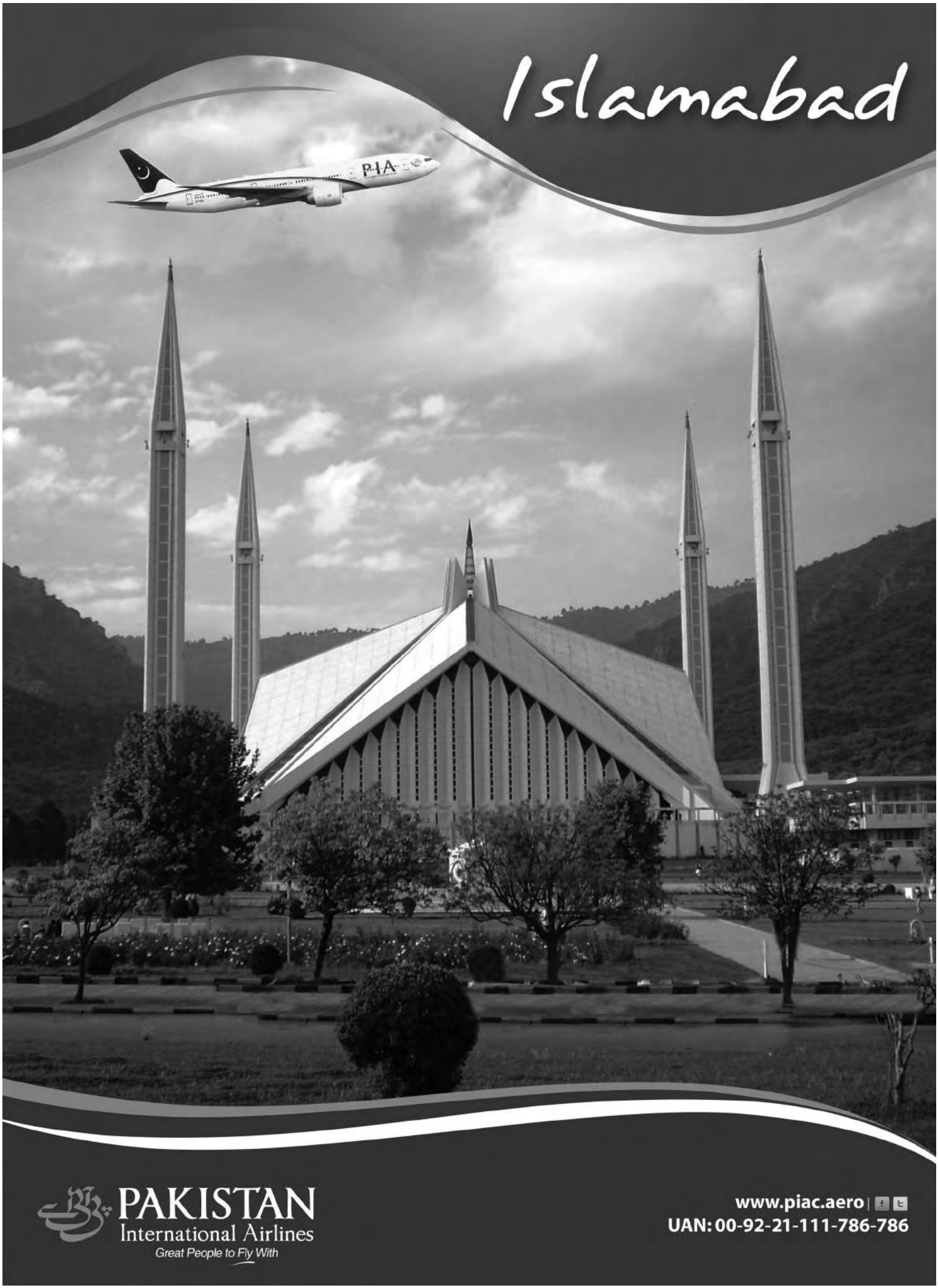
Share Registrar

Central Depository Company of Pakistan Limited
Shares Registrar Department
CDC House, 99-B, Block-B
Sindhi Muslim Cooperative Housing Society
Main Shahrah-e-Faisal
Karachi-74400, Pakistan

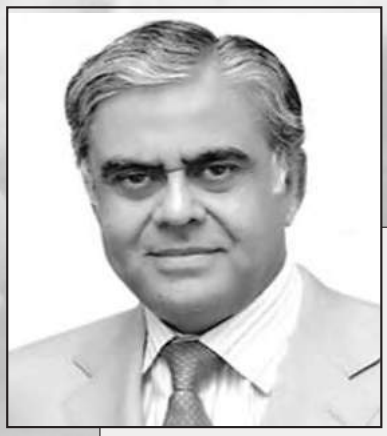
Ph: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: 0092-21-34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Head Office

PIA Building
Jinnah International Airport
Karachi-75200
PAKISTAN
Tel : 0092-21-99040000
UAN : 111-786-786
Website: www.piac.aero


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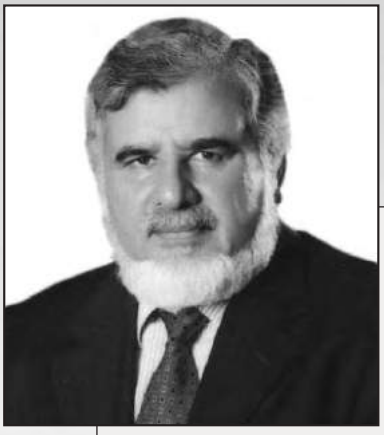
Chairman-PIA



Mr Nasser N S Jaffer *Chairman-PIA*

Mr Nasser N S Jaffer is Chairman-PIA since October, 2014. He holds an Associated Science Diploma in Agriculture from University of California. He is the CEO of Jaffer Group of Companies and Chairman on its Board of Directors. He was Director of Jaffer Brothers (Private) Ltd. from 1969 to 2003, responsible for the chemical, insecticides and pesticides businesses, as well as the fertilizer and machinery business from time to time. In 2003 he took over as Chairman and CEO of the company to manage the overall business to ensure growth, profitability and business satisfactory results to the stakeholders. He is serving on the Board of other business, philanthropy, social and health associations such as the Kidney Centre and Honorary Secretary Modern Club and Modern Society. He also held office as the Honorary Consul of the Philippines up till 2010. Mr Jaffer is presently serving on the board of Shell Pakistan Limited since June 13, 2011. He has previously served on the Board of Pakistan International Airlines Corporation from July 3, 2013 to August 01, 2013 and from July 04, 2014 to October 16, 2014.

Managing Director



Mr Shahnawaz Rehman *Managing Director*

Mr Shahnawaz Rehman was appointed as Managing Director PIA in July 2014. He has over 38 years' association with the national flag carrier. During this period he has served the airline in various executive capacities which include General Manager Fleet Planning, General Manager Marketing Planning and General Manager Flight Services. After his elevation to the position of Director he held the portfolios of Director Coordination, Director Financial Monitoring & Appraisal, Director Procurement & Logistics, Director Human Resources, Director Customer Services and Director Corporate Planning Department. In addition he has also served as Executive Director of Hotel Airport Inn, a subsidiary of PIA.

Mr Shahnawaz is member of Board of Directors of PIA Investment Limited and its associated companies. He takes keen interest in sports events and is also the Chief Scout of PIA Boy Scout Association.

He holds a Masters Degree from University of Punjab. He has participated in various professional training courses/workshops held by accredited bodies like IATA, Royal Aeronautical Society as well as by leading manufacturers like McDonald Douglas, Airbus and Boeing. He has also represented PIA at various prestigious aviation events like IATA Conferences, International Airshows and Aviation related seminars.

Board of Directors



Mr Ghiasuddin Ahmed (*Director*)

Mr Ghiasuddin Ahmed is a nominated Director since September, 2013. Mr Ahmed holds a Master's Degree in English Literature; Master's in Public Administration (Public Enterprises) from International Institute of Public Administration Paris (IIAP); Bachelor's Degree in Law from the University of Punjab; and a Diploma on Project Appraisal and Management from Harvard Institute, United States of America. During his career as a civil servant, he held senior positions in the provincial and federal government including Federal Secretary Establishment Division as well as Planning & Development Division. He has served as Member as well as Vice Chairman/Acting Chairman of National Electric Power Regulatory Authority (NEPRA). Mr Ahmed has participated in a number of national and international conferences and workshops. He has also served as Member Board of KESC and National Database and Registration Authority (NADRA). Mr Ahmed is presently serving as Chairman Board of Directors of Islamabad Electric Supply Company. He is Member of PIA Board's Audit Committee, Board's Human Resource & Remuneration Committee and Board's Customer Services Committee.



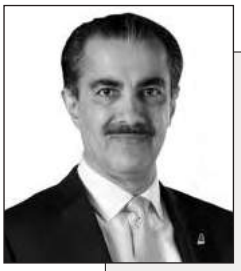
Malik Nazir Ahmed (*Director*)

Malik Nazir Ahmed is an elected Director since March, 2008. He is re-elected twice as Director effective April 2011 and May 2014 respectively. He holds Bachelor's Degree in Laws from Punjab University. Malik Ahmed is a renowned Businessman and is presently CEO of Nam International (Pvt.) Ltd, Namco Associates (Pvt) Ltd, and Executive Director of Wire Manufacturing Industries Ltd. (WMIL). Malik Ahmed has attended various courses in Business and Administration from Lahore Chamber of Commerce and Industry of which WMIL is a Corporate Member. He actively participates in welfare activities. He has attended many business forums and trade exhibitions within and outside Pakistan. He is Member of PIA Board's Audit Committee, Board's Human Resource and Remuneration Committee, Board's Customer Services Committee, Board's Information Technology Steering Committee and Board's Fleet Management Committee.



Syed Yawar Ali (*Director*)

Syed Yawar Ali is a nominated Director since September, 2013. He holds Bachelor's Degree in Chemical Engineering and Master's Degree in Management Science from Stevens Institute of Technology. He is a 'Certified Director' from Pakistan Institute of Corporate Governance (PICG) in collaboration with IFC (the World Bank Group). He had participated in different conferences, seminars and workshops on aviation held nationally and internationally. Syed Yawar Ali joined the family business, Packages Limited and then became Managing Director of Milk Pak Ltd. He is presently serving as Chairman of Nestlé Pakistan Limited; Wazir Ali Industries Limited and remained Chairman of Pakistan Dairy Association. He is serving as a Member on the Board of State Bank of Pakistan, Agricultural Development Bank of Pakistan and Lahore Electric Supply Company. Currently he is Vice-President of the India-Pakistan Chamber of Commerce and Industry and is heading a committee to 'Promote Trade with India.' He was on the Board of Pakistan International Airlines Corporation twice from June, 1991 to March 05, 1993 and June 26, 1997 to January 20, 2000, respectively. He is Chairman of PIA Board's Customer Services Committee and Member of Board's Information Technology Steering Committee, and Board's Fleet Management Committee.



Mr Atif Aslam Bajwa (*Director*)

Mr Atif Aslam Bajwa is a nominated Director since September, 2013. Mr Bajwa is a graduate from Columbia University, New York, USA. He is a seasoned banker and has 30 years of diverse national and international banking experience. Presently, he is working as President & Chief Executive Officer of Bank Alfalah Limited. 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, Pakistan, the 4th largest Bank in Pakistan as well as Soneri Bank Limited, Pakistan, as President & Chief Executive Officer. He has also served as President of Abu Dhabi Group. He is Chairman of PIA Board's Audit Committee and Member of Board's Finance Committee, and Board's Fleet Management Committee.

Board of Directors



Syed Muhammad Ali Gardezi (Federal Secretary Aviation & *Director)*

Syed Muhammad Ali Gardezi, Federal Secretary Aviation Division is a nominated Director on PIA Board since July 3, 2013 and he is a Civil Servant and has held different positions including Commercial Secretary in Hungary; Commissioner Sibi; Principal Secretary to Governor Baluchistan; Director Finance of Multan Development Authority; Managing Director of PSIC, Federal Secretary Labor Division; Commissioner Multan Division; Chairman National Highway Authority; and, Secretary Ministry of Climate Change. He is also serving as Chairman of Pakistan Civil Aviation Authority, and was Acting Chairman - PIA from August 6, 2013 to October 16, 2014. Mr Gardezi is also the Chairman of PIA Investment Limited.



Mr Arif Habib (*Director)*

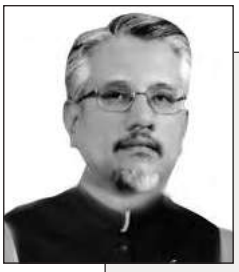
Mr Arif Habib is a nominated Director since January, 2015. He holds Bachelor's Degree in Commerce and is fellow Member of Institute of Chartered Secretaries & Managers. He is presently working as Chief Executive of Arif Habib Corporation Limited. He is also the Chairman of Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited, Arif Habib DMCC Dubai, Sachal Energy Development (Pvt.) Limited, and Arif Habib Consultancy (Pvt.) Limited. Mr Habib also serves as a Director in Pakistan Engineering Company Limited, Sui Northern Gas Pipelines Limited, and Pakistan Centre for Philanthropy, International Complex Projects Limited, and Aisha Steel Mills Limited. Mr Habib remained the elected President/Chairman of Karachi Stock Exchange for six times and was a Founding Member and Chairman of Central Depository Company of Pakistan Limited. He has served as a Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. He is Chairman of PIA Board's Human Resource & Remuneration Committee and Co-Chairman of Board's Finance Committee.



Mr Aslam Khaliq (*Director)*

Mr Aslam Khaliq is a nominated Director since February, 2014. Besides CHAL Foundation and The Hunar Foundation (Not for Profit- NGO's) Chairmanship, Mr Aslam Khaliq is also presently serving as Chairman Reckitt Benckiser Pakistan. He has been former Chairman and Advisor of Pakistan Tobacco Company where he worked for over 40 years. Furthermore, he has also served on the Boards of OGDCL, National Database & Registration Authority (NADRA), Intellectual Property Rights Organization (IPO-Pakistan), Pakistan Atomic Energy Bio Sciences (Pvt.) Limited & Islamabad Stock Exchange, JS Global Capital Limited. Besides being Honorary Consulate General for Bulgaria, he is on the Board of Governors of Lahore University of Management Sciences (LUMS) since 2003. He was on the Board of Pakistan International Airlines Corporation as Acting Chairman from July 3, 2013 to August 05, 2013. He is Chairman of PIA Board's Fleet Management Committee. He is also Co-Chairman of Board's Human Resource & Remuneration Committee, and Member of Board's Customer Services Committee. He is also on the Board of PIA Investment Limited.

Board of Directors



Dr Waqar Masood Khan *(Federal Secretary Finance & Director)*

Dr Waqar Masood Khan is Federal Secretary Finance and nominated Director since July, 2013. He holds Ph.D Degree in Economics and Masters in Arts in Political Economy from Boston University Massachusetts, USA and also Masters in Arts, in Economics and L.L.B from University of Karachi. Dr. Khan has held several prestigious positions in the Federal Government including Special Secretary to the Prime Minister, Secretary Finance Division, Secretary Economic Affairs Division and Secretary Textile Industry. He also has the experience of teaching micro as well as macro economics at Boston University Massachusetts, USA as Assistant Professor. Apart from having several institutional and personal publications at his credit, he has served on the Boards of prime national and international institutions including Islamic Development Bank, National Bank of Pakistan, and Pak-Oman Investment Company etc. Presently, he is serving as Federal Secretary, Finance Division. He is Chairman of PIA Board's Finance Committee.



Mr Muhammad Azam Saigol (*Director)*

Mr Muhammad Azam Saigol is a nominated Director since September, 2013. He holds Bachelor's (Hons) Degree in Arts from Oxford University, UK. Mr Saigol is an industrialist and has interests in textile, electronics/electrical, international trading automobile, energy and banking industries. Mr Saigol is presently serving as Chief Executive of Kohinoor Industries Limited and Kohinoor Power Company Limited. He is also serving on the Boards of Pak Elecktron Limited and Saritow Spinning Mills Limited. He is Chairman of PIA Board's Information Technology Steering Committee and Member of Board's Audit Committee, and Board's Human Resource & Remuneration Committee, and Board's Finance Committee.



Mr Yousaf Waqar (*Director)*

Mr Yousaf Waqar is an elected Director since April, 2011. He has been re-elected as Director effective May 2014. He has done BBA from Lahore School of Economics. He is a 'Certified Director' from Pakistan Institute of Corporate Governance (PICG) in collaboration with IFC (the World Bank Group). He is a well-known business man and is presently looking after his family business, namely Diamond Group of Industries. Mr Waqar has extensively travelled to many countries of the world. He is the CEO of Eagle Industries (Pvt) Limited and is Director and partner of six other companies. Mr Waqar is an active member of Entrepreneurs Organization of Pakistan. He is very active in supporting the social sector organizations working for the development of education and health care. His passion is to serve the nation by generating new resources of employment through producing environment friendly products. He is Member of Board's Human Resource & Remuneration Committee and Board's Information Technology Steering Committee.

Peshawar



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Regulatory Appointement



Mr Nayyar Hayat *(Chief Financial Officer)*

Mr Nayyar Hayat, a Chartered Financial Analyst (CFA), a Fellow of Cost & Management Accountants (FCMA), and an Associate of Certified Practicing Accountants Australia, joined Pakistan International Airlines as General Manager in Finance Department in April 2010. He has also served as Chief Internal Auditor of the corporation from January 2013 to August 2013 and presently serving as a Chief Financial Officer (CFO). Mr Hayat has extensive experience in strategic planning, corporate finance, joint ventures, capital asset oversight, corporate matters, global tax structure oversight and risk management. He has got successful and diverse track record of more than sixteen years service in finance. Before joining Pakistan International Airlines, he has served in Sugar, Steel, Edible Oil, Retail, Real Estate, Education, Health and not for Profit Sectors. He is Chief Executive officer of Skyrooms (Pvt) Ltd which runs Airport Hotel. He has also been a board member of Abacus Pakistan (Pvt) Ltd which is a National Distribution Company formed as a Joint Venture between Abacus Singapore and PIA.



Mr Younus M Khan (Corporate Secretary)

Mr Younus M Khan is the 18th Corporate Secretary of PIA. Besides a Master of Business Administration, he also holds Bachelor's Degree in Engineering. He is a 'Certified Director' from Pakistan Institute of Corporate Governance (PICG) in collaboration with IFC (the World Bank Group). During his career at Pakistan International Airlines he had the opportunity of working at various technical and managerial positions including the key positions like Special Assistant to Managing Director and Principal PIA Training Center. He had participated in different conferences, seminars and workshops on aviation held in Pakistan and around the World. Mr Khan is ex-officio member of CSR Committee, and ex-officio Secretary of Board's Audit Committee, Board's Human Resource & Remuneration Committee, Board's Finance Committee, Board's Customer Services Committee and Board's Information Technology Steering Committee. He is also Chairman of Women's Protection Committee of PIA.



Mr Jawed Mansha *(Chief Internal Auditor)*

Mr Jawed Mansha is Head of Internal Audit since August 2013. Mr Mansha is Fellow Member of the Institute of Cost and Management Accountants of Pakistan. Additionally, he has Masters Degree in Commerce and Economics. He is a Certified Director from Pakistan Institute of Corporate Governance (PICG). Mr Mansha has a professional experience of more than 21 years in Finance, Safety, Corporate Affairs and Internal Audit. He remained member of Task Force established by the Ministry of Finance for the development of Code of Corporate Governance for Public Sector Enterprises. He has represented ICMAP & PIA at various International Forums and Conferences. He has served as member of National Council of ICMAP & Chairman of Joint Committee of ICMAP & ICAP. Recently, World Bank has nominated Mr Mansha as contributor for the World Bank Benchmarking Public Procurement Project 2016 in Pakistan.

Quetta





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Board of Directors' Committees (as at May 03, 2015)

Board's Audit Committee

Mr Atif Aslam Bajwa	**Chairman**
Mr Ghiasuddin Ahmed	Member
Malik Nazir Ahmed	Member
Mr Muhammad Azam Saigol	Member

Board's Human Resource and Remuneration Committee

Mr Arif Habib	**Chairman**
Mr Aslam Khaliq	Co-Chairman
Mr Ghiasuddin Ahmed	Member
Malik Nazir Ahmed	Member
Mr Muhammad Azam Saigol	Member
Mr Yousaf Waqar	Member

Board's Finance Committee

Dr Waqar Masood Khan	**Chairman**
Mr Arif Habib	Co-Chairman
Mr Atif Aslam Bajwa	Member
Mr Muhammad Azam Saigol	Member

Board's Customer Services Committee

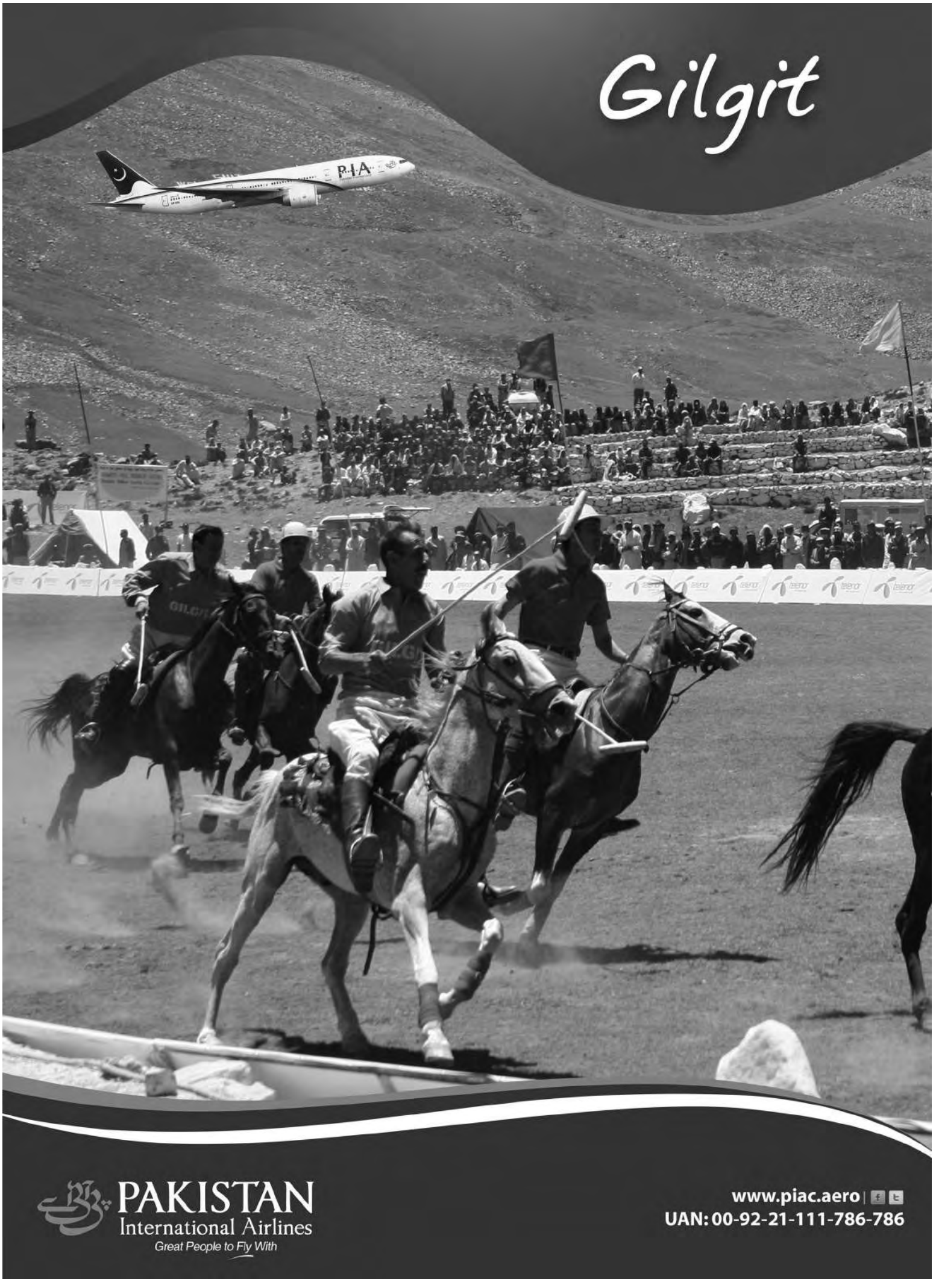
Syed Yawar Ali	**Chairman**
Mr Ghiasuddin Ahmed	Member
Malik Nazir Ahmed	Member
Mr Aslam Khaliq	Member

Board's Information Technology Steering Committee

Mr Muhammad Azam Saigol	**Chairman**
Malik Nazir Ahmed	Member
Syed Yawar Ali	Member
Mr Yousaf Waqar	Member

Board's Fleet Management Committee

Mr Aslam Khaliq	**Chairman**
Malik Nazir Ahmed	Member
Syed Yawar Ali	Member
Mr Atif Aslam Bajwa	Member

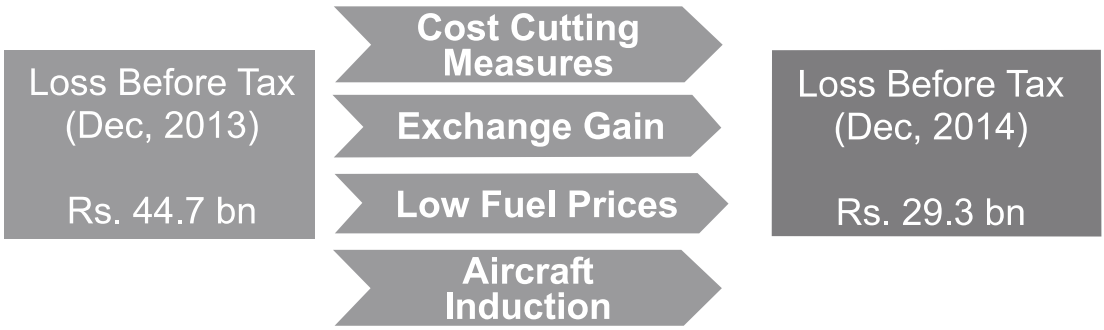

Gilgit
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DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

Dear Shareholders

The year 2014 marked the first 100 years of scheduled commercial aviation and Pakistan International Airlines has been part of it for 60 years. During this period aviation industry has grown considerably and made amazing progress and is the lifeblood of global economy and infrastructure. The industry has carried more than 65 billion people in the 100 years since then. From one route, one plane, and one passenger in January 1914, the industry has served 3.3 billion passengers during 2014 with a fleet of 25,000 planes on almost 50,000 routes.

During the year the industry experienced upsurge of 5% to 6% in passenger business. Strong growth has been witnessed on routes linked to Asia and the Middle East region while profits were highest for North America followed by Asia Pacific. Average industry seat factor slightly increased to 79.9% (2013: 79.7%). The cargo business remained challenging with little industry wide volume growth i.e. average annual FTK growth was 1.2% that used to be 6.4% pre financial crises.The key element was volatile fuel prices that showed highs and lows during the year.



Business Review

The Corporation's reported loss before tax amounting to Rs. 29.3 billion which depicts a considerable improvement in financial results as compared to previous year. Improvement in economic conditions of the country, decline in fuel prices and aggressive management decisions have posted a positive impact resultantly loss before tax has decreased by almost 34% as compared to the previous year.

Management vigorously pursued modernising and replacement of fleet, in order to bridge the capacity constraints faced by the Corporation, fuel efficient aircraft on wet and dry lease basis have been acquired during the year. Fleet modernisation and capacity induction is the corner stone of the turnaround strategy. During the year, nine aged aircraft have been retired from operation due to their operational inefficiencies resultantly average age of the fleet has decreased to 14 years as compared to 17 years during prior period.

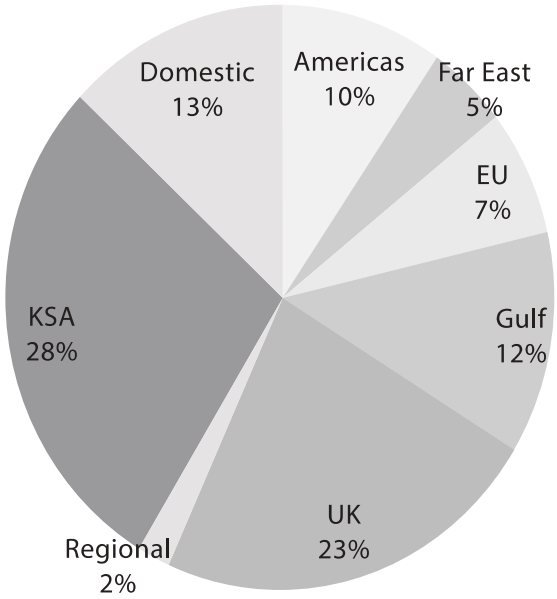
Management has taken broad range measures at many levels to monitor operational performance. Schedule integrity along with departure punctuality remained our primary focus as on time performance is the key driver of customer satisfaction.

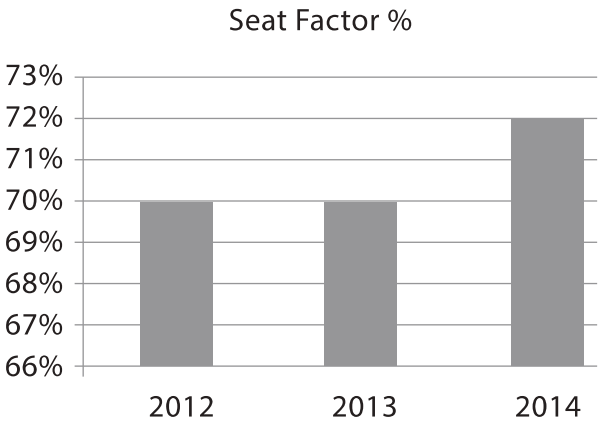
Impact of measures taken by the management posted a positive impact on passenger revenue and combined effect of increase inseat factor to 72%and yield resulted in almost 8.8% increase in passenger revenue. Measures taken by the management included among other initiatives fleet modernization, route rationalization and steps towards cost cutting. Operation to loss making routes like Kathmandu, Barcelona, Bradford and Mashhad were discontinued and frequencies were increased at profitable international routes like Manchester, Dubai, Kuala Lumpur, Abu Dhabi. Moreover, flights on domestic routes have also been increased after the addition of narrow body aircraft acquired on dry lease.

Due to downward revision of Hajj quota, revenue from Hajj operations declined whereas revenue from charter business flourished resulting in almost 50% increase in revenue from charter business. Cargo and Mail revenue decreased mainly due to capacity constraints.

Strict control and better economic environment has helped to keep costs down and expenses other than finance cost decreased by almost 10.6%. This decrease includes the exchange gain due to variation in exchange rate and fuel cost impact. Appreciation of PKR against dollar, during the year, yielded exchange gain of Rs. 3.1 billion (2013: exchange loss of Rs. 6.4 billion). Flight equipment rental cost increased by Rs. 3.5 billion due to induction of aircraft on wet and dry leases. Combined effect of downward trend in fuel prices, especially during the later part of the year, and the impact of replacement of aging fleet with fuel efficient aircraft resulted in 12.7% decline in fuel cost.

Region wise Passenger Revenue





Ever increasing finance cost remained one of major problems for the Corporation.The Corporation was forced to borrow heavily in order to meet working capital requirements and the repayment of fleet loans. As a result finance cost increased by Rs. 1.78 billion. The business activities, performance, strategy and risks of the Corporation are set out below:

Going Concern

The auditor's report highlights that the going concern assumption is appropriate based on the persistent support of the Government of Pakistan. It is worth noting that performance of the Corporation has been continuously improving since the replacement of aging fleet with the newer and fuel efficient aircraft. The induction of narrow body fleet has posted a positive impact on the operations as well as resulting in restoring the confidence of our customers in the Airline.

The management is working on the financial restructuring of the airline to manage the high financial leverage by utilizing offshore properties. Management of the Corporation has a reasonable expectation that the Corporation has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

Change in an Accounting Policy – Investments in Subsidiaries

The Corporation has changed its accounting policy in relation to its investments in subsidiaries which are now accounted for at 'fair values' and classified as available for sale investment in accordance with International Accounting Standard 39 'Financial instruments: Recognition and measurement'. However, at present the management is in the process of completing a comprehensive exercise to determine the fair values of its investments in subsidiaries. Hence, these investments have been stated at break-up value in these financial statements.

Particulars	Year ended December 31	
	2014	2013
	(PKR in Millions)	
Turnover – net	99,519	95,771
Operating Cost & Expenses	(118,048)	(123,151)
Other Income	486	1,664
Exchange Gain (Loss)	3,105	(6,407)
Finance Costs	(14,372)	(12,588)
Loss Before Tax	(29,311)	(44,711)
Taxation	(2,911)	388
Loss After Tax	(32,222)	(44,322)

* Re-stated

PIA Subsidiaries

PIA Investment Limited operates Scribe Hotel in Paris and Roosevelt Hotel in New York which are prestigious hotels. PIA Investment Limited continued profitability trend showing an increase in revenue of US$ 1.6 million while profit after tax increased by 14.7 % during the financial year.

Skyroom Limited (Airport Hotel) located next to PIA Head Office in Karachi provides its services mainly to the transit passengers of PIA. Revenue has increased by 12.3% while costs have increased by 9.4% hence bringing the bottom line back into the black.

	Skyroom	Roosevelt	Scribe
Guest Numbers	151,689	622,199	115,344
Room Occupancy	85%	92%	85%

Major Judgment of Revaluation of Property, Plant & Equipment

The Corporation uses the policy of revaluing its assets to market values as provided for in IAS 16 - property, plant and equipment. Land, buildings and aircraft are revalued through independent professional valuation company with sufficient regularity. A revaluation in respect of land and buildings was carried out during the current year.

The latest revaluation of aircrafts on December 31, 2014 was carried out by Ascend Worldwide Limited (UK) on the basis of professional assessment of current market values which resulted in a revaluation deficit of PKR 6,314.658 million (2013 (Restated): PKR 3,535.804 million).

The valuator has conducted an extended desktop appraisal of the aircraft and engines. This does not include a physical inspection of the aircraft or engines, but does take into account the maintenance status of the airframe and heavy components such as engines, landing gears and auxiliary power units (APUs). The revaluation is based on the current market value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of recent market activity and known transactions involving the subject aircraft covering new sales, new orders, the limited open market and financial activity that has occurred to date. It additionally considers the perceived demand for the type of aircraft or engine, its availability in the market and further takes into account the expressed views of informed industry sources.

Principal Risks & Uncertainties

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

The Corporation has adopted a pro-active approach towards managing key business, operational, financial and strategic risks. The airline has a dynamic Corporate Safety and Quality Assurance function whose primary responsibility is to continuously assess the environment in which the airline operates and identify and address potential operational risks by developing controls to mitigate the same.

Financial Risk Management

The Corporation is exposed to a variety of financial risks, including credit, liquidity and market risks. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance. The Board approves prudent treasury policies and delegates certain responsibilities to senior management who directly control day-to-day treasury operations on a centralised basis and operate within clearly defined parameters. The Board has formulated a strong structure by formulating committees which regularly review and monitor key functions.

Credit Risk

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

Liquidity Risk

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

Fuel Price Risk

Being the part of aviation industry like other airlines the Corporation is exposed to volatility in the Jet fuel prices. The Corporation has put in place an effective fuel hedging program. Fuel hedging committee has the responsibility to run the program under the guidelines provided by the finance committee and the board. The committee also has a fuel hedging consultant to advise it both on the program and execution of the transactions.

Interest Rate Risk

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

PIA Training Centre

Owing to prospering Aviation industry, large number of technical manpower will be required in the region. Therefore, in line with vision of Government of Pakistan, PIA management in addition to the training center at Karachi has set up aviation training centers at:

- Lahore
- Rawalpindi
- Swat
- Peshawar

Twelve training centers have also been planned in cities such as Quetta and Multan. These training institutes will impart training to youth across the country. These will not only provide affordable technical education to the youth of the country but will also enable them to contribute to the national exchequer by getting jobs out of the country.

Corporate Social Responsibility (CSR)

PIA is driven by the highest standards of corporate governance and social responsibility. As a public sector organization, PIA believes in building strong relationships with customers, partners, employees, and the communities in which it operates. It aims to include public interest into corporate decision making by pursuing triple bottom line objective: People, Profit and Planet.

As a responsible corporate citizen, the airline extends its support during natural calamities by making donations, operating additional flights and carrying relief material free of charge to help those affected. PIA has institutionalised the practice of good governance by establishing a Corporate Social Responsibility Committee which provides a platform to evaluate, update and recommend best practices. Key activities supporting the community reflect PIA's belief in contributing for the betterment of society. These include Education & Training, Scouts Association, Al-Shifa Trust, PIA Employee Health and Medical Services as well as the Sports Academy. Moreover, we support a broad range of initiatives in the field of education to provide the fundamental building block for the development of the society. Therefore, we are contributing to mass educational programs in multifarious disciplines of professional skills and awareness through following entities:

- PIA Model Secondary School – for 1500 children
- PIA Industrial Training Institute

Evacuation Flights

PIA operated special flights to Libya during the year to bring back more than 1,000 stranded Pakistanis. PIA also operated special flights during first quarter of 2015 to evacuate our citizens from war zones of Yemen. The expats praised the efforts of the Government of Pakistan and appreciated PIA for operating flights in the war zone.

PIA Sports Academy

PIA sports academy has spawned many national sporting heroes and continues to support the new generation. Former West Indies batsman Alvin Kallicharran, who currently coaches cricket among youth in United States, visited PIA sports academy and provided training sessions during the year. The sports academy achieved several accolades during the year such as:

Sport	Event	Status
Hockey Team	National Championship 2014-15	Winner
Hockey Team	Nishan-e-Haider Trophy	Winner
Hockey Team	All Pakistan Brigadier Atif Trophy	Winner
Hockey Team	Doha Tour (Defeated Indian Airline)	Winner
Squash - M. Huzaifa Ibrahim	Qatar Open & Doha Open	Winner Under 11
Squash - Ahsan Ayaz	National Champion	Winner Under 19
Squash - Naveed Rehman	Sindh Champion	Winner Under 15
Cricket Team	President Trophy	Semi Final



PIA Sports Academy Hockey Team with Management after winning National Championship

Sarfraz Ahmed has become the star performer especially after his superb performance in the World Cup 2015. He became first Pakistani wicket keeper batsman to score a century and take 6 catches as wicket keeper to equal the one day international record for most dismissals. He has been appointed as vice captain of the national ODI team. He has been given special performance award and was awarded promotion by the Corporation in recognition of his services. Sarfraz Ahmed has been with the Corporation for last eight years and has captained PIA under 19 Cricket Team that won the world cup.



Corporate Safety & Quality Assurance

The PIA Corporate Safety & Quality Assurance Division ensures safe operations by monitoring implementation of international standards and recommended industry practices. Following are the fundamental components of its various programs:

- **IOSA (IATA Operational Safety Audit) Certification** - PIA is one of the 300 airlines of the world and the only airline of the country that conforms to this certification
- **Fire Safety at Workplace & Home** - Technological protection and awareness campaigns are the major tools
- **Emergency Response Planning**- Comprehensive SOPs, Training, Exercises, a state of the art Emergency Response Centre (ERC) and motivated Volunteer Teams to manage aircraft emergencies and natural disasters
- **Health, Safety & Environment** - PIA has been proactive in understanding the needs of the time and has launched the Health, Safety & Environment (HSE) initiative. The objective of this program is to mature the airline's HSE systems to a level which will eventually lead to OHSAS-18001 and ISO-14001 certification

Pattern of Shareholding

A statement showing the pattern of Shareholding in the Corporation and additional information as at December 31, 2014 appears on page 29 . The highest and lowest market prices for ordinary 'A' class shares of PKR 10/- each were PKR 10.55 and PKR 5.13 per share, respectively. The highest and lowest market prices for ordinary 'B' class shares of PKR 5/- each were PKR 6.42 and PKR 5.50 per share, respectively. Government of Pakistan through Ministry of Defence holds 84.64% of shares. PEET holds 8.06% Public Sector Companies and Corporation holds 0.73% individual and other holds 6.56% whereas financial institutions hold 0.01%.

Changes in Board of Directors

During the Financial Year 2014, the following changes took place in PIA' s Board of Directors:

Mr Muhammad Naeem Bajwa	Relinquished
Mr Nasser N S Jaffer *As Board Member and subsequently as Chairman-PIA* Mr Aslam Khaliq	Nominated

Corporate and Financial Reporting Framework

To comply with the Code of Corporate Governance, the Directors to the best of their knowledge and belief state that:

a) The Financial Statements prepared by the Management of Pakistan International Airlines Corporation present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of accounts of the Corporation have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reportting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e) We acknowledge the responsibility of establishment of sound and effective internal control system and continuous efforts are being made for further improvement and refinement in design as well as effectiveness of existing system.

f) There are no significant doubts upon the Corporation's ability to continue as a going concern other than those, alongwith the corresponding mitigating factor, as discussed in note 1.2 to the consolidated financial statements.

g) There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

h) Key operating and financial data of last six years in summarized form is annexed to this Report.

i) The reason for non-declaration of dividend / non-issuance of bonus shares is net loss during the year.

j) During the year, the Board of Directors held 10 (ten) meetings. The attendance record of Directors is annexed to this Report.

k) The pattern of shareholding as required under Section 236 of Companies Ordinance 1984 and clause (xvi) of the Code of Corporate Governance is annexed to the Report.

l) The Board Members, CEO, MD, CFO, Head of Internal Audit, Corporate Secretary, their spouses and minor children have not traded in PIA Shares during the year.

m) The value of investment of recognized provident fund and pension fund as at December 31, 2014 were PKR 17,820 million and PKR 12,118 million respectively.

n) Presently two Directors of the Board are certified directors from Pakistan Institute of Corporate Governance and Corporation is planning to get other directors certified by year 2016, as required by the Code of Corporate Governance.

o) There is no statutory payment outstanding against the corporation except those disclosed in note 26 of the unconsolidated financial statements.

p) The Corporation is in the process of restructuring TFCs and Sukuk as provided in note 22 of the unconsolidated financial statements.

q) The Board of Directors has recommednded appointment of Messrs KPMG Taseer Hadi Co and appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder as external auditors for year 2015. Messrs A.F. Ferguson & Co has completed their five years term, as external auditors, as prescribed by Ministry of Finance.

Compliance with Best Practices of Corporate Governance

A Statment showing the status of compliance with the best practices of the Corporate Governance set out in the Code of Corporate Governance 2012 is being published and circulated along with this Report.

Statement of Internal Control

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

a) Efficiency and effectiveness of operations
b) Compliance with laws and regulations
c) Reliability of financial reporting

The Board has established an Audit Committee comprising four Non-Executive Directors. The Terms of Reference of Audit Committee are in line with the requirements of the Code of Corporate Governance 2012. The Committee is responsible for oversight of Internal Audit Function as well as external financial reporting.

The Corporation's Internal Audit Function is handled by a qualified Cost and Management Accountant. Further, as assigned by the Audit Committee the Internal Audit Function has transformed its audit approach from traditional to risk based for all auditable assignments in line with guidelines of COSO and Institute of Internal Auditors - USA. To further strengthen the overall Internal Audit Function, PIA has entered into a co-sourcing agreement with M/S Deloitte Pakistan.

Future Projects

The Corporation is in the process of acquisition of more fuel efficient aircraft. Encouraging results of this year have shown that capacity induction through acquisition of fuel efficient aircraft will help to bring back both the customers and better financial results. The aircraft acquisition process is driven by the right aircraft for the right route approach. Process for the acquisition of ten narrow body, five ATRs and two wide body aircraft has been finalised. The acquisition is being done through a transparent and competitive bidding process. These aircraft are expected to join fleet on varying dates during the 1st half of year 2015.

These aircraft will not only address capacity constraints but also enhance the brand image by giving better frequency and connectivity to the passengers. We are thankful to the Government, the majority shareholder, for supporting the Corporation in pursuit of its fleet modernization by giving cash support for aircraft induction. Projects regarding product improvement are under way to capitalize the competitive advantage, like upgrading of business class seats and In-Flight Entertainment (IFE).

Automation is the cornerstone of the management's vision. Tender for ERP is in its final stages and it will be awarded in compliance with PPRA rules through a very transparent process. IT steering committee of the Board is actively monitoring the whole process so that the project will be completed within the timeframe.

Acknowledgement

I would like to thank customers, the shareholders and the valuable support of Government of Pakistan. I am grateful to the aircraft lessors and banks for their trust and confidence in the airline. I also wish to thank each member of the management and staff for their loyalty, dedication, commitment and hard work to overcome the adverse conditions that the company is passing through. We are confident that with the dedication of our people and commitment of our management we shall bring the organization out of this difficult situation.

For and on behalf of the Board

Nasser N S Jaffer
Chairman - PIA

Dated: May 03, 2015

Board Meetings Attendance

Meetings Date / Attended by	BM 354 15/02/14	BM 355 31/03/14	BM 356 29/04/14 & 30/04/14	BM 357 06/06/14	BM 358 09/07/14	BM 359 23/09/14	BM 360 11/10/14	BM 361 30/10/14	BM 362 26/11/14	BM 363 30/12/14
Mr Nasser N S Jaffer *Chairman-PIA/CE & Member*	-	-	-	-	✓ Nominated 04/07/2014	Leave of Absence	✓	✓	✓	✓
Mr Ghiasuddin Ahmed	✓	Leave of Absence	✓	✓	✓	✓	Leave of Absence	✓	✓	Leave of Absence
Malik Nazir Ahmed	✓	✓	✓	✓ Re-elected 28/05/2014	✓	Leave of Absence	✓	✓	✓	✓
Syed Yawar Ali	Leave of Absence	✓	✓	Leave of Absence	✓	✓	✓	✓	✓	✓
Mr Atif Aslam Bajwa	✓	Leave of Absence	✓	✓	✓	✓	Leave of Absence	Leave of Absence	✓	✓
Syed Muhammad Ali Gardezi *Federal Secretary Aviation*	✓	✓	✓	✓	✓	✓	✓	✓	Leave of Absence	✓
Dr Miftah Ismail	Leave of Absence	✓	Leave of Absence	✓	✓	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence
Mr Aslam Khaliq	✓ Nominated 03/02/2014	✓	✓	✓	Leave of Absence	✓	✓	Leave of Absence	✓	✓
Dr Waqar Masood Khan *Federal Secretary Finance*	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence
Mr Muhammad Azam Saigol	✓	Leave of Absence	✓	✓	✓	Leave of Absence	Leave of Absence	Leave of Absence	✓	✓
Mr Yousaf Waqar	✓	Leave of Absence	Leave of Absence	✓ Re-elected 28/05/2014	Leave of Absence	✓	✓	Leave of Absence	Leave of Absence	Leave of Absence
Mr Muhammad Naeem Bajwa	Relinquished 03/02/2014	-	-	-	-	-	-	-	-	-

Attendance of Directors at Audit Committee Meeting

Meetings Date / Attended by	68th 14/02/2014	69th 28/04/2014	70th 22/09/2014	71th 22/09/2014	72th 22/09/2014
Mr Atif Aslam Bajwa *Chairman*	✓	✓	✓	✓	✓
Malik Nazir Ahmed	Leave of Absence	✓	Leave of Absence	Leave of Absence	Leave of Absence
Mr Yousaf Waqar	✓	Leave of Absence	✓	✓	✓
Mr Nasser N S Jaffer	-	-	Leave of Absence	Leave of Absence	Leave of Absence
Mr Ghiasuddin Ahmed	-	-	-	-	-
Mr Aslam Khaliq	-	-	-	-	-

Attendance of Directors at Human Resource & Remuneration Committee Meeting

Meetings Date / Attended by	30th 10/03/2014	31st 18/11/2014	32nd 20/12/2014
Dr Miftah Ismail *Chairman*	✓	Leave of Absence	✓
Mr Aslam Khaliq *Co-Chairman & Member*	-	✓	✓
Malik Nazir Ahmed	✓	✓	✓
Mr Yousaf Waqar	Leave of Absence	Leave of Absence	Leave of Absence
Mr Ghiasuddin Ahmed	-	Leave of Absence	Leave of Absence
Mr Muhammad Azam Saigol	-	✓	Leave of Absence

A. F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I. I. Chundrigar Road
P. O. Box 4716
Karachi - 74000

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor Sheikh Sultan
Trust Building No.2
Beaumont Road
Karachi - 75530

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Pakistan International Airlines Corporation (the Corporation) for the year ended December 31, 2014 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Corporation is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Corporation's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Corporation for the year ended December 31, 2014.

Further, we highlight below instances of non-compliances with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

i.	Paragraph 14 and 16:	73rd Meeting of Board Audit Committee (BAC) could not be convened on October 29, 2014 due to absence of quorum owing to which 3rd Quarterly Accounts could not be reviewed by BAC [Non-compliance of clause (xxvii) of the Code].
ii.	Paragraph 24 (a)	Details of the related party transactions were not placed before the Audit Committee and the Board for their recommendation / review and approval [Non-compliance of clause (x) (a) of the Code].
iii.	Paragraph 24 (b)	Chairman Board Audit Committee (BAC) could not attend the 57th Annual General Meeting held on May 28, 2014 [Non-compliance of clause (xxviii) of the Code].
iv	Paragraph 23	Board in its 356th Meeting held on April 29 & 30, 2014 decided to acquire an off- the-shelf Self- Assessment solution of Board Evaluation. The evaluation for the year 2014 has been started and is in process. [clause (v) (e) of the Code].

Chartered Accountants

Audit Engagement Partner:
Khurshid Hasan

Chartered Accountants

Audit Engagement Partner:
Nadeem Shahab

Date: May 3, 2015
Place: Karachi

Statement of Compliance

With the Code of Corporate Governance-2012 [Under Clause (XI) of the Code] Pakistan International Airlines Corporation year ended December 31, 2014

This Statement is being presented to comply with the Code of Corporate Governance-2012 (the Code) contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Pakistan International Airlines Corporation (the Corporation) has applied the principles contained in the Code in the following manner:

1. The Corporation has been incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955 which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (the PIAC Act) which stipulates that chairman and eight directors are nominated by the Federal Government whereas two directors are elected by the shareholders other than the Federal Government. As at December 31, 2014 the Board includes:

Category	Names
Executive directors	Mr Nasser N S Jaffer, Chairman & Chief Executive
Non-Executive Directors (Nominated)	Mr Ghiasuddin Ahmed Syed Yawar Ali Mr Atif Aslam Bajwa Syed Muhammad Ali Gardezi Dr Miftah Ismail Mr Aslam Khaliq Dr Waqar Masood Khan Mr Muhammad Azam Saigol
Non-Executive Directors (Elected)	Malik Nazir Ahmed Mr Yousaf Waqar

* PIAC Act 1956 does not realize 'Independent Director' as a category

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Corporation (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the directors of the Corporation are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. During the year, two casual vacancies of nominated directors which had arisen on July 04, 2013 and February 3, 2014 were filled up by the Federal Government on July 4, 2014 and February 3, 2014 respectively in accordance with the PIAC Act.

5. The Corporation has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Corporation along with its supporting policies and procedures.

6. The Board has developed a vision statement, mission statement, overall corporate strategy and significant polices of the Corporation. A complete record of particulars of significant polices along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board except for those provided in paragraph 24. The appointment of Mr Nasser N S Jaffer as Chairman was made by the Federal Government.

8. The meetings of the Board were presided over by the Chairman / Acting Chairman [also the Chief Executive), as per the PIAC Act] and it met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven clear days before the meetings except for one meeting which was called in accordance with the PIAC Act on a shorter notice. The minutes of the meetings were appropriately recorded and circulated.

9. As required under clause (xi) of the Code, Syed Yawar Ali and Mr Yousaf Waqar have undergone Directors Training Program and are Certified Directors from Pakistan Institute of Corporate Governance while many of the remaining directors meet the exemption criteria for the Directors Training Program in accordance with clause (xi) of the Code.

10. The Board has approved appointment of Head of Internal Audit (HoIA), including his remuneration as well as terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Corporation have been duly endorsed by Chairman [also the Chief Executive, as per the PIAC Act] and the CFO before approval of the Board.

13. The directors, chief executive and executives do not hold any interest in the shares of the Corporation other than that disclosed in the pattern of shareholding.

14. The Corporation has complied with all corporate and financial reporting requirements of the Code except for the meeting of the Board's Audit Committee that could not be convened due to absence of quorum to consider and approve the third quarterly financial statements.

15. The Board has formed an Audit Committee. It comprises four members who are all non-executive directors including the Chairman of the Committee.

16. The meetings of the Board's Audit Committee were held at least once every quarter prior to approval of interim and final results of the Corporation and as required by the Code except for the fourth quarter due to absence of quorum. The terms of reference have been formed by the Board and advised to the Committee for compliance.

17. The Board has formed Human Resource and Remuneration Committee. It comprises six members who are all non-executive directors including the Chairman of the Committee.

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

19. The Statutory Auditors of the Corporation have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Corporation and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of Corporation's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. Board in its 356th Meeting held on April 29 & 30, 2014 decided to acquire an off-the-shelf Self-Assessment solution of Board Evaluation. The evaluation for the year 2014 has been started and is in process.

24. Following matters toward which efforts are being made by the Corporation to seek compliance by the end of next accounting year:

    a) Details of the related party transactions were not placed before the Audit Committee and the Board for their recommendation / review and approval [Non-compliance of clause (x)(a) of the Code]

    b) Chairman BAC could not attend the 57th Annual General Meeting held on May 28, 2014 [Non-compliance of clause (xxviii) of the Code]

25. We confirm that all other material principles enshrined in the Code have been complied with except for the matters stated above.

Dated: May 03, 2015

Nasser N S Jaffer
Chairman-PIA

Pattern of Shareholding As at December 31, 2014

Shareholdings From		To	Number of Shareholders	Ordinary 'A' Class Shares of Rs.10/- each Total Shares Held	Ordinary 'B' Class Shares of Rs.5/- each Total Shares Held
1	to	100	13845	267,127	13,188
101	to	500	30396	8,522,112	10,471
501	to	1000	4830	4,140,118	1,339
1001	to	5000	5464	13,907,760	12,486
5001	to	10000	1157	9,238,623	-
10001	to	15000	355	4,602,767	-
15001	to	20000	278	5,152,916	-
20001	to	25000	218	5,194,872	-
25001	to	30000	126	3,600,299	-
30001	to	35000	56	1,869,367	-
35001	to	40000	52	2,047,000	-
40001	to	45000	33	1,425,261	-
45001	to	50000	106	5,262,956	-
50001	to	55000	24	1,270,416	-
55001	to	60000	35	2,047,628	-
60001	to	65000	16	1,028,500	-
65001	to	70000	22	1,512,734	-
70001	to	75000	22	1,632,501	-
75001	to	80000	10	781,467	-
80001	to	85000	12	1,004,000	-
85001	to	90000	14	1,242,320	-
90001	to	95000	8	748,000	-
95001	to	100000	60	5,994,921	-
100001	to	105000	10	1,041,658	-
105001	to	110000	11	1,199,000	-
110001	to	115000	4	453,000	-
115001	to	120000	6	713,178	-
120001	to	125000	10	1,233,689	-
125001	to	130000	1	130,000	-
130001	to	135000	1	131,500	-
135001	to	140000	8	1,115,000	-
140001	to	145000	3	430,626	-
145001	to	150000	9	1,350,000	-
150001	to	155000	1	154,500	-
155001	to	160000	1	156,500	-
160001	to	165000	4	652,000	-
165001	to	170000	4	674,000	-
170001	to	175000	3	523,000	-
175001	to	180000	3	533,500	-
180001	to	185000	3	549,100	-
185001	to	190000	1	190,000	-
190001	to	195000	1	195,000	-
195001	to	200000	16	3,200,000	-

Pattern of Shareholding As at December 31, 2014

Shareholdings From		To	Number of Shareholders	Ordinary 'A' Class Shares of Rs.10/- each Total Shares Held	Ordinary 'B' Class Shares of Rs.5/- each Total Shares Held
200001	to	205000	4	814,500	-
205001	to	210000	3	625,500	-
210001	to	215000	5	1,062,943	-
215001	to	220000	2	440,000	-
220001	to	225000	2	445,345	-
225001	to	230000	3	680,650	-
230001	to	235000	1	233,500	-
235001	to	240000	2	476,000	-
240001	to	245000	1	245,000	-
245001	to	250000	5	1,250,000	-
250001	to	255000	1	253,500	-
255001	to	260000	2	519,000	-
265001	to	270000	1	267,500	-
270001	to	275000	1	274,168	-
275001	to	280000	1	280,000	-
280001	to	285000	3	848,500	-
295001	to	300000	7	2,096,500	-
300001	to	305000	3	905,379	-
310001	to	315000	1	315,000	-
315001	to	320000	2	638,000	-
320001	to	325000	1	325,000	-
325001	to	330000	2	659,500	-
330001	to	335000	1	335,000	-
340001	to	345000	2	685,500	-
350001	to	355000	2	707,000	-
360001	to	365000	1	362,500	-
365001	to	370000	1	366,000	-
370001	to	375000	1	371,500	-
395001	to	400000	2	800,000	-
400001	to	405000	1	404,000	-
420001	to	425000	3	1,273,500	-
455001	to	460000	1	460,000	-
480001	to	485000	2	968,500	-
495001	to	500000	7	3,499,500	-
500001	to	505000	1	500,500	-
505001	to	510000	1	509,000	-
560001	to	565000	1	564,000	-
565001	to	570000	1	567,504	-
575001	to	580000	1	576,000	-
595001	to	600000	2	1,200,000	-
605001	to	610000	2	1,213,500	-
620001	to	625000	1	625,000	-
630001	to	635000	2	1,260,567	-

Pattern of Shareholding As at December 31, 2014

Shareholdings From		To	Number of Shareholders	Ordinary 'A' Class Shares of Rs.10/- each Total Shares Held	Ordinary 'B' Class Shares of Rs.5/- each Total Shares Held
640001	to	645000	1	644,000	-
655001	to	660000	1	657,000	-
695001	to	700000	1	700,000	-
745001	to	750000	1	750,000	-
750001	to	755000	1	751,000	-
820001	to	825000	1	825,000	-
945001	to	950000	2	1,897,000	-
975001	to	980000	1	978,226	-
995001	to	1000000	2	2,000,000	-
1075001	to	1080000	1	1,078,500	-
1130001	to	1135000	1	1,132,500	-
1230001	to	1235000	1	1,235,000	-
1250001	to	1255000	1	1,252,091	-
1460001	to	1465000	1	1,462,000	-
1495001	to	1500000	1	1,500,000	-
1570001	to	1575000	1	1,571,500	-
1595001	to	1600000	1	1,600,000	-
1625001	to	1630000	1	1,626,500	-
1795001	to	1800000	1	1,800,000	-
1895001	to	1900000	1	1,897,000	-
2070001	to	2075000	1	2,073,100	-
2115001	to	2120000	1	2,115,135	-
2245001	to	2250000	1	2,248,500	-
2300001	to	2305000	1	2,304,000	-
2995001	to	3000000	1	3,000,000	-
4300001	to	4305000	1	4,304,000	-
5010001	to	5015000	1	5,010,500	-
14865001	to	14870000	1	14,866,500	-
20850001	to	20855000	1	20,851,011	-
231855001	to	231860000	1	231,855,493	-
2435205001	to	2435210000	1	2,435,208,439	1,462,515
	Total		**57361**	**2,877,217,467**	**1,499,999**

Pakistan International Airlines Corporation
Categories of Shareholders As at December 31, 2014

Categories of Shareholders	Number of Shareholders	Number of Shares Held		Percentage
		Ordinary 'A' Class	Ordinary 'B' Class	
Associated Companies, undertakings and related parties	-	-	-	-
Mutual Funds				
Pak Asian Fund Limited	2	10,000	-	0.00
Prudential Stock Fund Limited	1	5,000	-	0.00
Golden Arrow Selected Stock Fund Limited	1	605,500	-	0.02
CDC - Trustee National Investment (Unit) Trust	1	227,650	-	0.01
Directors and their spouse(s) and minor children				
Malik Nazir Ahmad, Director	1	1,800,000	-	0.06
Syed Yawar Ali, Director	1	3,660	-	0.00
Yousaf Waqar Shaffi, Director	1	10,000	-	0.00
Mrs Nighat Ali (Spouse, Syed Yawar Ali, Director)	1	599	-	0.00
Executives	1,425	188,451	-	0.01
Public Sector Companies and Corporations	18	21,098,981	100	0.73
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	26	426,201	3	0.01
Shareholders holding five percent or more voting rights				
Secretary, Ministry of Defence	1	2,435,208,439	1,462,515	84.64
PIA- Employees Empowerment Trust	1	231,855,493	-	8.06
Individual	55,620	150,114,427	34,454	5.22
Others	261	35,663,066	2,927	1.24
Totals	**57,361**	**2,877,217,467**	**1,499,999**	**100.00**

The above two statements include 9,193 Shareholders holding 188,287,271 Ordinary 'A' Class Shares and 2,522 Ordinary 'B' Class Shares through the Central Depository Company of Pakistan Limited.

Share Capital (December 31, 2014)

December 2014	December 2013		December 2014	December 2013
-------- *Number of Shares* --------			--------- Rupees in 000 ---------	
		Authorized Capital		
		Ordinary Share Capital		
2,949,250,000	2,949,250,000	A' class shares of Rs.10/- each	**29,492,500**	29,492,500
1,500,000	1,500,000	'B' class shares of Rs.5/- each	**7,500**	7,500
2,950,750,000	2,950,750,000		**29,500,000**	29,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs.10/- each	**500,000**	500,000
3,000,750,000	3,000,750,000		**30,000,000**	30,000,000
		Issued, subscribed and paid up share capital		
		Ordinary share capital		
		'A' class shares of Rs.10/- each		
2,642,351,957	2,642,351,957	Issued for consideration in cash	**26,423,519**	26,423,519
		Issued for consideration other than cash for		
931,028	931,028	acquisition of shares	**9,310**	9,310
233,934,482	233,934,482	Issued as bonus shares	**2,339,345**	2,339,345
2,877,217,467	2,877,217,467		**28,772,174**	28,772,174
		'B' class shares of Rs.5/- each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash for		
2,625	2,625	acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
1,499,999	1,499,999		**7,500**	7,500
			28,779,674	28,779,674

Six-year Summary

	2014	2013 (Restated)	2012 (Restated)	2011	2010	2009
OPERATION						
Route Kilometers	**389,445**	411,936	448,120	460,719	424,570	380,917
Revenue Kilometers Flown (000)	**61,389**	63,144	75,750	84,898	81,588	80,108
Revenue Hours Flown	**101,556**	106,476	127,268	141,727	142,940	132,155
Available Tonne Kilometers (000)	**2,395,855**	2,471,474	2,859,450	2,972,014	3,091,344	2,933,253
Available Seat Kilometers (000)	**16,536,888**	17,412,376	19,849,470	21,725,390	21,218,879	19,859,050
TRAFFIC						
Revenue Passengers Carried (000)	**4,202**	4,449	5,236	5,953	5,538	5,535
Revenue Passengers Kilometers (000)	**11,903,317**	12,237,251	13,873,760	15,663,646	15,656,596	13,891,225
Passenger Load Factor (%)	**72**	70	70	72	74	70
Revenue Freight Tonne Kilometers (000)	**156,285**	235,605	273,414	288,497	329,285	270,310
Kgs. of Excess Baggage & Cargo (000)	**51,257**	82,155	98,348	93,305	104,116	95,393
Kgs. of Mail (000)	**378**	648	891	1,335	1,454	702
Revenue Tonne Kilometers (000)	**1,241,933**	1,350,629	1,513,041	1,677,646	1,745,746	1,525,293
Revenue Load Factor (%)	**52**	55	53	56	56	52
Avg. Pax Stage Distance (Statute Kilometers)	**2,833**	2,751	2,650	2,631	2,827	2,510
FINANCIAL	**99,519.057**	95,771.130	97,438.000	116,550.580	107,531.590	94,563.770
Operating Revenue (Rs. in million)	**118,048.665**	123,151.157	129,450.000	134,477.330	106,811.510	98,628.760
Operating Expenses (Rs. in million)	**(14,938.817)**	(32,122.080)	(17,320.000)	(17,926.760)	(4,064.990)	(31,636.120)
Operating Profit/(loss) (Rs. in million)	**(32,222.472)**	(44,322.010)	(33,844.000)	(26,767.210)	(20,785.120)	(5,822.430)
Profit/(loss) after tax (Rs. in million)	**84,102.148**	90,452.072	97,437.667	96,685.080	96,714.940	133,647.520
Fixed Assets (Rs. in million)	**24,733.527**	22,737.681	22,586.371	16,562.570	16,410.130	16,880.560
Current Assets (Rs. in million)	**216,451.936**	189,491.248	167,479.925	104,783.970	75,507.090	68,817.620
Current Liabilities (Rs. in million)	**36,087.553**	31,408.996	13,957.198	89,535.860	98,533.010	105,418.230
Long-Term Debts (Rs. in million)	**151,617.660**	(158,198.204)	156,860.042	(85,933.560)	(62,244.180)	(49,054.750)
Net Worth (Rs. in million)	**49.272**	49.829	46.680	45.250	34.550	33.620
Cost per A. T. K. (Rs.)						
RATIOS						
Earnings per share (Rs.)	**(7.00)**	(12.51)	(11.00)	(9.73)	(8.39)	(2.72)
Current ratio	**0.11**	0.13	0.13	0.16	0.22	0.25
SHARE PRICES (Rs. 10 Share)						
High	**10.55**	4.76	4.76	3.40	4.02	5.10
Low	**5.13**	1.75	1.75	1.61	1.95	2.31
Closing	**7.45**	4.03	4.03	1.97	2.26	2.61
PERSONNEL						
Average No. of Empolyees	**16,243**	16,604	17,439	18,014	18,019	17,944
Revenue per Employee (Rs.)	**61,269**	5,767,955	6,429,841	6,470,000	5,967,678	5,269,938
A. T. K. per Employee	**147,501**	148,848	163,969	164,984	171,560	163,467

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Unconsolidated

Financial Statements

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING NO. 1-C
I. I. CHUNDRIGAR ROAD
KARACHI - 74000

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
SHEIKH SULTAN TRUST, BLDG. NO. 2
BEAUMONT ROAD
KARACHI - 75350

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of Pakistan International Airlines Corporation (the Corporation) as at December 31, 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that except for the matter stated in paragraph 2 below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Corporation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Pakistan International Airlines Corporation Act, 1956 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matter stated in paragraph (2) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

2. As stated in note 2.8.1 to the annexed unconsolidated financial statements, effective December 1, 2014 the Corporation has changed its accounting policy in relation to its investments in subsidiaries which are accounted for at 'fair values' and have been classified as available for sale investments in accordance with International Accounting Standard 39 'Financial instruments: Recognition and measurement' (IAS 39). However, because at present the management is in the process of completing a comprehensive exercise to determine the fair values of its investments in subsidiaries, these have been stated at their respective breakup values whereas IAS 39 states that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, we are unable to determine, with any degree of certainty, the carrying value that should have been recognised in respect of the Corporation's investments in subsidiaries and its corresponding effect in equity of the Corporation.

3. (a) Except for the matter stated in paragraph (2) above, in our opinion, proper books of accounts have been kept by the Corporation as required by the Pakistan International Airlines Corporation Act, 1956 and the Companies Ordinance, 1984;

(b) in our opinion:

(i) except for the matter stated in paragraph (2) above, the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon, have been drawn up in conformity with the Pakistan International Airlines Corporation Act, 1956 and the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 2.8.1 to the annexed unconsolidated financial statements with which we do not concur because of the matter stated in paragraph 2 above;

(ii) the expenditure incurred during the year was for the purpose of the Corporation's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation;

(c) Except for the effect of the adjustments on the annexed unconsolidated financial statements of the matter referred to in paragraph 2 above, if any, that might have been determined to be necessary had we been able to satisfy ourselves in that respect, in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Pakistan International Airlines Corporation Act, 1956 and the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Corporation's affairs as at December 31, 2014 and of the loss, total comprehensive income/(loss), cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 1.2 to the annexed unconsolidated financial statements, which states that the Corporation incurred a loss of Rs 32,222.472 million during the year ended December 31, 2014, resulting in accumulated loss of Rs 226,838.884 million as of December 31, 2014, and, as of that date, the Corporation's current liabilities exceeded its current assets by Rs 191,718.409 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

The unconsolidated financial statements of the Corporation for the year ended December 31, 2013 were jointly audited by A. F. Ferguson & Co. Chartered Accountants and M. Yousuf Adil Saleem & Co. Chartered Accountants who through their report dated April 29, 2014 expressed an unqualified audit opinion thereon.

Chartered Accountants
Engagement partner:
Khurshid Hasan

Chartered Accountants
Engagement partner:
Muhammad Nadeem

Date: May 03, 2015
Place: Karachi

UNCONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2014

	Note	December 31, 2014	December 31, 2013	January 01, 2013	December 31, 2014	December 31, 2013	January 01, 2013
			-------- (Restated) --------			-------- (Restated) --------	
		----------Rupees in '000----------			---------- US$ in '000----------		
ASSETS							
NON CURRENT ASSETS							
Fixed assets							
- Property, plant and equipment	5	**84,035,983**	90,363,868	97,357,847	**832,569**	854,961	1,001,314
- Intangibles	6	**66,165**	88,204	79,820	**656**	835	821
		84,102,148	90,452,072	97,437,667	**833,225**	855,796	1,002,135
Long-term investments	7	**35,270,782**	37,056,802	30,850,309	**349,437**	350,606	317,292
Long-term advances	8	**-**	-	-	**-**	-	-
Long-term deposits and prepayments	9	**7,510,203**	7,951,649	5,985,695	**74,406**	75,234	61,562
Total non - current assets		**126,883,133**	135,460,523	134,273,671	**1,257,068**	1,281,636	1,380,989
CURRENT ASSETS							
Stores and spares	10	**3,410,626**	3,582,728	3,868,686	**33,790**	33,897	39,789
Trade debts	11	**10,367,251**	8,712,578	9,416,133	**102,711**	82,432	96,843
Advances	12	**1,189,840**	1,388,716	2,369,652	**11,788**	13,139	24,372
Trade deposits and prepayments	13	**975,662**	704,573	538,961	**9,666**	6,666	5,543
Other receivables	14	**7,085,804**	6,039,732	4,201,330	**70,201**	57,144	43,210
Short-term investments	15	**19,220**	19,220	19,220	**190**	182	198
Cash and bank balances	16	**1,685,124**	2,290,134	2,172,389	**16,695**	21,668	22,343
Total current assets		**24,733,527**	22,737,681	22,586,371	**245,041**	215,128	232,298
TOTAL ASSETS		**151,616,660**	158,198,204	156,860,042	**1,502,109**	1,496,764	1,613,287

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

UNCONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2014

	Note	December 31, 2014	December 31, 2013	January 01, 2013	December 31, 2014	December 31, 2013	January 01, 2013
			-------- (Restated) --------			-------- (Restated) --------	
		----------Rupees in '000----------			---------- US$ in '000----------		
EQUITY AND LIABILITIES							
SHARE CAPITAL AND RESERVES							
Issued, subscribed and paid-up share capital	17	**28,779,674**	28,779,674	28,779,674	**285,129**	272,294	295,996
Reserves	18	**27,056,581**	28,364,693	23,781,822	**268,057**	268,367	244,593
Accumulated losses		**(226,838,884)**	(192,075,962)	(147,367,907)	**(2,247,358)**	(1,817,292)	(1,515,663)
		(171,002,629)	(134,931,595)	(94,806,411)	**(1,694,172)**	(1,276,631)	(975,074)
Advance against equity from Government of Pakistan (GoP)	19	**19,591,065**	14,921,244	1,928,167	**194,094**	141,175	19,831
Total shareholders' equity		**(151,411,564)**	(120,010,351)	(92,878,244)	**(1,500,078)**	(1,135,456)	(955,243)
Surplus on revaluation of property, plant and equipment - net	20	**7,530,285**	9,274,408	11,385,728	**74,605**	87,748	117,101
NON - CURRENT LIABILITIES							
Long-term financing	21	**36,087,553**	31,407,996	13,957,198	**357,530**	297,161	143,548
Term finance and sukuk certificates	22	**-**	-	4,394,027	**-**	-	45,192
Liabilities against assets subject to finance lease	23	**19,656,064**	31,357,890	38,305,557	**194,738**	296,687	393,968
Advance from a subsidiary	24	**3,752,325**	1,479,709	1,069,530	**37,175**	14,000	11,000
Long-term deposits		**6,582**	6,444	123	**65**	61	1
Deferred liabilities	25	**19,543,479**	15,190,860	13,146,198	**193,623**	143,726	135,207
Total non current liabilities		**79,046,003**	79,442,899	70,872,633	**783,131**	751,635	728,916
CURRENT LIABILITIES							
Trade and other payables	26	**98,032,778**	76,543,532	53,842,737	**971,238**	724,202	553,767
Accrued interest	27	**12,619,246**	12,799,646	6,770,759	**125,022**	121,102	69,637
Provision for taxation		**193,226**	220,564	676,930	**1,914**	2,087	6,962
Short-term borrowings	28	**59,772,367**	56,747,538	61,354,530	**592,183**	536,907	631,025
Current maturities of:							
- Long-term financing	21	**15,954,282**	13,308,189	20,366,285	**158,064**	125,913	209,465
- Term finance and sukuk certificates	22	**19,589,760**	19,589,760	15,195,733	**194,081**	185,345	156,286
- Liabilities against assets subject to finance lease	23	**10,290,277**	10,282,019	9,272,951	**101,949**	97,281	95,371
Total current liabilities		**216,451,936**	189,491,248	167,479,925	**2,144,451**	1,792,837	1,722,513
Total liabilities		**295,497,939**	268,934,147	238,352,558	**2,927,582**	2,544,472	2,451,429
Total equity and liabilities		**151,616,660**	158,198,204	156,860,042	**1,502,109**	1,496,764	1,613,287
Contingencies and commitments	29						

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013 (Restated)	2014	2013 (Restated)
		----------Rupees in '000----------		----------US$ in '000----------	
REVENUE - NET	30	**99,519,057**	95,771,125	**985,964**	906,121
COST OF SERVICES					
Aircraft fuel		**(48,033,885)**	(55,116,104)	**(475,886)**	(521,471)
Others	31	**(53,399,903)**	(50,983,722)	**(529,048)**	(482,373)
		(101,433,788)	(106,099,826)	**(1,004,934)**	(1,003,844)
GROSS LOSS		**(1,914,731)**	(10,328,701)	**(18,970)**	(97,723)
Distribution costs	32	**(4,486,978)**	(4,239,440)	**(44,454)**	(40,111)
Administrative expenses	33	**(9,302,358)**	(10,246,387)	**(92,161)**	(96,944)
Other provisions and adjustments	34	**(2,825,541)**	(2,565,504)	**(27,993)**	(24,273)
Exchange gain / (loss) - net		**3,105,045**	(6,406,746)	**30,763**	(60,616)
Other income	35	**485,746**	1,663,978	**4,812**	15,743
		(13,024,086)	(21,794,099)	**(129,033)**	(206,201)
LOSS FROM OPERATIONS		**(14,938,817)**	(32,122,800)	**(148,003)**	(303,924)
Finance cost	36	**(14,372,621)**	(12,588,077)	**(142,394)**	(119,100)
LOSS BEFORE TAXATION		**(29,311,438)**	(44,710,877)	**(290,397)**	(423,024)
Taxation	37	**(2,911,034)**	388,836	**(28,840)**	3,679
LOSS FOR THE YEAR		**(32,222,472)**	(44,322,041)	**(319,237)**	(419,345)
		(Rupees)		**(US$)**	
Loss per share - basic and diluted					
Loss attributable to:					
'A' class ordinary shares of Rs. 10 each	38	**(7.00)**	(12.51)	**(0.07)**	(0.12)
'B' class ordinary shares of Rs. 5 each	38	**(3.50)**	(6.26)	**(0.04)**	(0.06)

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013 (Restated)	2014	2013 (Restated)
	----------Rupees in '000----------		----------US$ in '000----------	
Loss for the year	**(32,222,472)**	(44,322,041)	**(319,237)**	(419,345)
Other comprehensive income				
Items that will be reclassified subsequently to unconsolidated profit and loss account				
Unrealised gain / (loss) on remeasurement of available for sale investments				
- Subsidiaries	**(1,820,603)**	6,185,225	**(18,037)**	58,520
- Others	**34,583**	21,268	**343**	201
	(1,786,020)	6,206,493	**(17,694)**	58,721
Effect of deferred tax	**477,908**	(1,623,622)	**4,735**	(15,362)
	(1,308,112)	4,582,871	**(12,959)**	43,359
Items that will not be reclassified subsequently to unconsolidated profit and loss account				
Remeasurement of post retirement defined benefits obligation	**(2,595,919)**	(611,860)	**(25,719)**	(5,789)
Effect of deferred tax	**146,316**	142,695	**1,450**	1,350
	(2,449,603)	(469,165)	**(24,269)**	(4,439)
	(3,757,715)	4,113,706	**(37,228)**	38,920
Total comprehensive income - loss	**(35,980,187)**	(40,208,335)	**(356,465)**	(380,425)

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

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013 (Restated)	2014	2013 (Restated)
		----------Rupees in '000----------		----------US$ in '000----------	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	39	**11,882,155**	4,878,593	**117,720**	46,158
Profit on bank deposits received		**55,124**	32,314	**546**	306
Finance costs paid		**(14,141,326)**	(6,606,179)	**(140,102)**	(62,503)
Taxes paid		**(524,933)**	(456,366)	**(5,201)**	(4,318)
Employee benefits paid		**(782,433)**	(623,466)	**(7,752)**	(5,899)
Insurance claim received in respect of airfleet		**551,650**	-	**5,465**	-
Long-term deposits and prepayments - net		**(294,897)**	(1,547,092)	**(2,922)**	(14,638)
Net cash used in operating activities		**(3,254,660)**	(4,322,196)	**(32,246)**	(40,894)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(6,106,781)**	(3,867,334)	**(60,502)**	(36,590)
Proceeds from sale of property, plant and equipment		**155,031**	22,361	**1,536**	212
Purchase of intangibles		**-**	(34,317)	**-**	(325)
Net cash used in investing activities		**(5,951,750)**	(3,879,290)	**(58,966)**	(36,703)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts of advance against equity from GoP		**4,669,821**	12,993,077	**46,266**	122,932
Repayments of long-term financing		**(1,677,898)**	(6,893,800)	**(16,623)**	(65,224)
Proceeds from long-term financing		**10,522,146**	15,872,898	**104,246**	150,178
Receipts of advance from a subsidiary		**2,308,460**	296,850	**22,871**	2,808
Proceeds from / (repayment of) long-term deposits		**138**	6,321	**1**	60
Repayments of short term borrowings		**(1,548,497)**	(10,055,162)	**(15,342)**	(95,135)
Proceeds from short term borrowings		**5,046,403**	5,480,905	**49,996**	51,857
Repayments of obligations under finance lease - net		**(10,282,035)**	(9,272,951)	**(101,867)**	(87,734)
Net cash from financing activities		**9,038,538**	8,428,138	**89,548**	79,742
(Decrease) / increase in cash and cash equivalents		**(167,872)**	226,652	**(1,664)**	2,145
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**(2,397,665)**	(2,624,317)	**(23,754)**	(24,830)
Effects of exchange rate changes on cash and cash equivalents		**(6,881)**	-	**(68)**	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**(2,572,418)**	(2,397,665)	**(25,486)**	(22,685)
CASH AND CASH E QUIVALENTS					
Cash and bank balances	16	**1,685,124**	2,290,134	**16,695**	21,668
Running finance under mark-up arrangements	28	**(4,257,542)**	(4,687,799)	**(42,181)**	(44,353)
		(2,572,418)	(2,397,665)	**(25,486)**	(22,685)

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

	Issued, subscribed, and paid-up share capital	Advance against equity from Government of Pakistan (GoP)	Reserves				Accumulated losses	Total
			Capital reserves	Revenue reserves	Unrealised gain on remeasurement of investments	Sub total		
	Rupees in '000							
Balance as at December 31, 2012 as previously reported	28,779,674	1,928,167	2,501,038	1,779,674	26,819	4,307,531	(151,914,479)	(116,899,107)
Effect of restatements - note 2.8	-	-	-	-	19,474,291	19,474,291	4,546,572	24,020,863
Balance as at January 1, 2013 - as restated	28,779,674	1,928,167	2,501,038	1,779,674	19,501,110	23,781,822	(147,367,907)	(92,878,244)
Total comprehensive income for the year ended December 31, 2013:								
Loss for the year	-	-	-	-	-	-	(44,322,041)	(44,322,041)
Other comprehensive income for the year	-	-	-	-	4,582,871	4,582,871	(469,165)	4,113,706
Total comprehensive income for the year - loss	-	-	-	-	4,582,871	4,582,871	(44,791,206)	(40,208,335)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	83,151	83,151
Transactions with owners:								
Advance against equity from GoP	-	12,993,077	-	-	-	-	-	12,993,077
Balance as at December 31, 2013 - as restated	**28,779,674**	**14,921,244**	**2,501,038**	**1,779,674**	**24,083,981**	**28,364,693**	**(192,075,962)**	**(120,010,351)**
Balance as at December 31, 2013 as previously reported	**28,779,674**	**14,921,244**	**2,501,038**	**1,779,674**	**48,087**	**4,328,799**	**(197,797,852)**	**(149,768,135)**
Effect of restatements - note 2.8	-	-	-	-	24,035,894	24,035,894	5,721,890	29,757,784
Balance as at December 31, 2013 - as restated	28,779,674	14,921,244	2,501,038	1,779,674	24,083,981	28,364,693	(192,075,962)	(120,010,351)
Total comprehensive income for the year ended December 31, 2014:								
Loss for the year	-	-	-	-	-	-	(32,222,472)	(32,222,472)
Other comprehensive income for the year	-	-	-	-	(1,308,112)	(1,308,112)	(2,449,603)	(3,757,715)
Total Comprehensive income for the year - loss	-	-	-	-	(1,308,112)	(1,308,112)	(34,672,075)	(35,980,187)
Surplus on revaluation of property, plant and equipment realised during the year on account of reduced depreciation charged thereon - net of tax	-	-	-	-	-	-	(90,847)	(90,847)
Transactions with owners:								
Advance against equity from GoP	-	4,669,821	-	-	-	-	-	4,669,821
Balance as at December 31, 2014	**28,779,674**	**19,591,065**	**2,501,038**	**1,779,674**	**22,775,869**	**27,056,581**	**(226,838,884)**	**(151,411,564)**

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. THE CORPORATION AND ITS OPERATIONS

1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (the Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Corporation include provision of engineering and allied services. The head office of the Corporation is situated at PIA Building, Jinnah International Airport, Karachi.

1.2 During the current year, the Corporation incurred a net loss of Rs. 32,222.472 million (2013: Rs. 44,322.041 million) resulting in accumulated losses of Rs. 226,838.884 million as of December 31, 2014 (December 31, 2013: Rs. 192,075.962 million). Further, as of December 31, 2014, current liabilities of the Corporation exceeded its current assets by Rs. 191,718.409 million (December 31, 2013: Rs. 166,753.567 million). Furthermore, the Corporation has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to these unconsolidated financial statements.

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

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Corporation. In this respect, amounts aggregating to Rs. 11,276 million have been provided to the Corporation towards equity since the year ended December 31, 2008;

- During the years ended December 31, 2009 and 2010, the GoP provided long-term financing aggregating to Rs. 8,000 million to meet working capital requirements of the Corporation;

- Issuance / renewal of guarantees to financial institutions, both local and foreign, so as to enable the Corporation to raise / rollover funds;

- On July 03, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs. 12,790 million along with conversion of certain short term loans amounting to Rs. 20,700 million into new term finance certificates (refer note 22.1); and

- Provided additional funding of Rs. 11,758 million during the year 2013, as disclosed below:

During the previous year, the Corporation also presented a proposal for financing support required along with its interim business plan to the Economic Coordination Committee (ECC) during its meeting held on February 26, 2013. The ECC approved the following financing support proposal subject to the condition that the timeline will be fixed for repayment of loans and there will be quarterly monitoring of the Corporation's business plan by the Ministry of Finance:

- New loans / guarantees for repayment of loans amounting to Rs. 11.1 billion becoming due in year 2013;
- Rollover / extension of GoP guarantees amounting to approximately Rs. 51.16 billion;
- New guarantees against loans already taken on the basis of letter of comfort amounting to Rs. 13.5 billion;
- Additional funding to provide fiscal space to the Corporation amounting to Rs. 12 billion; and
- Funds of US$ 46 million for acquisition of narrow body aircraft on dry lease.

Consequent to the above approval, the GoP provided Rs. 11,758 million and Rs 2,945 million as financial assistance to the Corporation to enable it to make payments, of loan installments, to overdue vendors including payments to Exim Bank Guaranteed loan installments.

During the year ended December 31, 2014 the ECC in principle approved issuance of fresh guarantees to the extent the Corporation pays off its GoP Guaranteed loan and approved issuance of GoP Guarantees amounting to Rs. 14 billion for acquisition of loans from different banks to cater immediate funding requirements. ECC also in principle approved funds amounting to USD 52 million for acquisition of aircraft on dry lease and immediately released Rs. 1,297 million for this purpose.

To alleviate the operational problems, the Corporation has acquired six narrow body aircrafts on wet lease and three narrow body aircraft on dry lease during the year ended December 31, 2014. The Corporation is also in the process of acquisition of more aircraft on dry lease and tenders have been floated for acquisition of ten narrow body and five truboprop aircraft. In addition to the above measures taken by the Corporation and the GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Corporation. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from non-core activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircraft on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

The GoP through Privatization Commission, has also initiated the process of restructuring the Corporation leading to private sector participation in the core operations of the Corporation, and for this purpose a consortium has been appointed as Financial Advisor. In view of the situation described above, material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these unconsolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements are the separate financial statements of the Corporation and have been prepared in accordance with the requirements of the Act and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the requirements of the Act or the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

The US Dollar amounts reported in the balance sheet, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information, solely for the convenience of the users of these unconsolidated financial statements. The US Dollar amounts in the unconsolidated balance sheet, profit and loss account, statement of comprehensive income and cash flow statement have been translated into US Dollar at the rate of Rs. 100.9358 = US$ 1 (2013: Rs. 105.6935 = US$ 1).

2.4 New standards, amendments to approved accounting standards and new interpretation to existing standards that are effective for the year ended December 31, 2014

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Corporation's unconsolidated financial statements and are therefore not detailed in these unconsolidated financial statements.

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

2.5.1 The following amendments and an interpretation are only effective for accounting periods, beginning on or after January 1, 2015. These amendments and interpretation are either not relevant to the Corporation's operations or are not expected to have significant impact on the Corporation's unconsolidated financial statements other than certain additional disclosures:

2.5.1.1 Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after July 1, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on the Corporation's unconsolidated financial statements.

2.5.1.2 Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Corporation's unconsolidated financial statements.

2.5.1.3 IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after January 1, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 1, 2016. The amendments are not likely to have an impact on the Corporation's unconsolidated financial statements.

2.5.1.4 IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 1, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets / operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after January 1, 2016. The adoption of this standard is not likely to have an impact on the Corporation's unconsolidated financial statements.

2.5.1.5 IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 1, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard will have an impact of additional disclosures in the Corporation's unconsolidated financial statements.

2.5.1.6 IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after January 1, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard will have an impact of additional disclosures in the Corporation's unconsolidated financial statements.

2.5.1.7 Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 1, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements, unless the Corporation changes its accounting policy to account for investment in subsidiaries and associates. As per the equity method, the change is not likely to have a material impact on the Corporation's unconsolidated financial statements.

2.5.1.8 Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 1, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, an entity can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendment is not likely to have an impact on the Corporation's unconsolidated financial statements.

2.5.1.9 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after January 1, 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments do not have an impact on the Corporation's unconsolidated financial statements.

2.6 Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 1, 2014). The new cycle of improvements contain amendments to the following standards:

2.6.1 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'market condition' and 'vesting condition' by separately defining 'performance condition' and 'service condition'.

2.6.2 - IFRS 3 'Business Combinations'. These amendments clarify the scope of the standard and classification and measurement of contingent consideration in a business combination.

2.6.3 - IFRS 8 'Operating Segments' has been amended to clarify the disclosure requirements relating to reconciliations and explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

2.6.4 - IFRS 13 'Fair Value Measurement' has been amended to clarify the application of the standard to financial assets and financial liabilities with offsetting positions in the market risk or counterparty credit risk.

2.6.5 - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

2.6.6 - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

2.6.7 - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

2.7 Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 1, 2016). The new cycle of improvements contain amendments to the following standards:

2.7.1 - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from 'held for distribution to owners' to 'held for sale' or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as 'held for distribution', then it ceases held for distribution' accounting in the same way as it would cease 'held for sale' accounting.

2.7.2 - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

2.7.3 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

2.7.4 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

2.8 Restatement of comparatives and reclassifications

2.8.1 Change in accounting policy

Upto November 30, 2014, investments in subsidiaries were being measured at their respective cost. With effect from December 1, 2014 the Corporation revised its accounting policy in respect of measurement of its 'long term investments in subsidiaries' which are now accounted for at fair value and classified as available for sale investments in accordance with the International Accounting Standards 39 'Financial instruments: Recognition and measurement'. The management of the Corporation believes that the new policy provides reliable and more relevant information to the users of these unconsolidated financial statements because the investments in subsidiaries were made several years back and therefore the cost of such investments do not represent the current value of the Corporation's assets.

Had there been no change in the accounting policy, long term investments would have been reported at Rs.4,500.342 million at the reporting date and loss for the year reported in the unconsolidated statement of comprehensive income would have been lower by Rs.1,342.695 million.

2.8.2 Corrections

2.8.2.1 Reconciliation of memorandum records

At year end, the management has carried out a reconciliation of the memorandum records relating to historical costs and accumulated depreciation thereon relating to the aircraft fleet with the carrying values as appearing in the books of account of the Corporation after taking into account the effects of the related surplus / deficit which had arisen as a result of revaluation exercise. The reconciliation exercise included updating records while considering the following factors:

(i) Component accounting mechanism for overhauling cost and its recognition and derecognition and charging of depreciation thereon as per the Corporation policy;

(ii) More appropriate allocations / adjustments in fair values of engines and airframes; and

(iii) consequential impact of the aforementioned matters as stated in (i) and (ii) above on transfer of incremental depreciation from 'surplus on revaluation of property, plant and equipment' to 'accumulated losses' and release of loss / gain on disposal of aircraft and engines and related deferred taxation.

As a result of the reconciliation exercise, certain errors have been identified in memorandum records maintained for historical costs and accumulated depreciation thereon mainly relating to aircraft fleet, the carrying values of aircraft and surplus / deficit arising on revaluation of such aircraft. Accordingly, these errors have been rectified and the carrying of value of the aircraft fleet, surplus on revaluation of property, plant and equipment, depreciation charged to profit and loss account and transfer of incremental / reduced depreciation from surplus on revaluation of property, plant and equipment and their consequential effects on deferred taxation have been adjusted.

2.8.2.2 Reclassifications in balance sheet

Up to December 31, 2013, the Corporation was classifying security deposits from agents and retention money received without agreed repayment terms or defined maturity under the contracts as non-current liability under the head of long term deposits and advance - trade deposit as current assets whereas the same has been deposited for more than 12 months which were not consistent with the requirements of approved accounting standards as applicable in Pakistan. Further, advances were classified as Capital Work in Progress and stores and spares inadvertantly. During the year, these facts have been identified and the Corporation has considered the requirements of approved accounting standards and corrected their presentation by reclassifying long term deposits as deposits under current liability, advances and trade deposit as non-current assets.

2.8.3 Effect of changes

Because of the significance of the change in accounting policies and rectification of errors as stated above, the same have been corrected in accordance with the requirements of IAS-8, 'Accounting Policies, Changes in Accounting Estimates and Errors' in these unconsolidated financial statements with retrospective effect and restatement of amounts previously presented that are stated below:

The Corporation has presented balance sheet as at the beginning of the earliest period presented i.e. January 1, 2013 and related notes in accordance with the requirements of IAS - 1 "Presentation of Financial Statements - Revised".

	December 31, 2013			January 1, 2013		
	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
	Rupees in '000					
Effect on balance sheet						
Change in accounting policy						
Long-term investments	**4,465,759**	**37,056,802**	**32,591,043**	4,444,491	30,850,309	26,405,818
Correction of errors						
Property, plant and equipment	**89,632,833**	**90,363,868**	**731,035**	95,712,875	97,357,847	1,644,972
Long term deposits and prepayments - trade deposits	**6,104,677**	**7,951,649**	**1,846,972**	5,936,957	5,985,695	48,738
Trade deposits and prepayments	**2,551,545**	**704,573**	**(1,846,972)**	587,699	538,961	(48,738)
Advances	**1,110,535**	**1,388,716**	**278,181**	2,045,381	2,369,652	324,271
Stores and spares	**3,641,758**	**3,582,728**	**(59,030)**	4,057,648	3,868,686	(188,962)
Surplus on revaluation of property, plant and equipment - net	**(5,490,963)**	**(9,274,408)**	**(3,783,445)**	(7,220,492)	(11,385,728)	(4,165,236)
Long-term deposits	**(435,398)**	**(6,444)**	**428,954**	(534,635)	(123)	534,512
Trade and other payables	**(76,111,721)**	**(76,543,532)**	**(431,811)**	(53,308,225)	(53,842,737)	(534,512)
Provision for taxation	**(223,421)**	**(220,564)**	**2,857**	(676,930)	(676,930)	-
Aggregate effects of change in accounting policy and correction of errors						
Deferred tax liabilities	**(21,931,914)**	**(30,817,618)**	**(8,885,704)**	(23,912,153)	(31,463,760)	(7,551,607)
Deferred tax assets	**21,931,914**	**30,817,618**	**8,885,704**	23,912,153	31,463,760	7,551,607
Equity						
- Effect of change in accounting policy - reserves	**(4,328,799)**	**(28,364,693)**	**(24,035,894)**	(4,307,531)	(23,781,822)	(19,474,291)
- Effect of correction of errors - accumulated losses	**197,797,852**	**192,075,962**	**(5,721,890)**	151,914,479	147,367,907	(4,546,572)
	193,469,053	**163,711,269**	**(29,757,784)**	147,606,948	123,586,085	(24,020,863)

	December 31, 2013 (Rupees in '000)
Effect on profit and loss account	
Correction of errors	
Increase in Cost of services - Others	(1,378,975)
Increase in Distribution costs	(15,312)
Increase in Administratives expenses	(50,271)
Increase in Other provisions and adjustments	(285,040)
Aggregate effects of change in accounting policy and correction of errors	
Increase in deferred tax income	1,938,448
	208,850
Effect on 'other comprehensive income'	
Change in accounting policy	
Gain on remeasurement of investment in subsidiaries	6,185,225
Impact of deferred tax on remeasurement of investment in subsidiaries	(1,623,622)
	4,561,603
Total comprehensive income	4,770,453
Effect directly recognised in equity	
Surplus on revaluation of property, plant and equipment	1,486,874
Related deferred tax impact	(520,406)
	966,468
Net effect to equity	5,736,921

	December 31, 2013 (Rupees)
Effect on loss per share	
Aggregate effects of change in accounting policy and correction of errors	
Decrease in loss attributable to:	
'A' class ordinary shares of Rs. 10 each	**0.06**
'B' class ordinary shares of Rs. 5 each	**0.03**

2.8.4 Reclassifications in profit and loss account

The following reclassifications made in the unconsolidated profit and loss account are summarised below with their respective amounts:

From	To	2013 Rs. in '000
Distribution costs: Distribution and advertising expenses	Cost of services - Others: Communication	1,540,722

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.1 Property, plant and equipment

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

Change in accounting estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2013, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in useful lives and residual values of aircraft and related capital spares, depreciation expense pertaining to aircraft fleet and capital spares for the year would have been higher by Rs. 309.4 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

3.2 Employee benefits

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

3.3 Stores and spares

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

3.4 Taxation

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

3.5 Trade debts

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

3.6 Liability on account of frequent flyer programme

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

3.7 Revenue recognition

Revenue for passenger tickets and cargo airway bills is recognised when the transportation services are provided. The passenger tickets that are un-utilised, are recognised as unearned revenue on the basis of sale value of those unused tickets whereas cargo airway bills that are un-utilised, are recognised as revenue on the basis of estimated number of days delay between the date of sale of airway bills and the date of actual lift.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unconsolidated financial statements are same as those applied in the preparation of the unconsolidated financial statements of the Corporation for the year ended December 31, 2013 except for change in accounting policy stated in note 2.8.1 and are enuamerated as follows:

4.1 Fixed assets

Property, plant and equipment

Owned

Lands classified as 'others' in note 5.1 are stated at cost, whereas buildings classified as 'others' in the aforesaid note are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

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

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

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

Depreciation is charged to the profit and loss account, applying the straight-line method whereby the cost or revalued amount of assets, less their residual values, is written down over their expected useful lives. The rates of depreciation are disclosed in note 5.1.

In respect of additions and disposals of assets, other than the aircraft fleet, depreciation is charged from the month in which the asset is available for use until it is derecognised, i.e., up to the month preceding the disposal. Proportionate depreciation on aircraft fleet is charged from the date of acquisition till the date of disposal.

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

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

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

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

Leased

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

Finance lease

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

Operating lease

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

Capital spares

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

Capital work-in-progress

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

4.2 Intangibles

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

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 6.2.

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 profit or loss account when the asset is derecognised.

4.3 Investments

Associates

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

Held to maturity

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

Available for sale

Investments not classified in above categories are considered as available for sale. Investments in subsidiaries (refer note 2.8.1) and other investments are classified as available for sale.

Investments classified as available for sale are initially recognised at fair value, plus transaction costs and are subsequently marked to market using year end bid prices from stock exchange quotations and quotations from brokers and in case of unquoted investments, at cost, less impairment. Any resultant unrealised gain or loss is recognised in other comprehensive income. When these investments are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the unconsolidated profit and loss account.

4.4 Stores and spares

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

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

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

4.5 Trade debts and other receivables

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

4.6 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents also include running finance that are repayable on demand and form an integral part of the Corporation's cash management.

4.7 Trade and other payables

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

4.8 Loans and borrowings

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

4.9 Employee benefits

Provident fund

The Corporation 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 Corporation and the employees in accordance with the Fund's Rules. The Corporation's required contribution to the Fund is charged to the unconsolidated profit and loss account.

Pension funds

For all the permanent employees hired prior to July 1, 2008, the Corporation operates a funded benefit pension scheme for its three categories of employees. Pension scheme is a final salary pension scheme and is invested through two funds namely Pakistan Airline Pilot Association (PALPA) Flight Engineering Association (FENA) and Employees' Pension Funds. Under The PALPA 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 on the basis of actuarial valuation that is carried out annually.

For all the permanent employees hired on or after July 1, 2008 in lieu of the pension funds as described above, the Corporation operates a defined contribution pension fund whereby a contribution of 5% of the pensionable benefits is made to the Fund in accordance with the relevant rules. Actuarial gains / (losses) i.e. remeasurements are recognised immediately in other comprehensive income.

Post-retirement medical benefits

The Corporation operates an unfunded defined benefit medical scheme and provides medical allowances and free hospitalisation benefits to all its retired employees and their spouses in accordance with their service regulations. The post-retirement medical benefit is accounted for on the basis of actuarial valuation that is carried out annually. Actuarial gains / (losses) i.e. remeasurements are recognised immediately in other comprehensive income.

Compensated absences

The Corporation accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences on the basis of actuarial valuation that is carried out annually. Actuarial gains /(losses) arising during the year are recognised in the unconsolidated profit and loss account.

4.10 Taxation

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

Current

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

Deferred taxation

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

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

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

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

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

4.11 Revenue recognition

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

Passenger and cargo revenue

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

Engineering and other services

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

Frequent flyer programme revenue

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

In addition, miles are sold to a commercial partner to use in promotional activity. The fair value of the miles sold is deferred and recognise as revenue on redemption of the miles by the participants to whom the miles are issued. The cost of redemption of miles is recognised when miles are redeemed.

The estimates involved in recognising revenue from frequent flyer programme are disclosed in note 3.6.

Interest / mark-up and dividend income

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

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

4.12 Borrowing costs

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

4.13 Provisions

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

4.14 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

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

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

4.15 Foreign currency transactions

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

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

4.16 Financial instruments

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

4.17 Earnings per share

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

4.18 Derivative financial instruments

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

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Dividend and reserves

Dividend and appropriation to / from reserves are recorded when approved.

	Note	2014	2013 Restated
		---------- Rupees in 000 ----------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
- owned	**5.1**	**24,126,850**	25,092,227
- leased	**5.2**	**57,384,020**	63,190,972
		81,510,870	88,283,199
Capital work-in-progress	**5.8**	**2,525,113**	2,080,669
		84,035,983	90,363,868

5.1 Owned fixed assets

	Land		Buildings on:		Workshops and hangars	Renovation and improvements	Aircraft fleet (note 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (note 5.1.1 and 5.3)	Other land					
	Rupees in '000								
As at December 31, 2013 - as restated									
Cost or revalued amount	5,410,000	24,400	1,313,191	841,870	908,616	786,237	15,859,024	778,501	1,629,641
Accumulated depreciation	-	-	(384,938)	(352,698)	(789,377)	(762,751)	(3,691,586)	(669,311)	(1,389,971)
Net book value - as restated	5,410,000	24,400	928,253	489,172	119,239	23,486	12,167,438	109,190	239,670
Year ended December 31, 2014									
Opening net book value	5,410,000	24,400	928,253	489,172	119,239	23,486	12,167,438	109,190	239,670
Additions / transfers	-	-	-	1,514	4,184	18,262	770,554	1,285	-
Revaluation									
Cost or revalued amount	1,487,860	-	1,078,701	-	-	-	(17,567)	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	1,487,860	-	1,078,701	-	-	-	(17,567)	-	-
Adjustments / transfer									
Cost or revalued amount	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Disposals									
Cost or revalued amount	-	-	-	-	-	-	(197,647)	-	(937)
Accumulated depreciation	-	-	-	-	-	-	16,925	-	937
	-	-	-	-	-	-	(180,722)	-	-
Write off									
Cost or revalued amount	-	-	-	-	-	-	(1,543,353)	-	-
Accumulated depreciation	-	-	-	-	-	-	395,808	-	-
	-	-	-	-	-	-	(1,147,545)	-	-
Depreciation charge for the year	-	-	(77,920)	(7,601)	(12,770)	(32,702)	(2,158,697)	(34,640)	(72,149)
Closing net book value	6,897,860	24,400	1,929,034	483,085	110,653	9,046	9,433,461	75,835	167,521
As at December 31, 2014									
Cost or revalued amount	6,897,860	24,400	2,391,892	843,384	912,800	804,499	14,871,011	779,786	1,628,704
Accumulated depreciation	-	-	(462,858)	(360,299)	(802,147)	(795,453)	(5,437,550)	(703,951)	(1,461,183)
Net book value	6,897,860	24,400	1,929,034	483,085	110,653	9,046	9,433,461	75,835	167,521
Annual depreciation rate (%)	-	-	2.5	2.5	5	20	4 - 100	10	10 - 20

5.1.1 These represent leasehold land and buildings owned by the Corporation that are freely transferable and can be disposed off as and when required.

5.1.2 Land classified as 'Others' are amenity plots licensed from Pakistan Civil Aviation Authority (CAA). These are non-transferable as these were allotted at below market price.

5.1.3 During the year, the Corporation has written off aircraft having net book value of Rs. 1,147.545 million (2013: Rs. 192.515 million). The related deficit amounting to Rs. 123.913 million (2013: Rs. 415.544 million) included in surplus on revaluation has been released to profit and loss account (refer note 34).

5.1.4 With effect from December 2014 the effect of revaluation has been adjusted of cost / revalued amount of the respective assets and accordingly comparative has been reclassified. Previously, it had been adjusted with accumulated depreciation.

5.1.5 Aircraft fleet includes four engines held by third party for overhauling purpose as at December 31, 2014. The carrying value of these engines at year end is Rs. Nil.

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Other equipment	Capital spares	Total
Rupees in '000										
1,936,949	884,805	395,934	78,527	1,619,320	876,979	15,039	11,799	1,502,687	8,351,129	43,224,648
(1,558,358)	(737,543)	(362,978)	(76,745)	(1,491,511)	(868,694)	(15,039)	(11,799)	(545,425)	(4,423,697)	(18,132,421)
378,591	147,262	32,956	1,782	127,809	8,285	-	-	957,262	3,927,432	25,092,227
378,591	147,262	32,956	1,782	127,809	8,285	-	-	957,262	3,927,432	25,092,227
-	9,137	-	262	5,684	-	-	-	707	49,831	861,420
-	-	-	-	-	-	-	-	-	-	2,548,994
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	2,548,994
-	-	-	-	-	-	-	-	-	(3,644)	(3,644)
-	-	-	-	-	-	-	-	-	57,347	57,347
-	-	-	-	-	-	-	-	-	53,703	53,703
-	(190)	(12,692)	(80)	(669)	-	-	-	(52)	(64,936)	(277,203)
-	190	7,456	80	669	-	-	-	52	575	26,884
-	-	(5,236)	-	-	-	-	-	-	(64,361)	(250,319)
-	-	-	-	-	-	-	-	-	(795,058)	(2,338,411)
-	-	-	-	-	-	-	-	-	554,010	949,818
-	-	-	-	-	-	-	-	-	(241,048)	(1,388,593)
(86,633)	(34,536)	(18,680)	(719)	(45,431)	(89)	-	-	(76,130)	(131,885)	(2,790,582)
291,958	121,863	9,040	1,325	88,062	8,196	-	-	881,839	3,593,672	24,126,850
1,936,949	893,752	383,242	78,709	1,624,335	876,979	15,039	11,799	1,503,342	7,537,322	44,015,804
(1,644,991)	(771,889)	(374,202)	(77,384)	(1,536,273)	(868,783)	(15,039)	(11,799)	(621,503)	(3,943,650)	(19,888,954)
291,958	121,863	9,040	1,325	88,062	8,196	-	-	881,839	3,593,672	24,126,850
10 - 20	10	25	15	10 - 20	10	20	10	10	5 - 100	

	Land		Buildings on:		Workshops and hangars	Renovation and improvements	Aircraft fleet (Restated) (notes 5.1.3 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other lands					
As at December 31, 2012									
Cost or revalued amount	5,410,000	24,400	1,310,299	840,028	902,235	780,800	13,017,961	789,982	1,615,681
Accumulated depreciation	-	-	(232,216)	(333,175)	(776,010)	(721,879)	(1,242,435)	(638,882)	(1,316,581)
Net book value	5,410,000	24,400	1,078,083	506,853	126,225	58,921	11,775,526	151,100	299,100
Year ended December 31, 2013									
Opening net book value	5,410,000	24,400	1,078,083	506,853	126,225	58,921	11,775,526	151,100	299,100
Additions / transfers	-	-	2,892	1,842	6,381	5,437	805,462	544	13,971
Revaluation									
Cost or revalued amount	-	-	-	-	-	-	2,228,116	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	2,228,116	-	-
Adjustments / transfer									
Cost or revalued amount	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Disposals									
Cost or revalued amount	-	-	-	-	-	-	-	(10,686)	-
Accumulated depreciation	-	-	-	-	-	-	-	10,686	-
	-	-	-	-	-	-	-	-	-
Write off									
Cost or revalued amount	-	-	-	-	-	-	(192,515)	(1,339)	(11)
Accumulated depreciation	-	-	-	-	-	-		1,248	11
	-	-	-	-	-	-	(192,515)	(91)	-
Depreciation charge for the year	-	-	(152,722)	(19,523)	(13,367)	(40,872)	(2,449,151)	(42,363)	(73,401)
Closing net book value	5,410,000	24,400	928,253	489,172	119,239	23,486	12,167,438	109,190	239,670
As at December 31, 2013									
Cost or revalued amount	5,410,000	24,400	1,313,191	841,870	908,616	786,237	15,859,024	778,501	1,629,641
Accumulated depreciation	-	-	(384,938)	(352,698)	(789,377)	(762,751)	(3,691,586)	(669,311)	(1,389,971)
Net book value	5,410,000	24,400	928,253	489,172	119,239	23,486	12,167,438	109,190	239,670
Annual depreciation rate (%)	-	-	2.5	2.5	5	20	4 - 100	10	10 - 20

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Other equipment	Capital spares	Total
Rupees in '000										
1,920,291	877,932	420,233	79,120	1,613,204	823,862	15,039	11,799	1,469,935	8,446,212	40,369,013
(1,519,057)	(711,815)	(349,063)	(76,916)	(1,449,132)	(811,527)	(15,039)	(11,799)	(502,650)	(4,301,310)	(15,009,486)
401,234	166,117	71,170	2,204	164,072	12,335	-	-	967,285	4,144,902	25,359,527
401,234	166,117	71,170	2,204	164,072	12,335	-	-	967,285	4,144,902	25,359,527
18,213	6,873	1,442	342	8,165	53,117	-	-	36,395	41,802	1,002,878
-	-	-	-	-	-	-	-	-	-	2,228,116
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	2,228,116
-	-	-	-	-	-	-	-	-	(18,372)	(18,372)
-	-	-	-	-	-	-	-	-	7,370	7,370
-	-	-	-	-	-	-	-	-	(11,002)	(11,002)
(1,555)	-	(25,741)	-	-	-	-	-	-	-	(37,982)
1,540	-	8,064	-	-	-	-	-	-	-	20,290
(15)	-	(17,677)	-	-	-	-	-	-	-	(17,692)
-	-	-	(935)	(2,049)	-	-	-	(3,643)	(118,513)	(319,005)
-	-	-	901	1,835	-	-	-	3,594	93,879	101,468
-	-	-	(34)	(214)	-	-	-	(49)	(24,634)	(217,537)
(40,841)	(25,728)	(21,979)	(730)	(44,214)	(57,167)	-	-	(46,369)	(223,636)	(3,252,063)
378,591	147,262	32,956	1,782	127,809	8,285	-	-	957,262	3,927,432	25,092,227
1,936,949	884,805	395,934	78,527	1,619,320	876,979	15,039	11,799	1,502,687	8,351,129	43,224,648
(1,558,358)	(737,543)	(362,978)	(76,745)	(1,491,511)	(868,694)	(15,039)	(11,799)	(545,425)	(4,423,697)	(18,132,421)
378,591	147,262	32,956	1,782	127,809	8,285	-	-	957,262	3,927,432	25,092,227
10 - 20	10	25	15	10 - 20	10	20	10	10	4 - 100	

		Note	2014	2013 Restated
			----------Rupees in '000----------	
5.2	**Leased fixed assets**			
	(Aircraft fleet)			
	As at January 01,			
	Cost or revalued amount		**67,164,498**	69,871,753
	Accumulated depreciation		**(3,973,526)**	-
	Net book value		**63,190,972**	69,871,753
	Year ended December 31,			
	Opening net book value		**63,190,972**	69,871,753
	Additions / transfers		**4,747,214**	3,056,665
	Revaluation			
	Cost or revalued amount		**(6,297,092)**	(5,763,920)
	Accumulated depreciation		**-**	-
		5.4	**(6,297,092)**	(5,763,920)
	Depreciation charge for the year		**(4,257,074)**	(3,973,526)
	Closing net book value - revalued amount		**57,384,020**	63,190,972
	As at December 31,			
	Cost or revalued amount		**65,614,620**	67,164,498
	Accumulated depreciation		**(8,230,600)**	(3,973,526)
	Net book value - revalued amount		**57,384,020**	63,190,972
	Annual depreciation rate (%)		**4 - 17**	4 - 17

5.2.1 Aircraft fleet includes three engines held by third party for overhauling purpose as at December 31, 2014. The carrying value of these engines at year end is Rs. 3,910.253 million.

5.3 Revaluation of leasehold land and buildings

The leasehold land and buildings were revalued by the following independent professional valuers, as of December 31, 2014:

- Arif Evaluators, based in Pakistan
- Shubash Shah and Associates, based in India
- Sotheby's International Reality, based in USA
- Olimp – Baholash Va Ekspertiza Markazi LLC, based in Tashkent
- Cushman and Wakefield, 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. 2,566.561 million as at December 31, 2014. Previously the revaluation was carried out by various valuers as of December 31, 2011.

5.4 Aircraft fleet

The aircraft fleet of the Corporation was revalued by an independent valuer, Ascend - a part of Reed Business Information Limited, on the basis of professional assessment of current market values as of December 31, 2014. The current market value represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of market activity and known transaction data involving the subject aircraft types, covering 'open' market and financial sales. It additionally considers the perceived demand for each type, its availability in the market and further takes into account the expressed views of informed industry sources.

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

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

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

	2014			2013 (Restated)		
	Cost	Accumulated Depreciation	Book value	Cost	Accumulated Depreciation	Book value
	Rupees in '000					
Leasehold Land	**44,166**	**-**	**44,166**	44,166	-	44,166
Buildings on leasehold land	**354,450**	**162,770**	**191,680**	354,450	164,421	190,029
Aircraft fleet	**141,287,267**	**73,773,342**	**67,513,925**	128,417,930	58,334,486	70,083,444
	141,685,883	**73,936,112**	**67,749,771**	128,816,546	58,498,907	70,317,639

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

	Note	2014	2013 (Restated)
		Rupees in '000	
Cost of services - others	**31**	**6,690,340**	6,897,709
Distribution costs	**32**	**142,927**	76,478
Administrative expenses	**33**	**214,389**	251,402
		7,047,656	7,225,589

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

Description	Sold to	Method of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds
			Rupees in '000			
Motor vehicles to employees						
Toyota Corolla	Mr. Haq Nawaz Broohi	Corporation policy	905	849	56	105
Toyota Corolla	Mr. Hamid Shahab	------do------	991	911	80	910
Toyota Corolla	Mr. Shahnawaz Rehman	------do------	1,197	1,100	97	139
Toyota Corolla	Mr. Rashid S. Farooqi	------do------	1,094	1,005	89	534
Toyota Corolla	Mr. Maqsood Ahmed	------do------	1,197	988	209	139
Toyota Corolla	Mr. Rashid Aziz	------do------	1,094	902	192	127
Toyota Corolla	Mr. Salim Raza	------do------	1,200	382	818	652
Toyota Corolla	Mr. Asad Zaidi	------do------	1,184	378	806	687
Toyota Corolla	Mr. Mazhar Z. Kiyani	------do------	1,184	378	806	754
Toyota Corolla	Mr. Khan Bahadur Jadoon	------do------	1,203	293	910	638
Toyota Corolla	Col. Mehmood Ahmed, Esq.	------do------	1,443	270	1,173	836
			12,692	**7,456**	**5,236**	**5,521**
Aircraft fleet		-----Tender------	197,647	16,925	180,722	85,695
Aggregate value of other items where NBV is above Rs. 50,000 - Various*			62,753	292	62,461	54,485
Aggregate value of items where NBV is less than Rs. 50,000 - Various			2,183	283	1,900	9,330
		Total 2014	**275,275**	**24,956**	**250,319**	**155,031**
		2013	37,982	20,290	17,692	22,361

* This includes various operating fixed assets, having NBV above Rs. 50,000. In view of large number of items, the management considers it impracticable to disclose the particulars of all items.

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

5.8 Capital work-in-progress	Aircraft Fleet (note 5.8.1)	Others	Total
	----------Rupees in '000----------		
Year ended December 31, 2014			
Balance as at January 01, 2014	**1,888,077**	**192,592**	**2,080,669**
Additions during the year	**5,108,332**	**255,834**	**5,364,166**
Transfer to operating fixed assets	**(4,919,722)**	**-**	**(4,919,722)**
Balance as at December 31, 2014	**2,076,687**	**448,426**	**2,525,113**
Year ended December 31, 2013			
Balance as at January 01, 2013	1,972,745	289,131	2,261,876
Additions during the year	3,851,426	100,876	3,952,302
Transfer to operating fixed assets	(3,936,094)	(197,415)	(4,133,509)
Balance as at December 31, 2013	1,888,077	192,592	2,080,669

6. INTANGIBLES	Note	2014	2013
		----------Rupees in '000----------	
Computer software			
Cost	**6.1**	**365,289**	365,289
Accumulated amortisation	**6.2**	**(299,124)**	(277,085)
		66,165	88,204
6.1 Cost			
Opening balance		**365,289**	330,972
Additions during the year		**-**	34,317
Closing balance		**365,289**	365,289
6.2 Accumulated amortisation			
Opening balance		**277,085**	251,152
Amortisation for the year		**22,039**	25,933
Closing balance	**6.2.1**	**299,124**	277,085
Useful life		**5 - 10 years**	5 - 10 years

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

Cost of services - others	**31**	**1,667**	1,667
Distribution costs	**32**	**50**	50
Administrative expenses	**33**	**20,322**	24,216
		22,039	25,933

7. LONG-TERM INVESTMENTS		2014	2013 (Restated)
		----------Rupees in '000----------	
Unquoted			
Subsidiaries - available for sale	**7.1**	**35,186,154**	37,006,757
Associate - at cost	**7.2**	**396**	396
		35,186,550	37,007,153
Other investments	**7.3**	**84,232**	49,649
		35,270,782	37,056,802

		2014	2013 (Restated)
		----------Rupees in '000----------	
7.1	**Subsidiaries - available for sale**		
	PIA Investments Limited (PIAIL)		
	792,000 (2013: 792,000) fully paid ordinary shares of AED 100 each. Equity held 100% (2013: 100%). Break-up value of each ordinary share of AED 100: Rs. 44,162 (2013: Rs. 46,496) per ordinary share based on the audited (2013: audited) financial statements for the year ended December 31, 2014.	**34,976,409**	36,824,832
	Skyrooms (Private) Limited		
	4,000,000 (2013: 4,000,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2013: 100%). Break-up value of each ordinary share of Rs. 10: negative Rs 29 (2013: negative Rs. 29) per ordinary share based on the unaudited (2013: unaudited) financial statements for the year ended December 31, 2014.	**40,000**	40,000
	Midway House (Private) Limited (under winding-up)		
	2,960,000 (2013: 2,960,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2013: 100%). Break-up value of each ordinary share of Rs. Nil (2013: Rs. Nil) per ordinary share. Financial statements are not available.	**28,520**	28,520
	Abacus Distribution Systems Pakistan (Private) Limited		
	312,586 (2013: 312,586) fully paid ordinary shares of Rs. 100 each. Equity held 70% (2013: 70%) Break-up value of each ordinary share of Rs. 100: Rs. 671 (2013: Rs. 582) per ordinary share based on the unaudited (2013: unaudited) financial statements for the year ended December 31, 2014.	**209,745**	181,925
		278,265	250,445
	Provision for diminution in value of investments	**(68,520)**	(68,520)
		209,745	181,925
		35,186,154	37,006,757

7.1.1 All subsidiaries were incorporated in Pakistan except for PIAIL, which was incorporated in Sharjah, United Arab Emirates, however, subsequently it was registered in British Virgin Islands.

7.1.2 As stated in note 2.8.1 above, effective December 1, 2014 the Corporation has changed its accounting policy in relation to its investments in subsidiaries which are now accounted for at 'fair values'. However, because a comprehensive exercise to determine the fair values of its investments in subsidiaries [i.e. PIA Investments Limited, Skyrooms (Private) Limited, Midway House (Private) Limited (under winding-up) and Abacus Distribution Systems Pakistan (Private) Limited] is yet to be completed, the breakup value of each of the subsidiaries as at December 31, 2014 have been considered to be their respective fair values and have been recognised in these unconsolidated financial statements. The management expects to conclude the aforementioned fair value exercise during the year ending December 31, 2015 and accordingly the amounts of fair values of investments in subsidiaries shall be accordingly adjusted, if required.

Further, included in the breakup value of PIA Investments Limited is a long term prepayment in respect of a lease amounting to Rs 72.6 million for acquiring the right to use a parcel of land for 66 years. However, because the process of determination of fair value and conducting feasibility study of the commercial project to be developed on the said parcel of land has not been completed to date, the amount at which the prepayment should have been initially recognised and probability of flow of economic benefits from the use of land cannot be determined at present. Appropriate accounting adjustments, if required, shall be made upon determination of the fair value of the subject right to use the land in these unconsolidated financial statements.

		Note	2014	2013
			----------Rupees in '000----------	
7.2	**Associate - at cost**			
	Minhal Incorporated - Sharjah			
	1,600 fully paid ordinary shares (2013: 1,600) of AED 100 each. Equity held 40% (2013: 40%). Break-up value of each ordinary share of AED 100 each: Rs. 44,218 (2013: Rs. 46,606) per ordinary share based on the audited financial statements for the year ended December 31, 2014		**396**	396
7.3	**Other investments**			
	Available for sale	**7.3.1**	**84,232**	49,649

		Note	2014	2013
			Rupees in '000	
7.3.1	**Available for sale**			
	Quoted			
	Pakistan Services Limited			
	172,913 (2013: 172,913) ordinary shares of Rs. 10 each having market value per ordinary share of Rs. 485 (2013: Rs. 285) each		**83,863**	49,280
	Unquoted			
	Pakistan Tourism Development Corporation Limited			
	10,000 (2013: 10,000) ordinary shares of Rs. 10 each		**100**	100
	Duty Free Shops (Private) Limited		**269**	269
	87,512 (2013: 87,512) ordinary shares of Rs. 100 each		**84,232**	49,649
8.	**LONG-TERM ADVANCES**			
	Subsidiaries - considered doubtful			
	Skyrooms (Private) Limited		**37,042**	37,042
	Midway House (Private) Limited		**82,476**	82,476
			119,518	119,518
	Provision for doubtful long-term advances		**(119,518)**	(119,518)
			-	-

9.	**LONG-TERM DEPOSITS AND PREPAYMENTS**		2014	2013 (Restated)
			Rupees in '000	
	Deposits			
	Considered good		**3,622,640**	3,563,657
	Aircraft fleet lease deposits	**9.1**	**1,557,557**	1,625,014
	Maintenance reserve		**-**	2,142
	Engine maintenance		**30,023**	78,149
	Rent		**12,684**	12,964
	Utilities		**3,791**	13,277
	Aircraft fuel		**1,762,573**	1,846,972
	Deposit to service providers		**17,469**	25,296
	Guarantee deposit		**141,944**	202,708
	Others		**7,148,681**	7,370,179
			106,405	-
	Considered doubtful		**(106,405)**	-
	Less: provision against doubtful deposits		**-**	-
			7,148,681	7,370,179
	Prepayments			
	Exposure fee to support financing	**9.2**	**570,972**	796,169
	Less: current portion	**13.1**	**(209,450)**	(214,699)
			361,522	581,470
			7,510,203	7,951,649

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

9.2 This represents consideration paid to Ex-Im Bank for the purpose of 12 year guarantees issued by it in favour of the Corporation, which is being amortised over the lease term.

		Note	2014	2013 (Restated)
			Rupees in '000	
10.	**STORES AND SPARES**			
	Stores		**663,584**	647,551
	Spare parts		**6,288,551**	6,181,354
	Inventory held for disposal - adjusted to net realisable value		**252,859**	252,859
			7,204,994	7,081,764
	Provision for slow moving and obsolete spares	**10.1**	**(3,794,492)**	(3,499,163)
			3,410,502	3,582,601
	Stores and spares-in-transit		**124**	127
			3,410,626	3,582,728

			2014	2013
			Rupees in '000	
10.1	**Movement in provision is as follows:**			
	Balance at beginning of the year		**3,499,163**	3,262,882
	Provision for the year	**34**	**295,329**	236,281
	Balance at end of the year		**3,794,492**	3,499,163

11.	**TRADE DEBTS**		
	Considered good	**10,367,251**	8,712,578
	Considered doubtful	**1,600,472**	1,363,618
	Less: provision for doubtful debts **11.2**	**(1,600,472)**	(1,363,618)
		-	-
		10,367,251	8,712,578

11.1 The aging analysis of these trade debts is as follows:

	2014		2013	
	Trade debts Gross	Impaired	Trade debts Gross	Impaired
	Rupees in '000			
Within current year	**9,842,815**	**99,373**	7,989,248	68,466
1 year old	**315,732**	**114,250**	649,870	208,194
2 years old	**615,240**	**334,213**	369,908	325,518
Over 3 years old	**1,193,936**	**1,052,636**	1,067,170	761,440
	11,967,723	**1,600,472**	10,076,196	1,363,618

		Note	2014	2013
			----------Rupees in '000----------	
11.2	**Movement in provision is as follows:**			
	Balance at the beginning of the year		**1,363,618**	1,163,314
	Written off during the year		**-**	(269)
	Provision for the year	**34**	**236,854**	200,573
	Balance at the end of the year		**1,600,472**	1,363,618

11.3 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.

			2014	2013 (Restated)
			----------Rupees in '000----------	
12.	**ADVANCES**			
	Considered good			
	Employees		**181,828**	145,041
	Fuel Suppliers		**466,367**	293,321
	Other Suppliers		**536,311**	944,692
	Others		**5,334**	5,662
			1,189,840	1,388,716
	Considered doubtful			
	Subsidiary - Skyrooms (Private) Limited	**12.1**	**168,329**	183,339
	Employees		**71,520**	15,130
	Others - Suppliers		**387,555**	55,339
			627,404	253,808
	Provision for doubtful advances	**12.2**	**(627,404)**	(253,808)
			-	-
			1,189,840	1,388,716

12.1 Maximum aggregate gross amount due from the subsidiary at the end of any month was Rs.184.066 million (2013: Rs 183.339 million).

			2014	2013
			----------Rupees in '000----------	
12.2	**Movement in provision is as follows:**			
	Balance at the beginning of the year		**253,808**	248,676
	Provision for the year	**34**	**373,596**	5,132
	Balance at the end of the year		**627,404**	253,808

			2014	2013 (Restated)
			----------Rupees in '000----------	
13.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits			
	Considered good		**673,252**	281,979
	Considered doubtful		**58,694**	-
	Less: provision against doubtful deposits		**(58,694)**	-
			-	-
			673,252	281,979
	Prepayments	**13.1**	**302,410**	422,594
			975,662	704,573

			2014	2013
			----------Rupees in '000----------	
13.1	**Prepayments**			
	Current portion of exposure fee to support financing	**9**	**209,450**	214,699
	Commission		**3,732**	6,297
	Rental on leased aircraft		**81,250**	108,802
	Rent		**7,779**	92,465
	Others		**199**	331
			302,410	422,594

		Note	2014	2013
			----------Rupees in '000----------	
14.	**OTHER RECEIVABLES**			
	Considered good			
	Claims receivable		**18,382**	183,907
	Excise duty	**29.1 (a)**	**100,000**	100,000
	Sales tax receivable	**14.1**	**6,376,230**	4,902,346
	Receivables from GoP	**14.2**	**460,035**	460,035
	Others		**131,157**	393,444
			7,085,804	6,039,732
	Considered doubtful		**161,947**	161,947
	Less: provision for doubtful other receivables		**(161,947)**	(161,947)
			-	-
			7,085,804	6,039,732

14.1 This includes sales tax refundable aggregating Rs 4,781.619 million (2013: Rs. 3,833.508 million) representing unadjusted portion of input tax under Sales Tax Act, 1990. The Corporation has filed application for refunds upto December 31, 2011. In response, Additional Commissioner IR, LTU through a letter has interalia stated that as the Corporation is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005.

The Corporation in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case interalia, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(1)/2006, which is applicable to the Corporation being registered as a Service Provider in transportation business. The management has represented before the FBR its view and subsequently no adverse inference has been communicated on the matter. Therefore, the management is confident that sales tax was not payable on such imports and the amounts collected from the Corporation at the import stage shall be eventually recovered / adjusted.

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

15.	**SHORT-TERM INVESTMENTS**			
	Available for sale - Unquoted			
	SITA INC. N.V.			
	325,491 (2013: 325,491) ordinary shares	**15.1**	**19,220**	19,220

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

16.	**CASH AND BANK BALANCES**			
	In hand		**7,259**	7,311
	In transit		**-**	268,774
			7,259	276,085
	With banks			
	- in current accounts	**16.1**	**2,079,410**	1,081,533
		16.2, 16.3 & 16.4		
	- in deposit accounts		**(401,545)**	932,516
			1,677,865	2,014,049
			1,685,124	2,290,134

16.1 This has been adjusted by an aggregate amount of Rs. 1,385.471 million (2013: Rs. 1,533.589 million), representing book overdrafts.

16.2 These carry interest ranging from 0.1% to 7.5% (2013: 0.1% to 7.5%) per annum.

16.3 This represent book overdraft due to cheques of Rs. 1,275.281 million issued, including cheques of Rs. 1,250 million issued to Provident Fund which have been cleared subsequent to year end.

16.4 These include restricted balances amounting to Rs. 449.891 million (2013: Rs. 471.763 million).

17. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
Number of Shares			Rupees in '000	
		Authorised capital		
		Ordinary share capital		
2,949,250,000	2,949,250,000	'A' class shares of Rs. 10 each	**29,492,500**	29,492,500
1,500,000	1,500,000	'B' class shares of Rs. 5 each	**7,500**	7,500
2,950,750,000	2,950,750,000		**29,500,000**	29,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs. 10 each	**500,000**	500,000
3,000,750,000	3,000,750,000		**30,000,000**	30,000,000
		Issued, subscribed and paid up share capital		
		Ordinary share capital		
		'A' class shares of Rs. 10 each		
2,642,351,957	2,642,351,957	Issued for consideration in cash	**26,423,519**	26,423,519
		Issued for consideration other than cash		
931,028	931,028	- for acquisition of shares	**9,310**	9,310
233,934,482	233,934,482	Issued as bonus shares	**2,339,345**	2,339,345
2,877,217,467	2,877,217,467		**28,772,174**	28,772,174
		'B' class shares of Rs. 5 each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash		
2,625	2,625	-for acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
1,499,999	1,499,999		**7,500**	7,500
2,878,717,466	2,878,717,466		**28,779,674**	28,779,674

17.1 At December 31, 2014, the GoP held 2,435,208,439 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2013: 2,435,208,439 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively).

18. RESERVES

	Note	2014	2013 (Restated)
		Rupees in '000	
Capital reserves			
Reserve for replacement of fixed assets	**18.1**	**1,966,779**	1,966,779
Capital redemption reserve fund		**250,000**	250,000
Others		**284,259**	284,259
		2,501,038	2,501,038
Revenue reserve		**1,779,674**	1,779,674
		4,280,712	4,280,712
Unrealised gain on remeasurement of investment		**22,775,869**	24,083,981
		27,056,581	28,364,693

18.1 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 Corporation changed this policy to comply with the IFRSs and the depreciation and excess proceeds over cost of relevant assets are recorded in the profit and loss account.

19. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN (GoP)

This includes advance received from the Government of Pakistan (GoP) for mark up payments on term finance and sukuk certificates. Further the Corporation has received advance from Government of Pakistan during the year as a financial support in respect of restructuring plan of the Corporation (note 1.2). The Corporation has not issued shares to GoP as the authorised share capital of the Corporation was insufficient to cover the amount of ordinary shares to be issued in lieu of advance against equity. The Corporation is currently in the process of increasing its authorised share capital.

		Note	2014	2013 (Restated)
			----------Rupees in '000----------	
20.	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET**			
	As at January 1,		**11,379,024**	14,627,209
	Deficit arising on property, plant and equipment during the year		**(3,748,098)**	(3,535,804)
	Deficit released to unconsolidated profit and loss on write off of aircraft during the year	**5.1.3**	**123,913**	415,544
			7,754,839	11,506,949
	Less: transferred to accumulated loss:			
	- Surplus on revaluation of property, plant and equipment realised during the year on account of reduced / (incremental) depreciation charged thereon - net of tax		**90,847**	(83,151)
	- Related deferred tax		**48,918**	(44,774)
			139,765	(127,925)
			7,894,604	11,379,024
	Less: related deferred tax liability on:			
	- Revaluation as at January 1,		**2,104,616**	3,241,481
	- Deficit arising on property, plant and equipment during the year		**(1,832,585)**	(1,237,531)
	- Reduced / (incremental) depreciation charged during the year on related assets transferred to unconsolidated profit and loss account		**48,918**	(44,774)
	- Deficit released to profit and loss on aircraft written off		**43,370**	145,440
			364,319	2,104,616
	As at December 31,		**7,530,285**	9,274,408

21. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installments / Mode	2014	2013
						----------Rupees in '000----------	
Secured - from Banking Companies							
Faysal Bank Limited	**21.2**	Term Finance	2,000 PKR	2013 - 2016	36 monthly	**999,990**	1,665,338
Faysal Bank Limited	**21.3**	Term Finance	2,000 PKR	2015 - 2018	12 quarterly	**2,000,000**	2,000,000
Faysal Bank Limited	**21.4**	Term Finance	2,000 PKR	2016 - 2018	12 quarterly	**2,000,000**	-
Faysal Bank Limited	**21.4**	Islamic Finance	1,000 PKR	2016 - 2019	12 quarterly	**1,000,000**	-
National Bank of Pakistan	**21.5**	Term Finance	3,000 PKR	2016 - 2019	36 monthly	**3,000,000**	-
Askari Bank Limited	**21.4**	Term Finance	2,000 PKR	2017 - 2019	36 monthly	**2,000,000**	-
Citibank, N.A.	**21.6**	Demand Finance	82 USD	2006 - 2017	20 half yearly	**1,572,725**	2,396,256
Citibank, N.A.	**21.7**	Islamic Finance	75 USD & 91.825 AED	2011 - 2014	30 monthly	**-**	4,231,216
National Bank of Pakistan - Bahrain	**21.8**	Syndicate Finance	120 USD	2013 - 2023	40 quarterly	**11,809,489**	12,683,220
Citibank, N.A.	**21.9**	Islamic Finance	120 USD & 36.73 AED	2014 - 2016	33 monthly	**9,145,485**	13,740,155
Standard Chartered Bank	**21.10**	Syndicate Finance	137.5 USD	2014 - 2017	33 monthly	**10,514,146**	-
Others - unsecured							
Long-term loan - GoP	**21.11**	Term Finance	8,000 PKR	2011 - 2020	16 half-yearly	**8,000,000**	8,000,000
						52,041,835	44,716,185
Current maturity shown under current liabilities						**(15,954,282)**	(13,308,189)
						36,087,553	31,407,996

21.1 Borrowings in PKR comprises of fixed and variable rate borrowings. Fixed rate borrowings carries markup at the rate of 10% (2013: 10%), whereas variable rate borrowings in PKR carries markup ranging from spread of 1.5% over 1 month KIBOR to 1.75% over 6 month KIBOR (2013: spread of 1.5% over 3 month KIBOR to 1.75% over 6 month KIBOR). Borrowings in USD comprises of fixed and variable rate borrowings. Fixed rate borrowings carries markup at the rate of 5.28% (2013: 5.28%) whereas variable rate borrowings carries markup ranging from spread of 4% over 1 month LIBOR to 4.25% over 3 month LIBOR (2013: 4% over 1 month LIBOR to 4.25% over 3 month LIBOR). Borrowings in AED carries variable markup ranging with spread of 4% over 1 month EIBOR and 3.75% over 3 month EIBOR (2013: spread of 4% over 1 month EIBOR and 3.75% over 3 month EIBOR).

21.2 The finance is secured by way of unconditional and irrevocable GoP guarantee. Principal amounting to Rs. 55.556 million and interest amounting to Rs. 75.356 million due as at December 31, 2014, was paid by the Corporation subsequent to the year end.

21.3 The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount. Interest amounting to Rs. 58.24 million due as at December 31, 2014, was paid by the Corporation subsequent to the year end.

21.4 The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.

21.5 The Finance is Secured by letter of comfort from GoP, ranking charge over current and fixed asset of the Corporation amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with PIAC sales routed through collection account NBP Airport Branch, Karachi.

21.6 The finance is secured by way of:

- Mortgage over each of the six ATR aircrafts and two spares engines purchased; and
- European Credit Agencies / GoP Guarantee

21.7 The finance is secured against all the present and future receivables of the Corporation generated through sale of tickets in United Arab Emirates.

21.8 The following are the participating banks in this syndicated finance facility:

- National Bank of Pakistan (NBP) - Bahrain; and
- Habib Bank Limited (HBL)

The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount. Principal and mark up aggregating Rs. 60.561 million and Rs. 181.012 million have been paid subsequent to the year end as per extended time granted by bank.

21.9 The facility is obtained from consortium of financial institutions in which Citibank N.A. is the investment agent. The finance is secured by way of collection routed through the offshore account maintained with Citibank N.A. London Branch.

21.10 The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:

- Standard Chartered Bank
- Mashreq bank psc - United Arab Emirates

The finance is secured against first priority security over the collection account and facility service account; and legally enforceable assignments of the ticket sales collection for the UK sector through IATA with appropriate acknowledgements.

21.11 The Corporation has not paid any installment since due date of installment, i.e., 23 October 2011. The over due principal and markup as at December 31, 2014 is Rs 3,062.500 million and Rs. 4,054.247 million respectively. The over due principal amount is included in current maturity.

22. TERM FINANCE AND SUKKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up	2014	2013
						----------Rupees in '000----------	
Term finance certificates	**22.1**	GoP Guarantee	2009-2014	10 Half-yearly	6 month KIBOR +0.85%	**12,789,760**	12,789,760
Sukuk certificates	**22.2**	GoP Guarantee	October 20, 2014	Bullet	6 month KIBOR +1.75%	**6,800,000**	6,800,000
						19,589,760	19,589,760
Less: current maturity						**(19,589,760)**	(19,589,760)
						-	-

22.1 These have been obtained from main commercial banks. The Corporation has not made payments of principal redemptions aggregating Rs 12,798.760 million due on various dates as per repayment schedule. Management applied for restructuring of these Term Finance Certificate (TFCs) prior to the due date of first redemption and the Trustee on behalf of the TFC investors has not notified any event of default to the Corporation. On July 3, 2012, the Economic Coordination Committee (ECC) decided / approved the restructuring of these TFCs from various banks alongwith restructuring of certain short-term borrowings (refer note 1.2) into new TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by Ministry of Finance. On December 01, 2014, the Ministry of Finance ("the Ministry") approved the terms and conditions of new TFCs amounting Rs 32.87 billion. Furthermore, the Ministry also approved issuance of a Zero Coupon Privately Placed Term Finance Certificates ("PPTFCs) of Rs 960.661 million after capitalization of markup due to certain banks, accrued till February 20, 2014. The Tenor of this Zero Coupon PPTFC will be 2 years from February 20, 2014. The principal amount shall be redeemed in four equal semi - annual installments. On February 13, 2015, the Ministry approved the appointment of Pak-Brunai Investment Company Limited to act as a trustee for TFCs and PPTFCs of Rs 32,870.440 million and Rs 960.661 million. At present, the finalisation of the restructuring process is at an advanced stage. The overdue principal amount as at December 31, 2014 is included in current maturity.

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

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	**Note**	**2014**	**2013**
		Rupees in '000	
Present value of minimum lease payments - aircraft fleet			
B-777 -200 ER	**23.2**	**3,375,300**	6,911,210
B-777 -200 LR	**23.3**	**7,795,804**	10,613,933
B-777 -300 ER	**23.4**	**18,775,237**	24,114,766
		29,946,341	41,639,909
Less: current maturity		**(10,290,277)**	(10,282,019)
		19,656,064	31,357,890

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

	2014			**2013**		
	Minimum lease payments	**Finance cost**	**Present value of minimum lease payments**	**Minimum lease payments**	**Finance cost**	**Present value of minimum lease payments**
	Rupees in '000					
Not later than one year	**11,134,040**	**843,763**	**10,290,277**	11,527,334	1,245,315	10,282,019
Later than one year but not later than five years	**20,537,358**	**881,294**	**19,656,064**	31,559,961	1,799,082	29,760,879
Later than five years	**-**	**-**	**-**	1,608,451	11,441	1,597,010
	31,671,398	**1,725,057**	**29,946,341**	44,695,746	3,055,838	41,639,908

23.1.1 The above schedule is made as per the rate implicit in the lease and the payment is made as per the rates mentioned in the notes 23.2, 23.3 and 23.4. The resulting difference between both in the current year is Rs. 642.146 million (2013: Rs. 694.04 million).

23.2 In 2004, the Corporation arranged an Ex-Im Bank guaranteed financing of USD 345 million to acquire three Boeing 777-200 ER aircraft, one spare engine and one propulsor, from Taxila Limited, a special purpose entity incorporated in Cayman Islands. The guaranteed lender is Citibank N.A. The salient features of the lease are as follows:

	2014	**2013**
Discount rate - two aircraft	**4.65%**	4.65%
Discount rate - one aircraft	**Three months LIBOR**	Three months LIBOR
Lease period - aircraft	**144 months**	144 months
Security deposit (Ruppes in '000)	**849,480**	889,521

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

	2014	**2013**
Discount rate - aircraft and propulsor	**Three month LIBOR - 0.02%**	Three month LIBOR - 0.02%
Lease period - aircraft	**144 months**	144 months
Lease period - propulsor	**96 months**	96 months
Security deposits (Rupees in '000)	**772,746**	809,170

23.4 During the year 2006, the Corporation arranged an Ex-Im Bank guaranteed financing of US$ 472 million to acquire three Boeing B 777-300 ER aircraft and one engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is Royal Bank of Scotland. The salient features of the lease are as under:

	2014	2013
Discount rate - one aircraft	**5.25%**	5.25%
Discount rate - two aircraft and spare engine	**Three month LIBOR - 0.04%**	Three month LIBOR - 0.04%
Lease period - aircraft	**144 months**	144 months
Lease period - spare engine	**96 months**	96 months
Security deposits (Rupees in '000)	**1,553,018**	1,626,221

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

24. ADVANCE FROM A SUBSIDIARY

This represents advance of USD 10 million, USD 1 million, USD 3 million, USD 10 million, USD 10 million, USD 2.5 million and USD 0.675 million received on March 02, 2011, September 12, 2011,July 26, 2013, May 08, 2014, July 11, 2014, September 01, 2014 and December 02, 2014 respectively from PIA Investments Limited (PIAIL), a subsidiary of the Corporation which will be adjusted against future dividends if any, distributed by PIAIL and if within five years from the date of disbursement of advance from PIAIL, no dividend is declared or the amount of principal is not wholly paid off, PIAIL shall have the right to call payment from the Corporation. The advance carries mark-up at the rate of 1 month LIBOR plus 1.75% per annum.

25. DEFERRED LIABILITIES

	Note	2014	2013
		Rupees in '000	
Post retirement medical benefits	**25.2**	**7,020,496**	6,405,308
Pension obligation	**25.3**	**12,522,983**	8,785,552
		19,543,479	15,190,860

25.1 General description of the type of defined benefit plans and accounting policy for remeasurements of the net defined benefit obligation / asset is disclosed in note 4.9 to these unconsolidated financial statements.

25.2 Post retirement medical benefits

	2014	2013
	Rupees in '000	
Liability recognised in the balance sheet		
Present value of defined benefit obligation	**7,020,496**	6,405,308
Movement in liability during the year		
Balance at beginning of the year	**6,405,308**	5,777,883
Expense recognised in profit or loss	**877,527**	737,289
Total remeasurements recognised in other comprehensive income	**418,046**	407,700
Payments made during the year	**(680,385)**	(517,564)
Balance at end of the year	**7,020,496**	6,405,308
Expense recognised in profit and loss account		
Current service cost	**89,062**	102,592
Interest cost	**788,465**	634,697
	877,527	737,289
Total remeasurements recognised in other comprehensive income		
Actuarial loss / (gain) on liability arising on		
- financial assumptions	**-**	25,700
- demographic assumptions	**-**	372,000
- experience adjustments	**418,046**	10,000
	418,046	407,700

25.3 Pension obligation

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000							
Liability / (Asset) recognised								
Present value of defined benefit obligation	**2,362,685**	2,085,322	**509,611**	469,893	**21,768,560**	19,025,835	**24,640,856**	21,581,050
Fair value of plan assets	**(1,765,219)**	(1,830,612)	**(1,079,377)**	(1,052,508)	**(9,273,277)**	(9,912,378)	**(12,117,873)**	(12,795,498)
	597,466	254,710	**(569,766)**	(582,615)	**12,495,283**	9,113,457	**12,522,983**	8,785,552
Movement in liability / (asset) during the year								
Opening liability / (asset)	**254,710**	257,796	**(582,615)**	(434,681)	**9,113,457**	7,545,200	**8,785,552**	7,368,315
Expense recognised in profit or loss	**66,368**	68,916	**(74,239)**	(46,956)	**1,665,076**	1,289,097	**1,657,205**	1,311,057
Total remeasurements recognised in other comprehensive income	**290,587**	(57,803)	**90,750**	(96,983)	**1,796,536**	358,946	**2,177,873**	204,160
Employer contributions	**(14,199)**	(14,199)	**(3,662)**	(3,995)	**(79,786)**	(79,786)	**(97,647)**	(97,980)
Closing liability / (asset)	**597,466**	254,710	**(569,766)**	(582,615)	**12,495,283**	9,113,457	**12,522,983**	8,785,552
Movement in the defined benefit obligation								
Obligation as at January 1	**2,085,322**	2,162,483	**469,893**	629,686	**19,025,835**	17,789,529	**21,581,050**	20,581,698
Current service cost	**34,179**	40,086	**1,739**	3,262	**485,513**	425,986	**521,431**	469,334
Interest cost	**256,461**	236,134	**57,861**	68,053	**2,364,280**	1,963,196	**2,678,602**	2,267,383
Benefits paid	**(225,090)**	(218,289)	**(49,609)**	(75,842)	**(1,678,131)**	(1,436,527)	**(1,952,830)**	(1,730,658)
Remeasurement	**211,813**	(135,092)	**29,727**	(155,266)	**1,571,063**	283,651	**1,812,603**	(6,707)
Obligation as at December 31	**2,362,685**	2,085,322	**509,611**	469,893	**21,768,560**	19,025,835	**24,640,856**	21,581,050
Movement in fair value of plan assets								
Fair value as at January 1	**1,830,612**	1,904,687	**1,052,508**	1,064,367	**9,912,378**	10,244,329	**12,795,498**	13,213,383
Interest income	**224,272**	207,304	**133,839**	118,271	**1,184,717**	1,100,085	**1,542,828**	1,425,660
Employer contributions	**14,199**	14,199	**3,662**	3,995	**79,786**	79,786	**97,647**	97,980
Benefits paid	**(225,090)**	(218,289)	**(49,609)**	(75,842)	**(1,678,131)**	(1,436,527)	**(1,952,830)**	(1,730,658)
Return on plan assets excluding amount included in interest income	**(78,774)**	(77,289)	**(61,023)**	(58,283)	**(225,473)**	(75,295)	**(365,270)**	(210,867)
Fair value as at December 31	**1,765,219**	1,830,612	**1,079,377**	1,052,508	**9,273,277**	9,912,378	**12,117,873**	12,795,498
Expense recognised in profit or loss								
Current service cost	**34,179**	40,086	**1,739**	3,262	**485,513**	425,986	**521,431**	469,334
Net interest expense / (income)	**32,189**	28,830	**(75,978)**	(50,218)	**1,179,563**	863,111	**1,135,774**	841,723
	66,368	68,916	**(74,239)**	(46,956)	**1,665,076**	1,289,097	**1,657,205**	1,311,057
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on								
- financial assumptions	**193,040**	(97,550)	**48,980**	(12,563)	**1,671,249**	298,352	**1,913,269**	188,239
- demographic assumptions	**-**	(62,372)	**-**	(19,004)	**-**	437,504	**-**	356,128
- experience adjustments	**18,773**	24,830	**(19,253)**	(123,699)	**(100,186)**	(452,205)	**(100,666)**	(551,074)
	211,813	(135,092)	**29,727**	(155,266)	**1,571,063**	283,651	**1,812,603**	(6,707)
Return on plan assets excluding amount included in interest income	**78,774**	77,289	**61,023**	58,283	**225,473**	75,295	**365,270**	210,867
	290,587	(57,803)	**90,750**	(96,983)	**1,796,536**	358,946	**2,177,873**	204,160
The plan assets comprise of:								
Debt instruments	**13.55%**	13.07%	**0.00%**	21.75%	**16.22%**	30.10%	**7.88%**	26.98%
Others including cash and cash equivalents	**86.45%**	86.93%	**100.00%**	78.25%	**83.78%**	69.90%	**92.12%**	73.02%
	100.00%	100.00%	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	**100.00%**
Actual return on plan assets	**145,498**	130,015	**72,816**	59,988	**959,244**	1,024,790	**1,177,558**	1,214,793

25.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 26.2) were carried out at December 31, 2014. The valuations have been carried out using Projected Unit Credit method and the following significant.

	2014	2013
Valuation discount rate	**10.50%**	13.00%
Salary increase rate	**9.50%**	12.00%
Pension indexation rate	**3.00%**	4.00%
Medical inflation rate	**9.00%**	11.50%
Mortality table	**Adjusted SLIC 2001-2005 with one year age set back**	

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

	2014	2013
	----------Number----------	
Pension scheme		
Active employees	**11,838**	12,819
Beneficiaries	**17,864**	16,901
Post retirement medical benefit scheme	**17,864**	15,409

25.6 Sensitivity analysis

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

		Increase / (decrease) in defined benefit obligation of					
		PALPA Fund		FENA Fund		Main Pension Fund	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		----------Rupees in '000----------					
Valuation discount rate	1%	(169,355)	186,305	(31,431)	35,709	(1,366,990)	2,085,040
Salary increase rate	1%	no change	no change	no change	no change	398,300	(735,380)
Pension indexation rate	1%	150,305	(132,565)	37,799	(33,581)	1,307,560	(1,148,730)
Life expectancy	one year	5,065	(4,455)	179	(1)	37,630	(29,940)

		Increase / (decrease) in defined benefit obligation of			
	Change in assumption	Post retirement medical benefits		Compensated absences	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		----------Rupees in '000----------			
Valuation discount rate	1%	(496,436)	1,211,414	(317,593)	530,042
Salary increase rate	1%	no change	no change	176,010	(471,519)
Medical inflation rate	1%	1,218,644	(501,576)	not applicable	not applicable
Life expectancy	one year	287,704	276,024	(2,135)	2,135

In presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the unconsolidated balance sheet.

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

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

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

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

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

25.8 The fair value of plan assets of pension funds includes investment in the Corporation's shares, amounting to Rs. 4.227 million (2013: Rs. 4.755 million).

25.9 The weighted average duration of the benefit obligations as at December 31, 2014 is as follows:

	Years
Post retirement medical benefits	12.6
PALPA fund	8.6
FENA fund	7.6
Main Pension fund	9.1
Compensated absences	5.5

25.10 The expected pension and medical expense for the next one year from 1 January, 2015 amounts to Rs. 2,975.515 million and Rs. 824.077 million respectively. The expected amount of Pension fund is the amount which the Corporation has to contribute for the next one year.

25.11 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs.1,310.054 million (2013: Rs. 1,354.127 million), Rs.734.494 million (2013: Rs. 312.028 million) and Rs. 490.184 million (2013: Rs. 382.190 million) respectively.

	Note	**2014**	**2013** (Restated)
		Rupees in '000	
26. TRADE AND OTHER PAYABLES			
Trade creditors			
Goods		**15,312,157**	9,898,067
Services		**8,250,388**	4,888,853
Airport related charges		**14,019,942**	11,109,426
		37,582,487	25,896,346
Accrued liabilities	**26.1**	**7,229,423**	6,941,462
Advance against transportation (unearned revenue)		**9,095,622**	7,906,619
Obligation for compensated absences	**26.2**	**5,337,919**	4,330,387
Unredeemed frequent flyer liabilities	**26.3**	**692,929**	1,518,577
Advances from customers		**804,096**	890,455
Payable to employees' provident fund	**26.4**	**8,811,335**	7,210,729
Unclaimed dividend - Preference shares		**8,493**	8,493
Collection on behalf of others		**18,820,769**	14,207,067
Customs, federal excise duty and sales tax		**798,162**	9,928
Federal excise duty - International travel		**7,349,469**	6,428,488
Income tax deducted at source		**669,343**	348,964
Short-term deposits		**832,731**	846,017
		98,032,778	76,543,532

26.1 This includes Rs 68.609 million (2013: Rs. 266.295 million) payable to PIA Investments Limited, a subsidiary company.

		2014	2013
		----------Rupees in '000----------	
26.2	**Obligation for compensated absences**		
	Liability recognised in the balance sheet		
	Balance at beginning of the year	**4,330,387**	4,010,535
	Expense recognised during the year	**1,011,933**	327,774
	Benefits paid during the year	**(4,401)**	(7,922)
	Balance at end of the year	**5,337,919**	4,330,387

26.2.1 Number of employees covered by the compensated absences are 11,509 (2013: 15,409). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 25.4, 25.6 and 25.9 respectively.

26.2.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs.729.606 million (2013: Rs.216.686 million), Rs.117.538 million (2013: Rs.49.930 million) and Rs.164.789 million (2013: Rs. 61.158 million) respectively.

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

- ticket inflation rate at the rate of 9.5% (2013: 11%)
- discount rate at the rate of 10.5% (2013: 12.5%)
- expiry of unavailed points after three years; and
- accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.

26.4 These amounts are payable to Pakistan International Airlines Corporation Employees' Provident Fund (EPF) and carries mark-up based on the discount rate announced by the State Bank of Pakistan which could not be paid to the EPF in accordance with section 227 of the Companies Ordinance, 1984 due to liquidity constrains.

		Note	2014	2013
			----------Rupees in '000----------	
27.	**ACCRUED INTEREST**			
	Mark-up / profit payable on:			
	- long-term financing		**4,837,113**	3,961,506
	- term finance certificates		**2,937,113**	2,669,678
	- sukuk certificates		**387,944**	539,955
	- short-term borrowings		**1,524,203**	3,537,986
	- provident fund	**26.4**	**2,816,408**	2,022,809
	- advance from a subsidiary		**116,465**	67,712
			12,619,246	12,799,646

			2014	2013
			----------Rupees in '000----------	
28.	**SHORT-TERM BORROWINGS - secured**			
	Short-term loans	**28.1**	**55,514,825**	52,059,739
	Running finance under mark-up arrangements	**28.2**	**4,257,542**	4,687,799
			59,772,367	56,747,538

28.1 Short-term loans - secured

Financier	Note	Security	Facility amount (million)	Expiry Date	2014	2013
					---------Rupees in '000--------	
From Banking Companies						
Askari Bank Limited	**28.1.2**	GoP Guarantee	1,500 PKR	Till Creation of TFC	**1,500,000**	1,500,000
Habib Bank Limited	**28.1.2**	GoP Guarantee	2,000 PKR	8-Sep-15	**2,000,000**	2,000,000
Habib Bank Limited	**28.1.2**	GoP Guarantee	2,000 PKR	31-Dec-15	**2,000,000**	2,000,000
Habib Bank Limited	**28.1.2**	GoP Guarantee	1,600 PKR	12-Dec-15	**1,600,000**	1,600,000
Habib Bank Limited	**28.1.2**	GoP Guarantee	1,000 PKR	16-Aug-15	**1,000,000**	1,000,000
National Bank of Pakistan	**28.1.2**	GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank of Pakistan	**28.1.2**	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,600 PKR	Till Creation of TFC	**3,600,000**	3,600,000
National Bank of Pakistan	**28.1.2**	GoP Guarantee	1500 PKR	Till Creation of TFC	**1,500,000**	1,500,000
National Bank of Pakistan	**28.1.2**	Hypothecation of entire receivables, book debts amounting to PKR 2,667 million and lien / specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	1,880 PKR	1-Jul-15	**1,880,680**	-
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	4,360 PKR	31-Jul-15	**4,360,000**	4,360,000
Carried forward					**39,440,680**	37,560,000

Financier	Note	Security	Facility amount (million)	Expiry date	2014	2013
					---------Rupees in '000--------	
Brought forward					**39,440,680**	37,560,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	31-Jul-15	**3,500,000**	3,500,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	31-Jul-15	**3,000,000**	3,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Jul-15	**2,000,000**	2,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Jul-15	**2,000,000**	2,000,000
National Bank of Pakistan	**28.1.3**	Hypothecation of entire receivables, book debts amounting to PKR 4,533 million with a margin of 25% in favor of NBP; and lien / specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,400 PKR	1-Feb-15	**3,165,723**	-
KASB Bank Limited		GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin.	500 PKR	13-May-15	**500,000**	500,000
KASB Bank Limited		GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin.	1,000 PKR	13-May-15	**1,000,000**	1,000,000
National Bank of Pakistan		Hypothecation of entire receivables, book debts, stocks and spares amounting to PKR 2,667 million with 25% margin and lien / specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	13-Mar-14	**-**	1,067,592
Habib Allied International Bank Limited - London	**28.1.4**	EURO receivables.	4 & 5 USD	Continuous	**908,422**	951,242
National Bank of Pakistan-Bahrain		Lien over all present and future receivables generated from sales of tickets (through IATA agent and PIA counter) and cargo services within the frontier of Kingdom of Saudi Arabia, Sultanate of Oman and Bangladesh.	5 USD	28-Feb-14	**-**	480,905
					55,514,825	52,059,739

28.1.1 The borrowings in PKR carry mark-up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (2013: spread of 0.85% to 2.0% over 1 month and 3 months KIBOR). The borrowings in foreign currency carry mark-up of 4% to 5.75% over 1 month LIBOR and 3 months LIBOR (2013: a spread of 3.5% to 5.75% over 1 month and 3 months LIBOR).

28.1.2 On July 3, 2012, the ECC has approved the conversion of short-term loans amounting to Rs 20,700 million into TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by the Ministry of Finance. On December 1, 2014, the Ministry of Finance approved the conversion of short-term loans amounting to Rs 20,080 million into TFCs for a period of 6 years including 2 years grace period on the terms applicable from February 20, 2014. At present, the finalisation of the restructuring process is at an advanced stage (refer note 22.1).

28.1.3 The Corporation has not paid the balance of the short term loan became due during the year ended December 31, 2014, the over due balance of principal amount of the short term loan aggregating Rs 2,429 million.

28.1.4 The agreements of these borrowings have expired either during the year or subsequent to the year-end and the Corporation is currently in the process of renewal of these loans with the financiers.

28.2 Running finane under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit (million) Note 29.2.2	Expiry date	2014	2013
						-------Rupees in '000--------	
Secured							
The Bank of Punjab	28.2.3	Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 734 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BOP counter.	550 PKR	60	1-Jan-15	**489,388**	544,574
Habib Bank Limited	28.2.3	Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables.	350 PKR	35	9-Feb-15	**314,602**	315,073
National Bank of Pakistan		First pari passu hypothecation charge of PKR 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 701 million payable on demand.	575 PKR	260	31-Jul-15	**315,240**	555,542
United Bank Limited - Karachi		Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	131	31-Jul-15	**2,439,656**	2,568,263
Habib Allied International Bank Limited - London	28.2.3	EURO receivables.	3 USD		On Demand	**303,749**	306,286
Un-secured		-					
Habib American Bank	28.2.3		1.5 USD	0.6	On Demand	**92,099**	80,980
Citibank N.A.		-	3 USD	-	On Demand	**302,808**	317,081
						4,257,542	4,687,799

28.2.1 The borrowings in PKR carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (2013: 2.0% to 2.5% 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% (2013: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 4% over 1 month LIBOR and 2% over Citi Base Rate (2013: spread of 3.5% over 1 month LIBOR and 4% over USD Prime Rate).

28.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at December 31, 2014.

28.2.3 The agreement of this facility has expired subsequent to the year end and the Corporation is currently in the process of renewal of the facility with the respective banks.

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

a) The tax department had raised demand of Rs. 566.544 million (2013: Rs. 566.544 million) as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2013: Rs. 1 million) and additional duty of Rs. 2,923.005 million (2013: Rs. 2,923.005 million) on the contention that the Corporation had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Corporation has paid Rs. 100 million (note 14) against the subject demand which is considered fully recoverable from the department. This case is currently under adjudication before Appellate Tribunal Inland Revenue (ATIR). The management believes that the case will be decided in the favour of the Corporation. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

b) The tax department has also raised demands of Rs. 6.804 million (2013: Rs. 6.804 million) and Rs. 277.621 million (2013: Rs. 277.621 million) on 11 March 2008 as FED and sales tax respectively along with penalty of Rs. 1.205 million (2013: Rs. 1.205 million) and additional duty / default surcharge of Rs. 17.91 million (2013: Rs. 17.91 million) during the tax audit of the Corporation for the periods 2004 - 2005 and 2005-2006. These demands were raised on the issues of late payment of FED, collection of FED at incorrect rate, incorrect apportionment of input tax and failure to collect FED on carriage of goods / mail of Pakistan Post. The Corporation has paid an amount of Rs. 25 million (2013: Rs. 25 million) in this regard which is considered fully recoverable. The Corporation filed an appeal with the Collector of Customs, Sales Tax and Federal Excise (Appeals), which has been decided partially in its favour, partially against it and partially remanded back. The Corporation and the department both have filed appeals at the ATIR level which are pending adjudication. The management believes that the case will be decided in the favour of the Corporation. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

c) The tax department has also raised demands of Rs. 2.065 million (2013: Rs. 2.065 million) and Rs. 1,319.101 million (2013: Rs. 1,319.101 million) as FED and sales tax respectively along with penalty of Rs. 66.058 million (2013: Rs. 66.058 million) and additional duty / default surcharge of Rs. 534.412 million (2013: Rs. 534.412 million) during the tax audit of the Corporation for the period 2007-2008. These demands have been raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Corporation filed appeal at Commissioner Inland Revenue (Appeals) level, which was decided in favour of the department. Currently, the Corporation has filed appeal against this at ATIR level and a rectification application with CIR (A) both of which are pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

d) The tax department has through orders dated March 6, 2009, December 4, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (2013: Rs. 5,877.351 million), Rs. 5,679.110 million (2013: Rs. 5,679.110 million) and Rs. 7,025.270 million (2013: Rs. 7,025.270 million) on account of delayed payment of sales tax and FED for the month of November – December 2008, January – March and November 2010-January 2011 respectively. In addition to this, the tax department has levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs. 38.88 million, Rs. 79.969 million and Rs 74 million respectively. The Corporation has filed application for wavier of penalty for the month of November- December 2008 before Federal Board of Revenue (FBR) on which the decision is pending for the month of January - March 2010 and November 2010 – January 2011.

The Commissioner Inland revenue (Appeals) – CIR (A) has deleted the penalties of Rs 5,679.110 million and Rs. 7,025.270 million respectively through its order dated September 19, 2011, however, default surcharge and 5 % penalty on the unpaid sales tax and FED were maintained. The Corporation and the department have filed appeal with the tribunal, which have been decided infavour of the Corporation. Further, for the months of January –March 2010, The Corporation has filed an application for rectification, which is still pending before Additional Commissioner Inland Revenue (ACIR).

On 30 April, 2013, the ACIR has levied penalty of Rs. 4,745.852 million in respect of short payment of sales tax and FED for the tax periods April 2012 to January 2013. In addition, the tax department has levied default surcharge on unpaid sales tax and FED amounting to Rs. 400.446 million. The Corporation has filed an appeal against the said orders before CIR (A), which was decided in favour of the department. Currently, the Corporation has filed an appeal against this at ATIR level, which is pending adjudication.

The management is confident that all the above appeals will be decided in the favour of the Corporation. Therefore, no provision has been made in these unconsolidated financial statement in respect of the subject orders / show cause notices.

e) A show cause notice was issued to the Corporation by the Collector of Customs demanding payment of Rs. 87.926 million (2013: Rs. 87.926 million) in respect of custom duties and other taxes levied on the import of simulator along with default surcharge. The Corporation has filed an appeal before the High Court which is pending adjudication. The management believes that the case will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements.

f) Competition Commission of Pakistan (CCP) vide its order dated November 20, 2009 has imposed a token penalty of Rs. 10 million on account of unreasonable increase in Hajj fare during the year 2008 as compared to Hajj season 2007. Further, on account of discrimination between Hajj passengers and regular passengers the Corporation was directed to work out an amount of refund to be paid back to Hajis based on the difference of fare between regular passengers and short duration Hajis who flew during Hajj season 2008. The total amount of refund estimated by the Corporation is Rs. 417 million. The Corporation has filed appeals simultaneously in Lahore High Court and the Supreme Court of Pakistan. The appeals are pending for hearing and accordingly stay order has not been granted to the Corporation till date. Management believes that both appeals will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

g) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Corporation which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. In view of the understanding reached in the past between the Corporation and CAA, management does not accept the higher amounts being claimed by CAA. As at December 31, 2014 the amounts claimed by CAA which are not acknowledged by the Corporation aggregated to Rs. 7,817.852 million including late payment surcharge and interest thereon amounting to Rs. 3,675.943 million (2013: Rs.4,061 million). The Corporation will take up this matter again with the Aviation Division of Government of Pakistan for resolution in the light of the previous understanding reached with CAA. Accordingly, the management of the Corporation believes that no excessive amount shall eventually become payable to CAA and therefore, no provision for the excessive amount has been made in these unconsolidated financial statement.

h) Various ex-employees of the Corporation have lodged claims against the Corporation for their dues specifically relating to their reinstatements. The management believes the claims to be frivolous, therefore, no provision has been made in these unconsolidated financial statements.

i) The Corporation is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in these unconsolidated financial statements against these claims amounting to Rs.7,304.120 million (2013: Rs.5,983.243 million).

j) Claims against Corporation not acknowledged as debt amount to Rs. 605.990 million (2013: Rs. 455 million).

k) Contingencies relating to income tax matters are disclosed in note 37.1.

29.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 69.089 million (2013: Rs. 63.009 million).

b) Outstanding letters of credit amounted to Rs. 91.805 million (2013: Rs. 113.930 million).

c) Outstanding letters of guarantee amounted to Rs. 1,043.938 million (2013: Rs. 583.403 million).

d) The Corporation has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to USD 1,527.904 million (2013: USD 1,527.904 million) equivalent to Rs.154,012.723 million (2013: Rs. 161,489.521 million) based on catalogue prices. The Corporation has not made certain payments on its due dates as per the terms of the agreement.

e) The amount of future payments in operating lease arrangement relating to aircrafts 777-200 ER, 737-800, A 320-232 and A 320-200 and the period in which these payments will become due is as follows:

	Note	2014	2013
		----------Rupees in '000----------	
Not later than one year		**3,698,543**	2,294,801
Later than one year but not later than five years		**4,770,507**	2,869,560
Later than five years		**506,445**	-
		8,975,495	5,164,361

30. REVENUE - NET

Passenger		**90,385,976**	84,956,590
Cargo		**4,164,990**	5,888,887
Excess baggage		**1,128,699**	1,109,804
Charter services		**750,762**	503,333
Engineering services		**582,793**	635,839
Handling and related services		**618,591**	635,584
Mail		**352,848**	438,199
Others		**1,534,398**	1,602,889
	30.1	**99,519,057**	95,771,125

30.1 Revenue by geographical segments	Note	2014	2013
		----------Rupees in '000----------	
Revenue analysis			
USA / Canada		**6,007,303**	7,855,991
Europe		**21,365,140**	21,292,142
Middle East / Africa		**18,927,771**	19,100,871
Asia (excluding Middle East and Pakistan)		**2,998,588**	4,011,709
Pakistan		**50,220,255**	43,510,412
		99,519,057	95,771,125

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

31. COST OF SERVICES - OTHERS		2014	2013 (Restated)
		----------Rupees in '000----------	
Salaries, wages and allowances		**11,407,653**	10,702,405
Welfare and social security costs		**62,248**	54,824
Retirement benefits	**31.1**	**1,616,412**	1,640,861
Compensated absences		**729,606**	216,686
Legal and professional charges		**26,702**	22,788
Stores and spares consumed		**954,450**	1,930,706
Maintenance and overhaul		**3,684,315**	2,913,483
Flight equipment rental		**5,453,542**	1,919,881
Landing and handling		**13,151,862**	14,656,406
Passenger services		**2,761,219**	3,135,909
Crew layover		**2,855,957**	2,976,811
Staff training		**122,902**	104,809
Utilities		**35,817**	25,982
Communication		**1,775,935**	1,570,501
Insurance		**1,000,033**	1,211,437
Rent, rates and taxes		**690,086**	593,458
Printing and stationery		**145,722**	171,164
Depreciation	**5.6**	**6,690,340**	6,897,709
Amortisation on intangibles	**6.2.1**	**1,667**	1,667
Others		**233,435**	236,235
		53,399,903	50,983,722

31.1 The Corporation's staff retirement benefits includes provident fund - a defined contribution plan. The Corporation has established a separate provident fund. Following information of the provident fund has been derived from the unaudited (2013: unaudited) financial statements of the provident fund as at December 31, 2014 and 2013.

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

Size of provident fund	**23,586,205**	23,583,817
Cost of investments made	**10,860,049**	19,804,004
Percentage of investments made	**75.50%**	88.05%
Fair value of investment	**17,820,546**	20,829,608

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

	2014	2013	2014	2013
	----------Percentage---------		----------Rupees in '000----------	
Term finance certificates	22.2%	19%	**5,232,651**	4,404,292
Pakistan Investment Bonds	8.3%	2%	**1,958,443**	517,040
Treasury Bills	-	1%	**-**	247,855
Islamic bonds	9.3%	9%	**2,201,443**	2,088,726
Term deposit receipts	12.3%	56%	**2,894,851**	13,235,673
Bank deposits	3.5%	1%	**833,515**	323,089
PIAC shares	0.0%	0.05%	**4,689**	12,933
Special Savings Certificate	19.9%	-	**4,694,954**	-
Total	75.50%	88.05%	**17,820,546**	20,829,608

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

		Note	2014	2013
31.1.2	Number of employees of the Corporation:		----------Number----------	
	Average number of employees during the year		**15,262**	16,478
	Number of employees as at year end		**14,566**	15,957

		2014	2013 (Restated)
32.	**DISTRIBUTION COSTS**	----------Rupees in '000----------	
	Salaries, wages and allowances	**1,573,893**	1,794,816
	Welfare and social security costs	**69,911**	105,477
	Retirement benefits	**828,758**	378,100
	Compensated absences	**117,538**	49,930
	Distribution and advertising expenses	**550,596**	605,990
	Legal and professional charges	**51,917**	32,806
	Repairs and maintenance	**-**	60,107
	Insurance	**51,163**	23,662
	Printing and stationery	**58,916**	33,472
	Communication	**495,314**	512,632
	Staff training	**38,128**	39,193
	Rent, rates and taxes	**328,917**	335,548
	Utilities	**19,440**	35,929
	Depreciation **5.6**	**142,927**	76,478
	Amortisation on intangibles **6.2.1**	**50**	50
	Others	**159,510**	155,250
		4,486,978	4,239,440

		Note	2014	2013 (Restated)
33.	**ADMINISTRATIVE EXPENSE**		----------Rupees in '000----------	
	Salaries, wages and allowances		**2,082,371**	2,812,725
	Welfare and social security costs		**2,750,721**	2,606,720
	Retirement benefits		**560,882**	463,118
	Compensated absences		**164,789**	61,158
	Legal and professional charges		**233,454**	335,054
	Repairs and maintenance		**-**	404,706
	Insurance		**23,773**	45,910
	Printing and stationery		**54,167**	94,503
	Staff training		**114,724**	100,136
	Rent, rates and taxes		**545,419**	603,453
	Utilities		**812,539**	756,705
	Auditors' remuneration	*33.1*	**16,174**	16,535
	Communication		**1,178,560**	1,221,872
	Depreciation	*5.6*	**214,389**	251,402
	Amortisation on intangibles	*2.1*	**20,322**	24,216
	Donations	*33.2*	**2,276**	3,080
	Others		**527,798**	445,094
			9,302,358	10,246,387

33.1 Auditors' remuneration

	2014			2013		
	KPMG Taseer Hadi & Co.	**A.F. Ferguson & Co.**	**Total**	**M. Yousuf Adil Saleem & Co.**	**A.F. Ferguson & Co.**	**Total**
	---------- Rupees in '000 ----------					
Audit fee	**4,680**	**4,680**	**9,360**	4,680	4,680	9,360
Fee for review of interim financial information	**1,403**	**1,403**	**2,806**	1,403	1,403	2,806
Consolidated financial statements	**696**	**696**	**1,392**	696	696	1,392
Code of Corporate Governance	**240**	**240**	**480**	240	240	480
Tax and other services	**-**	**1,272**	**1,272**	-	1,605	1,605
Out of pocket expenses	**432**	**432**	**864**	431	461	892
	7,451	**8,723**	**16,174**	7,450	9,085	16,535

33.2 Donations include payments aggregating Rs. 2.1 million (2013: Rs. 1.5 million) to Al-Shifa Trust, situated at Terminal-2, Road, Karachi Airport, Pakistan in which the Managing Director of the Corporation acts as a Trustee. Besides this, none of the directors or their spouse have any interest in the donees.

		Note	2014	2013 (Restated)
34.	**OTHER PROVISIONS AND ADJUSTMENTS**		----------Rupees in '000----------	
	Property, plant and equipment			
	- aircraft fleet written off - net of insurance claim		**595,895**	192,515
	- loss on disposal of aircraft fleet		**95,027**	-
	- deficit released from surplus on aircraft written off	**5.1**	**123,913**	415,544
	- other assets written off		**241,048**	25,022
	- loss on disposal of other assets		**261**	-
			1,056,144	633,081
	Provision for slow moving and obsolete spares	**10.1**	**295,329**	236,281
	Provision for doubtful debts	**11.2**	**236,854**	200,573
	Provision against doubtful advances	**12.2**	**373,596**	5,132
	Provision against doubtful deposits	**9 & 13**	**165,099**	-
	Late payment surcharge on fuel		**595,002**	1,236,951
	Others		**103,517**	253,486
			2,825,541	2,565,504

35. OTHER INCOME

	Note	2014	2013
		----------Rupees in '000----------	
Income from financial assets			
Profit on bank deposits		**55,124**	32,314
Interest on maintenance reserve		**5,753**	13,095
		60,877	45,409
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		**-**	4,669
Insurance claims		**63,927**	1,450,176
Others		**360,942**	163,724
		424,869	1,618,569
		485,746	1,663,978

36. FINANCE COST

Mark-up on:			
- long-term financing		**3,092,203**	2,165,773
- term finance certificates		**1,394,651**	1,319,844
- short-term borrowings		**6,597,496**	6,285,517
- advance from a subsidiary		**51,028**	24,623
		11,135,378	9,795,757
		798,242	773,687
Profit on sukuk certificates		**603,169**	772,700
Interest on liabilities against assets subject to finance lease		**411,695**	-
Discounting on Deposits		**793,766**	591,066
Interest on provident fund		**331,262**	352,281
Arrangement, agency and commitment fee		**225,197**	219,755
Amortisation of prepaid exposure fee		**73,912**	82,831
Bank charges, guarantee commission and other related charges		**14,372,621**	12,588,077

37. TAXATION

		2014	2013 (Restated)
		----------Rupees in '000----------	
Current	**37.1**	**497,595**	-
Deferred	**37.2.2**	**2,413,439**	(388,836)
		2,911,034	(388,836)

37.1 Current

37.1.1 In the view of tax loss for the year, provision for minimum taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001.

Minimum tax rate under section 113 of Income Tax Ordinance 2001 (I.T.O.) for Tax Year 2015 is 1% of turnover, however the rate for Corporation is 0.5% in accordance with the Division IX of First Schedule of I.T.O. 2001.

No numeric tax rate reconciliation is given as the Corporation is liable for turnover tax only.

37.1.2 As at year end, the Corporation has filed tax returns for tax years up to tax year 2014. The tax returns from tax years 2003 to 2014 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 repealed ordinance had been levied by the department from assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover on estimated basis. The Corporation had filed appeals against the above demands which have been decided in favour of the Corporation at Appellate Tribunal Inland Revenue (ATIR) level. The department has now filed appeal before the Sindh High Court in respect of assessment year 2000-01. After decision by the Sindh High Court on a few grounds in favour of the Corporation, the department has filed appeal in the Supreme Court which is pending to date. Management believes that this issue will be decided in favour of the Corporation without any additional tax liability.

37.1.3 A demand of Rs. 898.177 million (2013: Rs. 898.177 million) was raised by the Deputy Commissioner Inland Revenue (DCIR) by issuing an amended order in relation to the tax year 2005. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Corporation claimed the depreciation on the contention that those aircraft were obtained under hire purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48.235 million was also recovered by FBR in this respect. The Corporation filed appeal at CIT (A) level which was decided partially in favour of the Corporation. Being further aggrieved, the Corporation has filed appeal at ITAT level which is pending adjudication. The Corporation is confident that this issue will ultimately be decided in its favour and the amount will be recovered.

Further, the Additional Commissioner Inland Revenue (ACIR) has issued orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2006 and 2007 disallowing the depreciation claimed on leased aircraft and other provisions of Rs 3,480.442 million and Rs 20,462.797 million respectively. The Corporation has filed appeal before CIR(A) against the said orders, however, the matter is still pending for adjudication.

The Corporation has also received show cause notices in respect of tax years 2008 and 2009 on account of disallowance of depreciation on leased aircraft and other provisions. The Corporation has filed its reply in response to these notices.

37.1.4 The tax department has also issued order under section 161 / 205 of the Income Tax Ordinance, 2001 pertaining to tax year 2011 and raised a demand of Rs 324.319 million. The Corporation has filed an appeal against the order before CIR(A) which are pending adjudication. Further the return of income for tax year 2011 has been selected for audit under section 214C of the Income Tax Ordinance, 2001 and certain information/detail has been sought by the department. Reply has been submitted in case of certain information while replies on remaining issues are to be filed shortly.

Management believes that these issues will be decided in favour of the Corporation without any additional tax liability. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

37.2 Deferred taxation

	2014	2013 Restated
	----------Rupees in '000----------	
Deferred tax credits:		
Accelerated tax depreciation	**20,281,855**	20,157,853
Surplus on revaluation of property, plant and equipment	**364,319**	2,104,616
Remeasurement of investment in subsidiaries	**8,077,241**	8,555,149
	28,723,415	30,817,618
Deferred tax debits:		
Unused tax losses	**(21,362,175)**	(24,205,953)
Provisions for liabilities and to write down other assets	**(7,361,240)**	(6,611,665)
	(28,723,415)	(30,817,618)
	-	-

37.2.1 In accordance with the accounting policy of the Corporation (note 4.10), deferred tax asset of Rs. 60,405.454 million (2013: Rs. 48,891.777 million) has not been recognised in these unconsolidated financial statements due to uncertainty in availability of sufficient future taxable profits.

37.2.2 Movement in temporary differences during the year

	Balance as at December 31, 2012	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2013	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2014
		----------Restated----------		----------Rupees in '000----------			
Deferred tax credits:							
Accelerated tax depreciation	21,290,752	(1,132,899)	-	20,157,853	124,002	-	20,281,855
Surplus on revaluation of property, plant and equipment	3,241,481	(44,774)	(1,092,091)	2,104,616	48,918	(1,789,215)	364,319
Remeasurement of investment in subsidiaries	6,931,527	-	1,623,622	8,555,149	-	(477,908)	8,077,241
	31,463,760	(1,177,673)	531,531	30,817,618	172,920	(2,267,123)	28,723,415
Deferred tax debits:							
Unused tax losses	(25,230,272)	1,024,319	-	(24,205,953)	2,843,778	-	(21,362,175)
Provisions for liabilities and to write down other assets	(6,233,488)	(235,482)	(142,695)	(6,611,665)	(603,259)	(146,316)	(7,361,240)
	(31,463,760)	788,837	(142,695)	(30,817,618)	2,240,519	(146,316)	(28,723,415)
	-	(388,836)	388,836	-	2,413,439	(2,413,439)	-

38. LOSS PER SHARE - BASIC AND DILUTED

	Note	2014	2013 (Restated)
		----------Rupees in '000----------	
Loss for the year (Rupees in '000)		**(32,222,472)**	(44,322,041)
Weighted average number of ordinary shares outstanding	**38.2**	**4,601,368,117**	3,543,738,776
Loss per share attributable to			
'A' class ordinary share (Rupees)		**(7.00)**	(12.51)
'B' class ordinary share (Rupees)		**(3.50)**	(6.26)

38.1 Since the 'advance against equity' is convertible into ordinary share capital of the Corporation, its impact has been taken into account while calculating 'earnings per share - basic' i.e. loss per share, as the shares against such advance will be issued at par.

38.2 The weighted average number of shares as at December 31, 2014, exceeds the number of authorised shares of the Corporation due to the reason mentioned in note 19.

38.3 There were no dilutive potential ordinary shares outstanding as at December 31, 2014 and 2013.

39. CASH GENERATED FROM OPERATIONS

Loss before taxation	**(29,311,438)**	(44,710,877)
Adjustments for:		
Depreciation	**7,047,656**	7,225,589
Gain / (loss) on disposal of property, plant and equipment - net	**95,288**	(4,669)
Amortisation of intangibles	**22,039**	25,933
Provision for slow moving and obsolete spares	**295,329**	236,281
Provision for doubtful debts	**236,854**	200,573
Property, plant and equipment written off	**836,943**	217,537
Provision against doubtful advances	**373,596**	5,132
Provision against doubtful deposits	**165,099**	-
Provision for employee benefits	**3,546,665**	2,376,120
Finance cost	**14,372,621**	12,588,077
Unrealised exchange (Gain) / Loss	**(2,783,671)**	4,565,584
Profit on bank deposits	**(55,124)**	(32,314)
Deficit released on write off of aircraft	**123,913**	415,544
	(5,034,230)	(16,891,490)
Working capital changes		
(Increase) / decrease in stores and spares	**(123,227)**	49,677
(Increase) / decrease in trade debts	**(1,891,527)**	502,982
(Increase) / decrease in advances	**(174,720)**	840,495
(Increase) in trade deposits and prepayments	**(329,783)**	(165,612)
(Increase) in other receivables	**(1,046,072)**	(1,838,402)
Increase in trade and other payables	**20,481,714**	22,380,943
	16,916,385	21,770,083
Cash generated from operations	**11,882,155**	4,878,593

40. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	Managing Director		Head of Department		Executives	
	2014	2013	2014	2013	2014	2013
	Rupees in '000					
Managerial remuneration	**8,868**	13,031	**73,879**	64,232	**3,393,877**	3,363,002
Corporation's contribution to provident fund	**193**	269	**1,067**	926	**166,195**	163,795
Other perquisites	**1,338**	1,049	**23,037**	10,470	**2,782,684**	2,457,109
	10,399	14,349	**97,983**	75,628	**6,342,756**	5,983,906
Number	**1**	1	**16**	14	**2,827**	2,995

Aggregate amount charged in these unconsolidated financial statements for fee to directors was Rs. Nil (2013: Rs. Nil). Managing Director and certain executives are also provided with the Corporation's maintained cars and facilities as per the Corporation's rules.

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

41. FINANCIAL RISK MANAGEMENT

The Corporation'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 Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. The Corporation's senior management carries out financial risk management under governance approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks, wherever necessary.

41.1 Market risk

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

a) Fuel price risk

The Corporation's earnings are affected by changes in price of aircraft fuel. The Corporation hedges fuel prices to a limited extent through use of derivative contracts. There are no derivative contracts outstanding as of year end, therefore, the Corporation is not exposed to risk related to fuel price derivative contracts.

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 Corporation's revenue streams are denominated in a number of foreign currencies resulting in exposure to foreign exchange rate fluctuations. In addition, the Corporation has substantial foreign currency borrowings and lease liabilities that are primarily denominated in US Dollar (USD), Saudi Riyal (SAR), United Arab Emirates Dirham (AED) and Great Britain Pound (GBP). The Corporation can experience adverse or beneficial effects arising from foreign exchange rate movements. The Corporation manages some of its currency risk by utilising its foreign currency receipts to satisfy its foreign currency obligations.

The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in the foreign currency exchange rates, with all other variables held constant, on loss before tax:

	2014	2013	2014	2013
	Rupees in '000			
Change in USD rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**(118,690)**	(3,496,554)	**118,690**	3,496,554
Change in SAR rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**-**	44,100	**-**	(44,100)
Change in AED rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**(3,195)**	(65,899)	**3,195**	65,899
Change in GBP rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**-**	39,428	**-**	(39,428)

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 Corporation's exposure to the risk of changes in market interest rates relates primarily to the following:

	2014	2013
Variable rate instruments at carrying amount:	----------Rupees in '000----------	
Long-term financing	**42,469,110**	34,319,929
Term finance and sukuk certificates	**19,589,760**	19,589,760
Liabilities against assets subject to finance lease	**22,008,888**	29,664,422
Advance from a subsidiary	**3,752,325**	1,479,709
Provision for payable to employees' provident fund	**8,811,335**	7,210,729
Short-term borrowings	**59,680,268**	56,666,558
Long-term deposits and prepayments	**1,557,557**	1,625,014
	157,869,243	150,556,121
Fixed rate instruments at carrying amount		
Long-term financing	**9,572,725**	10,396,256
Liabilities against assets subject to finance lease	**7,937,454**	11,975,487
Short-term borrowings	**92,099**	80,980
Bank deposits	**401,545**	(932,516)
	18,003,823	21,520,207

Fair value sensitivity analysis for fixed rate instruments

The Corporation does not account for any fixed rate financial assets and liabilities at fair values through profit and loss. Therefore, change in interest rates at the reporting date would not affect 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 Corporation's loss before tax.

	KIBOR		LIBOR	
	2014	2013	2014	2013
	----------Rupees in '000----------			
Change in interest rate	----------+1%----------		----------+0.25%----------	
Increase in loss before tax	**(603,659)**	(850,769)	**(149,732)**	(150,286)
Change in interest rate	----------(1%)----------		----------(0.25%)----------	
Decrease in loss before tax	**603,659**	850,769	**149,732**	150,286

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 effecting all similar financial instruments traded in the market. The Corporation is not significantly exposed to equity securities price risk as majority of its investments are in subsidiaries and associated companies which are stated at cost.

41.2 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 Corporation manages its liquidity risk by maintaining sufficient cash and cash equivalents, financing facility and through support of GoP either in the form of capital / loans or in the form of guarantee to obtain financing from lenders.

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

	Less than 1 year	1 - 5 years	More than 5 years	Total
	----------Rupees in '000----------			
2014				
Long-term financing	**18,681,240**	**31,983,545**	**10,433,468**	**61,098,253**
Term finance and sukuk certificates	**19,589,760**	**-**	**-**	**19,589,760**
Liabilities against assets subject to finance lease	**11,134,040**	**20,537,358**	**-**	**31,671,398**
Advance from a subsidiary	**-**	**3,752,325**	**-**	**3,752,325**
Trade and other payables	**72,452,507**	**-**	**-**	**72,452,507**
Accrued interest / mark-up / profit	**12,619,246**	**-**	**-**	**12,619,246**
Short-term borrowings	**59,772,367**	**-**	**-**	**59,772,367**
	194,249,160	**56,273,228**	**10,433,468**	**260,955,856**
2013				
Long-term financing	13,715,026	23,978,866	10,500,707	48,194,599
Term finance and sukuk certificates	19,589,760	-	-	19,589,760
Liabilities against assets subject to finance lease	11,527,334	31,559,961	1,608,451	44,695,746
Advance from a subsidiary	-	1,557,744	-	1,557,744
Trade and other payables	54,264,097	-	-	54,264,097
Accrued interest / mark-up / profit	12,799,646	-	-	12,799,646
Short-term borrowings	56,747,538	-	-	56,747,538
	168,643,401	57,096,571	12,109,158	237,849,130

41.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2014 represents the maximum credit exposure, which is as follows:

	2014	2013
	---------Rupees in '000----------	
Long-term deposits	**7,148,681**	7,370,179
Trade debts	**10,367,251**	8,712,578
Advances	**187,162**	150,703
Trade deposits	**673,252**	281,979
Other receivables	**609,574**	1,037,386
Bank balances	**1,677,865**	2,282,823
	20,663,785	19,835,648

Trade debts

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

Ageing of trade debts is disclosed in note 11 to these unconsolidated financial statements.

Other financial assets

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

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

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

41.4 Fair value of financial instruments

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

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

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

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

Investment in quoted security is classified in level 1 and other investments in unquoted securities are stated costs. Investments in subsidiaries are stated at level 3 input . The fair values of all the financial assets and liabilities at the reporting date approximate to their carrying value. (refer note 7 and 15)

41.5 Capital management

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

42. TRANSACTIONS WITH RELATED PARTIES

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

	2014	2013
	----------Rupees in '000----------	
Skyrooms (Private) Limited – Subsidiary		
Payments made against in-transit passengers	**284,271**	306,535
Advances (Adjusted) / extended	**(15,010)**	5,132
PIA Investments Limited - Subsidiary		
Management fee expense	**91,283**	90,982
Finance cost on advance	**51,028**	24,623
Minhal France S.A. - Sub-subsidiary		
Management fee income	**96,076**	94,904
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary		
Charges in respect of courier services	**87**	166
Retirement funds		
Contribution to Provident Fund and others	**143,802**	434,457
Interest on overdue balance of provident fund	**793,766**	591,066
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	**1,780,000**	20,403,298
Insurance premium	**831,677**	1,191,133
Finance cost	**5,999,863**	7,354,043
GoP - Major shareholder		
Finance cost	**800,000**	800,000
Advance against equity from GoP	**4,669,821**	12,993,077
Hajj revenue	**5,120,440**	4,417,322

42.1 Transactions with the directors, chief executive and key management personnel have been disclosed in note 40 to these unconsolidated financial statements.

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

42.3 The Corporation's sales of transportation services to subsidiaries, associates, directors and key management personnel are not determinable.

43. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

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

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

Had the exemption not been granted, the accumulated losses as at December 31, 2014 would have been higher by Rs. 725.707 million (2013: Rs. 659.022 million), staff costs and loss after taxation of the Corporation for the year then ended would have been higher by Rs. 66.684 million (2013: Rs. 116.545 million) while earnings per share would have been lower by Rs.0.02 and Rs. 0.01 per share (2013: Rs. 0.03 and Rs. 0.02 per share) for class 'A' and 'B' shareholders respectively.

44. AUTHORISATION OF FINANCIAL STATEMENTS

These unconsolidated financial statements were authorised for issue by the Board of Directors in their meeting held on **May 03, 2015.**

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

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Consolidated

Financial Statements

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING NO. 1-C
I. I. CHUNDRIGAR ROAD
KARACHI - 74000

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
SHEIKH SULTAN TRUST, BLDG. NO. 2
BEAUMONT ROAD
KARACHI - 75350

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan International Airlines Corporation (the Holding company) and its subsidiary companies as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Holding company. The consolidated financial statements of a subsidiary company were audited by one of the joint auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of that joint auditor. These consolidated financial statements are the responsibility of the Holding company's management. Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit.

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

3. The auditors of PIA Investments Limited (PIAIL) - a subsidiary company have qualified their opinion as follows:

   "As more fully explained in note 10.3 to the accompanying consolidated financial statements, during the year ended December 31, 2013 PIAIL had recognised long term prepayment in respect of a lease amounting to Rs. 69.855 million, representing consideration paid to Pakistan Cricket Board (PCB), by way of settlement of amounts due from PCB, for acquiring the right to use a parcel of land for 66 years, which right is vested through execution of sub-lease deed in favour of Avant Hotels (Private) Limited. PIAIL and PCB agreed to settle the outstanding amounts against sub-lease of the aforementioned parcel of land. However, because the processes of determination of fair value and conducting feasibility study of the commercial project to be developed on the said parcel of land have not been completed to date, the amount at which the prepayment should have been initially recognised and probability of flow of economic benefits from the use of land cannot be determined at present."

4. In our opinion, except for the possible effects of the matter stated in paragraph 3 above, the consolidated financial statements present fairly the financial position of the Holding company and its subsidiary companies as at December 31, 2014 and the results of their operations for the year then ended.

We draw attention to note 1.2 to the annexed consolidated financial statements, which states that the Group incurred aloss of Rs.30,725.373 million during the year ended December 31, 2014, resulting in accumulated losses of Rs.226,602.471 million as of December 31, 2014, and, as of that date, the Group's current liabilities exceeded its current assets by Rs.187,747.878 million. These conditions indicate existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

The consolidated financial statements of the Corporation for the year ended December 31, 2013 were jointly audited by A. F. Ferguson & Co., Chartered Accountants and M. Yousuf Adil Saleem & Co., Chartered Accountants who through their report dated April 29, 2014 expressed a qualified audit opinion thereon in respect of the matter stated in paragraph 3 above.

Chartered Accountants
Engagement partner: Khurshid Hasan

Chartered Accountants
Engagement partner: Muhammad Nadeem

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2014

	Note	December 31 2014	December 31 2013	January 1 2013	December 31 2014	December 31 2013	January 1 2013
			-------- (Restated) --------			-------- (Restated) --------	
ASSETS		----------Rupees in '000----------			----------US$ in '000----------		
NON - CURRENT ASSETS							
Fixed Assets							
- Property, plant and equipment	5	**143,931,025**	156,034,308	155,294,461	**1,425,966**	1,476,290	1,597,187
- Intangibles	6	**3,711,867**	3,538,086	3,250,621	**36,775**	33,475	33,432
		147,642,892	159,572,394	158,545,082	**1,462,741**	1,509,765	1,630,619
Long-term investments	7	**151,435**	120,386	94,394	**1,500**	1,139	971
Receivable in respect of Centre Hotel	8	**763,114**	798,648	734,496	**7,560**	7,556	7,554
Long-term loans and advances	9	**3,030**	8,696	12,009	**30**	82	124
Long-term deposits and prepayments	10	**8,353,538**	8,112,483	6,775,404	**82,761**	76,755	69,684
Total non-current assets		**156,914,009**	168,612,607	166,161,385	**1,554,592**	1,595,297	1,708,952
CURRENT ASSETS							
Stores and spares	11	**3,459,839**	3,627,086	3,907,441	**34,278**	34,316	40,188
Trade debts - net	12	**10,975,590**	9,368,145	10,014,544	**108,738**	88,635	102,998
Short-term loans and advances	13	**1,195,825**	1,394,699	2,378,424	**11,847**	13,196	24,462
Trade deposits and prepayments	14	**1,676,697**	2,376,511	1,155,896	**16,612**	22,485	11,889
Other receivables	15	**7,346,783**	6,311,289	4,300,365	**72,787**	59,713	44,229
Short-term investments	16	**197,288**	305,019	517,767	**1,954**	2,886	5,325
Taxation		**135,291**	129,748	102,102	**1,340**	1,227	1,050
Cash and bank balances	17	**6,112,858**	7,252,505	5,597,237	**60,562**	68,619	57,567
Total current assets		**31,100,171**	30,765,002	27,973,776	**308,118**	291,077	287,708
TOTAL ASSETS		**188,014,180**	199,377,609	194,135,161	**1,862,710**	1,886,374	1,996,660

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2014

	Note	December 31 2014	December 31 2013	January 1 2013	December 31 2014	December 31 2013	January 1 2013
			-------- (Restated) --------			-------- (Restated) --------	
		----------Rupees in '000----------			----------US$ in '000----------		
EQUITY AND LIABILITIES							
SHARE CAPITAL AND RESERVES							
Issued, subscribed and paid-up share capital	18	**28,779,674**	28,779,674	28,779,674	**285,129**	272,294	295,996
Reserves	19	**4,533,408**	5,491,197	4,240,060	**44,914**	51,954	43,609
Accumulated losses		**(226,602,471)**	(193,866,202)	(148,851,867)	**(2,245,016)**	(1,834,230)	(1,530,925)
		(193,289,389)	(159,595,331)	(115,832,133)	**(1,914,973)**	(1,509,982)	(1,191,320)
Advance against equity from Government of Pakistan (GoP)	20	**19,591,065**	14,921,244	1,928,167	**194,094**	141,175	19,831
Attributable to the Holding company's shareholders		**(173,698,324)**	(144,674,087)	(113,903,966)	**(1,720,879)**	(1,368,807)	(1,171,489)
Non-controlling interest		**1,536,228**	1,752,273	1,385,606	**15,220**	16,579	14,251
TOTAL EQUITY		**(172,162,096)**	(142,921,814)	(112,518,360)	**(1,705,659)**	(1,352,228)	(1,157,238)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET	21	**32,121,123**	35,830,282	34,387,427	**318,233**	339,001	353,671
NON-CURRENT LIABILITIES							
Long-term financing	22	**50,538,303**	32,671,889	28,120,287	**500,698**	309,119	289,214
Term finance and sukuk certificates	23	**-**	-	4,394,027	**-**	-	45,192
Liabilities against assets subject to finance lease	24	**19,656,064**	31,357,890	38,305,557	**194,738**	296,687	393,968
Long-term deposits		**93,399**	99,525	88,630	**925**	942	911
Deferred taxation	25	**19,247,424**	20,852,961	18,314,706	**190,690**	197,296	188,365
Deferred liabilities	26	**19,671,914**	15,308,519	13,255,180	**194,895**	144,839	136,328
Total non-current liabilities		**109,207,104**	100,290,784	102,478,387	**1,081,946**	948,883	1,053,978
CURRENT LIABILITIES							
Trade and other payables	27	**100,083,514**	78,874,154	55,710,422	**991,556**	746,253	572,976
Accrued interest	28	**12,528,208**	12,788,401	6,784,356	**124,121**	120,995	69,776
Provision for taxation		**193,745**	281,364	679,144	**1,919**	2,662	6,985
Short-term borrowings	29	**59,772,367**	56,747,538	61,354,530	**592,182**	536,907	631,025
Current maturities of:							
- Long-term financing	22	**16,390,178**	27,615,121	20,783,496	**162,382**	261,275	213,756
- Term finance and sukuk certificates	23	**19,589,760**	19,589,760	15,195,733	**194,081**	185,345	156,286
- Advance rent		**-**	-	4,831	**-**	-	50
- Liabilities against assets subject to finance lease	24	**10,290,277**	10,282,019	9,275,195	**101,949**	97,281	95,395
Total current liabilities		**218,848,049**	206,178,357	169,787,707	**2,168,190**	1,950,718	1,746,249
TOTAL LIABILITIES		**328,055,153**	306,469,141	272,266,094	**3,250,136**	2,899,601	2,800,227
TOTAL EQUITY AND LIABILITIES		**188,014,180**	199,377,609	194,135,161	**1,862,710**	1,886,374	1,996,660
CONTINGENCIES AND COMMITMENTS	30						

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013 (Restated)	2014	2013 (Restated)
		----------Rupees in '000----------		----------US$ in '000----------	
REVENUE - NET	31	**113,780,088**	109,811,240	**1,127,252**	1,038,959
COST OF SERVICES					
Aircraft fuel		**(48,033,885)**	(55,116,104)	**(475,886)**	(521,471)
Others	32	**(62,332,628)**	(59,697,932)	**(617,547)**	(564,821)
		(110,366,513)	(114,814,036)	**(1,093,433)**	(1,086,292)
GROSS PROFIT / (LOSS)		**3,413,575**	(5,002,796)	**33,819**	(47,333)
Distribution costs	33	**(5,110,927)**	(4,817,880)	**(50,635)**	(45,584)
Administrative expenses	34	**(11,861,226)**	(12,820,768)	**(117,513)**	(121,301)
Other provisions and adjustments	35	**(2,848,768)**	(2,566,564)	**(28,224)**	(24,283)
Exchange gain / (loss) - net		**3,098,216**	(6,406,746)	**30,695**	(60,616)
Other income	36	**384,999**	1,586,833	**3,814**	15,013
		(16,337,706)	(25,025,125)	**(161,863)**	(236,771)
LOSS FROM OPERATIONS		**(12,924,131)**	(30,027,921)	**(128,044)**	(284,104)
Finance costs	37	**(15,016,848)**	(13,414,851)	**(148,776)**	(126,922)
Share of profit / (loss) in associate	7.1	**933**	(1,456)	**9**	(14)
LOSS BEFORE TAXATION		**(27,940,046)**	(43,444,228)	**(276,811)**	(411,040)
Taxation	38	**(2,785,327)**	(1,626,392)	**(27,595)**	(15,388)
LOSS FOR THE YEAR		**(30,725,373)**	(45,070,620)	**(304,406)**	(426,428)
Attributable to:					
Equity holders of the Holding company		**(30,765,562)**	(45,113,787)	**(304,804)**	(426,837)
Non-controlling interest		**40,189**	43,167	**398**	409
		(30,725,373)	(45,070,620)	**(304,406)**	(426,428)
LOSS PER SHARE - BASIC AND DILUTED		(Rupees)		(US$)	
Loss attributable to:					
'A' class Ordinary shares of Rs 10 each	39	**(6.69)**	(12.73)	**(0.07)**	(0.12)
'B' class Ordinary shares of Rs 5 each	39	**(3.34)**	(6.37)	**(0.04)**	(0.06)

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013 (Restated)	2014	2013 (Restated)
	----------Rupees in '000----------		----------US$ in '000----------	
Loss for the year	**(30,725,373)**	(45,070,620)	**(304,406)**	(426,428)
Other comprehensive income				
Items that will be reclassified subsequently to profit and loss account				
Unrealised gain on remeasurement of available for sale investments	**34,583**	21,268	**343**	201
Exchange differences on translation of foreign operations	**(1,148,978)**	1,373,013	**(11,383)**	12,991
	(1,114,395)	1,394,281	**(11,040)**	13,192
Items that will not be reclassified subsequently to profit and loss account				
Remeasurement of post retirement defined benefits obligation	**(2,595,919)**	(611,860)	**(25,719)**	(5,789)
Effect of deferred tax	**146,316**	142,695	**1,450**	1,350
	(2,449,603)	(469,165)	**(24,269)**	(4,439)
Total comprehensive income	**(34,289,371)**	(44,145,504)	**(339,715)**	(417,675)
Attributable to:				
Equity holders of the Holding company	**(34,172,954)**	(44,331,815)	**(338,562)**	(419,438)
Non-controlling interest	**(116,417)**	186,311	**(1,153)**	1,763
	(34,289,371)	(44,145,504)	**(339,715)**	(417,675)

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

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013	2014	2013
		----------Rupees in '000----------		----------US$ in '000----------	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	40	**20,222,098**	4,451,025	**200,346**	42,113
Profit on bank deposits received		**55,124**	32,314	**546**	306
Finance costs paid		**(15,277,041)**	(7,457,795)	**(151,354)**	(70,561)
Taxes paid		**(1,379,911)**	(1,137,461)	**(13,671)**	(10,762)
Staff retirement benefits paid		**(782,433)**	(635,734)	**(7,752)**	(6,015)
Payments against long-term loans and advances		**5,666**	3,313	**56**	31
Long-term deposits and prepayments - net		**(624,397)**	(918,217)	**(6,186)**	(8,688)
Net cash from / (used in) operating activities		**2,219,106**	(5,662,555)	**21,985**	(53,576)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(6,698,248)**	(4,701,481)	**(66,361)**	(44,482)
Proceeds from sale of operating fixed assets		**155,265**	37,430	**1,539**	354
Purchase of intangibles		**-**	(34,830)	**-**	(329)
Insurance claim received in respect of airfleet		**551,650**	-	**5,465**	-
Proceeds from sale of short-term investments		**107,731**	212,748	**1,067**	2,013
Net cash used in investing activities		**(5,883,602)**	(4,486,133)	**(58,290)**	(42,444)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from advance against equity from GoP		**4,669,821**	12,993,077	**46,265**	122,932
Repayment of long-term financing		**(19,608,601)**	(3,076,067)	**(194,268)**	(29,104)
Proceeds from long-term financing		**24,731,474**	15,872,898	**245,022**	150,178
(Payment) / receipt of advance rent		**-**	(4,831)	**-**	(46)
Proceeds from long-term deposits		**(6,126)**	10,895	**(61)**	103
Payment of dividend to non-controlling interest		**(40,451)**	(33,657)	**(401)**	(318)
Repayments of short term borrowings		**(1,548,498)**	(10,055,162)	**(15,341)**	(95,135)
Proceeds from short term borrowings		**5,046,403**	5,480,905	**49,996**	51,857
Repayment of obligations under finance lease - net		**(10,282,035)**	(9,275,195)	**(101,867)**	(87,756)
Net cash from financing activities		**2,961,987**	11,912,863	**29,345**	112,711
Decrease / (increase) in cash and cash equivalents		**(702,509)**	1,764,175	**(6,960)**	16,691
Cash and cash equivalents at beginning of the year		**2,564,706**	800,531	**25,409**	7,574
Effects of exchange rate changes on cash and cash equivalents		**(6,881)**	-	**(68)**	-
Cash and cash equivalents at end of the year		**1,855,316**	2,564,706	**18,381**	24,265
CASH AND CASH EQUIVALENTS					
Cash and bank balances	17	**6,112,858**	7,252,505	**60,562**	68,618
Short-term borrowings	29	**(4,257,542)**	(4,687,799)	**(42,181)**	(44,353)
		1,855,316	2,564,706	**18,381**	24,265

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Chairman

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

	Attributable to the Holding company's shareholders										
			Reserves								
	Issued, subscribed, and paid-up capital	Advance against equity from Government of Pakistan (GoP)	Capital reserves	Revenue reserves	Unrealised gain on remeasur-ement of investments	Foreign currency translation reserves	Other reserves	Subtotal	Accumulated losses	Non-controlling interest	Total
	Rupees in '000										
Balance as at December 31, 2012 as previously reported	**28,779,674**	**1,928,167**	**2,501,038**	**1,779,674**	**26,818**	**3,930,083**	**11,352**	**8,248,965**	**(146,466,912)**	**1,385,606**	**(106,124,500)**
Effect of restatements - note 2.9	-	-	-	-	-	**(4,008,905)**	-	**(4,008,905)**	**(2,384,955)**	-	**(6,393,860)**
Balance as at January 1, 2013 - as restated	**28,779,674**	**1,928,167**	**2,501,038**	**1,779,674**	**26,818**	**(78,822)**	**11,352**	**4,240,060**	**(148,851,867)**	**1,385,606**	**(112,518,360)**
Total comprehensive income for the year ended December 31, 2013:											
- (Loss) / profit for the year	-	-	-	-	-	-	-	-	(45,113,787)	43,167	(45,070,620)
- Other comprehensive income											
- Transfer to other reserves for the year:	-	-	-	-	-	-	-	-	-	-	-
- Currency translation differences	-	-	-	-	-	1,228,881	988	1,229,869	-	143,144	1,373,013
- Remeasurement of post retirement defined benefits obligation - net of tax	-	-	-	-	-	-	-	-	(469,165)	-	(469,165)
- Unrealised gain on remeasurement of investments	-	-	-	-	21,268	-	-	21,268	-	-	21,268
Total comprehensive income for the year transferred to equity	-	-	-	-	21,268	1,228,881	988	1,251,137	(45,582,952)	186,311	(44,145,504)
Surplus arising on property, plant and equipment during the year - net of tax	-	-	-	-	-	-	-	-	-	213,972	213,972
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	568,617	-	568,617
Transactions with owners:											
Paid-up capital subscribed	-	-	-	-	-	-	-	-	-	41	41
Advance against equity from GoP	-	12,993,077	-	-	-	-	-	-	-	-	12,993,077
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(33,657)	(33,657)
Balance as at December 31, 2013 - as restated	**28,779,674**	**14,921,244**	**2,501,038**	**1,779,674**	**48,086**	**1,150,059**	**12,340**	**5,491,197**	**(193,866,202)**	**1,752,273**	**(142,921,814)**
Balance as at December 31, 2013 as previously reported	28,779,674	14,921,244	2,501,038	1,779,674	48,086	5,708,338	12,340	10,049,476	(191,032,943)	1,752,273	(135,530,276)
Effect of restatements - note 2.9	-	-	-	-	-	(4,558,279)	-	(4,558,279)	(2,833,259)	-	(7,391,538)
Balance as at January 1, 2014 - as restated	28,779,674	14,921,244	2,501,038	1,779,674	48,086	1,150,059	12,340	5,491,197	(193,866,202)	1,752,273	(142,921,814)
Total comprehensive income for the year ended December 31, 2014:											
- (Loss) / profit for the year	-	-	-	-	-	-	-	-	(30,765,562)	40,189	(30,725,373)
- Other comprehensive income											
- Currency translation differences	-	-	-	-	-	(1,014,420)	22,048	(992,372)	-	(156,606)	(1,148,978)
- Remeasurement of post retirement defined benefits obligation - net of tax	-	-	-	-	-	-	-	-	(2,449,603)	-	(2,449,603)
- Unrealised gain on remeasurement of investments	-	-	-	-	34,583	-	-	34,583	-	-	34,583
Total comprehensive income for the year transferred to equity	-	-	-	-	34,583	(1,014,420)	22,048	(957,789)	(33,215,165)	(116,417)	(34,289,371)
Deficit arising on property, plant and equipment during the year - net of tax	-	-	-	-	-	-	-	-	-	(59,177)	(59,177)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	478,896	-	478,896
Transactions with owners: Advance against equity from GoP	-	4,669,821	-	-	-	-	-	-	-	-	4,669,821
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(40,451)	(40,451)
Balance as at December 31, 2014	**28,779,674**	**19,591,065**	**2,501,038**	**1,779,674**	**82,669**	**135,639**	**34,388**	**4,533,408**	**(226,602,471)**	**1,536,228**	**(172,162,096)**

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. THE GROUP AND ITS OPERATIONS

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

Pakistan International Airlines Corporation

Pakistan International Airlines Corporation (the Holding Company) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (the Act). The shares of the Holding Company are quoted on all stock exchanges of Pakistan. The principal activity of the Holding Company is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Holding Company include provision of engineering and allied services. The head office of the Holding Company is situated at PIA Building, Jinnah International Airport, Karachi.

Subsidiaries

PIA Investments Limited (PIAIL) was incorporated on September 10, 1977 in Sharjah, United Arab Emirates as a limited liability company under a decree issued by H. H. The Ruler of Sharjah. During 1986 PIAIL was registered in British Virgin Islands under International Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act, 2012) as a company limited by shares The principal activity of PIAIL is to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. The Holding Company's controlling interest in PIAIL is 100% (2013: 100%). The new registered office of PIAIL is situated at Citco Building, Wickham Cay, Road Town, Tortola, British Virgin Islands.

Following are the details of PIAIL's subsidiaries:

	Location	Nature of business	Effective ownership and voting power of PIAIL (%)	Effective ownership and voting power of the Holding company (%)
• Roosevelt Hotel Corporation, N.V. (RHC)	Netherlands - Antilles	See note (B)	100	100
• RHC Operating LLC	State of Delware, USA	Owner of Roosevelt Hotel, New York	100	100
• Minhal France S.a.r.l.	Luxembourg	See note (A)	100	100
• Minhal France B.V.	Netherlands	See note (A)	100	100
• Minhal France S.A. (MFSA)	France	Owner of Scribe Hotel, Paris	90	90
• PIA Hotels Limited (Formerly PIA Fuel Management Limited)	British Virgin Islands	See note (A)	100	100
• PIA Aviation Limited	British Virgin Islands	See note (A)	100	100
• Avant Hotels (Private) Limited	Pakistan	See note (C)	62.5	62.5

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

Note (B): Roosevelt Hotel Corporation N.V. (RHC) is the intermediary Holding Company and a sole member of RHC Operating LLC, a company which owns the Roosevelt Hotel, New York. During year 2004, to comply with the requirements of then outstanding loans, RHC transferred the net operating assets of the Roosevelt Hotel to RHC Operating LLC.

Note (C): Avant Hotels (Private) Limited (Avant) is a joint venture between PIAIL and Pakistan Cricket Board (PCB) being subscribers to 62.5% and 37.5% respectively of Avant's shares.

PIAIL has been consolidated in these consolidated financial statements on the basis of its audited consolidated financial statements for the year ended December 31, 2014.

Skyrooms (Private) Limited (SRL) was incorporated on May 20, 1975 in Pakistan as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). SRL owns and manages Airport Hotel', Karachi. SRL is a wholly owned subsidiary of the Holding company. SRL has been consolidated on the basis of its unaudited financial statements for the year ended December 31, 2014 as the same is not considered to be material to these consolidated financial statements.

Abacus Distribution Systems Pakistan (Private) Limited (Abacus) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares, under the Companies Ordinance, 1984. Abacus markets and distributes a computer reservation system to subscribers in Pakistan, under a sub-distribution agreement with Abacus International (Pte) Limited Singapore (an associated Company and joint venture partner), that incorporates a software package which performs various functions including real-time airlines seat reservations, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding Company's interest in Abacus is 70%. Abacus has been consolidated on the basis of its unaudited financial statements for the year ended December 31, 2014 as the same is not considered to be material to these consolidated financial statements.

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

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

Associate

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

1.2 During the current year, the Group incurred a net loss of Rs. 30,725.373 million (2013: Rs. 45,070.620 million) resulting in accumulated losses of Rs. 226,602.471 million as of December 31, 2014 (December 31, 2013: Rs. 193,866.202 million). Further, as of December 31, 2014, current liabilities of the Group exceeded its current assets by Rs. 187,747.878 million (December 31, 2013: Rs. 175,413.355 million). Furthermore, the Group has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to these consolidated financial statements.

The Government of Pakistan (GoP), being the majority shareholder of the Holding Company, had through its finance division's letter dated September 2, 2008 communicated that it would extend all maximum support to maintain the Holding Company's going concern status. Accordingly, since then it has been extending support to the Holding Company through the following measures to ensure that it (the Holding company) continues and sustains in the long-term as a viable business entity:

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Holding Company. In this respect, amounts aggregating to Rs. 11,276 million have been provided to the Holding Company towards equity since the year ended December 31, 2008;

- During the years ended December 31, 2009 and 2010, the GoP has provided long-term financing aggregating Rs 8,000 million to meet working capital requirements of the Holding Company;

- Issuance / renewal of guarantees to financial institutions, both local and foreign, so as to enable the Holding Company to raise / rollover funds;

- On July 3, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs 12,790 million along with conversion of certain short term loans amounting to Rs 20,700 million into new term finance certificates (refer note 23.1); and

- Provided additional funding of Rs. 11,758 million during the year 2013, as disclosed below.

During the previous year, the Holding Company also presented a proposal for financing support required along with its interim business plan to the ECC during its meeting held on February 26, 2013. The ECC approved the following financing support proposal subject to the condition that the timeline will be fixed for repayment of loans and there will be quarterly monitoring of the Holding Company's Business Plan by the Ministry of Finance.

- New loans / guarantees for repayment of loans amounting to Rs 11.1 billion becoming due in year 2013;

- Rollover / Extension of GOP guarantees amounting to approximately Rs 51.16 billion;

- New guarantees against loans already taken on the basis of letter of comfort amounting to Rs 13.5 billion;

- Additional funding to provide fiscal space to the Holding Company amounting to Rs 12 billion; and

- Funds of US$ 46 million for acquisition of narrow body aircraft on dry lease.

Consequent to the above approval, the GoP provided Rs. 11,758 million and Rs. 2,945 million as financial assistance to the Holding Company to enable it to make payments, of loan installments, to overdue vendors including payments to Exim Bank Guaranteed loan installments.

During the year ended December 31, 2014 the ECC in principle approved issuance of fresh guarantees to the extent the Holding Company pays off its GoP Guaranteed loan and approved issuance of GoP Guarantees amounting to Rs. 14 billion for acquisition of loans from different banks to cater immediate funding requirements. ECC also in principle approved funds amounting to USD 52 million for acquisition of aircraft on dry lease and immediately released Rs. 1,297 million for this purpose.

To alleviate the operational problems, the Holding Company has acquired six narrow body aircrafts on wet lease and three narrow body aircraft on dry lease during the year ended December 31, 2014. The Holding Company is also in the process of acquisition of more aircraft on dry lease and tenders have been floated for acquisition of ten narrow body and five turboprop aircraft. In addition to the above measures taken by the Holding Company and the GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Holding Company. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from non-core activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircraft on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

The GoP through Privatization Commission, has also initiated the process of restructuring the Holding Company leading to private sector participation in the core operations of the Holding Company, and for this purpose a consortium has been appointed as Financial Advisor. In view of the situation described above, material uncertainty exists that may cast significant doubt on the Holding Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the requirements of the Act and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the requirements of the Act or the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

The US Dollar amounts reported in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information, solely for the convenience of the users of these consolidated financial statements. The US Dollar amounts in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement have been translated into US Dollar at the rate of Rs. 100.9358 = US$ 1 (2013: Rs. 105.6935 = US$ 1).

2.4 Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries and its associate as at and for the year ended December 31, 2014.

2.4.1 Subsidiaries

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

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

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

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

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

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

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

2.4.2 Associates

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

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

2.5 New standards, amendments to approved accounting standards and new interpretation to existing standards that are effective for the year ended December 31, 2014

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2014 but are considered not to be relevant or do not have any significant effect on the consolidated financial statements and are therefore not detailed in these consolidated financial statements.

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

2.6.1 The following amendments and an interpretation are only effective for accounting periods, beginning on or after January 01, 2015. These amendments and interpretation are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

2.6.1.1 Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. These amendments are not likely to have an impact on the Group's consolidated financial statements.

2.6.1.2 Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Group's consolidated financial statements.

2.6.1.3 IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 01, 2016. The Group is yet to assess the full impact of the amendments.

2.6.1.4 IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets / operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not likely to have an impact on the Group's consolidated financial statements.

2.6.1.5 IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard will have an impact of additional disclosures in the Group's consolidated financial statements.

2.6.1.6 IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after January 01, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard will have an impact of additional disclosures in the Group's consolidated financial statements.

2.6.1.7 Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements, unless the Corporation changes its accounting policy to account for investment in subsidiaries and associates. As per the equity method, the change is not likely to have a material impact on the Group's consolidated financial statements.

2.6.1.8 Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, an entity can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendment is not likely to have an impact on the Group's consolidated financial statements.

2.6.1.9 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after January 01, 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments do not have an impact on the Group's consolidated financial statements.

2.7 Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

2.7.1 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'market condition' and 'vesting condition' by separately defining 'performance condition' and 'service condition'.

2.7.2 - IFRS 3 'Business Combinations'. These amendments clarify the scope of the standard and classification and measurement of contingent consideration in a business combination.

2.7.3 - IFRS 8 'Operating Segments' has been amended to clarify the disclosure requirements relating to reconciliations and explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

2.7.4 - IFRS 13 'Fair Value Measurement' has been amended to clarify the application of the standard to financial assets and financial liabilities with offsetting positions in the market risk or counterparty credit risk.

2.7.5 - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

2.7.6 - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

2.7.7 - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

2.8 Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01,2016). The new cycle of improvements contain amendments to the following standards:

2.8.1 - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from 'held for distribution to owners' to 'held for sale' or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as 'held for distribution', then it ceases 'held for distribution' accounting in the same way as it would cease 'held for sale' accounting.

2.8.2 - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

2.8.3 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

2.8.4 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

2.9 Restatement of comparatives

2.9.1 Corrections

2.9.1.1 Reconciliation of memorandum records

At year end, the management has carried out a reconciliation of the memorandum records relating to historical costs and accumulated depreciation thereon relating to the aircraft fleet with the carrying values as appearing in the books of account of the Group after taking into account the effects of the related surplus / deficit which had arisen as a result of revaluation exercise. The reconciliation exercise included updating records while considering the following factors:

(i) Component accounting mechanism for overhauling cost and its recognition and derecognition and charging of depreciation thereon as per the Group policy;

(ii) More appropriate allocations / adjustments in fair values of engines and airframes; and

(iii) Consequential impact of the aforementioned matters as stated in (i) and (ii) above on transfer of incremental depreciation from 'surplus on revaluation of property, plant and equipment' to 'accumulated losses' and release of loss / gain on disposal of aircraft and engines and related deferred taxation.

As a result of the reconciliation exercise, certain errors have been identified in memorandum records maintained for historical costs and accumulated depreciation thereon mainly relating to aircraft fleet, the carrying values of aircraft and surplus / deficit arising on revaluation of such aircraft. Accordingly, these errors have been rectified and the carrying of value of the aircraft fleet, surplus on revaluation of property, plant and equipment, depreciation charged to consolidated profit and loss account and transfer of incremental / reduced depreciation from surplus on revaluation of property, plant and equipment, foreign currency translation reserve and their consequential effects on deferred taxation have been adjusted.

2.9.1.2 Reclassification in balance sheet

Up to December 31, 2013, the Group was classifying security deposits from agents and retention money received without agreed repayment terms or defined maturity under the contracts as non-current liability under the head of long term deposits and advance - trade deposit as current assets whereas the same has been deposited for more than 12 months which were not consistent with the requirements of approved accounting standards as applicable in Pakistan. Further, advances were classified as capital work in progress, and stores and spares, long term advances deposits and prepayment were classified cash and bank balances, long term deposit and deferred liabilities were classified as trade and other payables and short term prepayments were classified as long term advance, deposits and prepayments. During the year, these facts have been identified and the Group has considered the requirements of approved accounting standards and corrected their presentation accordingly.

2.9.2 Effect of corrections

Because of the significance of the corrections / rectifications of errors as stated above, the same have been corrected in accordance with the requirements of IAS-8, 'Accounting Policies, Changes in Accounting Estimates and Errors' in these consolidated financial statements with retrospective effect and restatement of amounts previously presented that are stated below:

The Group has presented balance sheet as at the beginning of the earliest period presented i.e. January 1, 2013 and related notes in accordance with the requirements of IAS - 1 "Presentation of Financial Statements - Revised".

	December 31, 2013			January 01, 2013		
	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
	----------Rupees in '000----------					
Effect on balance sheet						
Property, plant and equipment	**155,319,884**	**156,034,308**	**714,424**	153,662,065	155,294,461	1,632,396
Intangibles (for reconciliation)	**3,521,475**	**3,538,086**	**16,611**	3,238,045	3,250,621	12,576
Long term deposits and prepayments	**6,266,652**	**8,112,483**	**1,845,831**	6,020,026	6,775,404	755,378
Stores and spares	**3,686,116**	**3,627,086**	**(59,030)**	4,096,403	3,907,441	(188,962)
Short-term loans and advances	**1,116,518**	**1,394,699**	**278,181**	2,054,153	2,378,424	324,271
Trade deposits and prepayments	**3,164,950**	**2,376,511**	**(788,439)**	1,204,634	1,155,896	(48,738)
Cash and bank balances	**8,309,897**	**7,252,505**	**(1,057,392)**	6,303,877	5,597,237	(706,640)
Long-term deposits	**(435,530)**	**(99,525)**	**336,005**	(534,767)	(88,630)	446,137
Deferred liabilities	**(15,248,903)**	**(15,308,519)**	**(59,616)**	(13,206,159)	(13,255,180)	(49,021)
Trade and other payables	**(78,594,908)**	**(78,874,154)**	**(279,246)**	(55,313,306)	(55,710,422)	(397,116)
Provision for taxation	**(284,221)**	**(281,364)**	**2,857**	(679,144)	(679,144)	-
Deferred tax assets	**22,101,094**	**21,960,369**	**(140,725)**	24,077,117	24,226,385	149,268
Deferred tax liabilities	**(42,954,055)**	**(42,813,330)**	**140,725**	(42,391,823)	(42,541,091)	(149,268)
Surplus on revaluation of property, plant and equipment - net	**(27,488,558)**	**(35,830,282)**	**(8,341,724)**	(26,213,286)	(34,387,427)	(8,174,141)
Effect on equity:						
Foreign currency translation reserves	**(5,708,338)**	**(1,150,059)**	**4,558,279**	(3,930,083)	78,822	4,008,905
Accumulated losses	**191,032,943**	**193,866,202**	**2,833,259**	146,466,912	148,851,867	2,384,955
	185,324,605	**192,716,143**	**7,391,538**	142,536,829	148,930,689	6,393,860

Effect on profit and loss account

Correction of errors	**December 31, 2013**
Increase in Cost of services - Others	**(1,378,975)**
Increase in Distribution costs	**(15,312)**
Increase in Administrative expenses	**(50,271)**
Increase in Other provisions and adjustments	**(285,040)**
Increase in deferred tax income	**314,826**
	(1,414,772)
Effect on 'other comprehensive income'	
Exchange differences on translation of foreign operations	**(549,374)**
Total comprehensive income	**(1,964,146)**
Effect directly recognised in equity	
Surplus on revaluation of property, plant and equipment	**1,486,874**
Related deferred tax impact	**(520,406)**
	966,468
Net effect to equity	**(997,678)**
Effect on loss per share	
Increase in loss attributable to:	
'A' class ordinary shares of Rs. 10 each	**0.40**
'B' class ordinary shares of Rs. 5 each	**0.20**

2.9.3 Reclassifications in consolidated profit and loss account

The following reclassifications made in the consolidated profit and loss account are summarised below with their respective amounts:

From	To	2013
		Rs. in '000
Distribution costs: Distribution and advertising expenses	Costs of services - Others: Communication	1,540,722
Administrative expenses - Others	Payroll and related costs - Administrative	1,176
Administrative expenses - Others	Legal and professional fee	4,176

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.1 Property, plant and equipment

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

Change in accounting estimate

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2013, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the year would have been higher by Rs. 309.4 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

3.2 Employee benefits

The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases, mortality rates, future increase in medical costs and future pension increases. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 26 to these consolidated financial statements.

3.3 Stores and spares

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

3.4 Taxation

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

3.5 Trade debts

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

3.6 Liability on account of frequent flyer programme

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

3.7 Revenue recognition

Revenue for passenger tickets and cargo airway bills is recognised when the transportation services are provided. Passenger tickets that are un-utilised are recognised as unearned revenue on the basis of sale value of those unused tickets whereas cargo airway bills that are un-utilised are recognised as revenue on the basis of estimated number of days delay between the date of sale of airway bills and the date of actual lift.

3.8 Goodwill

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2014 and are enumerated as follows:

4.1 Fixed assets

4.1.1 Property, plant and equipment

Operating fixed assets - owned

Lands classified as 'others' in note 5.1 are stated at cost, whereas buildings classified as 'others' in the aforesaid note are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

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

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

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

Depreciation is charged to the consolidated profit and loss account, applying the straight-line method whereby the cost or revalued amount of assets, less their residual values, is written downover their expected useful lives. The rates of depreciation are disclosed in note 5.1.

In respect of additions and disposals of assets, other than the aircraft fleet, depreciation is charged from the month in which the asset is available for use until it is derecognised, i.e. up to the month preceding the disposal. Proportionate depreciation on aircraft fleet is charged from the date of acquisition till the date of disposal.

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

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

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

Gains and losses on disposal of assets are taken to profit and loss account. When revalued assets are sold, the relevant remaining surplus is transferred directly to retained earnings.

Leased

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

Finance lease

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

Operating lease

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

Capital spares

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

Capital work-in-progress

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

4.1.2 Intangibles

Goodwill

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

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

Other intangible assets

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

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 6.

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

4.2 Investments

At fair value through profit or loss - held for trading

These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are carried at market value, with the related surplus / (deficit) being taken to the consolidated profit and loss account.

Held to maturity

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

Available for sale

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

4.3 Stores and spares

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

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

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

4.4 Trade debts and other receivables

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

4.5 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks and other short-term highly liquid investments with original maturity of three months or less. Cash and cash equivalents also include bank overdrafts / short-term borrowings that are repayable on demand and form an integral part of the Group's cash management.

4.6 Trade and other payables

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

4.7 Loans and borrowings

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

4.8 Employee benefits

4.8.1 *The Holding Company*

Provident fund

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

Rules. The Holding Company's required contribution to the Fund is charged to consolidated profit and loss account.

Pension funds

For all the permanent employees hired prior to July 1, 2008 the Holding Company operates a funded benefit pension scheme for its two categories of employees. Pension scheme is a final salary pension scheme and is invested through three funds namely Pakistan Airline Pilot Association (PALPA), Flight Engineering Association (FENA) and Employees' Pension Funds. Under PALPA and FENA, 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 on the basis of actuarial valuation that is carried out annually.

For all the permanent employees hired on or after 1 July 2008 in lieu of the pension funds as described above, the Holding Company operates a defined contribution pension fund whereby a contribution of 5% of the pensionable benefits is made to the Fund in accordance with the relevant rules.

Post-retirement medical benefits

The Holding Company operates an unfunded defined benefit medical scheme and provides medical allowances and free hospitalisation benefits to all its retired employees and their spouses in accordance with their service regulations. The post-retirement medical benefit is accounted for on the basis of actuarial valuation that is carried out annually. Actuarial gains / (losses) i.e. remeasurements are recognised immediately in other comprehensive income.

4.8.2 *Skyrooms (Private) Limited (SRL)*

Defined benefit plan - gratuity

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

Defined contribution plan - provident fund

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

4.8.3 ***PIA Investments Limited (PIAIL)***

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

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.

4.8.4 Roosevelt Hotel Corporation N.V. (RHC)

Defined contribution retirement benefit plan

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

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

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

Short-term employee benefits

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

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

4.8.5 Minhal France S.A.

Employees pension plan

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

4.8.6 Abacus Distribution Systems Pakistan (Private) Limited (Abacus)

Provident fund

Abacus operates an approved contributory provident fund for its employees. Equal monthly contributions are made, both by Abacus and employees, to the provident fund at the rate of 10% of basic salary.

Compensated absences

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

4.9 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Holding Company and its subsidiaries operate and generate taxable income. Management periodically re-evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation

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

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

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

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

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

4.10 Revenue recognition

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

Passenger and cargo revenue

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

Room, food and beverages

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

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

Engineering and other services

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

Frequent flyer programme revenue

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

In addition, miles are sold to commercial partner to use in promotional activity. The fair value of the miles sold is deferred and recognised as revenue on redemption of the miles by the participants to whom the miles are issued. The cost of redemption of miles is recognised when miles are redeemed.

The estimates involved in recognising revenue from frequent flyer programme are disclosed in note 3.6.

Interest / mark-up and dividend income

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

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

4.11 Borrowing Costs

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

4.12 Provisions

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

4.13 Impairment

Financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated profit and loss account.

Non-financial assets

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

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

4.14 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

4.15 Financial instruments

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

4.16 Earnings per share

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

4.17 Derivative financial instruments

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

4.18 Offsetting of financial assets and financial liabilities

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

4.19 Segment Reporting

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

4.20 Dividend and reserves

Dividend and appropriation to / from reserves are recorded when approved.

5. PROPERTY, PLANT AND EQUIPMENT

		2014	2013 Restated
		Rupees in '000	
Operating fixed assets:			
- owned	5.1	**84,021,892**	90,762,667
- leased	5.2	**57,384,020**	63,190,972
Capital work-in-progress	5.9	**2,525,113**	2,080,669
		143,931,025	156,034,308

5.1 Operating Fixed Assets - Owned

	Land		Buildings on:		Hotel property (note 5.5)	Workshops and hangars	Renovation and improvements	Aircraft fleet (notes 5.1.3, 5.1.5 5.1.4 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other land						
As at December 31, 2013 - as restated										
Cost or revalued amount	5,410,000	24,400	1,313,191	918,226	75,055,405	908,616	786,237	15,859,024	778,501	1,629,641
Accumulated depreciation	-	-	(384,938)	(388,475)	(12,206,876)	(789,377)	(762,751)	(3,691,586)	(669,311)	(1,389,971)
Net book value - as restated	5,410,000	24,400	928,253	529,751	62,848,529	119,239	23,486	12,167,438	109,190	239,670
As at December 31, 2013										
Opening net book value	5,410,000	24,400	928,253	529,751	62,848,529	119,239	23,486	12,167,438	109,190	239,670
Additions / transfers	-	-	-	1,514	377,697	4,184	18,262	770,554	1,285	-
Revaluation										
Cost or revalued amount	1,487,860	-	1,078,701	-	(293,947)	-	-	(17,567)	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	1,487,860	-	1,078,701	-	(293,947)	-	-	(17,567)	-	-
Translation adjustments										
Cost or revalued amount	-	-	-	-	(4,758,964)	-	-	-	-	-
Accumulated depreciation	-	-	-	-	918,904	-	-	-	-	-
	-	-	-	-	(3,840,060)	-	-	-	-	-
Adjustments / transfer										
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Disposals										
Cost or revalued amount	-	-	-	-	-	-	-	(197,647)	-	(937)
Accumulated depreciation	-	-	-	-	-	-	-	16,925	-	937
	-	-	-	-	-	-	-	(180,722)	-	-
Write off										
Cost or revalued amount	-	-	-	-	-	-	-	(1,543,353)	-	-
Accumulated depreciation	-	-	-	-	-	-	-	395,808	-	-
	-	-	-	-	-	-	-	(1,147,545)	-	-
Depreciation charge for the year	-	-	(77,920)	(9,626)	(1,411,705)	(12,770)	(32,702)	(2,158,697)	(34,640)	(72,149)
Closing net book value	6,897,860	24,400	1,929,034	521,639	57,680,514	110,653	9,046	9,433,461	75,835	167,521
As at December 31, 2014										
Cost or revalued amount	6,897,860	24,400	2,391,892	919,740	70,380,191	912,800	804,499	14,871,011	779,786	1,628,704
Accumulated depreciation	-	-	(462,858)	(398,101)	(12,699,677)	(802,147)	(795,453)	(5,437,550)	(703,951)	(1,461,183)
Net book value	6,897,860	24,400	1,929,034	521,639	57,680,514	110,653	9,046	9,433,461	75,835	167,521
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	20	4- 100	10	10 - 20

5.1.1 These represent leasehold land and buildings owned by the Holding Company that are freely transferable and can be disposed off as and when required.

5.1.2 Land classified as 'Others' are amenity plots licensed from Pakistan Civil Aviation Authority (CAA). These are non-transferable as these were allotted at below market price.

5.1.3 During the year, the Holding Company has written off aircraft having net book value of Rs. 1,147.545 million (2013: Rs. 192.515 million). The related deficit amounting to Rs. 123.913 million (2013: Rs. 415.544 million) included in surplus on revaluation has been released to profit and loss account (refer note 35).

5.1.4 With effect from December 2014 the effect of revaluation has been adjusted with cost / revalued amount of the respective assets and accordingly comparative has been reclassified. Previously, it had been adjusted with accumulated depreciation.

5.1.5 Aircraft fleet includes four engines held by third party for overhauling purpose as at December 31, 2014. The carrying value of these engines at year end is Rs. Nil.

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Other equipment	Capital Spares	Total
Rupees in '000													
1,936,949	9,390,723	405,451	88,519	1,709,073	876,979	15,039	11,799	12,929	5,925	2,799	1,509,686	8,351,129	127,000,241
(1,558,358)	(6,486,439)	(370,210)	(83,177)	(1,567,455)	(868,694)	(15,039)	(11,799)	(9,858)	(4,856)	(2,778)	(551,929)	(4,423,697)	(36,237,574)
378,591	2,904,284	35,241	5,342	141,618	8,285	-	-	3,071	1,069	21	957,757	3,927,432	90,762,667
378,591	2,904,284	35,241	5,342	141,618	8,285	-	-	3,071	1,069	21	957,757	3,927,432	90,762,667
-	184,071	2,901	639	39,101	-	-	-	2,141	-	-	707	49,831	1,452,887
-	-	-	-	-	-	-	-	-	-	-	-	-	2,255,047
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	2,255,047
-	(837,710)	(414)	-	-	-	-	-	-	-	-	-	-	(5,597,088)
-	544,502	307	-	-	-	-	-	-	-	-	-	-	1,463,713
-	(293,208)	(107)	-	-	-	-	-	-	-	-	-	-	(4,133,375)
-	-	-	-	-	-	-	-	-	-	-	-	(3,644)	(3,644)
-	-	-	-	-	-	-	-	-	-	-	-	57,347	57,347
-	-	-	-	-	-	-	-	-	-	-	-	53,703	53,703
-	(12,404)	(12,892)	(80)	(669)	-	-	-	-	-	-	(52)	(64,936)	(289,617)
-	12,235	7,656	80	669	-	-	-	-	-	-	52	575	39,129
-	(169)	(5,236)	-	-	-	-	-	-	-	-		(64,361)	(250,488)
-	-	-	-	-	-	-	-	-	-	-	-	(795,058)	(2,338,411)
-	-	-	-	-	-	-	-	-	-	-	-	554,010	949,818
-	-	-	-	-	-	-	-	-	-	-	-	(241,048)	(1,388,593)
(86,633)	(546,042)	(20,759)	(1,328)	(54,476)	(89)	-	-	(1,046)	(205)	-	(77,284)	(131,885)	(4,729,956)
291,958	2,248,936	12,040	4,653	126,243	8,196	-	-	4,166	864	21	881,180	3,593,672	84,021,892
1,936,949	8,724,680	395,046	89,078	1,747,505	876,979	15,039	11,799	15,070	5,925	2,799	1,510,341	7,537,322	122,479,415
(1,644,991)	(6,475,744)	(383,006)	(84,425)	(1,621,262)	(868,783)	(15,039)	(11,799)	(10,904)	(5,061)	(2,778)	(629,161)	(3,943,650)	(38,457,523)
291,958	2,248,936	12,040	4,653	126,243	8,196	-	-	4,166	864	21	881,180	3,593,672	84,021,892
10 - 20	10	25	15	10 - 20	10	20	10	10	10	20	10	4 - 100	

	Land		Buildings on:		Hotel property (note 5.5)	Workshops and hangars	Renovation and improvements	Aircraft fleet Restated (notes 5.1.3 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other land						
As at December 31, 2012										
Cost or revalued amount	5,410,000	24,400	1,310,299	916,384	65,273,733	902,235	780,800	13,017,961	789,982	1,615,681
Accumulated depreciation	-	-	(232,216)	(366,820)	(9,671,286)	(776,010)	(721,879)	(1,242,435)	(638,882)	(1,316,581)
Net book value	5,410,000	24,400	1,078,083	549,564	55,602,447	126,225	58,921	11,775,526	151,100	299,100
Year ended December 31, 2013										
Opening net book value	5,410,000	24,400	1,078,083	549,564	55,602,447	126,225	58,921	11,775,526	151,100	299,100
Additions / transfers	-	-	2,892	1,842	126,642	6,381	5,437	805,462	544	13,971
Revaluation										
Cost or revalued amount	-	-	-	-	3,445,460	-	-	2,228,116	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	3,445,460	-	-	2,228,116	-	-
Translation adjustments										
Cost or revalued amount	-	-	-	-	6,209,570	-	-	-	-	-
Accumulated depreciation	-	-	-	-	(1,059,419)	-	-	-	-	-
	-	-	-	-	5,150,151	-	-	-	-	-
Adjustments / transfer										
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Disposals										
Cost or revalued amount	-	-	-	-	-	-	-	-	(10,686)	-
ccumulated depreciation	-	-	-	-	-	-	-	-	10,686	-
	-	-	-	-	-	-	-	-	-	-
Write off										
Cost or revalued amount	-	-	-	-	-	-	-	(192,515)	(1,339)	(11)
Accumulated depreciation	-	-	-	-	-	-	-	-	1,248	11
	-	-	-	-	-	-	-	(192,515)	(91)	-
Depreciation charge for the year	-	-	(152,722)	(21,655)	(1,476,171)	(13,367)	(40,872)	(2,449,151)	(42,363)	(73,401)
Closing net book value	5,410,000	24,400	928,253	529,751	62,848,529	119,239	23,486	12,167,438	109,190	239,670
Year ended December 31, 2013										
Cost or revalued amount	5,410,000	24,400	1,313,191	918,226	75,055,405	908,616	786,237	15,859,024	778,501	1,629,641
Accumulated depreciation	-	-	(384,938)	(388,475)	(12,206,876)	(789,377)	(762,751)	(3,691,586)	(669,311)	(1,389,971)
Net book value	5,410,000	24,400	928,253	529,751	62,848,529	119,239	23,486	12,167,438	109,190	239,670
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	20	4 - 100	10	10 - 20

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Other equipment	Capital Spares	Total
Rupees in '000													
1,920,291	8,091,178	432,093	88,597	1,694,614	823,862	15,039	11,799	12,929	5,925	2,799	1,476,934	8,446,212	113,063,747
(1,519,057)	(5,664,882)	(354,682)	(82,847)	(1,516,183)	(811,527)	(15,039)	(11,799)	(9,086)	(4,600)	(2,768)	(507,711)	(4,301,310)	(29,767,600)
401,234	2,426,296	77,411	5,750	178,431	12,335	-	-	3,843	1,325	31	969,223	4,144,902	83,296,147
401,234	2,426,296	77,411	5,750	178,431	12,335	-	-	3,843	1,325	31	969,223	4,144,902	83,296,147
18,213	569,939	1,649	916	16,508	53,117	-	-	-	-	-	36,395	41,802	1,701,710
-	-	-	-	-	-	-	-	-	-	-	-	-	5,673,576
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	5,673,576
-	812,937	155	-	-	-	-	-	-	-	-	-	-	7,022,662
-	(539,007)	(479)	-	-	-	-	-	-	-	-	-	-	(1,598,905)
-	273,930	(324)	-	-	-	-	-	-	-	-	-	-	5,423,757
-	-	-	-	-	-	-	-	-	-	-	-	(18,372)	(18,372)
-	-	-	-	-	-	-	-	-	-	-	-	7,370	7,370
-	-	-	-	-	-	-	-	-	-	-	-	(11,002)	(11,002)
(1,555)	(83,331)	(28,446)	(59)	-	-	-	-	-	-	-	-	-	(124,077)
1,540	70,301	8,838	57	-	-	-	-	-	-	-	-	-	91,422
(15)	(13,030)	(19,608)	(2)	-	-	-	-	-	-	-	-	-	(32,655)
-	-	-	(935)	(2,049)	-	-	-	-	-	-	(3,643)	(118,513)	(319,005)
-	-	-	901	1,835	-	-	-	-	-	-	3,594	93,879	101,468
-	-	-	(34)	(214)	-	-	-	-	-	-	(49)	(24,634)	(217,537)
(40,841)	(352,851)	(23,887)	(1,288)	(53,107)	(57,167)	-	-	(772)	(256)	(10)	(47,812)	(223,636)	(5,071,329)
378,591	2,904,284	35,241	5,342	141,618	8,285	-	-	3,071	1,069	21	957,757	3,927,432	90,762,667
1,936,949	9,390,723	405,451	88,519	1,709,073	876,979	15,039	11,799	12,929	5,925	2,799	1,509,686	8,351,129	127,000,241
(1,558,358)	(6,486,439)	(370,210)	(83,177)	(1,567,455)	(868,694)	(15,039)	(11,799)	(9,858)	(4,856)	(2,778)	(551,929)	(4,423,697)	(36,237,574)
378,591	2,904,284	35,241	5,342	141,618	8,285	-	-	3,071	1,069	21	957,757	3,927,432	90,762,667
10 - 20	10	25	15	10 - 20	10	20	10	10	10	20	10	5 - 100	

5.2 Operating fixed assets - leased

	Note	2014	2013 (Restated)
		Rupees in '000	
Aircraft fleet			
As at the beginning of the year			
Cost or revalued amount		**67,164,498**	69,871,753
Accumulated depreciation		**(3,973,526)**	-
Net book value		**63,190,972**	69,871,753
Movement during the year			
Opening net book value		**63,190,972**	69,871,753
Additions		**4,747,214**	3,056,665
Revaluation adjustment			
Cost or revalued amount		**(6,297,092)**	(5,763,920)
Accumulated depreciation		**-**	-
	5.4	**(6,297,092)**	(5,763,920)
Depreciation charge for the year		**(4,257,074)**	(3,973,526)
Net book value		**57,384,020**	63,190,972
As at the end of the year			
Cost or revalued amount		**65,614,620**	67,164,498
Accumulated depreciation		**(8,230,600)**	(3,973,526)
Net book value		**57,384,020**	63,190,972
Annual depreciation rate (%)		**4 - 17**	4 - 17

5.2.1 Aircraft fleet includes three engines held by third party for overhauling purpose as at December 31, 2014. The carrying value of these engines at year end is Rs. 3,910.253 million.

5.3 Revaluation of leasehold land and buildings

The leasehold land and buildings were revalued by the following independent professional valuers as of December 31, 2014:

- Arif Evaluators, based in Pakistan
- Shubash Shah and Associates, based in India
- Sotheby's International Reality, based in USA
- Olimp – Baholash Va Ekspertiza Markazi LLC, based in Tashkent
- Cushman and Wakefield, 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. 2,566.561 million as at December 31, 2014. Previously the revaluation was carried out by various valuers as of December 31, 2011.

5.4 Aircraft fleet

The aircraft fleet of the Holding Company was revalued by an independent valuer, Ascend - part of Reed Business Information Limited, on the basis of professional assessment of current market values as of December 31, 2014. The current market value represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of market activity and known transaction data involving the subject aircraft types, covering 'open' market and financial sales. It additionally considers the perceived demand for each type, its availability in the market and further takes into account the expressed views of informed industry sources.

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

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

5.5 Hotel property

Roosevelt Hotel Corporation N. V.

The latest valuation of Roosevelt Hotel was carried as at December 31, 2014 by an independent appraiser who has determined that the market value of the combined fee sample and leased fee interest in Roosevelt Hotel (excluding any unused development air rights) is USD 363,000,000, approximately Rs. 36,639.695 million (2013: USD 360,000,000). This valuation includes lands, buildings and improvements and furniture and equipment. However, fair value of furniture and equipment approximates its carrying value resulting in the entire revaluation surplus allocated to lands, buildings and improvements. Before revaluation the carrying value of lands, buildings and improvements at December 31, 2014 amounted to USD 349,287,905 approximately Rs. 35,255.654 million and accordingly during the year a surplus of USD 5,881,583 approximately Rs. 593.662 million has been credited to 'surplus on revaluation of property, plant and equipment'. Such estimate was based primarily on arm's length market transactions in New York city.

Minhal France S.A.

The latest valuation of the Scribe Hotel was carried out as at December 31, 2014 by an independent appraiser. The appraiser determined that the market value of the freehold interest in Scribe Hotel as on December 31, 2014 amounted to Euro 189,000,000 (USD 229,464,900) (2013: Euro 189,000,000) approximately Rs. 23,161.223 million using Discounted Cashflow (DCF) method with an exit cap of 5.7% and discount rate of 7.2%. This valuation includes lands, buildings and improvements and furniture and equipment. However, fair value of furniture and equipment approximates its carrying value resulting in the entire revaluation surplus allocated to lands, buildings and improvements. Before revaluation the carrying value of lands, buildings and improvements at December 31, 2014 amounted to USD 227,008,771 approximately Rs. 22,913.312 million and accordingly during the year a deficit of USD 8,793,802 approximately Rs. 887.609 million has been debited to 'surplus on revaluation of property, plant and equipment'.

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

	Cost	Accumulated Depreciation	Book value
		Rupees in '000	
December 31, 2014			
Leasehold land	**44,166**	**-**	**44,166**
Buildings on leasehold land	**354,450**	**162,770**	**191,680**
Hotel property	**24,223,335**	**9,218,470**	**15,004,865**
Aircraft fleet	**141,287,267**	**73,773,342**	**67,513,925**
	165,909,218	**83,154,582**	**82,754,636**

	Cost	Accumulated Depreciation (Restated)	Book value
		Rupees in '000	
December 31, 2013			
Leasehold land	44,166	-	44,166
Buildings on leasehold land	354,450	164,421	190,029
Hotel property - net	26,964,826	10,124,368	16,840,458
Aircraft fleet	128,417,930	58,334,486	70,083,444
	155,781,372	68,623,275	87,158,097

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

	Note	2014	2013 (Restated)
		Rupees in '000	
Cost of services - others	32	**8,626,641**	8,713,425
Distribution costs	33	**143,504**	77,151
Administrative expenses	34	**216,885**	254,279
		8,987,030	9,044,855

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

Description	Sold to	Method of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds
Motor vehicles to employees			Rupees in '000			
Toyota Corolla	Mr. Haq Nawaz Broohi	Corporation policy	905	849	56	105
Toyota Corolla	Mr. Hamid Shahab	------do------	991	911	80	910
Toyota Corolla	Mr. Shahnawaz Rehman	------do------	1,197	1,100	97	139
Toyota Corolla	Mr. Rashid S. Farooqi	------do------	1,094	1,005	89	534
Toyota Corolla	Mr. Maqsood Ahmed	------do------	1,197	988	209	139
Toyota Corolla	Mr. Rashid Aziz	------do------	1,094	902	192	127
Toyota Corolla	Mr. Salim Raza	------do------	1,200	382	818	652
Toyota Corolla	Mr. Asad Zaidi	------do------	1,184	378	806	687
Toyota Corolla	Mr. Mazhar Z. Kiyani	------do------	1,184	378	806	754
Toyota Corolla	Mr. Khan Bahadur Jadoon	------do------	1,203	293	910	638
Toyota Corolla	Mr. Col Mehmood Ahmed	------do------	1,443	270	1,173	836
			12,692	7,456	5,236	5,521
Aircraft fleet		----tender----	197,647	16,925	180,722	85,695
Aggregate value of other items where						
NBV is above Rs 50,000 - Various*			62,753	292	62,461	54,485
Aggregate value of items where						
NBV is less than Rs 50,000 - Various			2,183	283	1,900	9,330
		2014	**275,275**	**24,956**	**250,319**	**155,031**
		2013	37,982	20,290	17,692	22,361

* This includes various operating fixed assets, having NBV above Rs. 50,000. In view of large number of items, the management considers it impracticable to disclose the particulars of all items.

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

5.9 Capital work-in-progress

	Aircraft fleet	Others	Total
Year ended December 31, 2014	Rupees in '000		
Balance as at January 1, 2014	**1,888,077**	**192,592**	**2,080,669**
Additions during the year	**5,108,332**	**255,834**	**5,364,166**
Transfer to operating assets	**(4,919,722)**	**-**	**(4,919,722)**
Balance as at December 31, 2014	**2,076,687**	**448,426**	**2,525,113**
		(Restated)	
Year ended December 31, 2013	Rupees in '000		
Balance as at January 1, 2013	1,972,745	289,131	2,261,876
Additions during the year	3,851,426	100,876	3,952,302
Transfer to operating assets	(3,936,094)	(197,415)	(4,133,509)
Balance as at December 31, 2013	1,888,077	192,592	2,080,669

6. INTANGIBLES

	Note	Computer software	Goodwill	Total
		----------Rupees in '000----------		
As at December 31, 2012				
Cost		345,535	3,157,620	3,503,155
Less: accumulated amortisation		(252,534)	-	(252,534)
Net book value		93,001	3,157,620	3,250,621
Year ended December 31, 2013				
Opening net book value		93,001	3,157,620	3,250,621
Additions during the year		34,830	-	34,830
Translation adjustment		4,035	274,859	278,894
Amortisation charge for the year	6.1	(26,259)	-	(26,259)
Net book value		105,607	3,432,479	3,538,086
As at December 31, 2013				
Cost		384,400	3,432,479	3,816,879
Less: accumulated amortisation		(278,793)	-	(278,793)
Net book value		105,607	3,432,479	3,538,086
Year ended December 31, 2014				
Opening net book value		**105,607**	**3,432,479**	**3,538,086**
Additions during the year		**1,048**	**-**	**1,048**
Translation adjustment		**(3,444)**	**198,671**	**195,227**
Amortisation charge for the year	6.1	**(22,494)**	**-**	**(22,494)**
Net book value		**80,717**	**3,631,150**	**3,711,867**
As at 31 December 2014				
Cost		**382,004**	**3,631,150**	**4,013,154**
Less: accumulated amortisation		**(301,287)**	**-**	**(301,287)**
Net book value		**80,717**	**3,631,150**	**3,711,867**
Useful Life		5-10 years		

	Note	2014	2013
		----------Rupees in '000----------	
6.1 Amortisation charge for the year has been allocated as under:			
Cost of services - others	**32**	**3,272**	1,667
Distribution costs	**33**	**50**	50
Administrative expenses	**34**	**19,172**	24,542
		22,494	26,259

		Note	2014	2013
7.	**LONG - TERM INVESTMENTS**		----------Rupees in '000----------	
	Associate	**7.1 & 7.2**	**67,203**	70,737
	Other investments	**7.3**	**84,232**	49,649
			151,435	120,386

7.1 Movement in investment in an Associate - unquoted

As at January 1	**70,737**	66,013
Share of loss during the year	**933**	(1,456)
	71,670	64,557
Translation adjustment,	**(4,467)**	6,180
As at December 31	**67,203**	70,737

7.2 Associate - unquoted

Summarised financial information of the associate of the Group along with its respective share is as follows:

	Name of associate	Country of incorporation	Total assets	Total liabilities	Revenue	Profit / (Loss)	Interest held by the Group %
			----------Rupees in '000----------				
2014	**Minhal Incorporated**	**British Virgin Islands**	**180,318**	**3,209**	**-**	**2,332**	**40%**
2013	Minhal Incorporated	British Virgin Islands	190,191	3,767	-	(3,639)	40%

		Note	2014	2013
			----------Rupees in '000----------	
7.3	**Other investments**			
	Available for sale	**7.3.1**	**84,232**	49,649

7.3.1 Available for sale

Quoted		
Pakistan Services Limited		
172,913 (2013: 172,913) ordinary shares of Rs 10 each having market value per ordinary share of Rs 485 (2013: Rs 285) each	**83,863**	49,280
Unquoted		
Pakistan Tourism Development Corporation Limited		
10,000 (2013: 10,000) ordinary shares of Rs 10 each	**100**	100
Duty Free Shops (Private) Limited - Pakistan		
87,512 (2013: 87,512) ordinary shares of Rs 100 each	**269**	269
	84,232	49,649

	Note	2014	2013
		----------Rupees in '000----------	
8. RECEIVABLE IN RESPECT OF CENTRE HOTEL			
	8.1	**763,114**	798,648

8.1 This represents PIAIL's share of net assets of Centre Hotel, Abu Dhabi, a joint venture between the Holding company and H. H. Sheikh Hamdan Bin Mohammed Al Nahyan. The parties entered into a Partnership Agreement on June 8, 1977 and simultaneously entered in a Joint Venture Agreement on the same day to construct and operate a hotel on a land owned by Sheikh Hamdan, to be known as Centre Hotel. Subsequently, under a Supplemental Agreement dated January 12, 1978 the rights and obligations of Shaikh Hamdan and the Holding company under both the agreements were assigned to Shaikh Khalifa and PIAIL respectively, however, the assignment to PIAIL was not registered.

The joint venture was for a period of 17½ years, which expired on April 21, 1997. In accordance with the terms of the agreement, net current assets of the joint venture at the end of the term were to be distributed to joint venture partners in the ratio of their investment. However, a dispute arose between the parties over a renovation program initiated by Sheikh Khalifa prior to the expiry of the joint venture term. PIAIL disputed the said renovation on the grounds that there was no obligation on the joint venture to renovate or reinstate the Hotel premises prior to its reversion to Shaikh Hamdan and recognised an amount of AED 27,746,614 as asset representing PIAIL's share of net assets as at April 21, 1997 on the basis of unaudited management accounts of the joint venture.

The parties could not reach an amicable agreement as to the above and on February 23, 1997, a Notice of Arbitration was sent to Sheikh Khalifa. Subsequently an application was submitted to the Abu Dhabi Courts for an order to appoint an arbitrator. PIAIL won the case at various courts in Abu Dhabi and finally in March 2010, the Supreme Court of Abu Dhabi advised the Federal Supreme Judicial Council to appoint one of its judges as an Arbitrator in the subject dispute. In August 2010, Judge Ahmed Al Mulla of Al Sharjah Court was appointed as the Judge Arbitrator. The arbitration proceedings concluded during the year 2012, and the Arbitrator, based on the reports submitted by a panel of three experts from the Ministry of Justice, ordered Sheikh Khalifa to pay PIAIL a sum of AED 23,341,905 (US$ 6.360 million) along with interest at the rate of 6% from the date of the issuance of judgment.

PIAIL, in order to have the Arbitrator's aforesaid award ratified, filed a ratification claim with the Court of First Instance, Abu Dhabi. However, Sheikh Khalifa also filed a claim for nullification of Arbitrator's aforesaid Award. The Court of First Instance, Abu Dhabi adjudicated that it did not have the jurisdiction to decide in the matter and referred it to the competent court at the Abu Dhabi judicial department i.e. Abu Dhabi Commercial Court (the Court) for carrying out further proceedings. The Court conducted a hearing on May 14, 2013 and accepted PIAIL's claim for ratification of Arbitration Award of AED 23,341,905 (US$ 6.356 million), along with interest at the rate of 6%, and dismissed Sheikh Khalifa's claim for nullification of award.

Sheikh Khalifa challenged the decision of the Court in Abu Dhabi Appeals Court which through its order dated July 23, 2013 decided the case in favor of PIAIL. In response to this decision, Sheikh Khalifa filed an appeal against the said decision in the Cassation Court.

On October 2, 2013 PIAIL submitted a response to the appeal filed by Sheikh Khalifa in the Cassation Court which gave its final decision through its order dated January 8, 2014 in PIAIL's favor. During March 2014, the execution was served on Sheikh Khalifa as required under the local laws, and there after, on account of failure by Sheikh Khalifa to make the payment, the Execution Judge ordered the attachment of Sheikh Khalifa's bank accounts, shares in Dubai and Abu Dhabi stock markets and also addressed a letter to the land department inquiring on the lands owned or registered under the Sheikh's name.

However, Sheikh Khalifa filed agrievance against the execution order, and on December 23, 2014, the Execution Judge ordered the suspension of execution proceedings on the ground that arbitration award also ordered the transfer of trade license / tourism license in the name of Sheikh Khalifa, which had not been done by the Department of Economic Development. PIAIL filed an appeal against the said suspension, however, the court disallowed the same. PIAIL, in consultation with its legal adviser, is in the process of working out the modalities, where by, PIAIL's name is deleted from the trade / tourism license and PIAIL recovers the amount awarded under the arbitration award i.e. AED 23,341,905 (US$ 6.360 million) alongwith interest at the rate of 6%.

PIAIL is confident that the amount of AED 23,341,905 alongwith interest at the rate of 6% from the issuance of the aforementioned judgement will eventually be received by PIAIL. Accordingly, PIAIL has continued to recognise the subject amount of AED 27,746,614 (i.e. US $ 7,560,385), i.e. the amount initially recognised based on PIAIL's share of net assets as at April 21, 1997, as an asset in the enclosed consolidated financial statements as it believes that the eventual receipt against the arbitration award will not be materially different from the amount recognised as asset.

		2014	2013
9. LONG-TERM LOANS AND ADVANCES		----------Rupees in '000----------	
Secured, considered good			
Employees	**9.1**	**8,929**	14,595
Current maturity shown under short-term loans and advances	**13**	**(5,899)**	(5,899)
		3,030	8,696
Unsecured, considered doubtful			
Midway House (Private) Limited		**82,476**	82,476
Provision for doubtful advances		**(82,476)**	(82,476)
		-	-
		3,030	8,696

9.1 This represents loans given by SRL to its employees which are secured against gratuity fund balances of respective employees. The loans carry interest at the rate of 8% to 20% (2013: 8% to 20%) per annum and is receivable within four years from the date of disbursement. The maximum aggregate balance due from employees at the end of any month during the year was Rs 8.929 million (2013: Rs 14.595 million).

		Note	2014	2013 (Restated)
10.	**LONG-TERM DEPOSITS AND PREPAYMENTS**		----------Rupees in '000----------	
	Deposits			
	Aircraft fleet lease deposits		**3,622,640**	3,563,657
	Maintenance reserve	**10.1**	**1,557,557**	1,625,014
	Engine maintenance		**-**	2,142
	Rent		**30,023**	78,149
	Other lease and utilities		**114,910**	37,179
	Aircraft fuel		**3,791**	13,277
	Deposit to service providers		**1,762,573**	1,846,972
	Guarantee deposit		**17,469**	25,296
	Others	**10.6**	**753,529**	202,708
			7,862,492	7,394,394
	Considered doubtful		**106,405**	-
	Less: provision against doubtful deposits		**(106,405)**	-
			-	-
			7,862,492	7,394,394
	Prepayments			
	Rental commission		**33,675**	34,698
	Prepayment in respect of lease	**10.2**	**69,855**	74,289
	Premium on acquisition of leased land	**10.4**	**50,778**	50,778
	Less: amortisation to date		**(23,695)**	(22,005)
			27,083	28,773
			130,613	137,760
	Exposure fee to support financing	**10.5**	**570,972**	796,169
			701,585	933,929
	Current portion shown under short-term prepayments	**14.1**	**(210,539)**	(215,840)
			8,353,538	8,112,483

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

10.2 Movement in prepayment in respect of lease is as follows:

	Note	2014	2013
		----------Rupees in '000----------	
Balance at the beginning of the year	**10.3**	**74,289**	75,289
Less: Amortisation for the year	**34**	**4,434**	1,000
Balance at the end of the year		**69,855**	74,289

10.3 Upto December 31, 2012, PIAIL was claiming an aggregate amount of US $ 733,280 from Pakistan Cricket Board (PCB), formerly Board of Control for Cricket in Pakistan (BCCP), on account of various payments made during the calendar years from 1980 to 1988 in terms of agreement dated October 7, 1980 and Promissory Note dated December 4, 1980, signed between PIAIL and PCB. According to the agreement, PCB had agreed to pay PIAIL all sums including outstanding principal amount alongwith interest thereon. In order to settle PIAIL's aforesaid claim, PCB initially executed a sub-lease for transfer of 5 acres in the name of PIAC on September 13, 1987, and later PCB and PIAIL entered into a Joint Venture Agreement dated October 11, 2007, whereby, it was agreed that in settlement of the dues of PIAIL, PCB would transfer a parcel of land measuring 5.8 acres to a new company with ownership ratio of 62.5% and 37.5% to be held by PIAIL and PCB respectively.

Accordingly, during the year 2008, a separate company was formed with the name of Avant Hotels (Private) Limited (Avant), which is owned by PIAIL and PCB in the aforesaid agreed ratio. On February 14, 2013, representatives of PCB and Avant signed the sub-lease agreement before the registrar for transfer of a plot measuring 5.8 acres to Avant. In consequence of sub-lease of the aforementioned land in favour of Avant, the receivable from PCB was derecognised and correspondingly the asset received in lieu was recognised as a long-term prepayment against Avant's right to use the land for 66 years commencing from February 14, 2013. According to the terms of aforesaid joint venture agreement, right granted over the use of land was considered settlement of all outstanding dues of PIAIL from PCB.

PIAIL believes that the fair value of the aforesaid right to use the land would be sufficient to cover the principal and accrued interest thereon. However, the process of carrying out an independent exercise to ascertain the fair value of the subject right to use the land remains to be completed and pending results of the said exercise, as a matter of prudence, the amount of recognition of long term prepayment has been restricted to the extent of outstanding principal amount of US$ 712,332 only. The amount of prepayment has been classified under non-current asset in these consolidated financial statements which is being amortised over the lease term of 66 years. Further, the process of conducting the feasibility study of the project to be developed on the said parcel of land to ascertain the cash inflow in future years has been initiated. Appropriate accounting adjustments, if required, shall be made upon determination of the fair value of the subject right to use the land as set out above in these consolidated financial statements.

10.4 This represents lease rentals prepaid by SRL to Civil Aviation Authority, Pakistan for acquisition of the right to use plot of land and hotel building which is amortised over a period of 30 years on a straight line basis.

Initial lease agreement was effective from June 3, 1981 for a period of 20 years which expired on June 2, 2001. Lease arrangement for further 30 years has been finalised between SRL and Pakistan CAA in their meeting held on January 7, 2008. However, the subject agreement has not yet been registered due to disagreement between the parties over the completion of certain legal formalities. SRL is currently pursuing the subject matter with relevant government authorities and is confident that following resolution of the dispute, the lease agreement will be registered.

Amortisation charge for the year has been allocated as under:	Note	2014	2013
		----------Rupees in '000----------	
Cost of services - others	32	**1,605**	1,608
Administrative expenses	34	**85**	85
		1,690	1,693

10.5 This represents consideration paid to Ex-Im Bank for the purpose of 12 years guarantees issued by it in favour of the Holding company, which is being amortised over the lease term.

10.6 This includes Rs. 611.585 million representing restricted cash balances maintained in escrow accounts by RHC against its loans.

11. STORES AND SPARES	2014	2013 (Restated)
	----------Rupees in '000----------	
Stores	**712,797**	691,133
Spare parts	**6,288,551**	6,181,354
Inventory held for disposal - adjusted to net realisable value	**252,859**	252,859
	7,254,207	7,125,346
Provision for slow moving and obsolete spares 11.1	**(3,794,492)**	(3,499,163)
	3,459,715	3,626,183
Stores and spares-in-transit	**124**	903
	3,459,839	3,627,086

11.1 Movement in provision is as follows:

Balance at the beginning of the year		**3,499,163**	3,262,882
Provision for the year	35	**295,329**	236,281
Balance at the end of the year		**3,794,492**	3,499,163

12. TRADE DEBTS

Considered good	**10,975,590**	9,368,145
Considered doubtful	**1,613,609**	1,370,025
Less: provision for doubtful debts 12.1	**(1,613,609)**	(1,370,025)
	-	-
	10,975,590	9,368,145

The ageing analysis of these trade debts are as follows:

	2014		2013	
	Trade debts gross	**Impaired**	**Trade debts gross**	**Impaired**
	----------Rupees in '000----------			
Within current year	**10,462,206**	**99,373**	8,646,847	68,466
1 year old	**317,817**	**116,174**	654,245	212,273
2 years old	**615,240**	**334,213**	369,908	325,518
Over 3 years old	**1,193,936**	**1,052,636**	1,067,170	761,440
General provision	**-**	**11,213**	-	2,328
	12,589,199	**1,613,609**	10,738,170	1,370,025

		Note	2014	2013
			----------Rupees in '000----------	
12.1	Movement in provision is as follows:			
	Balance at the beginning of the year		**1,370,024**	1,188,191
	Written off during the year		**-**	(25,155)
	Provision for the year - net	**35**	**244,327**	206,765
	Exchange translation		**(742)**	224
	Balance at the end of the year		**1,613,609**	1,370,025

12.2 Certain portion of trade debts of the Holding company is secured by cash and bank guarantees received from agents, however, due to very large number of agents all over the network, the amount of secured trade debts is not determinable.

			2014	2013 (Restated)
			----------Rupees in '000----------	
13.	**SHORT-TERM LOANS AND ADVANCES**			
	Loans - unsecured			
	Current maturity of long-term loans - employees	**9**	**5,899**	5,899
	Others			
	Employees		**181,914**	145,041
	Fuel suppliers		**466,367**	293,321
	Other suppliers		**536,311**	944,692
	Others		**5,334**	5,746
			1,189,926	1,388,800
	Considered doubtful			
	Suppliers		**387,555**	55,339
	Employees		**71,520**	15,130
			459,075	70,469
	Provision for doubtful advances	**13.1**	**(459,075)**	(70,469)
			1,195,825	1,394,699

			2014	2013
			----------Rupees in '000----------	
13.1	**Movement in provision is as follows:**			
	Balance at the beginning of the year		**70,469**	70,469
	Provision for the year	**35**	**388,606**	-
	Balance at the end of the year		**459,075**	70,469

			2014	2013 (Restated)
			----------Rupees in '000----------	
14.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits			
	Considered good		**676,473**	284,630
	Considered doubtful		**58,694**	-
	Less: provision against doubtful deposits		**(58,694)**	-
			-	-
			676,473	284,630
	Prepayments	**14.1**	**1,000,224**	2,091,881
			1,676,697	2,376,511

14.1	**Prepayments**			
	Current portion of long-term prepayment	**10**	**210,539**	215,840
	Real estate taxes		**440,648**	427,167
	Commission		**3,732**	6,297
	Interest on leased aircraft		**81,250**	108,802
	Insurance		**92,679**	99,084
	Income tax prepayment - net		**53,662**	-
	Rent		**18,137**	100,285
	Others		**99,577**	1,134,406
			1,000,224	2,091,881

	Note	2014	2013
		----------Rupees in '000----------	
15. OTHER RECEIVABLES			
Considered good			
Claims receivable		**18,382**	183,907
Excise duty	**30.1 (a)**	**100,000**	100,000
Sales tax receivable	**15.1**	**6,376,230**	4,902,346
Receivables from PCB	**10.2**	**-**	-
Rental income	**15.2**	**164,614**	136,687
Receivables from GoP	**15.3**	**460,035**	460,035
Others	**15.4**	**227,522**	528,314
		7,346,783	6,311,289
Considered doubtful		**161,947**	161,947
Provision for doubtful other receivables		**(161,947)**	(161,947)
		-	-
		7,346,783	6,311,289

15.1 This includes sales tax refundable aggregating Rs 4,781.619 million (2013: Rs. 3,833.508 million) representing unadjusted portion of input tax under Sales Tax Act, 1990. The Holding Company has filed application for refunds upto December 31, 2011. In response, Additional Commissioner IR, LTU through a letter has interalia stated that as the Holding Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005.

The Holding Company in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case interalia, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(1)/2006, which is applicable to the Holding company being registered as a Service Provider in transportation business. Management has represented before the FBR its view and subsequently no adverse inference has been communicated on the matter. Therefore, management is confident that sales tax was not payable on such imports and the amounts collected from the Holding Company at the import stage shall be eventually recovered / adjusted.

15.2 RHC's commercial leases provide for scheduled rent increases and free rent periods. The rental income receivable represents pro-rata future receipts. RHC, as lessor under the various net leases at the Hotel, will receive rental income over the next five years, and thereafter as follows:

	2014	2013
	----------Rupees in '000----------	
Not later than 1 year	**436,585**	421,352
Later than 1 year but not later than 5 years	**1,674,512**	1,523,234
Later than 5 years	**1,488,891**	1,541,300
	3,599,988	3,485,886

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

15.4 These include taxes recoverable, credits on value added tax, supplier rebates and deposit on Cotisation sur la Valeur Ajoutée des Enterprises (CVAE) in respect of MFSA.

	Note	2014	2013
		Rupees in '000	

16. SHORT-TERM INVESTMENTS

At fair value through profit or loss			
Bred Institution 36 (2013: 49) Ordinary shares	**16.1**	**178,068**	285,799
Available for sale - unquoted			
SITA Inc., N.V., 325,491 (2013: 325,491) Ordinary shares	**16.2**	**19,220**	19,220
		197,288	305,019

16.1 This represents 36 (2013: 49) Bred Institution Shares held by MFSA. The cost of these securities was Rs. 178.068 million (2013: Rs. 272.735 million).

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

		2014	2013 (Restated)
		Rupees in '000	

17. CASH AND BANK BALANCES

In hand		**23,578**	22,426
In transit		**13,954**	288,566
		37,532	310,992
With banks:			
· in current accounts	**17.1**	**2,440,470**	5,367,029
· in deposit accounts	**17.2,17.3 &17.4**	**3,634,856**	1,574,484
		6,075,326	6,941,513
		6,112,858	7,252,505

17.1 This has been adjusted by an aggregate amount of Rs. 1,385.471 million (2013: Rs. 1,533.589 million), representing book overdrafts.

17.2 These carry interest ranging from 0.1% to 7.5% (2013: 0.1% to 7.5%) per annum for Holding company balances and 0.02% to 0.2% (2013: 0.03% to 1%) for PIAIL balances.

17.3 This has been adjusted by an aggregate amount of Rs. 1,275.281 million representing book overdraft due to issuance of cheques, including cheques of Rs. 1,250 million issued to Holding Company's Provident Fund which have been cleared subsequent to year end.

17.4 These include restricted balances amounting to Rs. 449.891 million (2013: Rs. 471.763 million).

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
---------- No. of shares ----------			----------Rupees in '000----------	
		Authorised capital		
		Ordinary share capital		
2,949,250,000	2,949,250,000	'A' class shares of Rs 10 each	**29,492,500**	29,492,500
1,500,000	1,500,000	'B' class shares of Rs 5 each	**7,500**	7,500
2,950,750,000	2,950,750,000		**29,500,000**	29,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs 10 each	**500,000**	500,000
3,000,750,000	3,000,750,000		**30,000,000**	30,000,000
		Issued, subscribed and paid-up share capital		
		Ordinary share capital		
		'A' class shares of Rs 10 each		
2,642,351,957	2,642,351,957	Issued for consideration in cash	**26,423,519**	26,423,519
		Issued for consideration other than cash		
931,028	931,028	- for acquisition of shares	**9,310**	9,310
233,934,482	233,934,482	Issued as bonus shares	**2,339,345**	2,339,345
2,877,217,467	2,877,217,467		**28,772,174**	28,772,174
		'B' class shares of Rs 5 each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash		
2,625	2,625	- for acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
1,499,999	1,499,999		**7,500**	7,500
2,878,717,466	2,878,717,466		**28,779,674**	28,779,674

18.1 At December 31, 2014, the GoP held 2,435,208,439 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2013: 2,435,208,439 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively).

19. RESERVES

	Note	2014	2013 (Restated)
		----------Rupees in '000----------	
Capital reserves			
Reserve for replacement of fixed assets	**19.1**	**1,966,779**	1,966,779
Capital redemption reserve fund		**250,000**	250,000
Others		**284,259**	284,259
		2,501,038	2,501,038
Revenue reserve		**1,779,674**	1,779,674
		4,280,712	4,280,712
Unrealised gain on remeasurement of investments		**82,669**	48,086
Foreign exchange translation reserve		**135,639**	1,150,059
Other reserves		**34,388**	12,340
		252,696	1,210,485
		4,533,408	5,491,197

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

20. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN (GoP)

This includes advance received from the Government of Pakistan (GoP) for mark-up payments on term finance and sukuk certificates. Further during the year, the Holding Company has received advance from Government of Pakistan as a financial support in respect of restructuring plan of the Holding company (note 1.2). The Holding Company has not issued shares to GoP as the authorised share capital of the Holding Company was insufficient to cover the amount of ordinary shares to be issued in lieu of advance against equity. The Holding Company is currently in the process of increasing its authorised share capital.

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

		2014	2013 (Restated)
		----------Rupees in '000----------	
As at January 1		**55,558,677**	53,134,898
Deficit arising on property, plant and equipment during the year		**(3,953,284)**	(411,286)
Deficit released to consolidated profit and loss on write off of aircraft during the year		**123,913**	415,544
		51,729,306	53,139,156
Less: transferred to accumulated loss:			
- Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax		**(478,896)**	(568,617)
- Related deferred tax		**(279,209)**	(330,115)
		(758,105)	(898,732)
Translation and other adjustments		**(1,988,709)**	3,318,253
	21.1	**48,982,492**	55,558,677
Less: related deferred tax liability on:			
- Revaluation as at January 1		**19,728,395**	18,747,471
- Deficit arising on property, plant and equipment during the year		**(1,837,867)**	(171,666)
- Incremental depreciation chaged during the year on related assets transferred to profit and loss		**(279,209)**	(330,115)
- Deficit released to consolidated profit and loss on aircraft written off		**43,370**	145,440
- Translation and other adjustments		**(793,320)**	1,337,265
		16,861,369	19,728,395
As at December 31		**32,121,123**	35,830,282

21.1 This represents the Group's share in gross surplus on revaluation of property, plant and equipment of PIAIL. The share of non controlling interest is Rs. 1,587.761 million (2013: Rs. 1,828.418).

22. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installments/ mode	2014	2013
						----------Rupees in '000---------	
Secured							
Hoding Company							
Faysal Bank Limited	**22.2**	Term Finance	2,000 PKR	2013 - 2016	36 Monthly	**999,990**	1,665,338
Faysal Bank Limited	**22.3**	Term Finance	2,000 PKR	2015 - 2018	12 Quarterly	**2,000,000**	2,000,000
Faysal Bank Limited	**22.4**	Term Finance	2,000 PKR	2016 - 2018	12 Quarterly	**2,000,000**	-
Faysal Bank Limited	**22.4**	Islamic Finance	1,000 PKR	2016 - 2019	12 Quarterly	**1,000,000**	-
National Bank Limited	**22.5**	Term finance	3,000 PKR	2016-2019	36 Monthly	**3,000,000**	-
Askari Bank Limited	**22.4**	Term finance	2,000 PKR	2017-2019	36 Monthly	**2,000,000**	-
Citibank, N.A.	**22.6**	Demand Finance	82 USD	2006 - 2017	20 Half-yearly	**1,572,725**	2,396,256
Citibank, N.A.	**22.7**	Islamic Finance	75 USD & 91.825 AED	2011 - 2014	30 Monthly	-	4,231,216
National Bank of Pakistan - Bahrain	**22.8**	Syndicate Finance	120 USD	2013 - 2023	40 Quartely	**11,809,489**	12,683,220
Citibank, N.A.	**22.9**	Islamic Finance	120 USD & 36.73 AED	2014 - 2016	33 Monthly	**9,145,485**	13,740,155
Standard Chartered Bank Limited	**22.10**	Syndicate Finance	137.5 USD	2014-2017	33 Monthly	**10,514,146**	-
PIAIL							
Hong Kong Shanghai Banking Corporation	**22.11 & 22.12**	Loan	28.867 Euro	2004-2017	Variable	**1,062,591**	1,754,526
JP Morgan Chase	**22.13 & 22.14**	Loan	75 USD	2011-2014	Variable	-	7,880,019
JP Morgan Chase	**22.13 & 22.14**	Loan	140 USD	2011-2016	Variable	**13,824,055**	-
JP Morgan Chase	**22.13 & 22.14**	Mezzanine Finance	56.5 USD	2011-2014	Variable	-	5,936,280
Unsecured - Holding Company							
Long-term loan - GoP	**22.15**	Term Finance	8,000 PKR	2011-2020	16 Half-yearly	**8,000,000**	8,000,000
						66,928,481	60,287,010
Current maturity shown under current liabilities						**(16,390,178)**	(27,615,121)
						50,538,303	32,671,889

22.1 Borrowings in PKR comprises of fixed and variable rate borrowings. Fixed rate borrowings carries markup at the rate of 10% (2013: 10%), whereas variable rate borrowings in PKR carries markup ranging from spread of 1.5% over 1 month KIBOR to 1.75% over 6 month KIBOR (2013: spread of 1.5% over 3 month KIBOR to 1.75% over 6 month KIBOR). Borrowings in USD comprises of fixed and variable rate borrowings. Fixed rate borrowings carries markup at the rate of 5.28% (2013: 5.28%) whereas variable rate borrowings carries markup ranging from spread of 2.4% over 1 month LIBOR to 4.25% over 3 month LIBOR (2013: 4% and 5.85% over 1 month LIBOR to 4.25% over 3 month LIBOR). Borrowings in AED carries variable markup ranging with spread of 4% over 1 month EIBOR and 3.75% over 3 month EIBOR (2013: spread of 4% over 1 month EIBOR and 3.75% over 3 month EIBOR). Borrowings in Euro carries variable markup with spread of 1.15% over 3 months EURIBOR (2013: spread of 1.15% over 1 month EURIBOR).

22.2 The finance is secured by way of unconditional and irrevocable GoP guarantee. Principal amounting to Rs. 55.556 million and interest amounting to Rs. 75.356 million due as at December 31, 2014, was paid by the Holding Company subsequent to the year end.

22.3 The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.

22.4 The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.

22.5 The Finance is Secured by letter of comfort from GoP, ranking charge over current and fixed asset of the Holding Company amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with PIAC sales routed through collection account NBP Airport Branch, Karachi.

22.6 The finance is secured by way of:

- Mortgage over each of the six ATR aircrafts and two spares engines purchased; and
- European Credit Agencies / GoP Guarantee

22.7 The finance is secured against all the present and future receivables of the Holding Company generated through sale of tickets in United Arab Emirates.

22.8 The following are the participating banks in this syndicated finance facility:

- National Bank of Pakistan (NBP) - Bahrain; and
- Habib Bank Limited (HBL)

The finance is secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount. Principal and mark up aggregating Rs. 60.561 million and Rs. 181.012 million due as on 31 December 2014 have been paid subsequent to the year end, as per extended time granted by bank.

22.9 The facility is obtained from consortium of financial institutions in which Citibank N.A. is the investment agent. The finance is secured by way of collection routed through the offshore account maintained with Citibank N.A. London Branch.

22.10 The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:

- Standard Chartered Bank
- Mashreq Bank PSC - United Arab Emirates

The finance is secured against first priority security over the collection account and facility service account; and legally enforceable assignments of the ticket sales collection for the UK sector through IATA with appropriate acknowledgements.

22.11 This includes original loan amounts of Euro 12,000,000 and Euro 16,267,353. The loan amount of Euro 12,000,000 was obtained on March 8, 2004 for renovation works whereas loan amount of Euro 16,267,353 was refinanced on March 20, 2008 with an additional loan of Euro 600,000 obtained at that time. The refinanced loan was initially obtained to partially finance the acquisition of Scribe Gestion and Canadian National France. The above loans shall mature on May 13, 2017 and carry interest at a variable rate indexed on three month EURIBOR plus 1.15% per annum.

The above loans are secured by mortgage on the building located at 1 rue Scribe amounting to Euro 16,867,353 plus 10% for associated costs and Euro 12,000,000 plus 10% for associated costs. There is a first ranking pledge of MFSA's goodwill 'Fonds de Commerce' for a total amount of Euro 12,000,000 plus 10% related to associated costs and a third ranking pledge of MFSA's goodwill 'Fonds de Commerce' for a total amount of Euro 16,867,353 plus 10% related to associated costs. The Banks also hold a pledge on MFSA's cash account. Further, pooled-receivables bank-factoring guarantees for rental of all or part of the building and general insurance policies (in relation to loss of earnings and damage to properties) have also been granted.

22.12 During the years 2007 and 2008, MFSA had entered into an interest rate cap agreements for the loan amount of Euro 12,000,000 and Euro 16,867,353 respectively with the intent of managing its exposure to interest rate risk. These interest rate cap agreements, with the same notional amounts covered by the loan shall expire on May 13, 2017 and effectively caps the variable rate debt at a maximum rate of 5% per annum. The costs of interest rate cap were Euro 160,072 and Euro 151,806 respectively. MFSA entered into these contract with a large financial institution and considers the risk of non-performance to be remote.

22.13 On November 9, 2011, RHC entered into a loan agreement and two mezzanine loan agreements amounting to US $ 75,000,000 and US $ 56,500,000 respectively, aggregating to US $ 131,500,000. The proceeds of these loans were primarily used to settle the then outstanding loans. On May 9, 2014, RHC refinanced its existing loans and entered into a new loan agreement increasing its borrowings to US $ 140,000,000. The proceeds of this loan were used to satisfy the previously existing loans (i.e. which were obtained on November 9, 2011). The loan shall mature on May 9, 2016, with separate extension options for three one year periods at the option of the RHC. This loan is secured by, amongst other things, RHC's property and equipment and require payments of interest at the annual rate of 1 month LIBOR plus a spread as defined in the agreement (2.40% for 2014 and 5.85% for 2013).

22.14 On the same date i.e. May 9, 2014, RHC entered into an interest rate cap agreement on its new loan with the intent to manage interest rate exposure. This interest rate cap agreement, with an aggregate notional amount of $140,000,000, expires on May 15, 2016, which caps the variable rate debt at a rate of 4% per annum. The cost of the interest rate cap was $40,000.

22.15 The Holding Company has not paid any installment since due date of installment, i.e., October 23, 2011. The over due principal and markup as at December 31, 2014 is Rs 3,062.500 million and Rs. 4,054.247 million respectively. The over due principal amount is included in current maturity.

23. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up	2014	2013
						----------Rupees in '000----------	
Term finance certificates	**23.1**	GoP Guarantee	2009 - 2014	10 half yearly	6 month KIBOR + 0.85%	**12,789,760**	12,789,760
Sukuk certificates	**23.2**	GoP Guarantee	October 20, 2014	Bullet	6 month KIBOR + 1.75%	**6,800,000**	6,800,000
						19,589,760	19,589,760
Less: current maturity						**(19,589,760)**	(19,589,760)
						-	-

23.1 These have been obtained from various commercial banks. The Holding Company has not made payments of principal redemptions aggregating Rs 12,798.760 million due on various dates as per repayment schedule. Management applied for restructuring of these term finance certificate (TFCs) prior to the due date of first redemption and the Trustee on behalf of the TFC investors has not notified any event of default to the Holding Company. On July 3, 2012, the Economic Coordination Committee (ECC) decided / approved the restructuring of these TFCs from various banks alongwith restructuring of certain short-term borrowings (refer note 1.2) into new TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by Ministry of Finance. On December 1, 2014, the Ministry of Finance ("the Ministry") approved the terms and conditions of new TFCs amounting Rs 32.87 billion. Furthermore, the Ministry also approved issuance of a Zero Coupon Privately Placed Term Finance Certificates ("PPTFCs) of Rs 960.661 million after capitalization of markup due to certain banks, accrued till February 20, 2014. The Tenor of this Zero Coupon PPTFCs will be 2 years from February 20, 2014. The principal amount shall be redeemed in four equal semi -annual installments. On February 13, 2015, the Ministry approved the appointment of Pak-Brunai Investment Company Limited to act as a trustee for TFCs and PPTFCs of Rs 32,870.440 million and Rs 960.661 million respectively. At present, the finalisation of the restructuring process is at an advanced stage. The overdue principal amount as at December 31, 2014 is included in current maturity.

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

24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	**Note**	**2014**	**2013**
		----------Rupees in '000----------	
Present value of minimum lease payments - aircraft fleet			
B-777 -200 ER	**24.2**	**3,375,300**	6,911,210
B-777 -200 LR	**24.3**	**7,795,804**	10,613,933
B-777 -300 ER	**24.4**	**18,775,237**	24,114,766
		29,946,341	41,639,909
Less: current maturity		**(10,290,277)**	(10,282,019)
		19,656,064	31,357,890

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

	2014			**2013**		
	Minimum lease payments	**Finance Cost**	**Present value of minimum lease payments**	**Minimum lease payments**	**Finance Cost**	**Present value of minimum lease payments**
	----------Rupees in '000----------					
Not later than one year	**11,134,040**	**843,763**	**10,290,277**	11,527,334	1,245,315	10,282,019
Later than one year and Not later than five years	**20,537,358**	**881,294**	**19,656,064**	31,559,961	1,799,082	29,760,879
Later than five years	**-**		**-**	1,608,451	11,440	1,597,011
	31,671,398	**1,725,057**	**29,946,341**	44,695,746	3,055,837	41,639,909

24.1.1 The above schedule is made as per the rate implicit in the lease and the payment is made as per the rates mentioned in the notes 24.2, 24.3 and 24.4. The resulting difference between both in the current year is Rs. 642.146 million (2013: Rs. 694.04 million).

24.2 In 2004, the Holding Company arranged an Ex-Im Bank guaranteed financing of US$ 345 million to acquire three Boeing 777-200 ER aircraft, one spare engine and one propulsor, from Taxila Limited, a special purpose entity incorporated in Cayman Islands. The guaranteed lender is Citibank N.A. The salient features of the lease of aircraft are as follows:

	2014	**2013**
Discount rate - two aircraft	**4.65%**	4.65%
Discount rate - one aircraft	**Three months LIBOR**	Three months LIBOR
Lease period - aircraft	**144 months**	144 months
Security deposits (Rupees in '000)	**849,480**	889,521

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

	2014	2013
Discount rate - aircraft and propulsor	**Three month LIBOR - 0.02%**	Three month LIBOR - 0.02%
Lease period - aircraft	**144 months**	144 months
Lease period - propulsor	**96 months**	96 months
Security deposits (Rupees in '000)	**772,746**	809,170

24.4 During the year 2006, the Holding company arranged an Ex-Im Bank guaranteed financing of US$472 million to acquire three Boeing B 777-300 ER aircraft and one engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is Royal Bank of Scotland. The salient features of the lease are as under:

	2014	2013
Discount rate - one aircraft	**5.25%**	5.25%
Discount rate - two aircraft and spare engine	**Three month LIBOR - 0.04%**	Three month LIBOR - 0.04%
Lease period - aircraft	**144 months**	144 months
Lease period - spare engine	**96 months**	96 months
Security deposits (Rupees in '000)	**1,553,018**	1,626,221

24.5 The Holding Company has an option to aquire the ownership of the aircraft and engines mentioned in notes 24.2 to 24.4, at the end of lease term.

		Note	2014	2013 (Restated)
			----------Rupees in '000----------	
25.	**DEFERRED TAXATION**			
	Roosevelt Hotel Corporation N.V.	**25.1**	**11,609,086**	11,989,858
	Minhal France S.A.	**25.2**	**7,635,419**	8,863,010
	Skyrooms (Private) Limited		**-**	-
	Abacus Distribution Systems Pakistan (Private) Limited - accelerated depreciation		**2,919**	93
	The Holding company	**25.4**	**-**	-
			19,247,424	20,852,961

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	**11,713,100**	12,116,939
Excess of tax over book depreciation	**39,173**	21,759
	11,752,273	12,138,698
Deferred tax debits:		
Allowance for doubtful debts	**(4,928)**	(1,023)
Accrued vacation	**(138,259)**	(147,817)
	(143,187)	(148,840)
Net deferred tax liability	**11,609,086**	11,989,858

		2014	2013
		----------Rupees in '000----------	
25.2	**Minhal France S.A.**		
	Deferred tax credits:		
	Excess of book value over tax depreciation	**2,331,678**	2,751,614
	Revaluation of hotel property	**5,304,066**	6,106,738
	Provision for major repairs	**20,623**	24,530
		7,656,367	8,882,882
	Deferred tax debit:		
	Employees pension plan	**(20,948)**	(19,872)
	Net deferred tax liability	**7,635,419**	8,863,010
25.3	**Abacus (Private) Limited**		
	Deferred tax credits:		
	Accelerated tax depreciation	**3,499**	561
	Lease land acquisition premium	**-**	-
		3,499	561
	Deferred tax debits:		
	Provision for gratuity	**(580)**	(468)
		2,919	93

		2014	2013 (Restated)
		----------Rupees in '000----------	
25.4	**Holding company**		
	Deferred tax credits:		
	Accelerated tax depreciation	**20,281,855**	21,864,537
	Surplus on revaluation of property, plant and equipment	**364,319**	2,625,022
		20,646,174	24,489,559
	Deferred tax debits:		
	Unused tax losses	**(13,284,934)**	(17,877,895)
	Provisions for liabilities and to write down other assets	**(7,361,240)**	(6,611,664)
		(20,646,174)	(24,489,559)
		-	-

25.4.1 In accordance with the accounting policy, deferred tax asset of Rs. 60,405.454 million (2013: Rs. 48,891.777 million) has not been recognised in these consolidated financial statements due to uncertainty in availability of sufficient future taxable profits.

25.5 Movement

	Balance as at January 1, 2013	Recognised in profit and loss	Translation and other adjustments	Recognised in equity	Balance as at December 31, 2013	Recognised in profit and loss	Translation and other adjustments	Recognised in equity	Balance as at December 31, 2014
	----------(Restated)----------								
Deferred tax credits:	----------Rupees in '000----------								
Accelerated tax depreciation	23,764,922	(1,136,969)	432,452	-	23,060,405	**46,151**	**(376,373)**	-	**22,730,183**
Surplus on revaluation of operating fixed assets	18,747,471	(330,115)	1,337,265	(26,226)	19,728,395	**(279,209)**	**(793,320)**	**(1,794,497)**	**16,861,369**
Amortisation of leasehold land acquisition premium	7,110	(7,110)	-	-	-	-	-	-	-
Provision for major repairs	21,588	-	2,942	-	24,530	-	**(3,907)**	-	**20,623**
	42,541,091	(1,474,194)	1,772,659	(26,226)	42,813,330	**(233,058)**	**(1,173,600)**	**(1,794,497)**	**39,612,175**
Deferred tax debits:									
Unused tax losses	(17,827,465)	2,647,940	-		(15,179,525)	**2,340,728**	-	-	**(12,838,797)**
Provisions for liabilities and to write down other assets	(6,398,920)	(259,389)	20,160	(142,695)	(6,780,844)	**(609,092)**	**10,298**	**(146,316)**	**(7,525,954)**
	(24,226,385)	2,388,551	20,160	(142,695)	(21,960,369)	**1,731,636**	**10,298**	**(146,316)**	**(20,364,751)**
	18,314,706	914,357	1,792,819	(168,921)	20,852,961	**1,498,578**	**(1,163,302)**	**(1,940,813)**	**19,247,424**

	Note	2014	2013 (Restated)
		Rupees in '000	
26. DEFERRED LIABILITIES			
Post retirement medical benefits - Holding Company	**26.2**	**7,020,496**	6,405,308
Pension obligation - Holding company	**26.3**	**12,522,983**	8,785,552
Staff retirement benefits - PIAIL	**26.13**	**62,843**	59,616
Unfunded staff retirement gratuity - SRL	**26.13**	**65,592**	58,043
		19,671,914	15,308,519

26.1 General description of the type of defined benefit plans and accounting policies for remeasurements of the net defined benefit obligation / asset is disclosed in note 4.8 to these consolidated financial statements.

26.2 Post retirement medical benefits - Holding Company

	2014	2013
	Rupees in '000	
Liability recognised in the consolidated balance sheet		
Present value of defined benefit obligation	**7,020,496**	6,405,308
Movement in liability during the year		
Balance at beginning of the year	**6,405,308**	5,777,883
Expense recognised in consolidated profit and loss account	**877,527**	737,289
Total remeasurements recognised in other comprehensive income	**418,046**	407,700
Payments made during the year	**(680,385)**	(517,564)
Balance at end of the year	**7,020,496**	6,405,308
Expense recognised in the consolidated profit and loss account		
Current service cost	**89,062**	102,592
Interest cost	**788,465**	634,697
	877,527	737,289
Total remeasurements recognised in other comprehensive income		
Actuarial loss / (gain) on liability arising on		
- financial assumptions	**-**	25,700
- demographic assumptions	**-**	372,000
- experience adjustments	**418,046**	10,000
	418,046	407,700

26.3 Pension obligation - Holding company

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000							
Liability / (asset) recognised								
Present value of defined benefit obligation	**2,362,685**	2,085,322	**509,611**	469,893	**21,768,560**	19,025,835	**24,640,856**	21,581,050
Fair value of plan assets	**(1,765,219)**	(1,830,612)	**(1,079,377)**	(1,052,508)	**(9,273,277)**	(9,912,378)	**(12,117,873)**	(12,795,498)
	597,466	254,710	**(569,766)**	(582,615)	**12,495,283**	9,113,457	**12,522,983**	8,785,552
Movement in liability / (asset) during the year								
Opening liability / (asset)	**254,710**	257,796	**(582,615)**	(434,681)	**9,113,457**	7,545,200	**8,785,552**	7,368,315
Expense recognised in profit or loss	**66,368**	68,916	**(74,239)**	(46,956)	**1,665,076**	1,289,097	**1,657,205**	1,311,057
Total remeasurements recognised in other comprehensive income	**290,587**	(57,803)	**90,750**	(96,983)	**1,796,536**	358,946	**2,177,873**	204,160
Employer contributions	**(14,199)**	(14,199)	**(3,662)**	(3,995)	**(79,786)**	(79,786)	**(97,647)**	(97,980)
Closing liability / (asset)	**597,466**	254,710	**(569,766)**	(582,615)	**12,495,283**	9,113,457	**12,522,983**	8,785,552
Movement in the defined benefit obligation								
Obligation as at January 1	**2,085,322**	2,162,483	**469,893**	629,686	**19,025,835**	17,789,529	**21,581,050**	20,581,698
Current service cost	**34,179**	40,086	**1,739**	3,262	**485,513**	425,986	**521,431**	469,334
Interest cost	**256,461**	236,134	**57,861**	68,053	**2,364,280**	1,963,196	**2,678,602**	2,267,383
Benefits paid	**(225,090)**	(218,289)	**(49,609)**	(75,842)	**(1,678,131)**	(1,436,527)	**(1,952,830)**	(1,730,658)
Remeasurement	**211,813**	(135,092)	**29,727**	(155,266)	**1,571,063**	283,651	**1,812,603**	(6,707)
Obligation as at December 31	**2,362,685**	2,085,322	**509,611**	469,893	**21,768,560**	19,025,835	**24,640,856**	21,581,050
Movement in fair value of plan assets								
Fair value as at January 1	**1,830,612**	1,904,687	**1,052,508**	1,064,367	**9,912,378**	10,244,329	**12,795,498**	13,213,383
Interest income	**224,272**	207,304	**133,839**	118,271	**1,184,717**	1,100,085	**1,542,828**	1,425,660
Employer contributions	**14,199**	14,199	**3,662**	3,995	**79,786**	79,786	**97,647**	97,980
Benefits paid	**(225,090)**	(218,289)	**(49,609)**	(75,842)	**(1,678,131)**	(1,436,527)	**(1,952,830)**	(1,730,658)
Return on plan assets excluding amount included in interest income	**(78,774)**	(77,289)	**(61,023)**	(58,283)	**(225,473)**	(75,295)	**(365,270)**	(210,867)
Fair value as at December 31	**1,765,219**	1,830,612	**1,079,377**	1,052,508	**9,273,277**	9,912,378	**12,117,873**	12,795,498
Expense recognised in profit or loss								
Current service cost	**34,179**	40,086	**1,739**	3,262	**485,513**	425,986	**521,431**	469,334
Net interest expense / (income)	**32,189**	28,830	**(75,978)**	(50,218)	**1,179,563**	863,111	**1,135,774**	841,723
	66,368	68,916	**(74,239)**	(46,956)	**1,665,076**	1,289,097	**1,657,205**	1,311,057
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on								
- financial assumptions	**193,040**	(97,550)	**48,980**	(12,563)	**1,671,249**	298,352	**1,913,269**	188,239
- demographic assumptions	**-**	(62,372)	**-**	(19,004)	**-**	437,504	**-**	356,128
- experience adjustments	**18,773**	24,830	**(19,253)**	(123,699)	**(100,186)**	(452,205)	**(100,666)**	(551,074)
	211,813	(135,092)	**29,727**	(155,266)	**1,571,063**	283,651	**1,812,603**	(6,707)
Return on plan assets excluding amount included in								
	78,774	77,289	**61,023**	58,283	**225,473**	75,295	**365,270**	210,867
	290,587	(57,803)	**90,750**	(96,983)	**1,796,536**	358,946	**2,177,873**	204,160
The plan assets comprise of:								
Equity instruments - Corporation's shares	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	0.00%
Debt instruments	**13.55%**	13.07%	**0.00%**	21.75%	**16.22%**	30.10%	**7.88%**	26.98%
Market Treasury Bills								
Pakistan Investment Bonds								
Term deposit receipts								
Others including cash and cash equivalents	**86.45%**	86.93%	**100.00%**	78.25%	**83.78%**	69.90%	**92.12%**	73.02%
	100.00%	100.00%	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Actual return on plan assets	**145,498**	130,015	**72,816**	59,988	**959,244**	1,024,790	**1,177,558**	1,214,793

26.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 27.1) were carried out at December 31, 2014. The valuations have been carried out using Projected Unit Credit method and the following significant assumptions:

	2014	2013
Valuation discount rate	**10.50%**	13.00%
Salary increase rate	**9.50%**	12.00%
Pension indexation rate	**3.00%**	4.00%
Medical inflation rate	**9.00%**	11.50%
Average retirement age of employee		
Mortality table		Adjusted SLIC 2001-2005 with one year age set back

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

	2014	2013
	Number	
Pension scheme		
Active employees	**11,838**	12,819
Beneficiaries	**17,864**	16,901
Post retirement medical benefit scheme	**17,864**	15,409

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
		Rupees in '000					
Valuation discount rate	1%	(169,355)	186,305	(31,431)	35,709	(1,366,990)	2,085,040
Salary increase rate	1%	no change	no change	no change	no change	398,300	(735,380)
Pension indexation rate	1%	150,305	(132,565)	37,799	(33,581)	1,307,560	(1,148,730)
Life expectancy	one year	5,065	(4,455)	179	(1)	37,630	(29,940)

		Increase / (decrease) in defined benefit obligation of			
		Post retirement medical benefits		Compensated absences	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		Rupees in '000			
Valuation discount rate	1%	(496,436)	1,211,414	(317,593)	530,042
Salary increase rate	1%	no change	no change	176,010	(471,519)
Medical inflation rate	1%	1,218,644	(501,576)	no change	no change
Life expectancy	one year	287,704	276,024	(2,135)	2,135

In presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated balance sheet.

26.7 The employee benefit plans exposes the Holding Company to the following risks:

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

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

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

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

26.8 The fair value of plan assets of pension funds includes investment in the Holding Company's shares, amounting to Rs.4.227 million (2013: Rs. 4.755 million).

26.9 The weighted average duration of the benefit obligations as at December 31, 2014 is as follows:

	Years
Post retirement medical benefits	12.6
PALPA fund	8.6
FENA fund	7.6
Main Pension fund	9.1
Compensated absences	5.5

26.10 The expected pension and medical expense for the next one year from January 1, 2015 amounts to Rs. 2,975.515 million and Rs. 824.077 million respectively. The expected amount of Pension fund is the amount which the Holding company has to contribute for the next one year.

26.11 The total expense relating to deferred liabilities of the Holding Company has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs.1,310.054 million (2013: Rs. 1,354.127 million), Rs.734.494 million (2013: Rs. 312.028 million) and Rs. 490.184 million (2013: Rs. 382.190 million) respectively.

26.12 This represents retirement benefits of PIAL, since the amount is not considered material to these consolidated financial statements, therefore detailed disclosures have not been presented. recognised in consolidated profit and loss account amount to Rs. 13.998 million (2013:Rs. 13.962 million).

26.13 The scheme provides for post employee benefits for all permanent employees who complete qualifying period of five years of service with the company 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. 7.549 million (2013: Rs. 10.350 million).

27. TRADE AND OTHER PAYABLES	Note	2014	2013 (Restated)
		Rupees in '000	
Trade creditors			
Goods		**15,312,157**	9,898,067
Services		**8,253,358**	4,890,819
Airport related charges		**14,019,942**	11,109,426
Others		**350,723**	310,946
		37,936,180	26,209,258
Other liabilities			
Accrued liabilities		**8,431,926**	8,120,818
Advance against transportation (unearned revenue)		**9,095,622**	7,906,619
Obligation for compensated absences - Holding company	**27.1**	**5,337,919**	4,330,387
Unredeemed frequent flyer liabilities	**27.2**	**692,929**	1,518,577
Advance from customers		**804,096**	890,455
Amount due to associated undertaking	**27.3**	**179,933**	480,868
Advances and deposits		**204,180**	263,016
Earnest money		**1,953**	1,795
Payable to Holding company's employees' provident fund	**27.4**	**8,811,335**	7,210,729
Unclaimed dividend - preference shares		**8,493**	8,493
Collection on behalf of others		**18,820,769**	14,207,067
Customs, federal excise duty and sales tax		**798,162**	7,071
Capital value tax		**7,349,469**	6,428,488
Income tax deducted at source		**671,373**	349,340
Sales tax payable		**5,199**	9,250
Bed tax		**1,182**	3,000
Payable to EOBI/SESSI		**1,085**	183
Short-term deposits		**832,731**	846,017
Others		**98,978**	82,723
		100,083,514	78,874,154

		2014	2013 (Restated)
		----------Rupees in '000----------	
27.1	**Obligation for compensated absences - Holding company**		
	Liability recognised in the balance sheet		
	Balance at beginning of the year	**4,330,387**	4,010,535
	Expense recognised during the year	**1,011,933**	327,774
	Benefits paid during the year	**(4,401)**	(7,922)
	Balance at end of the year	**5,337,919**	4,330,387

27.1.1 Number of employees covered by the compensated absences are 11,509 (2013: 15,409). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 26.5, 26.6 and 26.9 respectively.

27.1.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs.729.606 million (2013: Rs.216.686 million), Rs.117.538 million (2013: Rs.49.930 million) and Rs.164.789 million (2013: Rs. 61.158 million) respectively.

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

- ticket inflation rate at the rate of 9.5% (2013: 11%);
- discount rate at the rate of 10.5% (2013: 12.5%);
- expiry of unavailed points after three years; and
- accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.

27.3 This represents amount payable to Minhal Incorporated by PIAIL.

27.4 These amounts are payable to Pakistan International Airlines Corporation Employees' Provident Fund (EPF) and carries mark-up based on the discount rate announced by the State Bank of Pakistan which could not be paid to the EPF in accordance with section 227 of the Companies Ordinance, 1984 due to liquidity constrains.

28. ACCRUED INTEREST

	Note	2014	2013
		----------Rupees in '000----------	
Mark-up / profit payable on:			
- Long-term financing		**4,862,540**	4,017,973
- Term finance certificates		**2,937,113**	2,669,678
- Sukuk certificates		**387,944**	539,955
- Short-term borrowings		**1,524,203**	3,537,986
- Provident fund		**2,816,408**	2,022,809
		12,528,208	12,788,401

29. SHORT-TERM BORROWINGS

Short-term loans - secured	**29.1**	**55,514,825**	52,059,739
Running finance under mark-up arrangements	**29.2**	**4,257,542**	4,687,799
		59,772,367	56,747,538

29.1 Short-term loans - secured

Financier	Note	Security	Facility amount (million)	Expiry date	2014	2013
					----------Rupees in '000---------	
From Banking Companies						
Askari Bank Limited	**29.1.2**	GoP Guarantee	1,500 PKR	Till Creation of TFC	**1,500,000**	1,500,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	2,000 PKR	8-Sep-15	**2,000,000**	2,000,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	2,000 PKR	31-Dec-15	**2,000,000**	2,000,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	1,600 PKR	12-Dec-15	**1,600,000**	1,600,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	1,000 PKR	16-Aug-15	**1,000,000**	1,000,000
National Bank of Pakistan	**29.1.2**	GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank of Pakistan	**29.1.2**	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,600 PKR	Till Creation of TFC	**3,600,000**	3,600,000
National Bank of Pakistan	**29.1.2**	GoP Guarantee	1,500 PKR	Till Creation of TFC	**1,500,000**	1,500,000
National Bank of Pakistan	**29.1.2**	Hypothecation of entire receivables, book debts amounting to PKR 2,667 million and lien / specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	1,880 PKR	1-Jul-15	**1,880,680**	-
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-15	**5,000,000**	5,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	4,360 PKR	31-Jul-15	**4,360,000**	4,360,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	31-Jul-15	**3,500,000**	3,500,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	31-Jul-15	**3,000,000**	3,000,000
National Bank Of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Jul-15	**2,000,000**	2,000,000
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Jul-15	**2,000,000**	2,000,000
National Bank of Pakistan		Hypothecation of entire receivables, book debts amounting to PKR 4,533 million and with a margin of 25% in favor of NBP; and lien / specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,400PKR	1-Feb-15	**3,165,723**	-
KASB Bank Limited		GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin.	500 PKR	13-May-15	**500,000**	500,000
KASB Bank Limited		GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin.	1,000 PKR	13-May-15	**1,000,000**	500,000
National Bank of Pakistan		Hypothecation of entire receivables, book debts amounting to PKR 2,667 million with 25% margin and lien / specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	13-Mar-14	-	1,067,592
Habib Allied International Bank Limited - London		EURO receivables	4 & 5 USD	Continuous	**908,422**	951,242
National Bank of Pakistan - Bahrain		Lien over all present and future receivables generated from sales of tickets (through IATA agent and PIA counter) and cargo services within the frontier of Kingdom of Saudi Arabia, Sultanate of Oman and Bangladesh.	5 USD	28-Feb-14	-	480,905
					55,514,825	51,559,739

29.1.1 The borrowings in PKR carry mark-up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (2013: spread of 0.85% to 2.0% over 1 month and 3 months KIBOR). The borrowings in foreign currency carry mark-up of 4% to 5.75% over 1 month LIBOR and 3 months LIBOR (2013: a spread of 3.5% to 5.75% over 1 month and 3 months LIBOR).

29.1.2 On July 3, 2012, the ECC has approved the conversion of short-term loans amounting to Rs 20,700 million into TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by the Ministry of Finance. On December 1, 2014, the Ministry of Finance approved the conversion of short-term loans amounting to Rs 20,080 million into TFCs for a period of 6 years including 2 years grace period on the terms applicable from February 20, 2014. At present, the finalisation of the restructuring process is at an advanced stage (refer note 23.1).

29.1.3 The Holding Company has not paid the balance of the short term loan became due during the year ended December 31, 2014, the over due balance of principal amount of the short term loan aggregating Rs 2,429 million.

29.1.4 The agreements of these borrowings have expired either during the year or subsequent to the year-end and the Holding Company is currently in the process of renewal of these loans with the financiers.

29.2 Running finance under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit (million)	Expiry date	2014	2013
						----------Rupees in '000--------	
Secured							
The Bank of Punjab	**29.2.3**	Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 734 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BOP counter.	550 PKR	60	1-Jan-15	**489,388**	544,574
Habib Bank Limited	**29.2.3**	Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables.	350 PKR	35	9-Feb-15	**314,602**	315,073
National Bank of Pakistan		First pari passu hypothecation charge of PKR 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 701 million payable on demand.	575 PKR	260	31-Jul-15	**315,240**	555,542
United Bank Limited Karachi		Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	131	31-Jul-15	**2,439,656**	2,568,263
Habib Allied International Bank Limited - London	**29.2.3**	EURO receivables	3 USD		On Demand	**303,749**	306,286
Un-secured							
Habib American Bank	**29.2.3**		1.5 USD	0.6 USD	On Demand	**92,099**	80,980
Citibank N.A.			3 USD	-	On Demand	**302,808**	317,081
						4,257,542	4,687,799

29.2.1 The borrowings in PKR carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (2013: 2.0% to 2.5% 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% (2013: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 4% over 1 month LIBOR and 2% over Citi Base Rate (2013: spread of 3.5% over 1 month LIBOR and 4% over USD Prime Rate).

29.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at December 31, 2014.

29.2.3 The agreement of this facility has expired subsequent to the year end and the Holding Company is currently in the process of renewal of the facility with the respective banks.

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

a) The tax department had raised demand of Rs. 566.544 million (2013: Rs. 566.544 million) as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2013: Rs. 1 million) and additional duty of Rs. 2,923.005 million (2013: Rs. 2,923.005 million) on the contention that the Holding Company had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Holding Company has paid Rs. 100 million (note 14) against the subject demand which is considered fully recoverable from the department. This case is currently under adjudication before Appellate Tribunal Inland Revenue (ATIR). The management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

b) The tax department has also raised demands of Rs. 6.804 million (2013: Rs. 6.804 million) and Rs. 277.621 million (2013: Rs. 277.621 million) on 11 March 2008 as FED and sales tax respectively along with penalty of Rs. 1.205 million (2013: Rs. 1.205 million) and additional duty / default surcharge of Rs. 17.91 million (2013: Rs. 17.91 million) during the tax audit of the Holding Company for the periods 2004-2005 and 2005-2006. These demands were raised on the issues of late payment of FED, collection of FED at incorrect rate, incorrect apportionment of input tax and failure to collect FED on carriage of goods / mail of Pakistan Post. The Holding Company has paid an amount of Rs. 25 million (2013: Rs. 25 million) in this regard which is considered fully recoverable. The Holding Company filed an appeal with the Collector of Customs, Sales Tax and Federal Excise (Appeals), which has been decided partially in its favour, partially against it and partially remanded back. The Holding Company and the department both have filed appeals at the ATIR level which are pending adjudication. The management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements in this regard.

c) The tax department has also raised demands of Rs. 2.065 million (2013: Rs. 2.065 million) and Rs. 1,319.101 million (2013: Rs. 1,319.101 million) as FED and sales tax respectively along with penalty of Rs. 66.058 million (2013: Rs. 66.058 million) and additional duty / default surcharge of Rs. 534.412 million (2013: Rs. 534.412 million) during the tax audit of the Holding Company for the period 2007-2008. These demands have been raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Holding Company filed appeal at Commissioner Inland Revenue (Appeals) level, which was decided in favour of the department. Currently, the Holding Company has filed appeal against this at ATIR level and a rectification application with CIR (A) both of which are pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements in this regard.

d) The tax department has through orders dated March 6, 2009, December 4, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (2013: Rs. 5,877.351 million), Rs. 5,679.110 million (2013: Rs. 5,679.110 million) and Rs. 7,025.270 million (2013: Rs. 7,025.270 million) on account of delayed payment of sales tax and FED for the month of November – December 2008, January – March and November 2010-January 2011 respectively. In addition to this, the tax department has levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs. 38.88 million, Rs. 79.969 million and Rs 74 million respectively. The Holding Company has filed application for wavier of penalty for the month of November- December 2008 before Federal Board of Revenue (FBR) on which the decision is pending for the month of January - March 2010 and November 2010 – January 2011.

The Commissioner Inland revenue (Appeals) – CIR (A) has deleted the penalties of Rs 5,679.110 million and Rs. 7,025.270 million respectively through its order dated September 19, 2011, however, default surcharge and 5 % penalty on the unpaid sales tax and FED were maintained. The Holding Company and the department have filed appeal with the tribunal, which have been decided in favour of the Holding Company. Further, for the months of January –March 2010, The Holding Company has filed an application for rectification, which is still pending before Additional Commissioner Inland Revenue (ACIR).

On 30 April, 2013, the ACIR has levied penalty of Rs. 4,745.852 million in respect of short payment of sales tax and FED for the tax periods April 2012 to January 2013. In addition, the tax department has levied default surcharge on unpaid sales tax and FED amounting to Rs. 400.446 million. The Holding Company has filed an appeal against the said orders before CIR (A), which was decided in favour of the department. Currently, the Holding Company has filed an appeal against this at ATIR level, which is pending adjudication.

The management is confident that all the above appeals will be decided in the favour of the Holding Company. Therefore, no provision has been made in these unconsolidated financial statement in respect of the subject orders / show cause notices.

e) A show cause notice was issued to the Holding Company by the Collector of Customs demanding payment of Rs. 87.926 million (2013: Rs. 87.926 million) in respect of custom duties and other taxes levied on the import of simulator along with default surcharge. The Holding Company has filed an appeal before the High Court which is pending adjudication. The management believes that the case will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements.

f) Competition Commission of Pakistan (CCP) vide its order dated November 20, 2009 has imposed a token penalty of Rs. 10 million on account of unreasonable increase in Hajj fare during the year 2008 as compared to Hajj season 2007. Further, on account of discrimination between Hajj passengers and regular passengers the Holding Company was directed to work out an amount of refund to be paid back to Hajis based on the difference of fare between regular passengers and short duration Hajis who flew during Hajj season 2008. The total amount of refund estimated by the Holding Company is Rs. 417 million. The Holding Company has filed appeals simultaneously in Lahore High Court and the Supreme Court of Pakistan. The appeals are pending for hearing and accordingly stay order has not been granted to the Holding Company till date. Management believes that both appeals will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements in this regard.

g) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Holding Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. In view of the understanding reached in the past between the Holding Company and CAA, management does not accept the higher amounts being claimed by CAA. As at December 31, 2014 the amounts claimed by CAA which are not acknowledged by the Holding Company aggregated to Rs. 7,817.852 million including late payment surcharge and interest thereon amounting to Rs. 3,675.943 million (2013: Rs.4,061 million). The Holding Company will take up this matter again with the Aviation Division of Government of Pakistan for resolution in the light of the previous understanding reached with CAA. Accordingly, the management of the Holding Company believes that no excessive amount shall eventually become payable to CAA and therefore, no provision for the excessive amount has been made in these consolidated financial statement.

h) Various ex-employees of the Holding Company have lodged claims against the Holding Company for their dues specifically relating to their reinstatements. The management believes the claims to be frivolous, therefore, no provision has been made in these consolidated financial statements.

i) The Holding Company is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in these consolidated financial statements against these claims amounting to Rs.7,304.120 million (2013: Rs.5,983.243 million).

j) Claims against Holding Company not acknowledged as debt amount to Rs. 605.990 million (2013: Rs. 455 million).

k) Contingencies relating to income tax matters are disclosed in note 38.1.

l) Certain lawsuits which arose in the normal course of business are pending against RHC and PIAIL. The eventual disposition of these legal actions, in the opinion of management based upon available insurance coverage and the assessment of the merits of such actions by legal counsel, will not have a material adverse effect on the financial position of RHC and PIAIL.

30.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 69.089 million (2013: Rs. 63.009 million).

b) Outstanding letters of credit amounted to Rs. 91.805 million (2013: Rs. 113.930 million).

c) Outstanding letters of guarantee amounted to Rs. 1,043.938 million (2013: Rs. 583.403 million).

d) The Holding Company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to USD 1,527.904 million (2013: USD 1,527.904 million) equivalent to Rs. 154,012.723 million (2013: Rs. 161,489.521 million) based on catalogue prices. The Holding Company has not made certain payments on its due dates as per the terms of the agreement.

e) The amount of future payments in operating lease arrangement relating to aircrafts 777-200 ER, 737-800, A 320-232 and A 320-200 and the period in which these payments will become due is as follows:

	2014	2013
	Rupees in '000	
Not later than one year	**3,698,543**	2,294,801
Later than one year but not later than five years	**4,770,507**	2,869,560
Later than five years	**506,445**	-
	8,975,495	5,164,361

f) Abacus has entered into an operating lease agreement in respect of vehicles. Rentals are payable in equal monthly installments whereas repair and insurance costs are borne by the lessor. The amount of future lease payments and the period during which they fall due are as follows:

Not later than one year	**4,879**	3,245
Later than one year but not later than five years	**8,741**	-
	13,620	3,245

g) Minhal France S.A. - financial guarantee **1,225,462** 1,392,006

h) Minhal France S.A.

The employees rights to training ("Droit Individual a la Formation") amounts to 13,275 hours as at December 31, 2014.

31. REVENUE - NET

	2014	2013
	----------Rupees in '000----------	
Passenger	**90,385,976**	84,956,590
Cargo	**4,164,990**	5,888,887
Excess baggage	**1,128,699**	1,109,804
Charter services	**750,762**	503,333
Engineering services	**582,793**	635,839
Handling and related services	**618,591**	635,584
Mail	**352,848**	438,033
Room, food and beverages sales	**12,878,160**	12,722,350
Others	**2,917,269**	2,920,820
	113,780,088	109,811,240

32. COST OF SERVICES - OTHERS

		2014	2013 (Restated)
		----------Rupees in '000----------	
Salaries, wages and allowances		**16,343,702**	15,433,381
Welfare and social security costs		**105,874**	94,002
Retirement benefits		**1,616,412**	1,640,861
Compensated absences		**729,606**	216,686
Legal and professional charges		**26,702**	22,788
Stores and spares consumed		**967,210**	1,932,352
Maintenance and overhaul		**4,301,525**	3,530,334
Flight equipment rental		**5,453,542**	1,919,881
Landing and handling		**13,151,862**	14,656,406
Passenger services		**2,761,219**	3,135,909
Crew layover		**2,855,957**	2,976,811
Food and beverages		**586,103**	588,496
Staff training		**122,902**	104,809
Food cost		**-**	7,516
Utilities		**82,806**	65,396
Communication		**1,811,156**	1,691,246
Insurance		**1,000,207**	1,211,633
Rent, rates and taxes		**714,134**	596,184
Printing and stationery		**146,570**	171,961
Depreciation	**5.7**	**8,626,641**	8,713,425
Amortisation of intangibles and prepayment	**6.1 & 10.4**	**3,272**	3,275
Fixed assets written off		**-**	-
Others		**925,226**	984,580
		62,332,628	59,697,932

32.1 The Holding Company's staff retirement benefits includes provident fund - a defined contribution plan. The Holding Company has established a separate provident fund. Following information of the provident fund has been derived from the unaudited (2013: unaudited) financial statements of the provident fund as at 31 December 2014 and 2013.

The information related to provident fund established by the Holding company is as follows:	2014	2013
	----------Rupees in '000----------	
Size of provident fund	**23,586,205**	23,583,817
Cost of investments made	**10,860,049**	19,804,004
Percentage of investments made	**75.5%**	88.05%
Fair value of investment	**17,820,546**	20,829,608

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

	2014	2013	2014	2013
	----------Percentage----------		----------Rupees in '000----------	
Term finance certificates	**22.20%**	19.00%	**5,232,651**	4,404,292
Pakistan Investment Bonds	**8.30%**	2.00%	**1,958,443**	517,040
Treasury Bills	**0.00%**	1.00%	**-**	247,855
Islamic bonds	**9.30%**	9.00%	**2,201,443**	2,088,726
Term deposit receipts	**12.30%**	56.00%	**2,894,851**	13,235,673
Bank deposits	**3.50%**	1.00%	**833,515**	323,089
PIAC shares	**0.00%**	0.05%	**4,689**	12,933
Special Savings Certificate	**19.90%**	0.00%	**4,694,954**	-
Total	**75.50%**	88.05%	**17,820,546**	20,829,608

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

32.1.2 Number of employees of the Holding Company:

	2014	2013
	----------Rupees in '000----------	
Average number of employees during the year	**15,262**	16,478
Number of employees as at year end	**14,566**	15,957

		2014	2013 (Restated)
		----------Rupees in '000----------	
33. DISTRIBUTION COSTS			
Salaries, wages and allowances		**1,894,232**	2,131,850
Welfare and social security costs		**69,911**	105,477
Retirement benefits		**828,758**	378,100
Compensated absences		**117,538**	49,930
Distribution and advertising expenses		**557,867**	610,256
Legal and professional charges		**51,917**	32,806
Repairs and maintenance		**1,322**	61,327
Insurance		**51,214**	23,754
Printing and stationery		**58,916**	33,472
Communication		**496,178**	513,513
Staff training		**38,128**	39,193
Rent, rates and taxes		**334,133**	340,315
Utilities		**20,364**	36,809
Amortisation of intangibles	**6.1**	**50**	50
Depreciation	**5.7**	**143,504**	77,151
Others		**446,895**	383,877
		5,110,927	4,817,880

34. ADMINISTRATIVE EXPENSES			
Salaries, wages and allowances		**3,004,110**	3,713,201
Welfare and social security costs		**2,756,670**	2,612,062
Retirement benefits		**560,882**	463,118
Compensated absences		**164,789**	61,158
Legal and professional charges		**278,137**	360,665
Repairs and maintenance		**1,657**	405,705
Insurance		**23,868**	45,990
Printing and stationery		**54,740**	95,045
Management fee	**34.1**	**216,347**	266,911
Staff training		**114,724**	100,136
Municipal taxes		**830,870**	807,322
Rent, rates and taxes		**588,968**	742,282
Utilities		**815,461**	759,185
Remuneration of subsidiaries' auditors	**34.2**	**746**	1,478
Auditors' remuneration	**34.2**	**16,174**	16,535
Communication		**1,179,610**	1,222,859
Amortisation of intangibles and prepayment	**6.1 & 10.4**	**20,863**	24,627
Depreciation	**5.7**	**216,885**	254,279
Amortization in respect of long term lease - PIAL	**10.2**	**1,095**	1,000
Donations	**34.3**	**2,276**	3,080
Others		**1,012,354**	864,130
		11,861,226	12,820,768

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

	Note	2014	2013
		Rupees in '000	
(i) Interstate Hotels and Resorts Corporation (IHC)	34.1.1	83,261	116,798
(ii) ACCOR	34.1.2	133,086	150,113
		216,347	266,911

34.1.1 RHC entered into a contract for management of day-to-day operations of Roosevelt Hotel with IHC. The agreement provides for a base management fee calculated at 1.20% of gross operating revenues per year and an incentive management fee calculated at 14.5% of net operating income as defined in the agreement.

34.1.2 MFSA entered into a management agreement with ACCOR wherby ACCOR is entitled to a basic fee of 2.625% of Scribe Hotel's turnover less lease rentals plus an incentive fee of 9% of gross operating profit subject to a cap of 4.25% of turnover less lease rentals.

34.1.3 During the year 2011, PIAC entered into a 'Supervisory consulting and management agreement' with MFSA whereby with effect from April 1, 2011, PIAC had agreed to provide to MFSA certain supervisory consultancy services in consideration of a fee equal to 2.5% of turnover generated by Scribe Hotel less shop rentals plus an additional fee of equal to 6.25% of the rentals in respect of shops located within the Hotel.

34.2 Auditors' remuneration

	2014			2013		
	Rupees in '000					
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Total	M. Yousuf Adil Saleem & Co.	A.F. Ferguson & Co.	Total
Audit fee of the Holding Company	4,680	4,680	9,360	4,680	4,680	9,360
Fee for review of condensed interim financial statements	1403	1,403	2,806	1,403	1,403	2,806
Consolidated financial statements	696	696	1,392	696	696	1,392
Code of Corporate Governance	240	240	480	240	240	480
Tax and other services	-	1,272	1,272	-	1,605	1,605
Out of pocket expenses	432	432	864	431	461	892
	7,451	8,723	16,174	7,450	9,085	16,535

34.3 Donations include payments aggregating Rs. 2.1 million (2013: Rs. 1.5 million) to Al-Shifa Trust, situated at Terminal-2, Road, Karachi Airport, Pakistan in which the Managing Director of the Holding company acts as a Trustee. Besides this, none of the Directors or their spouse have any interest in the donees.

35. OTHER PROVISIONS AND ADJUSTMENTS	Note	2014	2013 (Restated)
		Rupees in '000	
Property, plant and equipment			
- aircraft fleet written off - net of insurance claim		595,895	192,515
- loss on disposal of aircraft fleet		95,027	-
- deficit released from surplus on aircraft written off	5.1	123,913	415,544
- other assets written off		241,048	25,022
- loss on disposal of other assets		261	-
		1,056,144	633,081
Provision for slow moving and obsolete spares	11.1	295,329	236,281
Provision for doubtful debts	12.1	244,327	206,765
Provision against doubtful advances	13.1	388,606	-
Provision against doubtful deposits		165,099	-
Deficit realised on aircraft written off	5.1.3	-	-
Late payment surcharge on fuel		595,002	1,236,951
Others		104,261	253,486
		2,848,768	2,566,564

36. OTHER INCOME	Note	2014	2013
		----------Rupees in '000----------	
Income from financial assets			
Profit on bank deposits		**55,124**	32,314
Interest on maintenance reserve		**5,753**	13,095
		60,877	45,409
Income from assets other than financial assets			
Gain on disposal of operating fixed assets		**65**	4,775
Insurance claims		**63,927**	1,450,176
Others		**260,130**	86,473
		384,999	1,586,833

37. FINANCE COSTS	2014	2013
	----------Rupees in '000----------	
Mark-up on long-term financing	**3,787,455**	3,017,170
Mark-up on term finance certificates	**1,394,651**	1,319,844
Advance from subsidiary	**-**	-
Profit on sukuk certificates	**798,242**	773,687
Interest on liabilities against assets subject to finance lease	**603,169**	772,700
Mark-up on short-term borrowings	**6,597,496**	6,285,517
Discouting on deposits	**411,695**	-
Interest on provident fund	**793,766**	591,066
Arrangement, agency and commitment fee	**331,262**	352,281
Amortisation of prepaid exposure fee	**225,197**	219,755
Bank charges, guarantee commission and other related charges	**73,915**	82,831
	15,016,848	13,414,851

38. TAXATION		2014	2013 (Restated)
		----------Rupees in '000----------	
Current	**38.1**	**1,286,749**	712,035
Deferred	**25.5**	**1,498,578**	914,357
		2,785,327	1,626,392

38.1 Current

38.1.1 In the view of tax losses for the year, provision for minimum taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001. No numeric tax rate reconciliation is given as the Holding Company is liable for turnover tax only.

Minimum tax rate under section 113 of Income Tax Ordinance 2001 (I.T.O.) for Tax Year 2015 is 1% of turnover, however the rate for Holding Company is 0.5% in accordance with the Division IX of First Schedule of I.T.O. 2001.

38.1.2 As at year end, the Holding Company has filed tax returns for tax years up to tax year 2014. The tax returns from tax years 2003 to 2014 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 repealed ordinance had been levied by the department from assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover on estimated basis. The Holding Company had filed appeals against the above demands which have been decided in favour of the Holding Company at Appellate Tribunal Inland Revenue (ATIR) level. The department has now filed appeal before the Sindh High Court in respect of assessment year 2000-01. After decision by the Sindh High Court on a few grounds in favour of the Holding Company, the department has filed appeal in the Supreme Court which is pending to date. Management believes that this issue will be decided in favour of the Holding Company without any additional tax liability.

38.1.3 A demand of Rs. 898.177 million (2012: Rs. 898.177 million) was raised by the Deputy Commissioner Inland Revenue (DCIR) by issuing an amended order in relation to the tax year 2005. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Holding Company claimed the depreciation on the contention that those aircraft were obtained under hire purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48.235 million was also recovered by FBR in this respect. The Holding Company filed appeal at CIT (A) level which was decided partially in favour of the Holding Company. Being further aggrieved, the Holding Company has filed appeal at ITAT level which is pending adjudication. The Holding Company is confident that this issue will ultimately be decided in its favour and the amount will be recovered.

Further, the Additional Commissioner Inland Revenue (ACIR) has issued orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2006 and 2007 disallowing the depreciation claimed on leased aircraft and other provisions of Rs 3,480.442 million and Rs 20,462.797 million respectively. The Holding Company has filed appeal before CIR(A) against the said orders, however, the matter is still pending for adjudication.

The Holding Company has also received show cause notices in respect of tax years 2008 and 2009 on account of disallowance of depreciation on leased aircraft and other provisions. The Holding Company has filed its reply in response to these notices.

38.1.4 The tax department has also issued order under section 161 / 205 of the Income Tax Ordinance, 2001 pertaining to tax year 2011 and raised a demand of Rs 324.319 million. The Holding Company has filed an appeal against the order before CIR(A) which are pending adjudication. Further the return of income for tax year 2011 has been selected for audit under section 214C of the Income Tax Ordinance, 2001 and certain information/detail has been sought by the department. Reply has been submitted in case of certain information while replies on remaining issues are to be filed shortly.

Management believes that these issues will be decided in favour of the Holding Company without any additional tax liability. Accordingly, no provision has been made in these consolidated financial statements in this regard.

39. LOSS PER SHARE - BASIC AND DILUTED

The calculation of loss per share at December 31 is based on loss attributed to owners of ordinary shares of the Holding Company.

	2014	2013
	----------Rupees in '000----------	
Loss for the year (rupees in 000)	**(30,765,562)**	(45,113,787)
Weighted average number of ordinary shares outstanding	**4,601,368,117**	3,543,738,776
Loss per share attributable to:		
'A' class Ordinary share (Rupees)	**(6.69)**	(12.73)
'B' class Ordinary share (Rupees)	**(3.34)**	(6.37)

39.1 Since the 'advance against equity' is convertible into ordinary share capital of the Holding Company, its impact has been taken into account while calculating 'earnings per share - basic' i.e. loss per share, as the shares against such advance will be issued at par.

39.2 The weighted average number of shares as at December 31, 2014, exceeds the number of authorised shares of the Holding Company.

39.3 Loss per share has no dilution effect.

40. CASH GENERATED FROM OPERATIONS

	2014	2013 (Restated)
	----------Rupees in '000----------	
Loss before tax	**(27,940,046)**	(43,444,228)
Adjustments for:		
Depreciation	**8,987,030**	9,044,855
Gain on disposal of operating fixed assets	**(65)**	(4,775)
Loss on disposal of fixed assets	**95,288**	-
Loss on write off	**836,943**	217,537
Unrealised exchange (gain) / loss	**(2,747,826)**	4,198,361
Amortisation of intangibles	**25,280**	28,952
Provision for slow moving stores and obsolete spares	**295,329**	236,281
Provision for doubtful debts	**244,327**	206,765
Provision for doubtful advances	**388,606**	-
Provision for doubtful deposits	**165,099**	-
Provision for staff retirement benefits	**3,557,441**	2,386,470
Finance cost	**15,016,848**	13,414,851
Share of (profit) / loss from associates	**(933)**	1,456
Profit on bank deposits	**(55,124)**	(32,314)
Deficit released on write off of aircraft	**123,913**	415,544
Other provisions	**104,261**	253,486
	(903,629)	(13,076,759)
Working capital changes		
(Increase) / decrease in stores and spares	**(128,082)**	44,074
(Increase) / decrease in trade debts	**(1,851,772)**	439,634
Decrease in short-term loans and advances	**(189,732)**	983,725
Decrease / (increase) in trade deposits and prepayments	**641,120**	(1,220,615)
Increase in other receivables	**(1,035,494)**	(2,010,924)
Increase in trade and other payables	**20,201,828**	22,843,882
Currency translation difference	**3,487,859**	(3,551,992)
	21,125,727	17,527,784
Cash generated from operations	**20,222,098**	4,451,025

41. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	Key management personnel					
	Managing Director		Head of Department		Executives	
	2014	2013	2014	2013	2014	2013
	----------Rupees in '000----------					
Managerial remuneration	**8,868**	13,031	**149,251**	67,584	**3,449,019**	3,409,616
Holding company's contribution to provident fund	**193**	269	**11,031**	926	**166,195**	171,561
Other perquisites	**1,338**	1,049	**30,749**	10,470	**2,782,684**	2,464,757
	10,399	14,349	**191,031**	78,980	**6,397,898**	6,045,934
Number	**1**	1	**18**	16	**2,830**	3,001

Aggregate amount charged in these consolidated financial statements for fee to directors was Rs. Nil (2013: Rs. Nil). Managing Director 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 PIAIL are also provided with free use of company maintained cars and are entitled for reimbursement of actual medical expenditure.

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

42. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services provided. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that serves different markets.

The airlines operations segment provides air transport and other allied services.

Hotel operation segment provides accommodation and related services in Pakistan, United States and Europe.

Transaction between business segments are set on arm's length basis at price determined under permissible method as allowed under Companies Ordinance, 1984. Segment revenue, segment expenses and segment results include transaction between business segments.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segment are based on the geographical location of its customers.

42.1 Revenue Analysis

	Airlines operations		Hotel operations		Others		Eliminations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	Rupees in '000									
Revenue										
External sales	**99,519,057**	95,771,125	**14,252,942**	14,021,842	**292,447**	324,974	**-**	-	**114,064,446**	110,117,941
Intersegment sales	**-**	-	**-**	-	**-**	-	**(284,358)**	(306,701)	**(284,358)**	(306,701)
Total revenue	**99,519,057**	95,771,125	**14,252,942**	14,021,842	**292,447**	324,974	**(284,358)**	(306,701)	**113,780,088**	109,811,240
Results										
Segment results	**(14,938,817)**	(32,122,800)	**2,011,289**	1,185,187	**60,090**	90,770	**(56,693)**	(818,922)	**(12,924,131)**	(28,298,323)
Interest expense	**(14,372,621)**	(12,588,077)	**(695,252)**	(851,397)	**(3)**	-	**51,028**	24,623	**(15,016,848)**	(13,414,851)
Interest income	**60,877**	32,314	**839**	-	**-**	-	**-**		**61,716**	32,314
Share of associate's loss	**933**	(1,456)	**-**	-	**-**	-	**-**	-	**933**	(1,456)
Income taxes	**(2,911,034)**	388,836	**(332,622)**	(375,321)	**(19,579)**	(16,285)	**-**	-	**(3,263,235)**	(2,770)
Depreciation	**(7,047,656)**	(7,225,589)	**(1,929,286)**	(1,809,047)	**(10,093)**	(10,219)	**-**	-	**(8,987,035)**	(9,044,855)
Amortisation	**(22,039)**	(25,933)	**-**	(1,000)	**-**	(2,019)	**-**	-	**(22,039)**	(28,952)

	Airlines operations		Hotel operations		Others		Eliminations / adjustments		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	Rupees in '000									
Assets and liabilities										
Segment assets	**155,247,810**	158,198,204	**71,642,102**	74,409,583	**349,294**	290,318	**(39,225,026)**	(929,453)	**188,014,180**	231,968,652
Investment in associates	**396**	396		-		-	**66,806**	70,341	**67,202**	70,737
Capital expenditure	**6,106,781**	3,867,334	**557,050**	825,064	**34,417**	9,453	**-**	-	**4,458,801**	4,701,851
Segment liabilities	**295,497,939**	268,934,147	**36,783,949**	39,037,905	**49,471**	30,496	**(4,276,206)**	(1,533,407)	**328,055,153**	306,469,141

42.2 Geographical segments - by area of original sale

	2014					2013				
	Pakistan	**United States**	**Europe**	**Others**	**Total**	Pakistan	United States	Europe	Others	Total
Segment revenue	**50,591,445**	**16,107,705**	**25,949,196**	**21,131,742**	**113,780,088**	43,851,547	16,971,534	24,772,713	23,112,580	108,708,375
Carrying amount of assets	**120,027,571**	**37,727,537**	**30,232,433**	**26,639**	**188,014,180**	179,054,105	424,050	269,355	26,638	179,774,148

The major revenue earning assets comprise the aircraft fleet, all of which are registered in Pakistan. Since the fleet of the Holding company is deployed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

43. FINANCIAL RISK MANAGEMENT

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

43.1 Market risk

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

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 outstanding as of year end, therefore, the Holding Company is not exposed to risk related to fuel price derivative contracts.

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 (USD), Saudi Riyal (SAR), United Arab Emirates Dirham (AED) and Great Britain Pound (GBP). The Group can experience adverse or beneficial effects arising from foreign exchange rate movements. The Group manages some of its currency risk by utilising its foreign currency receipts to satisfy its foreign currency obligations.

The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in the foreign currency exchange rates, with all other variables held constant, on (loss) before tax.

	2014	2013	2014	2013
	Rupees in '000		Rupees in '000	
Change in USD rate	+5%		(5%)	
(Increase) / decrease in loss before tax	**(151,734)**	(5,078,019)	**151,734**	5,078,019
Change in GBP rate	+5%		(5%)	
(Increase) / decrease in loss before tax	**-**	(44,100)	**-**	44,100
Change in SAR rate	+5%		(5%)	
(Increase) / decrease in loss before tax	**-**	(65,899)	**-**	65,899
Change in AED rate	+5%		(5%)	
(Increase) / decrease in loss before tax	**(3,195)**	(39,428)	**3,195**	39,428
Change in Euro rate	+5%		(5%)	
(Increase) / decrease in loss before tax	**(1,524)**	(1,548)	**1,524**	1,548

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:

	2014	2013
Variable rate instruments at carrying amount:	----------Rupees in '000----------	
Long-term financing	**57,355,756**	49,890,754
Term finance and sukuk certificates	**19,589,760**	19,589,760
Liabilities against assets subject to finance lease	**22,008,887**	29,664,422
Short-term borrowings	**59,680,268**	56,666,558
Provision for payable to employees' provident fund	**8,811,335**	7,210,729
Long term deposits and prepayments	**(1,557,557)**	(1,625,014)
	165,888,449	161,397,209
Fixed rate instruments at carrying amount		
Long-term financing	**9,572,725**	49,890,754
Liabilities against assets subject to finance lease	**7,937,454**	11,975,487
Short-term borrowings	**92,099**	80,980
Bank balances	**(3,634,856)**	-
Short-term investments	**-**	-
Long term loans	**(8,929)**	(14,595)
Bank deposits	**401,545**	(932,516)
	14,360,038	61,000,110

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group loss before tax.

	KIBOR		LIBOR	
	2014	2013	**2014**	2013
	---------- Rupees in '000 ----------			
Change in interest rate	----------+1%----------		----------+0.25%----------	
Increase in loss before tax	**(603,659)**	(850,769)	**(497,249)**	(169,513)
Change in interest rate	----------(1%)----------		----------(0.25%)----------	
Decrease in loss before tax	**603,659**	850,769	**497,249**	169,513

d) Other price risk

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

43.2 Liquidity risk

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

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

	Less than 1 year	1 - 5 years	More than 5 years	Total
	----------Rupees in '000----------			
2014				
Long-term financing	**19,124,150**	**46,814,837**	**10,433,468**	**76,372,455**
Term finance and sukuk certificates	**19,589,760**	**-**	**-**	**19,589,760**
Liabilities against assets subject to finance lease	**11,134,040**	**20,537,358**	**-**	**31,671,398**
Trade and other payables	**74,008,703**	**-**	**-**	**74,008,703**
Accrued interest / mark-up / profit	**12,528,208**	**-**	**-**	**12,528,208**
Short-term borrowings	**59,772,367**	**-**	**-**	**59,772,367**
	196,157,228	**67,352,195**	**10,433,468**	**273,942,891**
2013				
Long-term financing	28,543,676	25,262,907	10,500,707	64,307,290
Term finance and sukuk certificates	22,799,393	-	-	22,799,393
Liabilities against assets subject to finance lease	11,527,334	31,559,961	1,608,451	44,695,746
Trade and other payables	56,773,655	-	-	56,773,655
Accrued interest / mark-up / profit	12,799,646	-	-	12,799,646
Short-term borrowings	60,276,102	-	-	60,276,102
	192,719,806	56,822,868	12,109,158	261,651,832

43.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2014 represents the maximum credit exposure, which is as follows:

	2014	2013
	----------Rupees in '000----------	
Long-term investments	**84,232**	49,649
Receivable in respect of Centre Hotel	**763,114**	798,648
Long-term loans	**3,030**	8,696
Long-term deposits	**7,862,492**	7,394,394
Trade debts	**10,975,590**	9,368,145
Short-term loans	**187,813**	150,940
Trade deposits	**676,473**	284,630
Other receivables	**870,553**	1,308,943
Short-term investments	**197,288**	305,019
Bank balances	**6,089,280**	7,230,079
	27,709,865	26,899,143

Trade debts

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

Ageing of past due and impaired trade debts is disclosed in note 12 to the consolidated financial statements.

Other financial assets

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a 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 security against the finance lease obligation. Other deposits are not significantly exposed to credit risk as they have been paid as security deposits to receive future services.

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

43.4 Fair value of financial instruments

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

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

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

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

Investments in quoted security is classified in level 1 input and other investments in unquoted securities are stated at costs. The fair values of all the financial assets and liabilities at the reporting date approximate to their carrying value (refer note 7 and 16).

43.5 Capital management

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

44. TRANSACTIONS WITH RELATED PARTY

The related parties of the Group comprises associates, profit oriented state-controlled entities, employee retirement benefit plans, directors and key management personnel. Transactions with related parties essentially entail sale and purchase of goods and services and expenses charged between these companies. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Transactions with related parties are as follows:

	2014	2013
Retirement funds	----------Rupees in '000----------	
Contribution to Provident Fund and others	**154,040**	448,868
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	**1,780,000**	20,403,298
Insurance premium	**831,677**	1,191,133
Mark-up paid	**5,595,790**	7,354,043
GoP - Major shareholder		
Finance cost	**800,000**	800,000
Hajj revenue	**5,120,440**	4,417,322
Advance against equity from GoP	**4,669,821**	12,993,077
Management fee paid to ACCOR	**133,086**	150,113

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

44.2 Transactions with the directors, chief executives and key management personnel have been disclosed in note 42 to these consolidated financial statements.

44.3 The Holding Company's sales of transportation services to subsidiaries, associates, directors and key management personnel are not determinable.

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

45. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

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

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

Had the exemption not been granted, the accumulated losses as at December 31, 2014 would have been higher by Rs. 725.707 million (2013: Rs. 659.022 million), staff costs and loss after taxation of the Corporation for the year then ended would have been higher by Rs. 66.684 million (2013: Rs. 116.545 million) while earnings per share would have been lower by Rs.0.02 and Rs. 0.01 per share (2013: Rs. 0.03 and Rs. 0.02 per share) for class 'A' and 'B' shareholders respectively.

46. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Board of Directors of the Holding Company in their meeting held on **May 3, 2015.**

Nasser N.S. Jaffer
Chairman

Aslam Khaliq
Director

FORM OF **PROXY**

58TH AGM OF PIA

I / We _____ of _____ being Shareholder(s) of Pakistan International Airlines Corporation holding the following Shares:

Folio No Participant ID No / Account No	"A" Class Shares	"B" Class Shares

hereby appoint Mr / Mrs / Miss _____ of _____ or failing him / her _____ of _____ who is / are also a Shareholder(s) of the Corporation vide Registered Folio / Participant ID No. _____ Account No. _____ as my / our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 58th Annual General Meeting of the Corporation to be held on Friday, May 29, 2015 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of May 2015.

Signed by the said _____ in the presence of

WITNESSES

1.
Name: _____
CNIC No. _____
Address _____

Signature
(Affix Revenue Stamp of Appropriate Value)

2.
Name: _____
CNIC No. _____
Address _____

NOTES

(1) This Proxy Form, duly executed, must be lodged at the office of Secretary-PIA, PIA Head Office, Karachi, not less than 48 hours before the time fixed for holding the Meeting.

(2) No person shall act as Proxy unless he himself/she herself is a Shareholder of the Corporation except that a corporate entity may appoint a person who is not a Shareholder.

(3) Proxies without Folio / Participant ID Number and Account / Sub-Account number will not be entertained.

(4) Signature of the appointer Shareholder should agree with his / her specimen signature registered with the Corporation.

(5) If a Shareholder appoints more than one proxy and more than one instruments of proxy are deposited by a Shareholder with the Corporation, all such instruments shall be rendered invalid.

(6) In addition to the above the following requirements have to be met by CDC Account Holders / Corporate Entities:
   (i) Attested copies of CNIC or Passport of the Beneficial Owner and the Proxy holder shall be furnished with the Proxy Form whereas the Proxy holder shall also show his/her original CNIC or Passport at the Meeting.
   (ii) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the Nominee / Attorney shall be produced at the Meeting unless these documents have already been provided.

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