PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

EY Ford Rhodes
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

EY Ford Rhodes
Chartered Accountants
Progressive Plaza
Beaumont Road
Karachi – 75530

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust, Building No. 2
Beaumont Road
Karachi – 75530

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan International Airlines Corporation Limited (the Holding Company) and its subsidiary companies (the Group) as at December 31, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Holding Company. The consolidated financial statements of PIA Investments Limited (PIAIL) - a subsidiary company was audited by one of the joint auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such 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 PIAIL have qualified their opinion as follows:

   a) As more fully explained in note 5.6 of the accompanying consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence about the carrying value of property, plant and equipment of Roosevelt Hotel Corporation N.V., reported at Rs. 66,793 million ($637 million) as at December 31, 2016, because the Group's management did not take into consideration any costs associated with closing down the operations of the hotel property as well as the salvage value of the contents of the building. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

   b) As more fully explained in note 8.1 to the accompanying consolidated financial statements, receivable from Centre Hotel comprises of the share of joint venture's net current assets amounting to Rs. 792.096 million (US$ 7,555,239) as at April 21, 1997, the date when joint venture period expired. The share has been incorporated based on joint venture's management accounts as at April 21, 1997. The arbitration proceedings concluded during the year 2012, and the Arbitrator ordered Sheikh Khalifa to pay PIAIL a sum of Rs. 666.443 million (US$ 6,355,862) along with interest at the rate of 6% from the date of the issuance of judgment. The said order was ratified by Abu Dhabi commercial court during the year 2013. However, because the eventual outcome / resolution of certain matters as stated in the said note are pending to date, it is not possible to determine with reasonable certainty, the amount which would be recovered.

   c) As more fully explained in note 10.5 to the accompanying consolidated financial statements, during the year ended December 31, 2013, the Group had recognised long term prepayment in respect of a lease amounting to Rs. 76.888 million (US$ 733,280) 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. The Group and PCB agreed to settle the outstanding amounts against sub-lease of the aforementioned parcel of land. The process of carrying out an independent exercise to ascertain the fair value of the subject rights to use the land remains to be completed. Based on the fair value to be determined, Avant will evaluate the recognition of the transaction in accordance with its accounting framework. Because of pending results of these said exercises, we were unable to determine, with reasonable certainty, the carrying value that should have been recognised in respect of the asset and its corresponding effect on equity of the Group.

4. In our opinion, except for the possible effect of the matters stated in paragraph 3 above, the consolidated financial statements present fairly the financial position of the Group as at December 31, 2016 and the results of their operations for the year then ended.

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

   i) note 1.2 which states that during the current year, the Group incurred a net loss of Rs. 45,240.005 million, resulting in accumulated losses of Rs. 307,580.570 million as of December 31, 2016, and, as of that date, the Group's current liabilities exceeded its current assets by Rs. 191,100.252 million. These conditions along with other factors disclosed in the abovementioned note indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

   ii) note 26.5 which states that the Pakistan International Airlines Corporation Provident Fund's contribution of Rs. 10,202.468 million along with mark-up thereon of Rs. 4,185.344 million were not deposited by the Group within stipulated time as required by Section 227 of the repealed Companies Ordinance, 1984.

   iii) note 29.1 which states that the ultimate outcome of the matters referred therein cannot presently be determined and, accordingly, no provision has been made in respect of these matters in the consolidated financial statements.

Our opinion is not qualified in respect of above matters.

Chartered Accountants
Engagement Partner:
Khurram Jameel

Chartered Accountants
Engagement Partner:
Muhammad Nadeem

Date: October 12, 2017
Place: Karachi

Pakistan International Airlines Corporation Limited

Consolidated Balance Sheet

As at December 31, 2016

	Note	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		(Rupees in '000)		(US$ in '000)	
ASSETS					
NON-CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	5	160,599,713	138,098,487	1,531,638	1,316,835
- Intangibles	6	3,444,521	3,490,204	32,850	33,281
		164,044,234	141,588,691	1,564,488	1,350,116
Long-term investments	7	221,960	164,897	2,117	1,572
Receivable in respect of Centre Hotel	8	792,096	792,329	7,554	7,555
Long-term loans and advances	9	520	-	5	-
Long-term deposits and prepayments	10	9,329,709	10,723,347	88,977	102,252
Total non-current assets		174,388,519	153,269,264	1,663,141	1,461,495
CURRENT ASSETS					
Stores and spares	11	2,598,318	3,092,446	24,780	29,488
Trade debts	12	9,218,662	9,870,517	87,918	94,120
Short-term loans and advances	13	2,291,635	1,580,917	21,855	15,075
Trade deposits and short-term prepayments	14	4,516,497	3,130,516	43,074	29,851
Other receivables	15	9,070,706	6,445,893	86,507	61,465
Short-term investment	16	24,981	208,066	238	1,985
Taxation		240,497	153,086	2,294	1,460
Cash and bank balances	17	8,223,821	7,625,242	78,430	72,710
Total current assets		36,185,117	32,106,683	345,096	306,154
TOTAL ASSETS		210,573,636	185,375,947	2,008,237	1,767,649
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital	18	52,345,110	52,345,110	499,215	499,136
Reserves	19	4,325,091	4,395,484	41,248	41,913
Accumulated losses		(307,580,570)	(261,532,285)	(2,933,392)	(2,493,835)
Attributable to the Holding Company's shareholders		(250,910,369)	(204,791,691)	(2,392,929)	(1,952,786)
Non-controlling interest		1,774,904	1,657,742	16,927	15,807
Total equity		(249,135,465)	(203,133,949)	(2,376,002)	(1,936,979)
Surplus on revaluation of property, plant and equipment - net	20	48,260,378	30,949,467	460,259	295,118
NON-CURRENT LIABILITIES					
Long-term financing	21	89,339,698	64,362,044	852,032	613,723
Term finance and sukuk certificates	22	25,289,606	26,707,209	241,187	254,666
Liabilities against assets subject to finance lease	23	5,811,849	13,218,479	55,428	126,045
Long-term deposits		84,646	99,611	807	950
Deferred taxation	24	33,512,827	20,450,267	319,611	195,003
Deferred liabilities	25	30,124,728	24,862,040	287,299	237,071
Total non-current liabilities		184,163,354	149,699,650	1,756,364	1,427,458
CURRENT LIABILITIES					
Trade and other payables	26	132,952,903	110,533,748	1,267,970	1,053,992
Accrued interest	27	13,052,047	11,790,141	124,477	112,424
Provision for taxation - net		542,149	232,263	5,170	2,215
Short-term borrowings	28	34,351,311	36,940,201	327,608	352,243
Current maturities of:					
- Long-term financing	21	30,562,588	27,963,991	291,475	266,650
- Term finance and sukuk certificates	22	8,217,603	13,196,419	78,371	125,834
- Liabilities against assets subject to finance lease	23	7,606,768	7,204,016	72,545	68,694
Total current liabilities		227,285,369	207,860,779	2,167,616	1,982,052
TOTAL LIABILITIES		411,448,723	357,560,429	3,923,980	3,409,510
TOTAL EQUITY AND LIABILITIES		210,573,636	185,375,947	2,008,237	1,767,649
Contingencies and commitments	29				

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

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

Pakistan International Airlines Corporation Limited

Consolidated Profit and Loss account

For the year ended December 31, 2016

	Note	2016	2015	2016	2015
		(Rupees in '000)		(US$ in '000)	
Revenue - net	30	**102,426,552**	104,514,672	**976,841**	996,597
Cost of services					
Aircraft fuel		**(27,152,814)**	(28,573,668)	**(258,956)**	(272,464)
Others	31	**(85,724,830)**	(73,159,440)	**(817,557)**	(697,610)
		(112,877,644)	(101,733,108)	**(1,076,513)**	(970,074)
Gross (loss) / profit		**(10,451,092)**	2,781,564	**(99,672)**	26,523
Distribution costs	32	**(5,657,044)**	(4,947,130)	**(53,951)**	(47,173)
Administrative expenses	33	**(9,275,291)**	(8,264,123)	**(88,458)**	(78,802)
Other provisions and adjustments	34	**(6,748,311)**	(3,816,540)	**(64,359)**	(36,393)
Exchange loss - net		**(298,940)**	(2,065,869)	**(2,851)**	(19,699)
Other income	35	**658,786**	671,767	**6,283**	6,406
		(21,320,800)	(18,421,895)	**(203,336)**	(175,661)
Loss from operations		**(31,771,892)**	(15,640,331)	**(303,008)**	(149,138)
Finance costs	36	**(13,585,691)**	(13,911,907)	**(129,567)**	(132,657)
Share of (loss) / profit in an associate	7.1	**(338)**	612	**(3)**	6
Loss before taxation		**(45,357,921)**	(29,551,626)	**(432,578)**	(281,789)
Taxation	37	**117,916**	(2,579,556)	**1,125**	(24,597)
Loss for the year		**(45,240,005)**	(32,131,182)	**(431,453)**	(306,386)
Attributable to:					
Equity holders of the Holding Company		**(45,248,179)**	(32,149,308)	**(431,531)**	(306,559)
Non-controlling interest		**8,174**	18,126	**78**	173
		(45,240,005)	(32,131,182)	**(431,453)**	(306,386)
Loss per share - basic and diluted		(Rupees)		(US$)	
Loss attributable to:					
'A' class Ordinary shares of Rs 10 each	38	**(8.64)**	(6.31)	**(0.09)**	(0.06)
'B' class Ordinary shares of Rs 5 each	38	**(4.32)**	(3.16)	**(0.05)**	(0.03)

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

Chief Executive Officer **Director**

Chief Executive Officer **Chief Financial Officer**

Pakistan International Airlines Corporation Limited

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

	2016	2015	2016	2015
	(Rupees in '000)		(US$ in '000)	
Loss for the year	**(45,240,005)**	(32,131,182)	**(431,453)**	(306,386)
Other comprehensive income				
Items that will be reclassified subsequently to consolidated profit and loss account				
Unrealised gain on remeasurement of of available for sale investments	**57,666**	11,239	**550**	107
Exchange differences on translation of foreign operations	**(142,761)**	(378,703)	**(1,362)**	(3,611)
	(85,095)	(367,464)	**(812)**	(3,504)
Items that will not be reclassified subsequently to consolidated profit and loss account				
Remeasurement of post retirement defined benefits obligation	**(2,505,797)**	(3,397,005)	**(23,898)**	(32,392)
Effect of deferred tax	**46,172**	900,747	**440**	8,589
	(2,459,625)	(2,496,258)	**(23,458)**	(23,803)
Total comprehensive income - loss	**(47,784,725)**	(34,994,904)	**(455,723)**	(333,693)
Attributable to:				
Equity holders of the Holding Company	**(47,778,197)**	(35,023,059)	**(455,661)**	(333,961)
Non-controlling interest	**(6,528)**	28,155	**(62)**	268
	(47,784,725)	(34,994,904)	**(455,723)**	(333,693)

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

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

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

Pakistan International Airlines Corporation Limited

Consolidated Cash Flow Statement

For the year ended December 31, 2016

	Note	2016	2015	2016	2015
		(Rupees in '000)		(US$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	39	5,165,131	8,994,204	49,260	85,764
Profit on bank deposits received		75,024	38,307	716	365
Finance costs paid		(12,173,178)	(14,649,974)	(116,095)	(139,695)
Taxes paid		(536,956)	(654,178)	(5,121)	(6,238)
Employee benefits paid		(858,008)	(1,018,594)	(8,183)	(9,713)
Proceeds from long-term loans and advances		2,260	4,122	22	39
Long-term deposits and prepayments - net		(671,457)	(2,492,571)	(6,404)	(23,768)
Net cash used in operating activities		(8,997,184)	(9,778,684)	(85,805)	(93,246)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,923,253)	(3,407,383)	(18,342)	(32,491)
Purchase of intangibles		(4,725)	(29,914)	(45)	(285)
Proceeds from sale of property, plant and equipment		7,156	284,820	68	2,716
Proceeds from / (repayments of) short-term investments		183,085	(10,778)	1,746	(103)
Net cash used in investing activities		(1,737,737)	(3,163,255)	(16,573)	(30,163)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from advance against equity from GoP		-	3,974,371	-	37,898
Repayments of long-term financing		(31,473,955)	(13,815,391)	(300,167)	(131,737)
Proceeds from long-term financing		57,554,136	37,518,361	548,893	357,756
Repayment of term finance certificates		(6,396,419)	-	(61,003)	-
(Repayment of) / proceeds from long-term deposits		(14,965)	6,212	(143)	59
Payment of dividend to non-controlling interest		(34,942)	(34,187)	(333)	(326)
Repayments of short term borrowings		-	(3,161,720)	-	(30,149)
Repayments of obligations under finance lease - net		(7,210,999)	(10,408,106)	(68,772)	(99,246)
Net cash from financing activities		12,422,856	14,079,540	118,475	134,255
Increase in cash and cash equivalents		1,687,935	1,137,601	16,097	10,846
Cash and cash equivalents at beginning of the year		2,988,885	1,855,316	28,505	17,692
Effects of exchange rate changes on cash and cash equivalents		(616)	(4,032)	(6)	(38)
Cash and cash equivalents at end of the year		4,676,204	2,988,885	44,596	28,500
Cash and cash equivalents					
Cash and bank balances	17	8,223,821	7,625,242	78,430	72,710
Running finance under mark-up arrangements	28	(3,547,617)	(4,636,357)	(33,834)	(44,210)
		4,676,204	2,988,885	44,596	28,500

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

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

Pakistan International Airlines Corporation Limited
Consolidated Statement of Changes in Equity
For the year ended December 31, 2016

	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 reserve	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, 2014	28,779,674	19,591,065	2,501,038	1,779,674	82,669	375,208	34,388	4,772,977	(227,489,535)	1,562,703	(172,783,116)
Total comprehensive income for the year ended December 31, 2015:											
(Loss) / profit for the year	-	-	-	-	-	-	-	-	(32,149,308)	18,126	(32,131,182)
Other comprehensive income											
- Currency translation differences	-	-	-	-	-	(388,732)	-	(388,732)	-	10,029	(378,703)
- Remeasurement of post retirement defined benefits obligation - net of tax	-	-	-	-	-	-	-	-	(2,496,258)	-	(2,496,258)
- Unrealised gain on remeasurement of investments	-	-	-	-	11,239	-	-	11,239	-	-	11,239
Total comprehensive income for the year transferred to equity	-	-	-	-	11,239	(388,732)	-	(377,493)	(34,645,566)	28,155	(34,994,904)
Surplus arising on property, plant and equipment during the year - net of tax	-	-	-	-	-	-	-	-	-	101,071	101,071
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	602,816	-	602,816
Transactions with owners:											
Advance against equity from GoP	-	3,974,371	-	-	-	-	-	-	-	-	3,974,371
Issuance of shares to GoP	23,565,436	(23,565,436)	-	-	-	-	-	-	-	-	-
	23,565,436	(19,591,065)	-	-	-	-	-	-	-	-	3,974,371
Dividend paid to non - controlling interest	-	-	-	-	-	-	-	-	-	(34,187)	(34,187)
Balance as at December 31, 2015	52,345,110	-	2,501,038	1,779,674	93,908	(13,524)	34,388	4,395,484	(261,532,285)	1,657,742	(203,133,949)
Total comprehensive income for the year ended December 31, 2016:											
(Loss) / profit for the year	-	-	-	-	-	-	-	-	(45,248,179)	8,174	(45,240,005)
Other comprehensive income											
- Currency translation differences	-	-	-	-	-	(129,394)	1,335	(128,059)	-	(14,702)	(142,761)
- Remeasurement of post retirement defined benefits obligation - net of tax	-	-	-	-	-	-	-	-	(2,459,625)	-	(2,459,625)
- Unrealised gain on remeasurement of investments	-	-	-	-	57,666	-	-	57,666	-	-	57,666
Total comprehensive income for the year transferred to equity	-	-	-	-	57,666	(129,394)	1,335	(70,393)	(47,707,804)	(6,528)	(47,784,725)
Surplus arising on property, plant and equipment during the year - net of tax	-	-	-	-	-	-	-	-	-	158,632	158,632
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	721,108	-	721,108
Surplus on revaluation of property, plant and equipment released during the year on account of airfleet retired / written off - net of tax (note 20)	-	-	-	-	-	-	-	-	938,411	-	938,411
Dividend paid to non - controlling interest	-	-	-	-	-	-	-	-	-	(34,942)	(34,942)
Balance as at December 31, 2016	52,345,110	-	2,501,038	1,779,674	151,574	(142,918)	35,723	4,325,091	(307,580,570)	1,774,904	(249,135,465)

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

Chief Executive Officer

Chief Executive Officer

Director

Chief Financial Officer

Pakistan International Airlines Corporation Limited

Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2016

1. THE GROUP AND ITS OPERATIONS

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

Pakistan International Airlines Corporation Limited - Holding Company

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

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

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% (2015: 100%). The 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:

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

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

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

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

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

PIAIL has been consolidated in these consolidated financial statements on the basis of its audited consolidated financial statements for the year ended December 31, 2016.

Skyrooms (Private) Limited (SRL) was incorporated on May 20, 1975 in Pakistan as a private limited company under the Companies Act, 1913 (now repealed Companies Ordinance, 1984). SRL owns and manages Airport Hotel, Karachi. SRL is a wholly owned subsidiary of the Holding Company. SRL has been consolidated on the basis of its management accounts for the year ended December 31, 2016 as the same is not considered to be material to these consolidated financial statements.

Sabre Travel Network Pakistan (Private) Limited (Sabre) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares, under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Sabre markets and distributes a computer reservation system to subscribers in Pakistan, under a sub-distribution agreement with Sabre Asia Pacific (Pte.) Limited (Sabre TN APAC) (an associated Company and joint venture partner), that incorporates a software package which performs various functions including real-time airlines seat reservations, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding Company's controlling interest in Sabre is 70%. Sabre has been consolidated on the basis of its unaudited financial statements for the year ended December 31, 2016 as the same is not considered material to the consolidated financial statements.

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

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

Associate

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

1.2 During the current year, the Group incurred a net loss of Rs. 45,240.005 million (2015: Rs. 32,131.182 million) resulting in accumulated losses of Rs. 307,580.570 million as of December 31, 2016 (December 31, 2015: Rs. 261,532.285 million). Further, as of December 31, 2016, current liabilities of the Group exceeded its current assets by Rs. 191,100.252 million (December 31, 2015: Rs. 175,754.096 million). Furthermore, the Holding Company has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to these consolidated financial statements.

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

- 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, GoP provided long-term financing aggregating to 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; and

- 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).

During the year ended December 31, 2013, 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. 11,100 million becoming due in year 2013;

- Rollover / extension of GoP guarantees amounting to approximately Rs. 51,160 million;

- New guarantees against loans already taken on the basis of letter of comfort amounting to Rs. 13,500 million;

- Additional funding to provide fiscal space to the Holding Company amounting to Rs. 12,000 million; and

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

Consequent to the above approval, 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.

During the year ended December 31, 2014, the ECC in principle approved the following financial measures for the Holding Company:

- Issuance of GoP guarantees amount to Rs. 14,000 million enabling the Holding Company for acquisition of loans from different banks to cater immediate funding requirements;

- Issuance of GoP guarantees to the extent the Holding Company pays its guaranteed loans; and

- Funds of US$ 52 million for acquisition of aircrafts on dry lease and immediately released Rs. 1,297 million for this purpose.

During the year ended December 31, 2015, the remaining amount of Rs. 3,974 million out of US$ 52 million was received by the Holding Company. The Holding Company has issued 2,356.54 million shares of Rs. 10 each amounting to Rs. 23,565.436 million to GoP in lieu of advance against equity (refer note 18.2). However, the legal formalities for the said issuance are still in process. The Holding Company successfully concluded a GoP, Ex-Im / Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) guaranteed loan facility of US$ 124.9 million to fund overhauling (refer note 21.6 and 21.9).

During the current year, the ECC in principle enhanced GoP guarantee limit by Rs. 5,000 million. Further, during the year, the Ministry of Finance has approved the restructuring of Sukuk Certificates (refer note 22.2).

As at December 31, 2016, the Holding Company is operating with a fleet size of 33 aircraft with eleven (11) B - 777, one (1) A - 330, eleven (11) A - 320, five (05) ATR - 72 and six (05) ATR - 42 aircraft. The Holding Company is also in the process of acquisition of more aircraft on dry lease for which tenders have been floated for acquisition of four wide body and four narrow body aircraft.

In addition to the above measures taken by the Holding Company and 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. 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. 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail (refer note 2.6.8).

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$ 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$ amounts in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement have been translated into US$ at the rate of Rs. 104.8549 = US$ 1 (2015: Rs. 104.8715 = 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, 2016.

2.4.1 Subsidiaries

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the 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.

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

2.5 New standards, amendments to approved accounting standards and new interpretations to existing standards that are effective for the year ended December 31, 2016

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2016 but are considered not to be relevant or do not have any significant effect on the Group's consolidated financial statements and are therefore not stated in these consolidated financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2017:

2.6.1 Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Group's consolidated financial statements.

2.6.2 Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on the Group's consolidated financial statements.

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

2.6.4 Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Group's consolidated financial statements.

2.6.5 **Annual improvements to IFRS standards 2014 - 2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:**

2.6.5.1 Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 01, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on the Group's consolidated financial statements.

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

2.6.6 IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

2.6.7 IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

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

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

Based on preliminary assessment of changes in the Act, if applied at December 31, 2016, would have had a material impact on its accounting for surplus / deficit on revaluation of fixed assets. Loss and other comprehensive income for the year ended December 31, 2016 would have been higher by Rs. 1,052.024 million and Rs. 20,022.454 net of tax, respectively. Also the accumulated losses and surplus reserve in equity would have been higher by Rs. 13,774.625 million and Rs. 62,035.003 million resultantly, net equity as at December 31, 2016 would have been higher by Rs. 48,260.378 million.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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 annual and periodic valuations carried out by independent professional valuers. Any change in estimate in future might affect the carrying amounts of the respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, surplus on revaluation and annual transfer of incremental / decremental effect of depreciation from 'surplus on revaluation of property, plant and equipment' account to accumulated loss in equity directly.

Change in accounting estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2015, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in useful lives and residual values of aircraft, the related capital spares and depreciation expense pertaining to aircraft fleet with the related capital spares for the year would have been higher by Rs. 417.033 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of aircraft fleet, the related capital spares under the revaluation model and inherent uncertainties attached thereto.

3.2 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 25.4 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 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.

Change in accounting estimates

The management has reassessed the useful lives and residual values of stores and spares during the year ended December 31, 2016. These changes in accounting estimates have an impact on provision charge for the year for slow moving and obsolete spares. Had there been no change in the useful lives and residual values of stores and spares aircraft, the related provision for the year pertaining to stores and spares would have been higher by Rs. 22.363 million, whereas the effect on future years is impracticable to ascertain considering subsequent reassessment of useful lives and residual values of stores and spares and inherent uncertainties attached thereto.

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

3.7 Revenue recognition

Revenue for passenger tickets and cargo airway bills is recognised when the transportation services are provided. The passenger tickets 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 unearned 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 significant accounting policies set out below are consistently applied for all periods presented in these consolidated financial statements.

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

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

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

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

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

Depreciation is charged to the consolidated profit and loss account, applying the straight-line method whereby the cost or revalued amount of assets, less their residual values, is written down over their expected useful lives. The rates of depreciation are disclosed in note 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, hotel property and building at revaluation model) are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence and other similar factors. The useful lives of aircraft fleet, hotel property and building at revaluation model are determined by management based on the appraisal of an independent valuer. The asset's residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each reporting date.

Surplus on revaluation of aircraft fleet, leasehold land and buildings and hotel property is credited to the surplus on revaluation of property, plant and equipment account and is shown in the consolidated balance sheet below share capital and reserves. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Cost / revalued

amount at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. To the extent of the incremental / reduced depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings.

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

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

Capital spares

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

Capital work-in-progress

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

Leased

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

Finance lease

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

Operating lease

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

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 initially recorded at fair value and attributable transaction costs are recognised in consolidated profit and loss account. Subsequently, these are carried at market value, with the related surplus / (deficit) being taken to the consolidated profit and loss account.

Held to maturity

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

Loans and receivables

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

Available for sale

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

4.3 Stores and spares

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

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

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

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

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

Post-retirement medical benefits

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

Compensated absences

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

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)*

Gratuity fund scheme

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

Provident fund scheme

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

4.8.4 *Roosevelt Hotel Corporation N.V. (RHC)*

Defined contribution retirement benefit plan

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

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

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

Short-term employee benefits

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

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

4.8.5 *Minhal France S.A. (MFSA)*

Employees pension plan

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

4.8.6 *Sabre Travel Network Pakistan (Private) Limited (Sabre)*

Provident fund

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

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.

Current

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

Deferred taxation

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

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

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

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

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

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

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

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

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

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

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

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the 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 including goodwill and liabilities of foreign entities are translated into Pakistan Rupees at reporting date exchange rates. Income and expense items are translated at exchange rates approximating the rates of exchange at the dates of the transactions. Items of equity are carried at their historical values. Differences in exchange rates are recognised as foreign currency translation reserve and are included in other comprehensive income.

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

4.17 Derivative financial instruments

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

4.18 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

	Note	2016	2015
		(Rupees in '000)	
Operating fixed assets:			
- owned	*5.1*	**122,023,247**	85,132,362
- leased	*5.2*	**37,837,080**	52,605,356
		159,860,327	137,737,718
Capital work-in-progress	*5.10*	**739,386**	360,769
		160,599,713	138,098,487

5.1 Owned fixed assets

2016

	Land		Buildings on:		Hotel property (note 5.5)	Workshops and hangars	Renovation and improvements	Aircraft fleet (notes 5.1.3, 5.4 and 5.6)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools	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 (note 5.6)	Total
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other land																				
	Rupees in '000																							
As at December 31, 2015																								
Cost or revalued amount	6,897,860	24,400	2,660,573	1,005,275	73,863,865	913,499	827,651	15,912,619	788,718	1,674,040	1,941,871	8,680,944	388,057	89,001	1,784,858	1,044,107	15,039	11,799	15,229	5,925	2,799	1,536,832	8,571,056	128,656,017
Accumulated depreciation	-	-	(1,045,463)	(447,621)	(14,270,125)	(814,531)	(824,629)	(6,493,017)	(735,176)	(1,527,229)	(1,667,716)	(6,919,092)	(375,816)	(85,694)	(1,682,992)	(1,042,823)	(15,039)	(11,799)	(11,121)	(5,102)	(2,778)	(749,977)	(4,795,915)	(43,523,655)
Net book value	6,897,860	24,400	1,615,110	557,654	59,593,740	98,968	3,022	9,419,602	53,542	146,811	274,155	1,761,852	12,241	3,307	101,866	1,284	-	-	4,108	823	21	786,855	3,775,141	85,132,362
Year ended December 31, 2016																								
Opening net book value	6,897,860	24,400	1,615,110	557,654	59,593,740	98,968	3,022	9,419,602	53,542	146,811	274,155	1,761,852	12,241	3,307	101,866	1,284	-	-	4,108	823	21	786,855	3,775,141	85,132,362
Additions / transfers	-	-	1,400	-	-	105	32,681	629,170	18,352	91,394	488	278,097	10,810	26,467	60,753	-	-	-	3,399	-	-	6,968	363,272	1,523,356
Revaluation																								
Cost or revalued amount	-	-	-	-	31,895,620	-	-	(50,709)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,844,911
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	31,895,620	-	-	(50,709)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,844,911
Translation adjustments																								
Cost or revalued amount	-	-	-	-	(312,237)	-	-	-	-	-	-	(103,954)	(2)	-	-	-	-	-	-	-	-	-	-	(416,193)
Accumulated depreciation	-	-	-	-	114,171	-	-	-	-	-	-	74,006	1	-	-	-	-	-	-	-	-	-	-	188,178
	-	-			(198,066)	-	-	-	-	-	-	(29,948)	(1)	-	-	-	-	-	-	-	-	-	-	(228,015)
Adjustments / transfer																								
Cost or revalued amount	-	-	-	-	-	-	-	13,048,597	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,881)	13,017,716
Accumulated depreciation	-	-	-	(39,408)	-	6,926	38,327	(1,121,645)	(405)	30,246	(168,520)	(9,856)	(421)	(106)	15,344	6,948	-	-	-	-	-	(171,737)	16,865	(1,397,442)
	-	-	-	(39,408)	-	6,926	38,327	11,926,952	(405)	30,246	(168,520)	(9,856)	(421)	(106)	15,344	6,948	-	-	-	-	-	(171,737)	(14,016)	11,620,274
Disposals																								
Cost or revalued amount	-	-	-	-	-	-	(279)	(1,117,695)	(6,089)	-	(369)	(28,637)	(16,574)	(569)	(13,993)	-	-	-	-	-	-	(396)	(6,716)	(1,191,317)
Accumulated depreciation	-	-	-	-	-	-	279	107,706	6,089	-	357	24,106	16,325	569	13,978	-	-	-	-	-	-	377	5,447	175,233
	-	-	-	-	-	-	-	(1,009,989)	-	-	(12)	(4,531)	(249)	-	(15)	-	-	-	-	-	-	(19)	(1,269)	(1,016,084)
Write off / retirement																								
Cost or revalued amount	-	-	-	-	-	-	-	(5,186,204)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,803,157)	(6,989,361)
Accumulated depreciation	-	-	-	-	-	-	-	3,470,135	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,607,565	5,077,700
	-	-	-	-	-	-	-	(1,716,069)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(195,592)	(1,911,661)
Depreciation charge for the year	-	-	(220,991)	(23,042)	(1,432,631)	(11,036)	(19,190)	(2,277,308)	(22,570)	(70,800)	(30,260)	(392,256)	(9,436)	(6,660)	(54,175)	(3,672)	-	-	(731)	(86)	(2)	(111,862)	(255,188)	(4,941,896)
Closing net book value	6,897,860	24,400	1,395,519	495,204	89,858,663	94,963	54,840	16,921,649	48,919	197,651	75,851	1,603,358	12,944	23,008	123,773	4,560	-	-	6,776	737	19	510,205	3,672,348	122,023,247
As at December 31, 2016																								
Cost or revalued amount	6,897,860	24,400	2,661,973	1,005,275	105,447,248	913,604	860,053	23,235,778	800,981	1,765,434	1,941,990	8,826,450	382,291	114,899	1,831,618	1,044,107	15,039	11,799	18,628	5,925	2,799	1,543,404	7,093,574	166,445,129
Accumulated depreciation	-	-	(1,266,454)	(510,071)	(15,588,585)	(818,641)	(805,213)	(6,314,129)	(752,062)	(1,567,783)	(1,866,139)	(7,223,092)	(369,347)	(91,891)	(1,707,845)	(1,039,547)	(15,039)	(11,799)	(11,852)	(5,188)	(2,780)	(1,033,199)	(3,421,226)	(44,421,882)
Net book value	6,897,860	24,400	1,395,519	495,204	89,858,663	94,963	54,840	16,921,649	48,919	197,651	75,851	1,603,358	12,944	23,008	123,773	4,560	-	-	6,776	737	19	510,205	3,672,348	122,023,247
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	20	4 - 100	10	10	10	10	25	15	10	10	20	10	10	10	20	10	4 - 100	

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 disposed off / retired / written off aircraft fleet and engines having net book value of Rs. 2,726.058 million (2015: Rs. 269.244 million). The related deficit amounting to Rs. 971.386 million (2015: Rs. 53.196 million) included in surplus on revaluation has been released to consolidated profit and loss account (refer note 34)

Owned fixed assets

	2015																					
	Land		Buildings on		Hotel property (note 5.5)	Workshops and hangars	Renovation and improvements	Aircraft fleet (notes 5.1.3 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools	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
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other land																		
	Rupees in '000																					
As at December 31, 2014																						
Cost or revalued amount	6,897,860	24,400	2,391,892	919,740	70,368,485	912,800	804,499	14,871,011	779,786	1,628,704	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	122,467,709
Accumulated depreciation	-	-	(462,858)	(398,101)	(12,687,971)	(802,147)	(795,453)	(5,437,550)	(703,951)	(1,461,183)	(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)	(38,445,817)
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	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
Year ended December 31, 2015																								
Opening 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	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
Additions / transfers	-	-	-	1,514	215,280	699	22,917	1,127,446	9,892	46,273	4,922	26,831	6,649	58	34,077	-	-	-	159	-	-	27,472	268,774	1,792,963
Revaluation																								
Cost or revalued amount	-	-	-	-	1,515,948	-	-	210,481	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,726,429
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	1,515,948	-	-	210,481	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,726,429
Translation adjustments																								
Cost or revalued amount	-	-	-	-	1,764,152	-	-	-	-	-	-	(59,291)	438	-	-	-	-	-	-	-	-	-	-	1,705,299
Accumulated depreciation	-	-	-	-	(215,836)	-	-	-	-	-	-	7,496	(247)	-	-	-	-	-	-	-	-	-	-	(208,587)
	-	-	-	-	1,548,316	-	-	-	-	-	-	(51,795)	191	-	-	-	-	-	-	-	-	-	-	1,496,712
Adjustments / transfer																								
Cost or revalued amount	-	-	(96,302)	96,302	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	784,084	784,084
Accumulated depreciation	-	-	37,828	(37,828)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(784,084)	(784,084)
	-	-	(58,474)	58,474	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write off / retirement																								
Cost or revalued amount	-	-	-	-	-	-	-	(296,319)	(960)	(937)	-	(11,276)	(14,076)	(220)	(1,035)	-	-	-	-	-	-	(1,096)	(19,124)	(345,043)
Accumulated depreciation	-	-	-	-	-	-	-	27,076	819	937	-	10,212	11,645	193	810	-	-	-	-	-	-	739	7,935	60,366
	-	-	-	-	-	-	-	(269,243)	(141)	-	-	(1,064)	(2,431)	(27)	(225)	-	-	-	-	-	-	(357)	(11,189)	(284,677)
Write off																								
Cost or revalued amount	-	-	364,983	(12,281)	-	-	235	-	-	-	-	-	-	85	4,311	167,128	-	-	-	-	-	115	-	524,576
Accumulated depreciation	-	-	(364,983)	12,281	-	-	(235)	-	-	-	-	-	-	(85)	(4,311)	(167,128)	-	-	-	-	-	(115)	-	(524,576)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	(255,450)	(23,973)	(1,366,318)	(12,384)	(28,941)	(1,082,543)	(32,044)	(66,983)	(22,725)	(461,056)	(4,208)	(1,377)	(58,229)	(6,912)	-	-	(217)	(41)	-	(121,440)	(76,116)	(3,620,957)
Closing net book value	6,897,860	24,400	1,615,110	557,654	59,593,740	98,968	3,022	9,419,602	53,542	146,811	274,155	1,761,852	12,241	3,307	101,866	1,284	-	-	4,108	823	21	786,855	3,775,141	85,132,362
As at December 31, 2015																								
Cost or revalued amount	6,897,860	24,400	2,660,573	1,005,275	73,863,865	913,499	827,651	15,912,619	788,718	1,674,040	1,941,871	8,680,944	388,057	89,001	1,784,858	1,044,107	15,039	11,799	15,229	5,925	2,799	1,536,832	8,571,056	128,656,017
Accumulated depreciation	-	-	(1,045,463)	(447,621)	(14,270,125)	(814,531)	(824,629)	(6,493,017)	(735,176)	(1,527,229)	(1,667,716)	(6,919,092)	(375,816)	(85,694)	(1,682,992)	(1,042,823)	(15,039)	(11,799)	(11,121)	(5,102)	(2,778)	(749,977)	(4,795,915)	(43,523,655)
Net book value	6,897,860	24,400	1,615,110	557,654	59,593,740	98,968	3,022	9,419,602	53,542	146,811	274,155	1,761,852	12,241	3,307	101,866	1,284	-	-	4,108	823	21	786,855	3,775,141	85,132,362
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	20	4 - 100	10	10 - 20	10 - 20	10	25	15	10 - 20	10	20	10	10	10	20	10	4 - 100	

5.2 Leased fixed assets	Note	Aircraft fleet	Ground equipment	Total
		(Rupees in '000)		
As at January 01, 2015				
Cost or revalued amount		65,614,620	-	65,614,620
Accumulated depreciation		(8,230,600)	-	(8,230,600)
Net book value		57,384,020	-	57,384,020
Year ended December 31, 2015				
Opening net book value		57,384,020	-	57,384,020
Additions / transfers		3,665,905	-	3,665,905
Revaluation				
Cost or revalued amount	5.4	(4,153,965)	-	(4,153,965)
Accumulated depreciation		-	-	-
		(4,153,965)	-	(4,153,965)
Depreciation charge for the year		(4,290,604)	-	(4,290,604)
Closing net book value		52,605,356	-	52,605,356
As at December 31, 2015				
Cost or revalued amount		65,126,560	-	65,126,560
Accumulated depreciation		(12,521,204)	-	(12,521,204)
Net book value		52,605,356	-	52,605,356
Year ended December 31, 2016				
Opening net book value		**52,605,356**	-	**52,605,356**
Additions / transfers		-	**75,387**	**75,387**
Revaluation				
Cost or revalued amount	5.4	**367,879**	-	**367,879**
Accumulated depreciation		-	-	-
		367,879	-	**367,879**
Transfer to owned fixed assets				
Cost or revalued amount		**(15,764,571)**	-	**(15,764,571)**
Accumulated depreciation		**3,837,619**	-	**3,837,619**
		(11,926,952)	-	**(11,926,952)**
Depreciation charge for the year		(3,283,962)	(628)	(3,284,590)
Closing net book value		37,762,321	74,759	37,837,080
As at December 31, 2016				
Cost or revalued amount		**49,729,868**	**75,387**	**49,805,255**
Accumulated depreciation		(11,967,547)	(628)	(11,968,175)
Net book value		37,762,321	74,759	37,837,080
Annual depreciation rate (%)		4 - 17	10	

5.2.1 Aircraft fleet includes no engine (2015: One engines) held by a third party for overhauling purpose as at December 31, 2016. The carrying value of engine at year end is Rs. Nil (2015: Rs. 1,880.599 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.

5.4 Aircraft fleet

The aircraft fleet of the Holding Company was revalued by an independent valuer, Ascend Flight Global Consultancy (UK), on the basis of professional assessment of current market values as of December 31, 2016. 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 and engine limited life parts.

5.5 As at December 31, 2015, the aircraft fleet included eight A-310 aircraft including spares engines which were stated at revalued amount of Rs. 2,412.537 million with a surplus of Rs. 27.165 million included in the surplus on revaluation of fixed assets account. During the first six months, four A-310 aircraft were permanently grounded / retired from operation and remaining four aircraft were grounded/retired from operation during last six months.

During the year, international tenders were floated for the four A-310s ground / retired from operation in last six months but either no bids were received or bids were nominal amounts. One aircraft (A - 310, AP - BEQ) was transported to Germany in November 2016 before the completion of formal bidding procedures. The inquiry in respect of this was initiated and it has been decided that A-310, AP-BEQ with major components should be sold at Leipzig, Germany at competitive prices on "As is where is basis" while following all applicable rules, regulations and practices while carrying out this transaction. However, no progress in this respect has been made to date.

In view of the above, a loss of Rs. 3,342.928 million has been recorded in the consolidated profit and loss account which comprise of carrying value of eight airframes of A-310 aircraft including spare engines, related capital spares, stores and spares and release of deficit from surplus on revaluation of fixed assets amounting to Rs. 1,716.176 million, Rs. 175.502 million, Rs. 479.864 million and Rs. 971.386 million, respectively. In addition to above, a surplus of Rs. 920.989 million from surplus on revaluation of fixed assets has been released directly to equity in accordance with the Group's policy.

5.6 Hotel properties

Roosevelt Hotel Corporation N.V.

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

The 2016 highest and best use determination was based on HVS' evaluation of comparable sales for mixed use Class "A" office and retail development in the midtown area of New York City. In connection with the valuation, HVS concluded a value of the land to be US$ 1,000 (Rs. 104,855) per square foot of developed area, or US$ 637 million (Rs. 66,793 million) . The "as is" value determined by HVS is significantly less than the highest and best use value as a result of the age of the hotel building and the hotel operations.

The concluded value incorporated an estimated cost of US$ 12,595,000 (Rs. 1,320.647 million) to demolish the existing improvements, but did not take into consideration any costs associated with closing down the operations of the Hotel, including payments to employees or other requirements under collective bargaining agreements, nor had consideration been given to salvage value to the contents of the building. The Management considers that in order to determine the said closing/exit costs, RHC would have to engage various sets of professionals which would entail a major expense for RHC and therefore it is currently difficult to determine.

In addition, HVS concluded in its 2016 valuation the "as is" market value of the Hotel as of December 31, 2016, including its real and personal property and excess development capacity (in the form of transferrable development rights), assuming continued operation as a Hotel was US$ 302,600,000 (Rs. 31,729.093 million).

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

-	Discount rate	**8.20%**
-	Stabilized year	**2021**
-	Rate of inflation	**3%**
-	Terminal Cap Rate	**4%**

RHC recorded the value determined as the highest and best use of the property, which represents only the value of the land. Therefore, this value has been allocated to building and furniture and fixtures based on the fair value of their current use "as-is" in order to reflect the use of these assets in the current operations of RHC. The remaining balance of the total value was allocated to land.

RHC applied a methodology consistent with allocations of the components of the hotel's property, plant and equipment in its 2016 revaluation based on HVS' opinion. Of the "as is" value of US$ 302,600,000 (Rs. 31,729.093 million). Resultantly, US$ 127,760,000 (Rs. 13,396.262 million) was allocated to land, US$ 165,357,211 (Rs. 17,338.514 million) was allocated to building, US$ 6,550,125 (Rs. 686.813 million) was allocated to furniture and fixtures and US$ 2,932,664 (Rs. 307.504 million) was allocated to renovations in process. The excess of the concluded value between the highest and best use and "as is" valuations, US$ 334,400,000 (Rs. 35,063.478 million), was allocated to land.

Minhal France S.A.

The latest valuation of the Scribe Hotel was carried out as at December 31, 2016 by an independent appraiser. The appraiser determined that the market value of the freehold interest in Scribe Hotel as on December 31, 2016 amounted to Euro 225,000,000 (US$ 237,172,500) (2015: Euro 208,000,000) approximately Rs. 24,868.699 million using Discounted Cash flow (DCF) method with an exit cap of 5.4% and discount rate of 6.4% which is higher than their alternative and recorded accordingly. This valuation includes lands, buildings and improvements and furniture and equipment. However, fair value of furniture and equipment approximates its carrying value resulting in the entire revaluation surplus allocated to lands, buildings and improvements. Before revaluation the carrying value of lands, buildings and improvements at December 31, 2016 amounted to US$ 206,771,497 approximately Rs. 21,681.005 million and accordingly during the year a surplus of US$ 22,692,371 approximately Rs. 2,379.406 million has been credited to 'surplus on revaluation of property, plant and equipment'.

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

	2016		
	Cost	**Accumulated Depreciation**	**Book value**
	(Rupees in '000)		
Leasehold land	**44,166**	**-**	**44,166**
Buildings on leasehold land	**258,148**	**136,918**	**121,230**
Hotel properties	**20,172,332**	**6,590,556**	**13,581,776**
Aircraft fleet	**100,581,255**	**41,621,719**	**58,959,536**
	121,055,901	**48,349,193**	**72,706,708**

	2015		
	Cost	Accumulated Depreciation	Book value
	(Rupees in '000)		
Leasehold land	44,166	-	44,166
Buildings on leasehold land	258,148	131,208	126,940
Hotel properties	20,175,526	6,068,524	14,107,002
Aircraft fleet	128,121,496	61,765,790	66,355,706
	148,599,336	67,965,522	80,633,814

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

	Note	**2016**	2015
		(Rupees in '000)	
Cost of services - others	*31*	**8,190,633**	7,874,189
Distribution costs	*32*	**13,369**	14,206
Administrative expenses	*33*	**22,484**	23,166
		8,226,486	7,911,561

5.9 Following 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 Car Reg. No. Atf-347	Mr. Rashid Ahmed	Group's policy	1,094	1,094	-	127
Toyota Corolla Car Reg. No. Asv-465	Mr. Sohail Yaqoob	-----do-----	1,094	1,094	-	127
Toyota Corolla Car Reg. No. Aun-142	Mr. Zahid Hamid	-----do-----	1,159	1,159	-	135
Toyota Corolla Car Reg. No. Auw-848	Mr. Omar Razzaq	-----do-----	1,159	1,159	-	135
Toyota Corolla Car Reg. No. Auw-594	Mr. Waqar Ahmed Siddiqui	-----do-----	1,144	1,144	-	135
Toyota Corolla Car Reg. No. Avh-630	Mr. Haneef Rana	-----do-----	1,200	1,200	-	140
Toyota Corolla Car Reg. No. Avg-307	Mr. Younus M. Khan	-----do-----	1,200	1,200	-	140
Toyota Corolla Car Reg. No. Azj-073	Mr. Khurrum Mushataq	-----do-----	1,325	1,076	249	154
Toyota Corolla Car Reg. No. Awd-696	Mr. Muhammad Altaf Tahir	-----do-----	1,202	1,202	-	140
Toyota Corolla Car Reg. No. Awd-421	Mr. Muhammad Tarique	-----do-----	1,202	1,202	-	140
			11,779	**11,530**	**249**	**1,373**
Aircraft fleet - AP-BHO (refer note 15.1)		Insurance claim	1,117,695	107,706	1,009,989	1,258,295
Aggregate value of other items where NBV is above Rs 50,000 - Various*			39,333	33,561	5,772	5,772
Aggregate value of items where NBV is less than Rs 50,000 - Various			22,511	22,436	75	12
		2016	**1,191,318**	**175,233**	**1,016,085**	**1,265,452**
		2015	345,043	60,366	284,677	284,820

* 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.

5.10 **Capital work-in-progress**

	Aircraft fleet	Others	Total
	(Rupees in '000)		
Year ended December 31, 2016			
Balance at beginning of the year	**155,106**	**205,663**	**360,769**
Adjustment	**(155,106)**	**-**	**(155,106)**
Additions during the year	**629,170**	**852,804**	**1,481,974**
Transfer to operating assets	**(629,170)**	**(319,081)**	**(948,251)**
Balance at end of the year	**-**	**739,386**	**739,386**
Year ended December 31, 2015			
Balance at beginning of the year	2,076,687	448,426	2,525,113
Adjustment / provision	200,294	(313,153)	(112,859)
Additions during the year	1,544,030	189,164	1,733,194
Transfer to operating assets	(3,665,905)	(118,774)	(3,784,679)
Balance at end of the year	155,106	205,663	360,769

6. INTANGIBLES

	Note	Computer software	Goodwill	Total
		(Rupees in '000)		
As at December 31, 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
Year ended December 31, 2015				
Opening net book value		80,717	3,631,150	3,711,867
Additions during the year		29,914	-	29,914
Translation and other adjustment		(1,011)	(225,366)	(226,377)
Amortisation charge for the year	*6.1*	(25,200)	-	(25,200)
Net book value		84,420	3,405,784	3,490,204
As at December 31, 2015				
Cost		410,907	3,405,784	3,816,691
Less: accumulated amortisation		(326,487)	-	(326,487)
Net book value		84,420	3,405,784	3,490,204
Year ended December 31, 2016				
Opening net book value		**84,420**	**3,405,784**	**3,490,204**
Additions during the year		**4,725**	**-**	**4,725**
Translation and other adjustment		**(21,626)**	**(541)**	**(22,167)**
Amortisation for the year	*6.1*	**(28,241)**	**-**	**(28,241)**
Net book value		**39,278**	**3,405,243**	**3,444,521**
As at December 31, 2016				
Cost		**415,632**	**3,405,243**	**3,820,875**
Less: accumulated amortisation		**(376,354)**	**-**	**(376,354)**
Net book value		**39,278**	**3,405,243**	**3,444,521**
Useful Life		**5 years**		

	Note	2016	2015
		(Rupees in '000)	
6.1 Amortisation for the year has been allocated as under:			
Cost of services - others	*31*	**11,396**	5,625
Administrative expenses	*33*	**16,845**	19,575
		28,241	25,200

7. LONG - TERM INVESTMENTS

	Note	2016	2015
		(Rupees in '000)	
Associate	7.1 & 7.2	**68,823**	69,426
Other investments	7.3	**153,137**	95,471
		221,960	164,897

7.1 Movement in investment in an Associate - unquoted

Balance at beginning of the year	**69,426**	67,203
Share of profit during the year	**(338)**	612
	69,088	67,815
Translation adjustment	**(265)**	1,611
Balance at end of the year	**68,823**	69,426

7.2 Associate - unquoted

Summarised financial information of the associate along with Group's the respective share is as follows:

	Name of associate	Country of incorporation	Total assets	Total liabilities	Revenue	(Loss) / Profit	Interest held by the Group
			---------- (Rupees in '000) ----------				(%)
2016	**Minhal Incorporated**	**British Virgin Islands**	**184,586**	**3,023**	**-**	**(846)**	**40%**
2015	Minhal Incorporated	British Virgin Islands	186,086	3,025	-	1,529	40%

7.3 Other investments

	Note	2016	2015
		(Rupees in '000)	
Available for sale	7.3.1	**153,137**	95,471

7.3.1 Available for sale

Quoted

Pakistan Services Limited

172,913 (2015: 172,913) ordinary shares of Rs 10 each having market value per ordinary share of Rs. 883 (2015: Rs. 550) each	**152,768**	95,102

Unquoted

Pakistan Tourism Development Corporation Limited

10,000 (2015: 10,000) ordinary shares of Rs. 10 each	**100**	100

Duty Free Shops (Private) Limited - Pakistan

87,512 (2015: 87,512) ordinary shares of Rs. 100 each	**269**	269
	153,137	95,471

8. RECEIVABLE IN RESPECT OF CENTRE HOTEL	Note	2016	2015
		(Rupees in '000)	
	8.1	792,096	792,329

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 08, 1977 and simultaneously entered in a Joint Venture Agreement on the same day to construct and operate a hotel on a land owned by Sheikh Hamdan, to be known as Centre Hotel. Subsequently, under a Supplemental Agreement dated January 12, 1978 the rights and obligations of 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$ 6.360 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 02, 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 08, 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 a grievance against the said execution order, and on December 23, 2014, the Execution Judge ordered the suspension of execution proceedings on the ground that Abu Dhabi Economic Department had advised that since the Centre Hotel was owned by the heirs of Sheikh Hamdan Al Nahyan, therefore, its title could not be transferred to Sheikh Khalifa alone as he had several other legal heirs as well. Based on the same, the Execution Court could not execute the arbitration award i.e. to pay the amount awarded by the arbitrator to PIAIL. PIAIL filed an appeal against the said suspension, however, the court disallowed the same.

During the year, based on PIAIL's application, the Execution Department re-opened the case, and various hearings were held in the matter. Finally, on February 28, 2017, the Execution judge ordered to resume the execution proceedings against Sheikh Khalifa, whereby, the Court has decided to approach various competent authorities to attach Sheikh Khalifa's assets, bank accounts, cars and shares in Dubai and Abu Dhabi stock markets after determination of amount to be executed by the Court accountant. Sheikh Khalifa has not filed an appeal against the said order. As per court order, the Court accountant has determined the PIAIL's claim amount along with interest in the sum of AED 29,940,041. Subsequently, the Court issued a letter to Abu Dhabi's Identity Department to get a copy of Sheikh Khalifa's ID and passport in order to process the letters to various competent authorities.

The management is confident that the amount of AED 23,341,905 along with interest at the rate of 6% from the issuance of the aforementioned judgement will eventually be received by PIAIL. Accordingly, it (the management) 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 21 April 1997, as an asset in the enclosed consolidated financial statements as it believes that the eventual receipt against the arbitration award will not be materially different from the amount recognised as asset.

9. LONG-TERM LOANS AND ADVANCES

	Note	2016	2015
		(Rupees in '000)	
Secured, considered good			
Employees	*9.1*	**2,547**	4,807
Current maturity shown under short-term loans and advances	*13*	**(2,027)**	(4,807)
		520	-

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% (2015: 8% to 20%) per annum and is receivable within four years from the date of disbursement. There are no loans to directors, chief executive officer or other executives.

10. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2016	2015
		(Rupees in '000)	
Deposits			
Considered good			
Aircraft fleet lease deposits		**5,064,356**	5,695,518
Maintenance reserve	*10.1*	**1,559,638**	1,553,980
Engine maintenance		**141,902**	83,854
Other lease and utilities		**86,503**	112,877
Deposit to service providers		**73,497**	73,011
Guarantee deposit	*10.2*	**55,204**	1,792,784
Others	*10.3*	**2,095,161**	915,637
Aircraft fuel		**-**	17,644
Rent		**-**	68,875
		9,076,261	10,314,180
Considered doubtful		**318,051**	189,461
Less: provision against doubtful deposits	*10.4*	**(318,051)**	(189,461)
		-	-
		9,076,261	10,314,180
Prepayments			
Rental commission		**23,035**	38,387
Prepayment in respect of lease	*10.5*	**70,304**	71,447
Premium on acquisition of leased land	*10.6*	**50,778**	50,778
Less: amortisation to date		**(27,082)**	(25,388)
		23,696	25,390
Exposure fee to support financing	*10.7*	**363,840**	501,177
		480,875	636,401
Current portion shown under short-term prepayments	*14.2*	**(227,427)**	(227,234)
		253,448	409,167
		9,329,709	10,723,347

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 against future purchases.

10.2 This includes foreign currency deposit amounting to US$ 17 million which has been maintained by a commercial bank on behalf of the collection agent on the basis of agreement between the Holding Company and the collection agent. The deposit is due to be matured on October 27, 2017 and carries markup at a rate of 0.75% per annum. Accordingly, the same has been classified as current assets in trade deposits and prepayments.

10.3 This represents restricted cash balances (escrow accounts) consists of replacement and other reserves required by agreement with RHC's lenders which are held in separate bank accounts.

10.4 Movement in provision is as follows:

		2016	2015
		(Rupees in '000)	
Balance at beginning of the year		**189,461**	106,405
Provision for the year	*34*	**128,590**	83,056
Balance at end of the year		**318,051**	189,461

10.5 Movement in prepayment in respect of lease is as follows:

Balance at beginning of the year	*10.5.1*	**71,447**	69,855
Amortisation for the year	*33*	**(1,131)**	(1,109)
Translation adjustment		**(12)**	2,701
Balance at end of the year		**70,304**	71,447

10.5.1 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 07, 1980 and Promissory Note dated December 04, 1980, signed between PIAIL and PCB. According to the agreement, PCB had agreed to pay PIAIL all sums including outstanding principal amount along with interest thereon. In order to settle PIAIL's aforesaid claim, PCB initially executed a sub-lease for transfer of Land of 5 acres (settlement plot) in the name of Holding Company on September 13, 1987, and later PCB and PIAIL entered into a Joint Venture Agreement dated October 11, 2007, whereby, PCB offered PIAIL another piece of land as alternate to the Settlement Plot measuring 5.8 acres (i.e. 'Alternate Plot'). It was agreed that after the date of signing of the JV Agreement 2007, PCB and PIAIL should form a limited liability 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. As per the JV Agreement 2007, the rights of the shareholders' in Avant shall be outlined in a shareholders' agreement to be executed between PCB and PIAIL, which has not been executed to date. On February 14, 2013, representatives of PCB and Avant signed the sub-lease agreement before the registrar for transfer of a plot measuring 5.8 acres to Avant. In consequence of sub-lease of the aforementioned land in favour of Avant, the receivable from PCB was derecognised and correspondingly the asset received in lieu was recognised as a long-term prepayment against Avant's right to use the land for 66 years commencing from February 14, 2013. In accordance with the sub-lease agreement, upon the expiry or termination of the said sub-lease agreement, Avant shall peacefully handover the plot to PCB including all the developments and supra structure. According to the terms of aforesaid joint venture agreement, right granted over the use of land was considered settlement of all outstanding dues of PIAIL from PCB.

The process of carrying out an independent exercise to ascertain the fair value of the subject 'right to use the land' remains to be completed. Based on the fair value to be determined, Avant will evaluate the recognition of transaction in accordance with its accounting framework. Pending results of the said fair value exercise and Avant's evaluation of the appropriate accounting policy, the financial effect of the 'right to use the land' does not form part of the Avant's financial statements.

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, 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. 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.

10.6 This represents lease rentals prepaid by SRL to Civil Aviation Authority, Pakistan (CAA) for acquisition of the right to use plot of land and hotel building which is amortised over a period of 30 years on a straight line basis.

Initial lease agreement was effective from June 3, 1981 for a period of 20 years which expired on June 02, 2001. Lease arrangement for further 30 years has been finalised between SRL and CAA in their meeting held on January 07, 2008. However, the subject agreement has not yet been registered due to disagreement between the parties over the completion of certain legal formalities. SRL is currently pursuing the subject matter with relevant government authorities and is confident that following resolution of the dispute, the lease agreement will be registered.

Amortisation charge for the year has been allocated as under:

	Note	**2016**	2015
		(Rupees in '000)	
Cost of services - others	*31*	**1,693**	1,693

10.7 Movement in Exposure fee to support financing

Balance at beginning of the year		**501,177**	570,972
Additions during the year		**116,694**	200,847
Amortised during the year	*36*	**(254,031)**	(270,642)
Balance at end of the year		**363,840**	501,177

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

11. STORES AND SPARES

Stores		**718,896**	701,628
Spare parts		**6,762,352**	6,586,595
Inventory held for disposal - adjusted to net realisable value		**252,859**	252,859
		7,734,107	7,541,082
Provision for slow moving and obsolete spares	*11.1*	**(5,135,789)**	(4,448,636)
		2,598,318	3,092,446

11.1	**Movement in provision is as follows:**	*Note*	**2016**	2015
			(Rupees in '000)	
	Balance at the beginning of the year		**4,448,636**	3,794,492
	Provision for the year	*34*	**687,153**	654,144
	Balance at the end of the year		**5,135,789**	4,448,636

12. TRADE DEBTS

Considered good		**9,218,662**	9,870,517
Considered doubtful		**2,395,054**	1,902,112
Less: provision for doubtful debts	*12.2*	**(2,395,054)**	(1,902,112)
		-	-
		9,218,662	9,870,517

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

	2016		2015	
	Trade debts	**Impaired**	Trade debts	Impaired
	(Rupees in '000)			
Within current year	**9,120,239**	**214,284**	9,720,080	174,987
1 year old	**318,823**	**302,704**	302,005	280,127
2 years old	**161,582**	**153,755**	198,522	38,198
Over 3 years old	**2,013,072**	**1,724,311**	1,552,022	1,408,800
	11,613,716	**2,395,054**	11,772,629	1,902,112

12.2	**Movement in provision is as follows:**	*Note*	**2016**	2015
			(Rupees in '000)	
	Balance at beginning of the year		**1,902,112**	1,613,609
	Write off during the year		**(51,478)**	-
	Provision for the year	*34*	**544,484**	300,660
	Translation adjustment		**(20)**	37
	Reversal of provision		**(44)**	(12,194)
	Balance at end of the year		**2,395,054**	1,902,112

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

13. SHORT-TERM LOANS AND ADVANCES

	Note	2016	2015
		(Rupees in '000)	
Considered good			
Loans - unsecured			
Current maturity of long-term loans - employees	*9*	**2,027**	4,807
Others			
Employees		**152,230**	483,634
Fuel suppliers		**69,518**	152,637
Other suppliers	*13.1*	**2,062,804**	932,634
Others		**5,056**	7,205
		2,289,608	1,576,110
Considered doubtful			
Other Suppliers		**809,268**	566,163
Employees		**102,890**	96,344
		912,158	662,507
Provision for doubtful advances	*13.2*	**(912,158)**	(662,507)
		2,291,635	1,580,917

13.1 This includes advance of Rs. 816.248 million and Rs. 319.328 million is respect of inflight entertainment system to be installed in Boeing 777 and enterprise resource planning (ERP) project, respectively.

13.2 Movement in provision is as follows:

Balance at beginning of the year		**662,507**	459,075
Provision for the year	*34*	**249,651**	203,432
Balance at end of the year		**912,158**	662,507

14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits			
Considered good		**3,557,055**	1,967,638
Considered doubtful		**46,462**	58,694
Less: provision against doubtful deposits	*14.1*	**(46,462)**	(58,694)
		-	-
		3,557,055	1,967,638
Prepayments	*14.2*	**959,442**	1,162,878
		4,516,497	3,130,516

14.1 Movement in provision is as follows:

Balance at beginning of the year		**58,694**	58,694
Reversal of provision	*34*	**(12,232)**	-
Balance at end of the year		**46,462**	58,694

14.2 Prepayments

Current portion of long-term prepayments	*10*	**227,427**	227,234
Real estate taxes		**450,628**	450,281
Commission		**12,981**	-
Rental on leased aircraft		**54,949**	135,004
Insurance		**89,509**	96,423
Income tax prepayment - net		**-**	108,018
Rent		**12,066**	19,237
Others		**111,882**	126,681
		959,442	1,162,878

15. OTHER RECEIVABLES

	Note	2016	2015
		(Rupees in '000)	
Considered good			
Claims receivable	*15.1*	**1,352,137**	8,749
Excise duty	*29.1 (a)*	**100,000**	100,000
Sales tax receivable	*15.2*	**4,991,669**	5,217,908
Rental income	*15.3*	**173,214**	189,857
Receivables from GoP	*15.4*	**542,501**	470,040
Others	*15.5*	**1,911,185**	459,339
		9,070,706	6,445,893
Considered doubtful		**216,756**	194,334
Less: provision for doubtful other receivables	*15.6*	**(216,756)**	(194,334)
		-	-
		9,070,706	6,445,893

15.1 This includes insurance claim amounting to Rs. 1,258.295 million (2015: Rs. Nil) in respect of aircraft bearing tail number AP-BHO, which was crashed on December 07 , 2016, near Havelian Tehsil, Abbottabad. This claim has been acknowledged by the insurance company and out of which an amount of Rs. 1,069.016 million has been received subsequent to the year end.

15.2 This includes sales tax refundable aggregating Rs. 4,965.094 million (2015: Rs. 4,965.094 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Holding Company has filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has interalia stated that as the Holding Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005 [refer note 29.1 (e)].

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

15.3 RHC's commercial leases provide for scheduled rent increases and free rent periods. The rental income receivable represents pro-rata future receipts. RHC, as lessor under the various net leases at the Hotel, will receive rental income over the next five years, and thereafter as follows:

Not later than 1 year	**494,769**	491,369
Later than 1 year but not later than 5 years	**1,842,554**	1,788,717
Later than 5 years	**1,119,665**	1,295,955
	3,456,988	3,576,041

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

15.5 This includes:

a) Taxes recoverable, credits on value added tax (VAT), supplier rebates and deposit on Cotisation sur la Valeur Ajoutée des Enterprises (CVAE) aggregating to approximately Rs. 191.756 million (2015: Rs. 155.208 million) in respect of MFSA; and

b) Receivable from lessor amounting to Rs. 1,592.043 million (2015: Rs. Nil) in respect of overhauling incurred by the Holding Company on aircrafts under operating lease as per lease agreement.

15.6 Movement in provision is as follows:

	Note	2016	2015
		(Rupees in '000)	
Balance at beginning of the year		**194,334**	161,947
Provision for the year	*34*	**22,422**	32,387
Balance at end of the year		**216,756**	194,334

16. SHORT-TERM INVESTMENT

At fair value through profit or loss			
Bred Institution 36 (2015: 36) Ordinary shares	*16.1*	**5,761**	188,846
Available for sale - unquoted			
SITA Inc., N.V., 325,491 (2015: 325,491) Ordinary shares	*16.2*	**19,220**	19,220
		24,981	208,066

16.1 This represents 1.3 (2015: 36) Bred Institution Shares held by MFSA. The cost of these securities was Rs. 5.761 million (2015: Rs. 188.846 million), as at December 31, 2016.

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.

17. CASH AND BANK BALANCES

In hand		**29,051**	24,594
In transit		**15,417**	8,871
		44,468	33,465
With banks:			
- in current accounts	*17.1*	**3,411,774**	2,703,476
- in deposit accounts	*17.2, 17.3 & 17.4*	**4,767,579**	4,888,301
		8,179,353	7,591,777
		8,223,821	7,625,242

17.1 This has been adjusted by an aggregate amount of Rs. 1,402.586 million (2015: Rs. 2,025.555 million), representing book overdrafts.

17.2 These carry interest ranging from 0.1% to 7.5% (2015: 0.1% to 7.5%) per annum for Holding Company balances and 0.04% to 0.35% (2015: 0.02% to 0.35%) for PIAIL balances.

17.3 This has been adjusted by an aggregate amount of Rs. 39.517 million (2015: Rs. 323.528 million), representing book overdrafts

17.4 These include restricted balances amounting to Rs. 448.885 million (2015: Rs. 14.271 million).

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2016 (No. of shares)	2015 (No. of shares)		Note	2016 (Rupees in '000)	2015 (Rupees in '000)
		Authorised capital			
		Ordinary share capital			
5,349,250,000	5,349,250,000	'A' class shares of Rs. 10 each	*18.2*	53,492,500	53,492,500
1,500,000	1,500,000	'B' class shares of Rs. 5 each		7,500	7,500
5,350,750,000	5,350,750,000			53,500,000	53,500,000
		Preference share capital			
50,000,000	50,000,000	Preference shares of Rs. 10 each		500,000	500,000
5,400,750,000	5,400,750,000			54,000,000	54,000,000
		Issued, subscribed and paid-up share capital			
		Ordinary share capital			
		'A' class shares of Rs. 10 each			
2,642,351,960	2,642,351,957	Issued for consideration in cash		26,423,519	26,423,519
931,028	931,028	Issued for consideration other than cash - for acquisition of shares		9,310	9,310
233,934,482	233,934,482	Issued as bonus shares		2,339,345	2,339,345
2,356,543,648	2,356,543,648	Issued against advance from GoP	*18.2*	23,565,436	23,565,436
5,233,761,118	5,233,761,115			52,337,610	52,337,610
		'B' class shares of Rs. 5 each			
1,003,374	1,003,374	Issued for consideration in cash		5,017	5,017
2,625	2,625	Issued for consideration other than cash for acquisition of shares		13	13
494,000	494,000	Issued as bonus shares		2,470	2,470
1,499,999	1,499,999			7,500	7,500
5,235,261,117	5,235,261,114			52,345,110	52,345,110

18.1 At December 31, 2016, GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares (2015: 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares).

18.2 In pursuance of letter No. GMFM/MoF/Equity-Adv/2015 dated November 30, 2015 GoP, Finance Division, CF-Wing vide its letter F.No.2(33)CF-PIA/13 dated December 01, 2015 conveyed sanction of the Federal Government for increase in authorised capital of the Holding Company from Rs. 30,000 million to Rs. 54,000 million in terms of section 25(3) of the PIAC Act, 1956, subject to the condition that the amount of Rs. 23,565 million is reflected in the books of account of the Holding Company as advance against equity from GoP will be converted into GoP equity. Accordingly the Holding Company has increased its authorised capital by the said amount. In continuation of the above mentioned letter, GoP, Finance Division, CF-Wing vide its letter dated December 04, 2015 in pursuance of the section 25(3) of PIAC Act 1956, conveyed sanction of the Federal Government for the issuance of shares at par value of Rs. 10 per share in favour of the Federal Government without issuance of right shares. However, the legal formalities for issuance of shares are yet to be completed.

19. RESERVES

	Note	2016 (Rupees in '000)	2015 (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		151,574	93,908
Foreign exchange translation reserve		(142,918)	(13,524)
Other reserves	*19.2*	35,723	34,388
		44,379	114,772
		4,325,091	4,395,484

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.

19.2 Other Reserves	Note	2016	2015
		(Rupees in '000)	
Balance at beginning of the year		**38,119**	38,119
Translation adjustment		**1,335**	-
		39,454	38,119
Non - controlling interest		**(3,731)**	(3,731)
Balance at end of the year		**35,723**	34,388

19.2.1 This balance comprises of legal reserve of MFSA and Minhal France S.a.r.l.

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

Balance at beginning of the year		**47,823,458**	49,680,443
Surplus / (deficit) arising on property, plant and equipment during the year		**31,974,851**	(2,579,131)
Deficit released to consolidated profit and loss on account of aircraft retired / written off during the year	*5.1.3*	**971,386**	53,196
		80,769,695	47,154,508
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		**(721,108)**	(602,816)
- Surplus on revaluation of property, plant and equipment released during the year on account of aircraft retired / written off - net of tax		**(938,411)**	-
- Related deferred tax		**(811,032)**	(357,553)
		(2,470,551)	(960,369)
Translation and other adjustments		**(6,935)**	1,629,319
	20.1	**78,292,209**	47,823,458
Less: related deferred tax liability on:			
- Revaluation as at beginning of the year		**16,873,991**	17,267,519
- Surplus / (deficit) arising on property, plant and equipment during the year		**13,680,263**	(728,330)
- Deficit released to consolidated profit and loss on aircraft retired / written off		**291,416**	15,959
- Incremental depreciation charged during the year on related assets transferred to consolidated profit and loss		**(408,856)**	(357,553)
- Surplus released during the year on account of aircraft retired / written off		**(402,176)**	-
- Translation and other adjustments		**(2,807)**	676,396
		30,031,831	16,873,991
Balance at end of the year		**48,260,378**	30,949,467

20.1 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. 1,836.095 million (2015: Rs. 1,674.396 million).

21. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installments / mode	2016 (Rupees in '000)	2015 (Rupees in '000)
Secured							
Holding Company							
Askari Bank Limited	*21.2*	Term finance	3,000 PKR	2017 - 2019	36 monthly	**3,000,000**	3,000,000
Albaraka Bank (Pakistan) Limited	*21.2 & 21.12*	Islamic term finance	4,500 PKR	2018 - 2021	36 monthly	**4,500,000**	-
BankIslami Pakistan Limited (transferred from KASB Bank Limited)	*21.3*	Islamic term finance	1,500 PKR	2019 - 2021	8 quarterly	**1,500,000**	-
The Bank of Punjab	*21.2*	Term finance	5,000 PKR	2016 - 2021	60 monthly	**4,583,333**	-
The Bank of Punjab	*21.2*	Term finance	5,000 PKR	2016 - 2021	60 monthly	**4,250,000**	-
The Bank of Punjab	*21.2 & 21.13*	Demand finance	30,000 PKR	2016 - 2023	84 monthly	**18,239,524**	-
Faysal Bank Limited	*21.2*	Term finance	2,000 PKR	2013 - 2016	36 monthly	-	388,879
Faysal Bank Limited	*21.2*	Term finance	2,000 PKR	2015 - 2018	12 quarterly	**1,000,000**	1,831,676
Faysal Bank Limited	*21.2*	Term finance	2,000 PKR	2016 - 2019	12 quarterly	**1,500,000**	2,000,000
Faysal Bank Limited	*21.2*	Islamic term finance	1,000 PKR	2017 - 2019	12 quarterly	**1,000,000**	1,000,000
Faysal Bank Limited	*21.2*	Term finance	4,000 PKR	2017 - 2020	14 quarterly	**4,000,000**	-
National Bank of Pakistan	*21.4*	Term finance	3,000 PKR	2016 - 2019	36 monthly	**3,000,000**	3,000,000
National Bank of Pakistan	*21.2*	Term finance	2,175 PKR	2018 - 2020	12 quarterly	**2,175,000**	2,074,577
National Bank of Pakistan	*21.2*	Term finance	2,825 PKR	2018 - 2021	12 quarterly	**2,825,000**	-
NIB Bank Limited	*21.2 & 21.15*	Term finance	10,000 PKR	2015 - 2020	60 monthly	-	9,166,667
United Bank Limited	*21.2*	Term finance	5,000 PKR	2015- 2020	54 monthly	**3,703,704**	4,814,815
United Bank Limited	*21.2*	Term finance	1,500 PKR	2016- 2021	54 monthly	**1,305,556**	1,500,000
National Bank of Pakistan - Bahrain	*21.2 & 21.5*	Syndicate finance	120 USD	2013 - 2023	40 quarterly	**11,617,923**	11,955,351
Abu Dhabi Islamic Bank	*21.6*	Islamic term finance	70.7 USD	2016 - 2019	4 half yearly	**4,838,240**	3,783,813
Citibank, N.A.	*21.7*	Islamic term finance	120 USD & 36.73 AED	2014 - 2016	33 monthly	-	4,545,499
Citibank, N.A.	*21.8*	Demand finance	82 USD	2006 - 2017	20 half yearly	**226,601**	890,477
Citibank, N.A.	*21.9*	Term finance	54.2 USD	2015 - 2018	8 quarterly	**1,259,314**	1,084,376
Citibank, Mashreq	*21.10*	Term finance	120 USD	2016 - 2018	32 monthly	**8,650,529**	12,584,580
Standard Chartered Bank (Pakistan) Limited	*21.11*	Syndicate finance	137.5 USD	2014 - 2017	33 monthly	**436,895**	5,680,540
United Bank Limited	*21.14*	Syndicate finance	130 USD	2017 - 2019	33 monthly	**13,631,137**	-
PIAIL							
Hong Kong Shanghai Banking Corporation	*21.16 & 21.17*	Loan	28.87 Euro	2004 - 2017	Variable	**149,775**	583,878
JP Morgan Chase	*21.18*	Loan	140 USD	2011 - 2016	Variable	**14,509,755**	14,440,907
Unsecured - Holding Company							
Long-term loan - GoP	*21.19*	Term finance	8000 PKR	2011 - 2020	16 half-yearly	**8,000,000**	8,000,000
						119,902,286	92,326,035
Current maturity shown under current liabilities						**(30,562,588)**	(27,963,991)
						89,339,698	64,362,044

21.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2015: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR (2015: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US$ comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 5.28% (2015: 5.28%) whereas variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4.00% over 1 month LIBOR (2015: 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR), Borrowings in AED carry variable markup with spread of 4% over 3 month EIBOR (2015: 4% over 3 month EIBOR).

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

21.3 The facility is converted from short term loan to long term financing on Diminishing Musharakah basis. The finance is secured by way of lien over Musharakah Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for the facility amount.

21.4 The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Holding Company amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with the Holding Company's sales routed through collection account NBP Airport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP. Furthermore, principal amounting to Rs. 83.33 million due as at December 31, 2016 which has been paid by the Holding Company during the extended period on January 12, 2017.

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

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

21.6 The finance is secured against ICIEC / GoP guarantee for loans outstanding at any given point of time.

21.7 The 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.

21.8 The finance is secured by way of:

- Mortgage over each of the six ATR aircraft and two spares engines purchased, and
- European Credit Agencies / GoP Guarantee.

21.9 The finance is secured against Ex-Im Bank / GoP guarantee for loan outstanding at any given point of time.

21.10 The finance is secured by way of collection routed through the offshore bank account maintained with Citi Mashreq.

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

- Standard Chartered Bank - United Kingdom
- Mashreqbank psc - United Arab Emirates

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

21.12 The finance is secured by way of:

- 1st exclusive hypothecation charge over five engines with 10% margin ; and
- irrevocable assignment instruction from the Holding Company to NIB / Bank of Punjab for transfer of funds to ABPL on fortnightly basis.

21.13 The finance is secured by way of lien over IATA routed sales of the Company, receivable or assignment

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

- United Bank Limited (UBL); and
- Credit Suisse AG, Singapore Branch

The finance is secured by way of:

- 1st priority security over the master collection account, facility service account;
- legally enforceable assignment of the ticket sales collection for the select BSP agreement sector through IATA with appropriate acknowledgment; and
- irrevocable and unconditional instruction to IATA and GSA in the Kingdom of Saudi Arabia to pay all proceeds from the sales abroad Holding Company flights into master collection account. The account bank shall transfer funds received to the master collection account into the facility service account also maintained with the account bank.

21.15 During the current year, the Holding Company has made early repayment of the draw down amount of the facility without incurring any additional charges pertaining to early repayment as per the terms of agreement.

21.16 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 08, 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.

21.17 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.

21.18 On November 09, 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 09, 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 09, 2011).

The loan has a maturity date of May 09, 2017, with separate extension options for two 1 year periods at the option of the RHC, subject to the satisfaction of the extension conditions, as defined. RHC intends to exercise its extension option and as such the balance of the loan has been classified as a long-term liability. This loan is secured by amongst other things, the RHC's property and equipment and requires payments of interest only at the annual rate of LIBOR plus 2.40%. (2.93% and 2.60% at 31 December, 2016 and 2015, respectively). The loan agreement contains covenants that RHC must adhere to which includes, among other things, the maintenance of cash in escrow reserved towards the payment of interest, real estate taxes and insurance.

At December 31, 2016, RHC did not meet the minimum debt yield ratio, as defined, in the loan agreement. Although the failure to maintain the minimum debt yield ratio is not considered an event of default, a Lockbox Sweep Period, as defined, has commenced. During the Lockbox Sweep Period any excess cash flows, as defined, will be deposited into RHC's cash management account and held as additional security for the loan. The Lockbox Sweep Period will be cured once RHC maintains the minimum debt yield ratio for two consecutive calendar quarters. At December 31, 2016, RHC was in compliance with all other loan covenants.

Since the interest rates on the loan is at comparable market rates, the carrying value of the loan payable to bank approximates its fair value.

RHC entered into an interest rate cap agreement on its loan with the intent to manage interest rate exposure. This interest rate cap agreement, with an aggregate notional amount of US$ 140,000,000, expires on May 15, 2018, which caps the variable rate portion of the debt at a rate of 4.00% per annum. The cost of the interest rate cap was US$ 61,000.

RHC considers the risk of nonperformance on these agreements to be remote. Management has determined the cost of these derivatives at December 31, 2016 and 2015 approximate their fair value.

21.19 The Holding Company has not paid any installment since due date of installment, i.e. October 23, 2011. The over due principal and markup due as at December 31, 2016 is Rs. 5,062.50 million (2015: Rs. 4,062.50 million) and Rs. 5,900 million (2015 Rs. 5,097.81 million), respectively. The over due principal amount is included in current maturity.

22. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up	2016 (Rupees in '000)	2015
Term finance certificates (TFC)	22.1	GoP Guarantee	2014 - 2020	16 quarterly	6 month KIBOR +1.25%	26,707,209	32,870,410
Sukuk certificates	22.2	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR +1.75%	6,800,000	6,800,000
Term finance certificates (Zero Coupon)	22.1	GoP Guarantee	2014 - 2016	4 half yearly		-	233,218
						33,507,209	39,903,628
Less: current maturity						(8,217,603)	(13,196,419)
						25,289,606	26,707,209

22.1 The ECC on July 03, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by Ministry of Finance (the Ministry). On December 01, 2014, the Ministry approved the terms and conditions of new TFCs, amounting Rs. 32,870 million, including the conversion of short term loan of Rs. 20,080 million on the terms, applicable from February 20, 2014. Further, the Ministry also approved the issuance of a Zero Coupon Privately Placed Term Finance Certificates (PPTFCs) of Rs. 960.661 million after the capitalisation of markup accrued on previous PPTFC of Rs. 12,790 million. During the year ended December 31, 2015, the restructuring agreements of both PPTFCs were signed and Pak Brunei Investment Company Limited was approved as trustee of both PPTFCs. Interest payment amounting to Rs. 885 million due as at December 31, 2016 has been paid by the Holding Company during extended period on February 08, 2017.

22.2 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 along with other terms of Sukuk Certificates, with the assistance of the Ministry. On December 30, 2013, the Sukuk agreement with Sukuk investors was rescheduled by virtue of which the Holding Company was required to pay the entire principal on October 20, 2014. However, on December 24, 2014, the Sukuk investors agreed to further extend the term of Sukuk Certificates for a period of further five years starting from October 20, 2014 and the Holding Company will be required to pay the entire principal on October 20, 2019. The markup rate and security will remain unchanged. The Ministry has approved the restructuring and new agreement has been signed on June 30, 2016. Accordingly, the same has been classified as non-current liability. Profit payment amounting to Rs. 90 million due as at December 31, 2016 has been paid by the Holding Company during extended period on February 21, 2017.

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2016 (Rupees in '000)	2015
Present value of minimum lease payments			
B-777-200 LR	23.2	2,841,122	5,538,536
B-777-300 ER	23.3	10,375,265	14,883,959
Technical ground equipments	23.4	202,230	-
		13,418,617	20,422,495
Less: current maturity		(7,606,768)	(7,204,016)
		5,811,849	13,218,479

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

	2016		
	Minimum lease payments	**Finance cost**	**Present value of minimum lease payments**
	(Rupees in '000)		
Not later than one year	**8,102,581**	**495,813**	**7,606,768**
Later than one year but not later than five years	**6,028,335**	**216,486**	**5,811,849**
	14,130,916	**712,299**	**13,418,617**

	2015		
	Minimum lease payments	Finance cost	Present value of minimum lease payments
	(Rupees in '000)		
Not later than one year	8,037,185	833,170	7,204,015
Later than one year but not later than five years	13,882,209	663,729	13,218,480
	21,919,394	1,496,899	20,422,495

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 24.2, 24.3 and 24.4. The resulting difference between both in the current year is Rs. 516.722 million (2015: Rs. 426.152 million).

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

	2016	2015
Discount rate - aircraft and propulsor	**Three months LIBOR - 0.02%**	Three months LIBOR - 0.02%
Lease period - aircraft	**144 months**	144 months
Lease period - propulsor	**96 months**	96 months
Security deposits (Rupees in '000)	**802,750**	802,877

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

	2016	2015
Discount rate - one aircraft	**5.25%**	5.25%
Discount rate - two aircraft and spare engine	**Three months LIBOR - 0.04%**	Three months LIBOR - 0.04%
Lease period - aircraft	**144 months**	144 months
Lease period - spare engine	**96 months**	96 months
Security deposits (Rupees in '000)	**1,613,318**	1,613,574

23.4 During the current year, the Holding Company arranged an letter of credit (LC) limit of Rs. 500 million for the purpose of acquisition of technical ground equipment. On the maturity of LC, the amount of LC is converted into finance lease, having a limit of Rs. 500 million with lease period of 48 months. The lease arrangement is secured by GoP guarantee (carry markup at the rate of 2% spread over one month KIBOR).

23.5 The Holding Company has an option to acquire the ownership of the aircraft and engines mentioned in notes 24.2 to 24.4, at the end of lease term.

24. DEFERRED TAXATION

	Note	2016	2015
		(Rupees in '000)	
Roosevelt Hotel Corporation N.V.	*24.1*	**25,484,575**	12,833,070
Minhal France S.A.	*24.2*	**8,028,252**	7,617,197
The Holding Company	*24.3*	**-**	-
		33,512,827	20,450,267

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

24.1 Roosevelt Hotel Corporation N.V.

Deferred tax credit:		
Revaluation of hotel property	**456,248**	388,480
Excess of tax over book depreciation	**25,422,233**	12,704,101
	25,878,481	13,092,581
Deferred tax debits:		
Allowance for doubtful debts	**(637)**	(124)
Accrued vacation	**(153,051)**	(145,741)
Net Operating Losses	**(240,218)**	(113,646)
	(393,906)	(259,511)
Net deferred tax liability	**25,484,575**	12,833,070

24.2 Minhal France S.A.

Deferred tax credits:		
Excess of book value over tax depreciation	**1,908,662**	2,036,902
Revaluation of hotel property	**6,122,278**	5,580,737
Provision for major repairs	**18,600**	19,214
	8,049,540	7,636,853
Deferred tax debit:		
Employees pension plan	**(21,288)**	(19,656)
Net deferred tax liability	**8,028,252**	7,617,197

24.3 Holding Company

	2016	2015
	(Rupees in '000)	
Deferred tax credits:	15,049,336	16,581,741
Accelerated tax depreciation	(900,452)	(852,773)
Surplus on revaluation of property, plant and equipment	14,148,884	15,728,968
Deferred tax debits:	(4,494,246)	(7,934,116)
Unused tax losses	(9,654,638)	(7,794,852)
Provisions for liabilities and to write down other assets	(14,148,884)	(15,728,968)
	-	-

24.3.1 In accordance with the accounting policy of the Holding Company (note 4.9), deferred tax asset of Rs. 83,489.204 million (2015: Rs. 71,384.902 million) has not been recognised in these consolidated financial statements due to uncertainty in availability of sufficient future taxable profits.

24.4 Movement in temporary differences during the year

	Balance as at January 01, 2015	Recognised in consolidated profit and loss (Note 24.4.1)	Translation and other adjustments	Recognised in consolidated equity (Note 24.4.1)	Balance as at December 31, 2015	Recognised in consolidated profit and loss	Translation and other adjustments	Recognised in consolidated equity	Balance as at December 31, 2016
	(Rupees '000)								
Deferred tax credits:									
Accelerated tax depreciation	22,801,623	(3,447,138)	(86,475)	-	19,268,010	(1,530,934)	(61,943)	-	17,675,133
Surplus on revaluation of operating fixed assets	17,267,519	(357,553)	676,396	(712,371)	16,873,991	(835,921)	(3,072)	14,050,987	30,085,985
Amortisation of leasehold land acquisition premium	-				-				-
Provision for major repairs	20,623	-	(1,409)	-	19,214	-	(614)	-	18,600
	40,089,765	(3,804,691)	588,512	(712,371)	36,161,215	(2,366,855)	(65,629)	14,050,987	47,779,718
Deferred tax debits:									
Unused tax losses	(13,284,934)	5,350,818	-	-	(7,934,116)	3,439,870	-	-	(4,494,246)
Provisions for liabilities and to write down other assets	(7,228,188)	469,843	(4,094)	(900,747)	(7,663,186)	(1,823,829)	759	(46,172)	(9,532,428)
Net operating Losses	-	(111,336)	(2,310)	-	(113,646)	(126,533)	(38)	-	(240,217)
	(20,513,122)	5,709,325	(6,404)	(900,747)	(15,710,948)	1,489,508	721	(46,172)	(14,266,891)
	19,576,643	1,904,634	582,108	(1,613,118)	20,450,267	(877,347)	(64,908)	14,004,815	33,512,827

24.4.1 This includes effect of change in tax rate from 35% to 30% amounting to Rs. 52.046 million

25. DEFERRED LIABILITIES

	Note	2016	2015
		(Rupees in '000)	
Post retirement medical benefits - Holding Company	25.2	10,927,712	10,252,096
Pension obligation - Holding Company	25.3	19,033,228	14,480,623
Staff retirement benefits - PIAIL	25.12	63,863	58,968
Unfunded staff retirement gratuity - SRL	25.13	99,925	70,353
		30,124,728	24,862,040

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 4.8 to these consolidated financial statements.

25.2 Post retirement medical benefits - Holding Company

Liability recognised in the consolidated balance sheet		
Present value of defined benefit obligation	10,927,712	10,252,096
Movement in liability during the year		
Balance at beginning of the year	10,252,096	7,020,496
Expense recognised in consolidated profit and loss account	1,272,987	959,291
Total remeasurements recognised in other comprehensive income	153,908	3,002,489
Payments made during the year	(751,279)	(730,180)
Balance at end of the year	10,927,712	10,252,096
Expense recognised in the consolidated profit and loss account		
Current service cost	285,341	106,123
Interest cost	987,646	853,168
	1,272,987	959,291
Total remeasurements recognised in other comprehensive income		
Actuarial loss on liability arising on		
- financial assumptions	-	-
- demographic assumptions	-	-
- experience adjustments	153,908	3,002,489
	153,908	3,002,489

25.3 Pension obligation - Holding Company

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Liability / (asset) recognised								
Present value of defined benefit obligation	2,554,113	2,574,493	455,917	492,596	26,092,541	23,208,226	29,102,571	26,275,315
Fair value of plan assets	(1,693,082)	(1,706,254)	(986,095)	(1,051,494)	(7,390,166)	(9,036,944)	(10,069,343)	(11,794,692)
	861,031	868,239	(530,178)	(558,898)	18,702,375	14,171,282	19,033,228	14,480,623
Movement in liability / (asset) during the year								
Opening liability / (asset)	868,239	597,466	(558,898)	(569,766)	14,171,282	12,495,283	14,480,623	12,522,983
Expense recognised in profit or loss	122,170	86,399	(56,052)	(60,024)	2,267,866	1,634,729	2,333,984	1,661,104
Total remeasurements recognised in other comprehensive income	(115,179)	198,573	88,101	74,887	2,343,013	121,056	2,315,935	394,516
Employer contributions	(14,199)	(14,199)	(3,329)	(3,995)	(79,786)	(79,786)	(97,314)	(97,980)
Closing liability / (asset)	861,031	868,239	(530,178)	(558,898)	18,702,375	14,171,282	19,033,228	14,480,623
Movement in the defined benefit obligation								
Obligation at beginning of the year	2,574,493	2,362,685	492,596	509,611	23,208,226	21,768,560	26,275,315	24,640,856
Current service cost	36,056	24,411	4	11	854,728	326,914	890,788	351,336
Interest cost	250,057	235,812	46,890	50,897	2,241,357	2,202,394	2,538,304	2,489,103
Benefits paid	(147,848)	(233,706)	(47,398)	(49,759)	(1,589,303)	(1,586,746)	(1,784,549)	(1,870,211)
Remeasurement	(158,645)	185,291	(36,175)	(18,164)	1,377,533	497,104	1,182,713	664,231
Obligation at end of the year	2,554,113	2,574,493	455,917	492,596	26,092,541	23,208,226	29,102,571	26,275,315
Movement in fair value of plan assets								
Fair value at beginning of the year	1,706,254	1,765,219	1,051,494	1,079,377	9,036,944	9,273,277	11,794,692	12,117,873
Interest income	163,943	173,824	102,946	110,932	828,219	894,579	1,095,108	1,179,335
Employer contributions	14,199	14,199	3,329	3,995	79,786	79,786	97,314	97,980
Benefits paid	(147,848)	(233,706)	(47,398)	(49,759)	(1,589,303)	(1,586,746)	(1,784,549)	(1,870,211)
Return on plan assets excluding amount included in interest income	(43,466)	(13,282)	(124,276)	(93,051)	(965,480)	376,048	(1,133,222)	269,715
Fair value at end of the year	1,693,082	1,706,254	986,095	1,051,494	7,390,166	9,036,944	10,069,343	11,794,692
Expense recognised in consolidated profit or loss								
Current service cost	36,056	24,411	4	11	854,728	326,914	890,788	351,336
Net interest expense / (income)	86,114	61,988	(56,056)	(60,035)	1,413,138	1,307,815	1,443,196	1,309,768
	122,170	86,399	(56,052)	(60,024)	2,267,866	1,634,729	2,333,984	1,661,104
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on:								
- financial assumptions	179,989	-	39,429	-	1,484,529	-	1,703,947	-
- demographic assumptions	-	-	-	-	-	-	-	-
- experience adjustments	(338,634)	185,291	(75,604)	(18,164)	(106,996)	497,104	(521,234)	664,231
	(158,645)	185,291	(36,175)	(18,164)	1,377,533	497,104	1,182,713	664,231
Return on plan assets excluding amount included in interest income	43,466	13,282	124,276	93,051	965,480	(376,048)	1,133,222	(269,715)
	(115,179)	198,573	88,101	74,887	2,343,013	121,056	2,315,935	394,516
The plan assets comprise of:								
Debt instruments	19%	17%	0%	0%	11%	12%	10%	11%
Others including cash and cash equivalents	81%	83%	100%	100%	89%	88%	90%	89%
	100%	100%	100%	100%	100%	100%	100%	100%
Actual return on plan assets	120,477	160,542	(21,330)	17,881	(137,261)	1,270,627	(38,114)	1,449,050

25.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 26.2) were carried out at December 31, 2016. The valuations have been carried out using Projected Unit Credit method and the following significant assumptions:

	2016	2015
Valuation discount rate	**8.00%**	10.00%
Salary increase rate	**7.00%**	9.00%
Pension indexation rate	**1.50%**	2.50%
Medical inflation rate	**1.75%**	3.75%
Mortality table	**Adjusted SLIC 2001-2005 with one year age set back**	

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

	2016	2015
	(Number)	
Pension scheme		
Active employees	**14,191**	13,702
Beneficiaries	**15,104**	14,677
Post retirement medical benefit scheme	**15,104**	16,440

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%	(193,839)	132,193	(30,347)	34,622	(1,724,286)	1,272,671
Salary increase rate	1%	no change	no change	no change	no change	no change	no change
Pension indexation rate	1%	178,448	(156,239)	36,617	(32,460)	1,669,237	(1,451,816)
Life expectancy	one year	(47,606)	51,373	(12,646)	13,648	383,920	(355,656)

		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%	(948,748)	1,129,232	(477,247)	544,967
Salary increase rate	1%	no change	no change	584,551	(520,616)
Medical inflation rate	1%	965,343	(843,964)	not applicable	not applicable
Life expectancy	one year	(271,089)	292,056	(4,502)	4,520

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

25.7 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.

25.8 The fair value of plan assets of pension funds includes investment in the Holding Company's shares, amounting to Rs. 4.846 million (2015: Rs. 4.846 million).

25.9 The weighted average duration of the benefit obligations as at December 31, 2016 is as follows:

	Years
Post retirement medical benefits	9.51
PALPA fund	6.38
FENA fund	7.13
Main Pension fund	5.74
Compensated absences	6.28

25.10 The expected pension and medical expense for the next one year from January 01, 2017 amounts to Rs. 2,325.293 million and Rs. 973.129 million, respectively. The expected amount of Pension fund is the amount which the Holding Company has to contribute for the next one year.

25.11 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 1,947.764 million (2015: Rs. 1,415.013 million), Rs. 1,009.951 million (2015: Rs. 471.671 million) and Rs. 649.255 million (2015: Rs. 733.710 million) respectively.

25.12 This represents retirement benefits of PIAIL, since the amount is not considered material to these consolidated financial statements, therefore detailed disclosures have not been presented / recognised in consolidated profit and loss account amount to Rs. 214.998 million (2015: Rs. 199.217 million).

25.13 The scheme provides for post employee benefits for all permanent employees of SRL who complete qualifying period of five years of service with SRL and are entitled to one month's last drawn basic salary for each completed year of service, since the amount is not considered material to these consolidated financial statements, therefore detailed disclosures have not been presented. The expense recognised in consolidated profit and loss account amount to Rs. 9.6 million (2015: Rs. 13.1 million).

26. TRADE AND OTHER PAYABLES

	Note	2016	2015
		(Rupees in '000)	
Trade creditors			
Goods	26.1	17,661,379	15,807,236
Services		5,866,762	4,332,596
Airport related charges		20,212,685	16,525,429
Others		509,384	377,862
		44,250,210	37,043,123
Other liabilities			
Accrued liabilities		7,973,015	6,088,566
Advance against transportation (unearned revenue)		11,293,754	10,864,375
Obligation for compensated absences - Holding Company	26.2	8,142,723	6,385,556
Unredeemed frequent flyer liabilities	26.3	755,829	744,008
Advance from customers		880,683	1,007,858
Amount due to associated undertaking	26.4	222,496	189,096
Advances and deposits		187,803	219,085
Earnest money		1,083	999
Payable to Holding Company's employees' provident fund	26.5	10,202,468	10,470,475
Unclaimed dividend - preference shares		8,493	8,493
Collection on behalf of others	26.6	33,642,194	24,608,025
Customs, federal excise duty and sales tax		3,592,336	2,855,999
Capital value tax		8,900,478	7,811,194
Income tax deducted at source		1,939,654	1,328,163
Sales tax payable		4,211	5,303
Bed tax		694	682
Payable to EOBI / SESSI		657	565
Short-term deposits		926,108	859,715
Others		28,014	42,468
		132,952,903	110,533,748

26.1 This includes an amount of Rs. 15,484.500 million payable to Pakistan State Oil Limited (PSO) which comprises of principal balance of Rs. 13,358.167 million and late payment interest balance of Rs. 2,126.333 million. There is a dispute over the adjustment of payments made by the Holding Company. PSO adjusted the late payment interest first and then the principal while the management considers that based on the interpretation of agreement with PSO all payments made should be adjusted first with principal and once the whole principal balance is paid off, the remaining payments will be adjusted against late payment interest balance. The disagreed recorded amount in this respect as at December 31, 2016 is Rs. 1,258.741 million.

26.2 Obligation for compensated absences - Holding Company	Note	2016	2015
		(Rupees in '000)	
Liability recognised in the consolidated balance sheet			
Balance at beginning of the year		**6,385,556**	5,337,919
Expense recognised during the year		**1,765,095**	1,055,565
Benefits paid during the year		**(7,928)**	(7,928)
Balance at end of the year		**8,142,723**	6,385,556

26.2.1 Number of employees covered by the compensated absences are 14,191 (2015: 13,702). 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. 1,270.868 million (2015: Rs. 760.073 million), Rs. 211.811 million (2015: Rs. 127.264 million) and Rs. 282.415 million (2015: Rs. 168.228 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 of 7% (2015: 9%);
- discount rate of 8% (2015: 10%);
- 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 This represents amount payable to Minhal Incorporated by PIAIL.

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

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

27. ACCRUED INTEREST

Mark-up / profit payable on:		
- long-term financing	**6,558,231**	5,492,701
- term finance certificates	**1,418,995**	1,625,374
- sukuk certificates	**224,953**	432,216
- liabilities against assets subject to finance lease	**295**	-
- short-term borrowings	**664,229**	711,296
- provident fund	**4,185,344**	3,528,554
	13,052,047	11,790,141

28. SHORT-TERM BORROWINGS

Short-term loans - secured	*28.1*	**30,803,694**	32,303,844
Running finance under mark-up arrangements	*28.2*	**3,547,617**	4,636,357
		34,351,311	36,940,201

28.1 Short-term loans - secured

Financier	Note	Security	Facility amount (million)	Expiry date	2016	2015
					(Rupees in '000)	
From Banking Companies						
National Bank of Pakistan		Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-17	**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-17	**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-17	**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-17	**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-17	**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-17	**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-17	**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-17	**2,000,000**	2,000,000
BankIslami Pakistan Limited (transferred from KASB Bank Limited)	*28.1.2*	GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin.	1,500 PKR	13-May-15	-	1,500,000
Habib Allied International Bank Limited - London		EURO receivables	4 & 5 USD	Continuous	**943,694**	943,844
					30,803,694	32,303,844

28.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 month KIBOR (2015: spread of 0.9% to 2.0% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (2015: a spread of 3.5% over 3 months LIBOR).

28.1.2 During the year, loan liability has been transferred from KASB Bank Limited to BankIslami Pakistan Limited as per the approval of State Bank of Pakistan (SBP). The loan liability has been converted on Diminishing musharka basis and accordingly the loan has been transferred to long term loans.

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

28.2 Running finances under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million) (Note 28.2.2)	Expiry date	2016	2015
					(Rupees in '000)	
Secured						
The Bank of Punjab	Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for Rs. 734 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BoP counter.	550 PKR	550 PKR	30-Jun-16	-	503,869
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the company for Rs. 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	350 PKR	28.20 PKR	30-Sep-17	**321,829**	288,496
National Bank of Pakistan	First pari passu hypothecation charge of Rs. 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 686 million payable on demand.	575 PKR	282.97 PKR	31-Jul-17	**292,031**	440,941
United Bank Limited	Hypothecation charge of Rs. 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	53.99 PKR	31-Jul-17	**2,515,108**	2,244,436
Habib Allied International Bank Limited - London	EURO receivables	3 USD	NIL	On Demand	**315,285**	314,853
					3,444,253	3,792,595
Un-secured						
Habib American Bank	-	1.5 USD	0.51 USD	On Demand	**103,364**	109,661
Citibank N.A.	-	3 USD	3 USD	On Demand	-	314,615
Citibank N.A.	-	4 USD	4 USD	Temporary Line	-	419,486
					3,547,617	4,636,357

28.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2% over 1 month KIBOR (2015: 1.5% to 2.0% over 3 months KIBOR). Borrowings in US$ comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% (2015: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 3 month LIBOR and 2% over Citi Base Rate (2015: spread of 3.5% over 3 month LIBOR and 2% over Citi base Rate).

28.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at December 31, 2016.

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

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

a) The tax department had raised demand of Rs. 566.544 million (2015: Rs. 566.544 million) in December 1998, as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2015: Rs. 1 million) and additional duty of Rs. 2,923.005 million (2015: 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 15) against the subject demand which is considered fully recoverable from the department. This case is currently under adjudication before Appellate Tribunal Inland Revenue (ATIR). Based on consultation with legal advisor, the management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements in this regard.

b) The tax department had also raised demands of Rs. 6.804 million (2015: Rs. 6.804 million) and Rs. 277.621 million (2015: Rs. 277.621 million) on March 11, 2008 as FED and sales tax respectively along with penalty of Rs. 14.416 million (2015: Rs. 14.416 million) and additional duty / default surcharge of Rs. 17.91 million (2015: 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 (2015: Rs. 25 million) in this regard which is considered fully recoverable. The Holding Company filed an appeal with the Collector of Customs, Sales Tax and Federal Excise (Appeals), which was decided partially in its favour, partially against it and partially remanded back. The Holding Company and the department both have filed appeals at the ATIR which are pending adjudication. Based on consultation with legal advisor, the management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements in this regard.

c) The tax department has raised demands of Rs. 2.065 million (2015: Rs. 2.065 million) and Rs. 1,319.101 million (2015: Rs. 1,319.101 million) as FED and sales tax respectively along with penalty of Rs. 66.058 million (2015: Rs. 66.058 million) and additional duty / default surcharge of Rs. 534.412 million (2015: Rs. 534.412 million) during the tax audit of the Holding Company for the period 2007-2008. These demands were raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Holding Company filed appeal at Commissioner Inland Revenue (Appeals) [CIR (A)], which was decided in favour of the tax department. The Holding Company had filed appeal against this at ATIR and a rectification application with CIR (A). The Tribunal has disposed off the Holding Company's appeal, vide appellate order STA No. 08/KB/2011 dated September 26, 2016, remanded back the issues of incorrect rates of FED charged on excess baggage and disallowance of claim of input tax. Further, tribunal has deleted the penalty. Based on consultation with legal advisor, the management believes that the case will be decided in the favour of the Holding Company. Accordingly, no provision has been made in these consolidated financial statements in this regard.

d) The tax department through orders dated March 06, 2009, December 04, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (2015: Rs. 5,877.351 million), Rs. 5,679.110 million (2015: Rs. 5,679.110 million) and Rs. 7,025.270 million (2015: Rs. 7,025.270 million), respectively, on account of delayed payment of sales tax and FED for the month of November – December 2008, January – March and November 2010 – January 2011, respectively. In addition to this, the tax department levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs. 38.88 million, Rs. 21.11 million and Rs. 74 million, respectively. The Holding Company filed application for waiver of penalty for the month of November – December 2008 before Federal Board of Revenue (FBR) on which the decision is pending.

The CIR (A) deleted the penalties of Rs 5,679.110 million and Rs. 7,025.270 million, respectively, through its order dated September 19, 2011, however, default surcharge and 5 % penalty on the unpaid sales tax and FED were maintained. The Holding Company and the department have filed appeals with ATIR, which were decided in favour of the Holding Company. Further, for the months of January – March 2010 and November 2010 – January 2011, the Holding Company had filed an application for rectification, which was disposed off by ATIR on July 22, 2016 while maintaining the default surcharge.

On 30 April, 2013, the Additional Commissioner Inland Revenue (ACIR) levied penalty of Rs. 4,745.852 million (2015: Rs. 4,745.852 million) in respect of short payment of sales tax and FED for the tax periods April 2012 to January 2013. In addition, the tax department levied default surcharge on unpaid sales tax and FED amounting to Rs. 400.446 million (2015: Rs. 400.446 million). The Holding Company filed an appeal against the said orders before CIR (A), which was decided in favour of the department. Currently, the Holding Company has filed an appeal against this at ATIR, which is pending adjudication.

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

e) During the current year, the Deputy Commissioner Inland Revenue (DCIR) issued a show cause notice to the Holding Company under section 11 of the Sales Tax Act, 1990 in respect of tax years 2010, 2011 and 2012 on the contention that the Holding Company has adjusted excess input tax amounting to Rs. 2,603.502 million, Rs. 2,629.350 million and Rs. 1,514.818 million in the returns for tax year 2010, 2011 and 2012, respectively. However, the Holding Company has filed an appeal before Honorable High Court of Sindh which has granted stay order in favour of the Holding Company. The showcause notice is issued on the same grounds as involved in sales tax refund (refer not 15.2). The management, based on advices obtained from its tax advisor and legal counsel, is of the view that the case will be decided in favour of the Holding Company as department is not justified to disallow the adjustment of input tax. Accordingly, no provision has been made in these consolidated financial statements in this regard.

f) A show cause notice was issued to the Holding Company by the Collector of Customs demanding payment of Rs. 87.926 million (2015: 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 filed and appeal before the High Court which is pending adjudication. The management, based on legal advice, believes that the case will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements.

g) DCIR passed orders dated March 04, 2016 and November 30, 2015 and raised demand of Rs. 24.086 million and Rs. 55.691 million respectively, while disallowing input tax claimed, demand for sales tax along with default surcharge and penalty for periods February 2014, March 2014, and July 2014 on the contention that the Holding Company has claimed additional input tax. The management has filed an application for condonation of time limit and issuance of necessary directions for the activation of option for revision of returns which is pending. Based on legal advice, the management is confident that this matter will ultimately be decided in the Holding Company's favour, hence no provision is made in these consolidated financial statements in this respect.

h) Several orders passed on various dates with respect to short payments, delayed payment, default surcharge and penalties amounting to Rs. 60 million of which decision is pending before CIR (A), ATIR and Collector of Customs (Appeals).

i) Competition Commission of Pakistan (CCP) vide its order dated November 20, 2009 imposed a token penalty of Rs. 10 million on account of unreasonable increase in Hajj fare during the year 2008 as compared to Hajj season 2007. Further, on account of discrimination between Hajj passengers and regular passengers the Holding Company was directed to work out an amount of refund to be paid back to Hajis based on the difference of fare between regular passengers and short duration Hajis who flew during Hajj season 2008. The total exposure of refund estimated by the Holding Company is Rs. 417 million. The Holding Company had filed appeals simultaneously in Lahore High Court and Supreme Court of Pakistan which are pending for hearing. Based on legal advice, the 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.

j) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Holding Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As at December 31, 2016, the excessive amounts claimed by CAA are not acknowledged by the Company aggregated to Rs. 12,249.350 million (2015: Rs. 8,642.635 million) including late payment surcharge and interest thereon amounting to Rs. 7,754.263 million (2015: Rs.4,976.653 million). In view of the understanding reached through a Memorandum of Understanding (MoU) which was concluded in the meeting held on January 24, 2011 between the representatives of the Company and CAA, the management does not accept the higher amounts being claimed by CAA.

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

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

k) 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.

l) 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. 11,390.195 million (2015: Rs. 7,918.94 million).

m) Claims against Holding Company not acknowledged as debt amount to Rs. Nil (2015: Rs. 903.317 million).

n) 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.

o) Subsequent to the year end, show cause notice was issued to Sabre by the Officer Inland Revenue (OIR) of Corporate Regional Tax Office (CRTO) , Karachi wherein the OIR has alleged that the Company had paid "rebates" to non-residents which in the opinion of OIR fall within the ambit of "Franchise" as provided in the Federal Excise Act, 2005 and attracts Federal Excise Duty (FED) at the rate of 10%. The Company has filed petition before the Honourable High Court of Sindh (SHC) against the aforementioned show-cause notice which is pending adjudication. Management believes that the matter will be decided in Company's favour. Therefore, no provision has been made in these consolidated financial statements in this respect.

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

29.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 324.443 million (2015: Rs. 852.90 million).

b) Outstanding letters of credit amounted to Rs. 143.512 million (2015: Rs. 3,607.65 million).

c) Outstanding letters of guarantee amounted to Rs. 196.148 million (2015: Rs. 182.21 million).

d) The Holding Company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to US$ 1,527.904 million (2015: US$ 1,527.904 million) equivalent to Rs. 160,208.221 million (2015: Rs. 160,233.584 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 B-777-200 ER, B-737-800, A-320-232, A-320-200 and A-330 and the period in which these payments will become due is as follows:

	2016	2015
	(Rupees in '000)	
Not later than one year	**7,235,512**	7,575,917
Later than one year but not later than five years	**25,070,274**	29,980,859
Later than five years	**3,737,597**	6,559,685
	36,043,383	44,116,461

f) Sabre 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	**4,465**	4,879
Later than one year but not later than five years	**-**	3,899
	4,465	8,778

g) Minhal France S.A. - financial guarantee **1,105** 1,142

30. REVENUE - NET

	Note	2016	2015
		(Rupees in '000)	
Passenger		**80,426,927**	83,271,593
Cargo		**3,686,515**	3,480,770
Excess baggage		**815,488**	824,023
Charter services		**653,342**	598,461
Engineering services		**1,094,838**	928,839
Handling and related services		**422,994**	503,713
Mail		**288,401**	291,059
Room, food and beverages sales		**11,891,234**	11,960,199
Others		**3,146,813**	2,656,015
		102,426,552	104,514,672

30.1 The analysis of revenue by geographical segment is disclosed in note 41.2 of these consolidated financial statements.

31. COST OF SERVICES - OTHERS

Salaries, wages and allowances		**20,580,906**	16,928,718
Welfare and social security costs		**2,422,119**	2,248,400
Retirement benefits	*31.1*	**2,241,221**	1,640,212
Compensated absences	*26.2.2*	**1,270,868**	760,073
Legal and professional charges		**21,555**	32,263
Stores and spares consumed		**1,429,499**	1,273,337
Maintenance and overhaul		**10,675,485**	6,607,479
Flight equipment rental	*31.2*	**9,069,290**	7,507,705
Landing and handling		**14,468,149**	11,921,998
Passenger services		**2,987,437**	2,846,481
Crew layover		**2,882,160**	2,581,933
Food and beverages		**514,882**	512,230
Staff training		**128,674**	122,271
Utilities		**72,273**	80,065
Communication		**3,631,340**	3,262,147
Insurance	*31.3*	**1,167,121**	2,729,015
Rent, rates and taxes		**2,104,522**	1,941,619
Printing and stationery		**182,059**	131,382
Depreciation	*5.8*	**8,190,633**	7,874,189
Amortisation of intangibles and prepayment	*6.1 & 10.6*	**13,089**	7,318
Others		**1,671,548**	2,150,605
		85,724,830	73,159,440

31.1 The Holding Company's staff retirement benefits includes provident fund - a defined contribution plan. The Holding Company has established a separate provident fund. Following information of the provident fund has been derived from the unaudited financial statements of the provident fund as at December 31, 2016 and 2015.

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

Size of provident fund	**22,890,155**	23,039,146
Cost of investments made	**14,065,162**	13,564,645
Percentage of investments made	**60.7%**	66.2%
Fair value of investments	**13,883,570**	15,296,809

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

	2016	2015	2016	2015
	(Percentage)		(Rupees in '000)	
Term finance certificates	**17.6%**	20.5%	**4,037,235**	4,732,714
Pakistan Investment Bonds	**2.5%**	8.7%	**565,013**	2,012,132
Islamic bonds	**9.2%**	9.7%	**2,102,911**	2,244,031
Bank deposits	**5.4%**	4.4%	**1,232,546**	1,020,905
PIACL shares	**0.0%**	0.0%	**5,765**	5,324
Special Savings Certificate	**26.0%**	22.9%	**5,940,100**	5,281,703
Total	**60.7%**	66.2%	**13,883,570**	15,296,809

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

	2016	2015
31.1.2 Number of employees of the Holding Company:	(Number)	
Average number of employees during the year	**14,280**	14,468
Number of employees as at year end	**14,191**	14,369

31.2 This includes custom duty and sales tax amounting to Rs. Nil (2015: Rs. 375.733 million) on account of import of wet lease and dry lease aircrafts.

31.3 This includes central excise duty (CED) amounting to Rs. Nil (2015: Rs. 1,637.615 million) on insurance premium paid / payable on account of aircraft insurance of current and previous years not claimed before expiry as refundable by the Holding Company.

32. DISTRIBUTION COSTS

	Note	2016	2015
		(Rupees in '000)	
Salaries, wages and allowances		**2,112,475**	1,834,897
Welfare and social security costs		**298,714**	276,098
Retirement benefits		**1,162,115**	847,888
Compensated absences	*26.2.2*	**211,811**	127,264
Distribution and advertising expenses		**662,159**	680,033
Legal and professional charges		**38,320**	57,379
Repairs and maintenance		**1,454**	1,991
Insurance		**12,454**	20,730
Printing and stationery		**84,271**	73,247
Communication		**172,494**	180,027
Staff training		**42,805**	40,973
Rent, rates and taxes		**249,084**	267,334
Utilities		**19,404**	17,640
Depreciation	*5.8*	**13,369**	14,206
Others		**576,115**	507,423
		5,657,044	4,947,130

33. ADMINISTRATIVE EXPENSES

	Note	2016	2015
		(Rupees in '000)	
Salaries, wages and allowances	*33.1*	**3,695,500**	3,159,392
Welfare and social security costs		**446,376**	413,949
Retirement benefits		**747,074**	545,071
Compensated absences	*26.2.2*	**282,415**	168,228
Legal and professional charges		**274,248**	245,184
Repairs and maintenance		**6,701**	1,112
Insurance		**23,049**	40,464
Printing and stationery		**31,917**	40,980
Management fee	*33.2*	**227,848**	239,732
Staff training		**155,407**	119,179
Municipal taxes		**907,085**	884,355
Rent, rates and taxes		**579,349**	595,873
Utilities		**863,380**	783,385
Remuneration of subsidiaries' auditors		**798**	794
Auditors' remuneration	*33.3*	**18,248**	15,518
Communication		**101,872**	109,664
Amortisation of intangibles and prepayment	*6.1 & 10.6*	**16,845**	19,575
Depreciation	*5.8*	**22,484**	23,166
Amortization in respect of long term lease - PIAIL	*10.5*	**1,131**	1,109
Donations	*33.4*	**3,600**	3,600
Others		**869,964**	853,793
		9,275,291	8,264,123

33.1 These include Rs. 16,737 million (2015: Rs. 15.562 million) charge for the year in respect of employees gratuity fund, Rs. 3,961 million (2015: Rs. 2.909 million) in respect of employees' provident fund and Rs. 194.306 million (2015: Rs. 182.191 million) in respect of other retirement benefits of a subsidiary.

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

(i) Interstate Hotels and Resorts Holding Company (IHC)	*33.2.1*	**119,358**	114,320
(ii) ACCOR	*33.2.2*	**108,491**	125,412
		227,849	239,732

33.2.1 RHC entered into a contract for management of day-to-day operations of Roosevelt Hotel with IHC. The agreement provides for a base management fee calculated at 1.20% of gross operating revenues per year and an incentive management fee calculated at 14.5% of net operating income as defined in the agreement.

33.2.2 MFSA entered into a management agreement with ACCOR whereby ACCOR is entitled to a basic fee of 2.625% of Scribe Hotel's turnover less lease rentals plus an incentive fee of 9% of gross operating profit subject to a cap of 4.25% of turnover less lease rentals.

33.3 Auditors' remuneration

	2016		
	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total
	(Rupees in '000)		
Audit fee of the Holding Company	**5,334**	**5,334**	**10,668**
Fee for review of condensed interim financial statements	**1,599**	**1,599**	**3,198**
Consolidated financial statements	**793**	**793**	**1,586**
Code of Corporate Governance	**274**	**274**	**548**
Audit fee of PIAIL	**1,048**	**-**	**1,048**
Out of pocket expenses	**600**	**600**	**1,200**
	9,648	**8,600**	**18,248**

	2015		
	KPMG Taseer Hadi & Co.	EY Ford Rhodes	Total
	(Rupees in '000)		
Audit fee of the Holding Company	4,680	4,680	9,360
Fee for review of condensed interim financial statements	1,403	1,403	2,806
Consolidated financial statements	696	696	1,392
Code of Corporate Governance	240	240	480
Audit fee of PIAIL	616	-	616
Out of pocket expenses	432	432	864
	8,067	7,451	15,518

33.4 Donations represent payments aggregating Rs. 3.6 million (2015: Rs. 3.6 million) to Al-Shifa Trust, situate 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.

34. OTHER PROVISIONS AND ADJUSTMENTS

	Note	**2016**	2015
		(Rupees in '000)	
Property, plant and equipment			
- capital spares written off		**195,592**	-
- deficit released from surplus on aircraft written off	*5.1.3*	**971,386**	53,196
- aircraft fleet written off / retired	*5.5*	**1,716,176**	-
- other assets written off		**308,272**	-
- provision for capital work in progress	*5.10*	**-**	112,859
		3,191,426	166,055
Provision for slow moving and obsolete spares	*11.1*	**687,153**	654,144
Provision for doubtful debts	*12.2*	**544,484**	300,660
Provision against doubtful advances	*13.2*	**249,651**	203,432
Provision against doubtful deposits	*10.4 & 14.1*	**116,358**	83,056
Provision against other receivables	*15.6*	**22,422**	32,387
Late payment surcharge on fuel	*26.1*	**1,363,416**	2,243,949
Late payment surcharge on maintenance reserve		**560,563**	-
Others		**12,838**	132,857
		6,748,311	3,816,540

35. OTHER INCOME

	Note	2016	2015
		(Rupees in '000)	
Income from financial assets			
Profit on bank deposits		**75,024**	38,307
Interest on maintenance reserve		**5,903**	-
		80,927	38,307
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		**249,367**	143
Insurance claims		**234,341**	53,479
Others		**94,151**	579,838
		658,786	671,767

36. FINANCE COSTS

Mark-up on:			
- long-term financing		**6,085,288**	4,429,681
- term finance certificates		**2,413,416**	3,153,360
- short-term borrowings		**2,613,439**	3,448,052
		11,112,143	11,031,093
Profit on sukuk certificates		**553,147**	683,523
Interest on liabilities against assets subject to finance lease		**319,400**	417,611
(Unwinding) / discounting of long term deposits		**(103,424)**	39,706
Interest on provident fund	*26.5*	**656,790**	712,146
Arrangement, agency and commitment fee		**716,912**	700,113
Amortisation of prepaid exposure fee	*10.7*	**254,031**	270,642
Bank charges, guarantee commission and other related charges		**76,692**	57,073
		13,585,691	13,911,907

37. TAXATION

Current	*37.1*	**759,431**	674,922
Deferred	*24.4*	**(877,347)**	1,904,634
		(117,916)	2,579,556

37.1 Current

37.1.1 This includes Holding Company's provision for minimum taxation made in accordance with section 113 of the Income Tax Ordinance, 2001.

Minimum tax rate under section 113 of Income Tax Ordinance 2001 (I.T.O.) for Tax Year 2016 is 1% of turnover, however the rate for the Holding Company is 0.5% in accordance with the Division IX of First Schedule of I.T.O. 2001.

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

37.1.3 A demand of Rs. 898.177 million (2015: 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 an appeal at CIR (A) level which was decided partially in favour of the Holding Company. Being further aggrieved, the Holding Company has filed appeal at Income Tax Appellate Tribunal (ITAT) level which is partially heard on September 27, 2016. Based on consultation with legal advisor, the management is confident that this issue will ultimately be decided in its favour and the amount will be recovered.

Further, the ACIR has issued orders under section 122 (5A) of the I.T.O. 2001 in respect of tax years 2006 and 2007 disallowing the depreciation claimed on leased aircraft and other provisions amounting to Rs. 3,480.442 million and Rs. 20,462.797 million, respectively. The Holding Company has filed an appeal CIR (A) against the said orders, however, the matter is still pending for adjudication.

The Holding Company also received show cause notice in respect of tax years 2008 on account of disallowance of depreciation on leased aircraft and other provisions. The Holding Company has filed its reply in response to these notices and no response has yet been received from the department. During the current year, the ACIR has passed an order dated December 19, 2016 under section 124/122 (5A) of the I.T.O. 2001 in respect of tax year 2009 and raised a demand of Rs. 109.428 million while maintaining the disallowance of depreciation amounting to Rs. 17,069.522 million demanded under the order dated June 15, 2015. In addition, the ACIR has also passed an amended order dated June 30, 2016 under section 122 (5A) of the I.T.O. 2001 in respect of tax year 2010 and raised a demand of Rs. 143.075 million disallowing the depreciation claimed on leased aircraft and other provisions amounting to Rs. 12,810 million. The Holding Company has filed appeals before CIR (A) against these said orders, however, the matter is still pending for adjudication and the Holding Company is confident that this issue will ultimately be decided in its favour.

A demand of Rs. 561.129 million was raised by the DCIR through the order dated June 23, 2015 under sections 122(1)/(9) of the I.T.O. 2001 in respect of tax year 2011 disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 9,900.695 million. The Holding Company has filed an appeal before CIR (A) against the said orders, however, the matter is still pending for adjudication and the Holding Company is confident that this issue will ultimately be decided in its favour.

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

37.1.4 The tax department has also issued order under section 161/205 of the I.T.O. 2001 pertaining to tax year 2011 and raised a demand of Rs. 324.319 million. The 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 I.T.O. 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. However, no response has yet been received from the tax department. Based on consultation with legal advisor, the 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.

37.1.5 Tax department of Afghanistan has audited income tax returns of the Company's Kabul station for the tax year 2006 to 2014 and raised a demand of AFN 238.01 million (equivalent to Rs. 376.294 million). On request of the Holding Company, the Ministry of Finance of Afghanistan (MoFA) has constituted an Objection Review Unit (ORU) to review the disputed matters. On advice of MoFA, the Holding Company has paid the principal tax demand recomputed by the ORU in its interim report amounting to AFN 41.098 million (equivalent to Rs. 64.976 million) under protest and subject to the final amount of tax to be determined by ORU. A separate appeal has also been filed with the Commercial Courts in Kabul, Afghanistan which is pending for adjudication. Based on legal advise, 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.

37.1.6 During the year 2014, the Department issued notices to Sabre under section 122 (5A) and 162 of the I.T.O.2001, in respect of tax years 2011 and 2012 and has considered the gross income of Sabre as commission income, on which tax should be withheld @ 10% of the commission amount at the time of realisation of foreign exchange proceeds. Sabre has filed replies to show cause notices issued under section 122(5A) of the Ordinance after which no response has been received from the Department.

In respect of show cause notices issued under section 162 of the Ordinance, the Department had initiated the proceedings and passed the ex-party order dated October 23, 2013 for both of the above tax years well before the date of compliance of the orders. However, on appeals filed by Sabre against the said orders, the CIR has set aside both the orders on the grounds that opportunity of being heard was not provided to Sabre and directed Additional CIR to initiate fresh proceedings and provide Sabre proper and sufficient opportunity of being heard.

On May 28, 2016, final show cause notices in respect of tax years 2011 and 2012 were issued to Sabre which were replied on May 30, 2016. On June 25, 2016, Officer Inland Revenue (OIR) issued a similar show cause notice (as above) in respect of tax year 2010 which was replied by Sabre on June 29, 2016 contending that the notice was time barred and that foreign commission income earned by Sabre was not subject to taxation under section 233 of the Ordinance. However, on June 29, 2016, OIR passed three separate orders under section 162/205 of the Ordinance rejecting Sabre's contentions and alleging that foreign commission earned by Sabre was liable to deduction of tax. The above order followed by notices of demand under section 137(2) of the Ordinance dated June 30, 2016 was issued to Sabre raising demand (including default surcharge) of Rs. 25.4 million, Rs. 13.4 million and Rs. 33.1 million for the tax years 2010, 2011 and 2012. On July 20, 2016, Sabre made an appeal with CIR (A) against the above orders which, subsequent to the year end on April 17, 2017 has been decided in favour of Sabre.

37.1.7 ACIR had served show cause notice to amend the assessment under section 122(5A) of the Ordinance for the tax year 2009 disallowing rebates to Sabre. Sabre replied to the show cause notice which was not accepted by the ACIR. The ACIR passed order dated June 29, 2015 under section 122(5A) of the Ordinance and served a tax demand of Rs. 182.263 million (including additional tax of Rs. 42.979 million) to Sabre. Sabre filed an appeal before CIR(A) which was decided against Sabre through the order dated January 14, 2016. Sabre filed an appeal before ATIR against the decision of CIR(A) which was decided against Sabre on September 21, 2016. Subsequent to the year end, Sabre has filed an appeal against ATIR's decision before the Honorable High Court of Sindh which is pending adjudication. Management believes that the matter will be decided in Sabre's favour. Therefore, no provision has been made in these consolidated financial statements in this respect.

38. 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.

	2016	2015
Loss for the year (Rupees in '000)	(45,248,179)	(32,149,308)
Weighted average number of ordinary shares outstanding (Numbers)	5,235,261,117	5,093,932,550
Loss per share attributable to		
'A' class Ordinary share (Rupees)	(8.64)	(6.31)
'B' class Ordinary share (Rupees)	(4.32)	(3.16)

38.1 The impact of 'advance against equity' has been taken into weighted average number of ordinary shares outstanding in previous years.

39. CASH GENERATED FROM OPERATIONS

	2016	2015
	(Rupees in '000)	
Loss before taxation	(45,357,921)	(29,551,626)
Adjustments for:		
Depreciation	8,226,486	7,911,561
Gain on disposal of property, plant and equipment - net	(249,367)	(143)
Property, plant and equipment written off / retired	2,375,146	-
Unrealised exchange loss / (gain)	(3,306)	2,610,233
Amortisation / adjustment of intangibles	49,867	27,418
Amortisation of long-term deposits and prepayments	2,824	-
Provision for slow moving stores and obsolete spares	687,153	654,144
Provision for doubtful debts	544,484	300,660
Provision for doubtful advances	249,651	203,432
Provision for doubtful deposits	116,358	83,056
Provision against other receivables	22,422	32,387
Provision for capital work in progress	-	112,859
Provision for staff retirement benefits	5,372,066	3,676,846
Finance cost	13,585,691	13,911,907
Share of loss / (profit) from associates	338	(612)
Profit on bank deposits	(75,024)	(38,307)
Deficit released from surplus on account of aircrafts retired / written off	971,386	53,196
Other provisions	12,838	132,857
	(13,468,908)	119,868
Working capital changes		
Increase in stores and spares	(193,025)	(286,751)
Decrease in trade debts	107,371	804,413
Increase in short-term loans and advances	(963,149)	(588,524)
Decrease / (increase) in trade deposits and prepayments	409,067	(1,512,513)
Increase / (decrease) in other receivables	(1,401,778)	868,503
Increase in trade and other payables	20,661,988	9,402,597
Currency translation difference	13,565	186,611
	18,634,039	8,874,336
Cash generated from operations	5,165,131	8,994,204

40. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	Key management personnel					
	Chief Executive Officer		Head of Departments		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Managerial remuneration	30,002	5,786	135,401	135,927	3,854,668	3,180,712
Holding Company's contribution to provident fund	270	406	2,014	17,368	185,557	152,920
Other perquisites	1,918	2,400	28,647	28,540	3,227,667	2,664,732
	32,190	8,592	166,062	181,835	7,267,892	5,998,364
Number	1	1	23	16	3,190	2,632

Aggregate amount charged in these consolidated financial statements for fee to directors was Rs. 286,110 (2015: Rs. 241,635). Chief Executive Officer and certain executives are also provided with the Holding Company's maintained cars and facilities as per the Holding Company's rules. Key management personnel of PIAIL are also provided with free use of company maintained cars and are entitled for reimbursement of actual medical expenditure.

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. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services provided. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that serves different markets.

The airlines operations segment provides air transport and other allied services.

Hotel operation segment provides accommodation and related services in Pakistan, United States and Europe.

Transaction between business segments are conducted on agreed basis in a manner similar to transactions between third parties. Segment revenue, segment expenses and segment results include transaction between business segments.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

41.1 Revenue analysis

	Airlines operations		Hotel operations		Others		Eliminations / adjustments		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
Revenue										
External sales	88,997,379	91,268,545	13,170,797	13,229,393	443,220	306,965	-	-	102,611,396	104,804,903
Intersegment sales	-	-	-	-	-	-	(184,844)	(290,231)	(184,844)	(290,231)
Total revenue	88,997,379	91,268,545	13,170,797	13,229,393	443,220	306,965	(184,844)	(290,231)	102,426,552	104,514,672
Results										
Segment results	(32,116,866)	(16,435,897)	363,004	822,739	76,766	39,130	(94,797)	(66,304)	(31,771,893)	(15,640,332)
Interest expense	(13,159,579)	(13,517,442)	(522,117)	(473,567)	(3)	(9)	96,000	79,111	(13,585,699)	(13,911,907)
Interest income	80,927	38,307	428	732	-	-	-	-	81,355	39,039
Share of associate's loss	(338)	612	-	-	-	-	-	-	(338)	612
Income taxes	(104,592)	(2,576,222)	(249,622)	(15,547)	(22,177)	(15,369)	-	-	(376,391)	(2,607,138)
Depreciation	(6,407,770)	(6,095,376)	(1,797,136)	(1,797,878)	(21,580)	(18,307)	-	-	(8,226,486)	(7,911,561)
Amortisation	(17,816)	(20,520)	-	-	-	-	-	-	(17,816)	(20,520)
Assets and liabilities										
Segment assets	110,076,874	115,841,851	105,825,535	74,749,501	503,861	379,582	(5,832,630)	(5,594,986)	210,573,640	185,375,948
Investment in associates	396	396	-	-	-	-	69,030	69,030	69,426	69,426
Capital expenditure	1,704,434	3,000,665	250,162	225,425	33,630	15,139	-	-	1,988,226	3,241,229
Segment liabilities	365,285,008	324,204,934	51,074,719	38,105,668	120,650	50,956	(5,031,653)	(4,801,129)	411,448,724	357,560,429

41.2 Geographical segments - by area of original sale

	2016					2015				
	Pakistan	United States	Europe	Others	Total	Pakistan	United States	Europe	Others	Total
	(Rupees in '000)									
Segment revenue	45,038,527	15,712,039	18,659,960	22,997,505	102,408,031	44,997,724	15,181,920	21,858,550	22,476,478	104,514,672
Carrying amount of assets	109,731,898	69,856,003	30,985,735	-	210,573,636	115,434,418	49,558,881	20,415,484	-	185,408,783

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.

42. 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.

42.1 Market risk

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

a) Fuel price risk

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

b) Currency risk

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

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

	2016	2015	2016	2015
	(Rupees in '000)			
Change in US$ rate	+5%		(5%)	
(Increase) / decrease in loss before tax	(2,733,357)	(3,194,232)	2,733,357	3,194,232
Change in GBP rate	+5%		(5%)	
(Increase) / decrease in loss before tax	7,263	11,272	(7,263)	(11,272)
Change in SAR rate	+5%		(5%)	
(Increase) / decrease in loss before tax	15,853	31,706	(15,853)	(31,706)
Change in AED rate	+5%		(5%)	
(Increase) / decrease in loss before tax	72,980	(56,620)	(72,980)	56,620
Change in Euro rate	+5%		(5%)	
(Increase) / decrease in loss before tax	(2,945)	(54,149)	2,945	54,149

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:

	2016	2015
	(Rupees in '000)	
Variable rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	**111,675,685**	83,435,558
Term finance and sukuk certificates	**33,507,209**	39,903,628
Liabilities against assets subject to finance lease	**10,525,657**	15,990,349
Short-term borrowings	**34,247,947**	36,830,540
Payable to Holding Company's employees' provident fund	**10,202,468**	10,470,475
	200,158,966	186,630,550
Financial assets		
Long term deposits	**(1,559,638)**	(1,553,980)
	198,599,328	185,076,570
Fixed rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	**8,226,601**	8,890,477
Liabilities against assets subject to finance lease	**2,892,960**	4,432,146
Short-term borrowings	**103,364**	109,661
	11,222,925	13,432,284
Financial assets		
Bank balances	**(4,767,579)**	(4,888,301)
Long-term loans	**(2,547)**	(4,807)
	6,452,799	8,539,176

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	
	2016	2015	2016	2015
	(Rupees in '000)			
Change in interest rate	+1%		+0.25%	
Increase in loss before tax	**(1,334,830)**	(1,033,224)	**(173,296)**	(189,528)
Change in interest rate	(1%)		(0.25%)	
Decrease in loss before tax	**1,334,830**	1,033,224	**173,296**	189,528

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.

42.2 Liquidity risk

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

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

	Carrying Amount	Contractual Cash flows	Less than 1 year	1 - 5 years	More than 5 years
	----------	----------	(Rupees in '000)	----------	----------
2016					
Long-term financing	**119,902,286**	**158,600,172**	**44,689,442**	**105,733,687**	**8,177,042**
Term finance and sukuk certificates	**33,507,209**	**38,499,370**	**10,467,332**	**28,032,038**	**-**
Liabilities against assets subject to finance lease	**13,418,617**	**14,130,916**	**8,102,581**	**6,028,335**	**-**
Trade and other payables	**96,515,776**	**96,515,776**	**96,515,776**	**-**	**-**
Accrued interest / mark-up / profit	**13,052,047**	**13,052,047**	**13,052,047**	**-**	**-**
Short-term borrowings	**34,351,311**	**34,351,311**	**34,351,311**	**-**	**-**
	310,747,246	**355,149,592**	**207,178,489**	**139,794,060**	**8,177,042**
2015					
Long-term financing	92,326,035	130,830,694	59,784,454	61,363,937	9,682,303
Term finance and sukuk certificates	39,903,628	46,102,393	15,757,970	30,344,423	-
Liabilities against assets subject to finance lease	20,422,495	21,919,394	8,037,185	13,882,209	-
Trade and other payables	78,670,330	78,670,330	78,670,330	-	-
Accrued interest / mark-up / profit	11,790,141	11,790,141	11,790,141	-	-
Short-term borrowings	36,940,201	36,940,201	36,940,201	-	-
	280,052,830	326,253,153	210,980,281	105,590,569	9,682,303

42.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2016 represents the maximum credit exposure, which is as follows:

	2016	2015
	(Rupees in '000)	
Receivable in respect of Centre Hotel	**792,096**	792,329
Long-term deposits	**9,076,261**	10,314,180
Trade debts	**9,218,662**	9,870,517
Short-term loans	**5,056**	7,205
Trade deposits	**3,557,055**	1,967,638
Other receivables	**3,979,037**	1,127,985
Bank balances	**8,179,353**	7,591,777
	34,807,520	31,671,631

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 good credit rating i.e. at least "A3" or equivalent for short term and "BBB" or equivalent for long term.

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

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

42.4 Capital management

The 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.

43. 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).

	2016									
	Carrying amount						Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial assets measured at fair value										
Long-term investments	152,768	-	-	-	-	152,768	152,768	-	-	152,768
Short-term investments	-	5,761	-	-	-	5,761	5,761	-	-	5,761
Financial assets not measured at fair value										
Non-current assets										
Receivable in respect of Centre Hotel	-	-	-	792,096	-	792,096	-	-	-	-
Long-term deposits	-	-	-	9,076,261	-	9,076,261	-	-	-	-
Investments in unquoted securities	369	-	-	-	68,823	69,192	-	-	-	-
Current assets										
Trade debts	-	-	-	9,218,662	-	9,218,662	-	-	-	-
Short-term loans and advances	-	-	-	5,056	-	5,056	-	-	-	-
Trade deposits	-	-	-	3,557,055	-	3,557,055	-	-	-	-
Other receivables	-	-	-	3,979,037	-	3,979,037	-	-	-	-
Short-term investment	19,220	-	-	-	-	19,220	-	-	-	-
Cash and bank balances	-	-	-	8,223,821	-	8,223,821	-	-	-	-
	172,357	5,761	-	34,851,988	68,823	35,098,929	158,529	-	-	158,529

	2016									
	Carrying amount						Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial liabilities not measured at fair value										
Long-term financing	-	-	-	-	119,902,286	119,902,286	-	-	-	-
Term finance and sukuk certificates	-	-	-	-	33,507,209	33,507,209	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	13,418,617	13,418,617	-	-	-	-
Trade and other payables	-	-	-	-	96,515,776	96,515,776	-	-	-	-
Accrued interest	-	-	-	-	13,052,047	13,052,047	-	-	-	-
Short-term borrowings	-	-	-	-	34,351,311	34,351,311	-	-	-	-
	-	-	-	-	310,747,246	310,747,246	-	-	-	-

Leasehold land and building and Aircraft fleet have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 5.3 and 5.4.

Hotel properties have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 4.1. The Scribe Hotel is a luxury 5 star hotel located at 1, rue Scribein Paris, France. The Scribe Hotel has 213 guest rooms, including 13 suites and 4 duplex apartments. The Scribe Hotel is located in the center of Paris, between the Opera house, Place Vendôme, La Madeleine and the department stores on boulevard Haussmann. The Scribe Hotel is currently managed by Accor Hotels with the brand Sofitel. In addition to guest rooms, the Scribe Hotel has a gastronomic restaurant, a bar, a tea house with library, a wellness center, a meeting space and other typically found in a in a full service hotel. The Scribe Hotel is also composed off retail high street retail units on rue Scribe and the corner of boulevard des Capucines. The Roosevelt Hotel is located at 45 East 45th Street New York, New York 10017 United State of America, which opened in 1924, features 1,025 rooms, a restaurant, a lounge, a rooftop lounge, a street level lounge, room service, approximately 28,000 square feet of meeting space, concierge services, a business center, a fitness center, valet parking, and a gift shop. In addition, the property features approximately 23,000 square feet of retail space (including storage spaces), located on the ground floor and featuring street frontage. In addition to the existing improvements, the property also includes 51,447 square feet of transferrable development rights.

The valuation are conducted by the valuation experts appointed by the Group who used different approaches to arrive at the fair value including discounted cash flows, fee simple interest, recent comparable transaction approach and multiple approach and alternative use. The valuation complies with the requirements of the RICS Valuation Standards (the 'Red Book', dated January 2014) published by the Royal Institution of Chartered Surveyors (RICS). The retained approach to value the Scribe Hotel is the DCF method and for Roosevelt Hotel is fee simple interest method as if vacant and available to be redeveloped to its highest and best use. Other valuation methods were employed in order to corroborate the retained valuation approach.

Valuation Technique	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
Scribe Hotel			
			The estimated fair value would increase / (decrease) if:
The valuation model considered the present value of net cash flows to be generated from the Property taking into account the average daily rate, occupancy rate, capex and working capital requirement.	Average daily rate	Euro 120 thousand	Average daily rate were higher / (lower)
	Occupancy rate	74.70%	Occupancy rate were higher / (lower)
	Terminal growth	7.00%	Growth rate were higher / (lower)
	Risk adjusted discount rate	6.40%	Risk adjusted discount rate were lower / (higher)
For retails units, Income Capitalization approach is used which converts anticipated cash flows into present value by capitalizing net operating income by a market derived "Capitalization rate"	Yield rate	2.90%	Yield rate were lower / (higher)
	Purchase cost	7.50%	Purchase rate were lower / higher
Roosevelt Hotel			
			The estimated fair value would increase / (decrease) if:
The valuation model is considerd is fee simple interest method as if vacant and available to be redeveloped to its highest and best use.	Per Square foot of development zoning floor area (SFDA)	$1,000	Per SFDA increase / (decrease)
	Max SFDA	649,695	Max SFDA increase / (decrease)

	2015									
	Carrying amount						Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial assets measured at fair value										
Long-term investments	95,102	-	-	-	-	95,102	95,102	-	-	95,102
Short-term investments	-	188,846	-	-	-	188,846	188,846	-	-	188,846
Financial assets not measured at fair value										
Non-current assets										
Receivable in respect of Centre Hotel	-	-	-	792,329	-	792,329	-	-	-	-
Long-term deposits	-	-	-	10,314,180	-	10,314,180	-	-	-	-
Investments in unquoted securities	369	-	-	-	69,426	69,795	-	-	-	-
Current assets										
Trade debts - net	-	-	-	9,870,517	-	9,870,517	-	-	-	-
Short-term loans and advances	-	-	-	7,205	-	7,205	-	-	-	-
Trade deposits	-	-	-	1,967,638	-	1,967,638	-	-	-	-
Other receivables	-	-	-	1,127,985	-	1,127,985	-	-	-	-
Short-term investments	19,220	-	-	-	-	19,220	-	-	-	-
Cash and bank balances	-	-	-	7,625,242	-	7,625,242	-	-	-	-
	114,691	188,846	-	31,705,096	69,426	32,078,059	283,948	-	-	283,948

	2015									
	Carrying amount						Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial liabilities not measured at fair value										
Long-term financing	-	-	-	-	92,326,035	92,326,035	-	-	-	-
Term finance and sukuk certificates	-	-	-	-	39,903,628	39,903,628	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	20,422,495	20,422,495	-	-	-	-
Trade and other payables	-	-	-	-	78,670,330	78,670,330	-	-	-	-
Accrued interest	-	-	-	-	11,790,141	11,790,141	-	-	-	-
Short-term borrowings	-	-	-	-	36,940,201	36,940,201	-	-	-	-
	-	-	-	-	280,052,830	280,052,830	-	-	-	-

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 relevant notes. Transactions with related parties are as follows:

	2016	2015
	(Rupees in '000)	
Retirement funds		
Contribution to Provident Fund and others	3,476,668	1,263,349
Interest due on outstanding balance of Provident Fund	656,790	712,146
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	10,807,888	10,913,804
Late payment interest	1,363,416	2,243,949
Airport related charges	10,952,243	7,804,011
Insurance premium	985,139	1,051,984
Mark-up paid	4,530,853	5,182,449
GoP - Major shareholder		
Finance cost	802,192	800,000
Advance against equity from GoP	-	3,974,371
Hajj revenue	2,443,746	3,165,790
Management fee paid to ACCOR	108,491	125,412

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

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

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

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

Had the exemption not been granted, the accumulated losses as at December 31, 2016 would have been higher by Rs. 725.707 million (2015: Rs. 725.707 million), staff costs and loss after taxation of the Holding Company for the year then ended would have been higher by Rs. 66.684 million (2015: Rs. 66.684 million) while earnings per share would have been lower by Rs.0.013 and Rs. 0.006 per share (2015: Rs. 0.02 and Rs. 0.01 per share) for class 'A' and 'B' shareholders respectively.

46. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, for the purpose of better presentation and comparison.

47. 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 12-OCT-2017.

12 October

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer