Annual Report 2013

PAKISTAN
International Airlines
Great People to Fly With

PAKISTAN
International Airlines
Great People to Fly With

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IOSA Compliant - IATA Operational Safety Audit

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Golden Jubilee
1964 - 2014

PAKISTAN INTERNATIONAL AIRLINES

1964-2014

50

年飛行到中國

PIA

YEARS OF FLYING TO CHINA

First Airline from Non- Communist Country Completes
50 Years of Flying to China

Vision

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

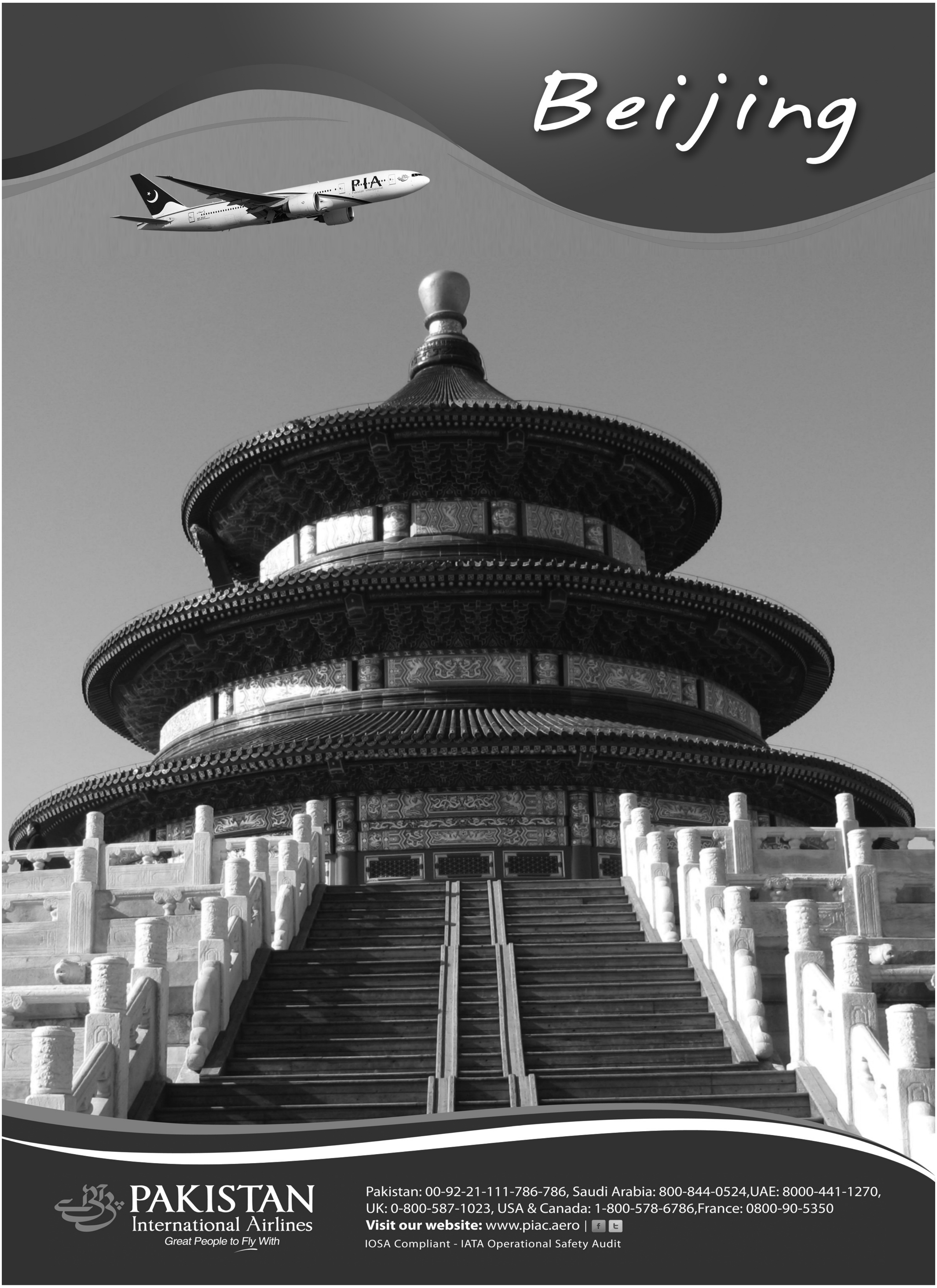
Mission

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

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

Corporate Values

- **Customer Expectations**
  (Convenience, Care, Affordability)
- **Service**
  (Personalized, Courteous, Passionate)
- **Innovation**
  (New Ideas, Products, Value Added Services)
- **Cohesiveness**
  (Respect for Individuals, Teamwork, and Effective Communication)
- **Integrity**
  (Business Ethics, Accountability, and Transparency)
- **Reliability**
  (Loyalty and Consistency)
- **Safety**
  (Passengers, Employees, Environment)
- **Social Responsibility**
  (Welfare, Health, Education)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Notice of 57th Annual General Meeting

Notice is hereby given that 57th Annual General Meeting of the Shareholders of Pakistan International Airlines Corporation will be held at 10:00 A.M. on Wednesday, May 28, 2014 at CAA Jogging Track Lawn, The Grand Ball Room, Opposite CAA Club, Near Star Gate, Main Shahrah-e-Faisal, Karachi to transact the following business:

1. To receive and adopt the Audited Accounts for the Financial Year ended December 31, 2013 together with the Auditors' and Directors' Reports.

2. To elect two Directors against vacancies as required under Sections 6 and 7 of PIAC Act 1956 in place of Malik Nazir Ahmed and Mr Yousaf Waqar Shaffi who have completed their term of office of Directors.

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

By order of the Board

Younus M. Khan
Secretary - PIA

Karachi May 06, 2014

Notes:

1. **Candidature for election as Director:** As per Rule 21 of PIAC Rules 1958, a Shareholder not being a retiring elected Director, shall not be eligible for election as a Director unless he has been recommended by an elected Director for election as a Director, or unless he or some other Shareholder intending to propose his name has, at least **seven clear days before the Meeting i.e. up to 05:30 P.M., Tuesday, May 20, 2014 left at the office of Secretary-PIA, PIA Head Office, Karachi, a notice in writing duly signed signifying his candidature.**

2. **Participation in Meeting and Appointment of Proxies:** A Shareholder entitled to attend and vote at the Meeting is entitled to appoint another Shareholder as Proxy. **The duly executed instrument of Proxy or the Power of Attorney or a notarized copy of such Power of Attorney must be lodged at the office of Secretary-PIA, PIA Head Office, Karachi, not less than 48 hours before the time fixed for holding the Meeting i.e. up to 10:00 A.M. Monday, May 26, 2014** unless the Power of Attorney has already been registered in the Corporation books. Any individual Beneficial Owner of CDC, entitled to attend and vote at the Meeting, must show his / her original CNIC or Passport to authenticate his / her identity along with Participant ID and CDC Account / Sub-Account Number.

3. **Book Closure: The Shares Transfer Books of the Corporation will remain closed from Wednesday, May 14, 2014 to Wednesday, May 28, 2014 (both days inclusive)** in order to update the register for the purpose of determining the voting rights of Shareholders. Transfer documents (Physical Scrip Transfers / CDC Transaction IDs) received in order **at the office of PIA Share Registrar / Transfer Agent, Central Depository Company of Pakistan Limited, CDC House, 99 - B, Block - B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, up to 05:30 P.M. by Tuesday, May 13, 2014 will be treated as in time for registration of transfer of Shares.**

4. Shareholders are requested to promptly notify changes, if any, in their registered mailing address and also for the consolidation of folio numbers if any shareholder holds more than one folio to PIA Share Registrar / Transfer Agent. CDC account holders are requested to intimate change of address (if any) to their Participant / CDC Investor Account Services.

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

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

First flight of PIA on Boeing 720B
to China, 1964

Corporate Profile (as at April 29, 2014)

Board of Directors

Syed Muhammad Ali Gardezi
Federal Secretary Aviation & Acting Chairman-PIA

Mr Ghiasuddin Ahmed

Malik Nazir Ahmed

Syed Yawar Ali

Mr Atif Aslam Bajwa

Dr Miftah Ismail

Mr Aslam Khaliq

Dr Waqar Masood Khan
Federal Secretary Finance

Mr Muhammad Azam Saigol

Mr Yousuf Waqar

Mr Younus M. Khan
Secretary-PIA

Mr Jawed Mansha
Chief Internal Auditor *(Officiating)*

Executive Management

Mr Muhammad Junaid Yunus
Managing Director

Mr Nayyar Hayat
Chief Financial Officer

Mr Shahnawaz Rehman
Director - Corporate Planning

Mr Maqsood Ahmed
Director - Engineering & Maintenance

Mr S. Aijaz Mazhar
Director-HRA & Coordination

Mr Omar Razzaq
Director-Procurement & Logistics

Capt. Qasim Hayat
Director - Flight Operations

Mr Amir Ali
Director- MRO & EASA-145

Mr Anjum Amin Mirza
Director- Training & Accountability

Mr Amanullah Qureshi
Director-Food & Flight Services

Mr W.J.Bornshin
Director-Airport Services

AVM Sohail Ahmed Malik
Director- Precision Engineering Complex

Capt. Salman Azhar
Director- Safety & Quality Assurance

Mr Sohail Yaqoob
Director-Marketing *(Officiating)*

Ms Ghazala Rashid
Executive-Director (Sky Rooms Pvt. Ltd)

Mr Khurram Mushtaq
Director

Mr Rashid Ahmed
Director

Mr S. Saminuddin Naqvi
Director

Mr Babar Kamal Mumtaz
Director

External Auditors

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

Messrs M. Yousuf Adil Saleem & Co.
Chartered Accountants
Member firm of Deloitte Touche, Tohmatsu

Share Registrar

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

Ph: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 3432 6053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Head Office

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

Board of Directors

Acting Chairman

(R to L)

Syed Muhammad Ali Gardezi, ***Acting Chairman***

Malik Nazir Ahmed, ***Director***

Mr Atif Aslam Bajwa, ***Director***

Mr Aslam Khaliq, ***Director***

Mr Muhammad Azam Saigol, ***Director***

Mr Younus M. Khan, ***Secretary PIA***

Managing Director

(L to R)

Mr Muhammad Juniad Yunus, ***Managing Director***

Mr Ghiasuddin Ahmed, ***Director***

Syed Yawar Ali, ***Director***

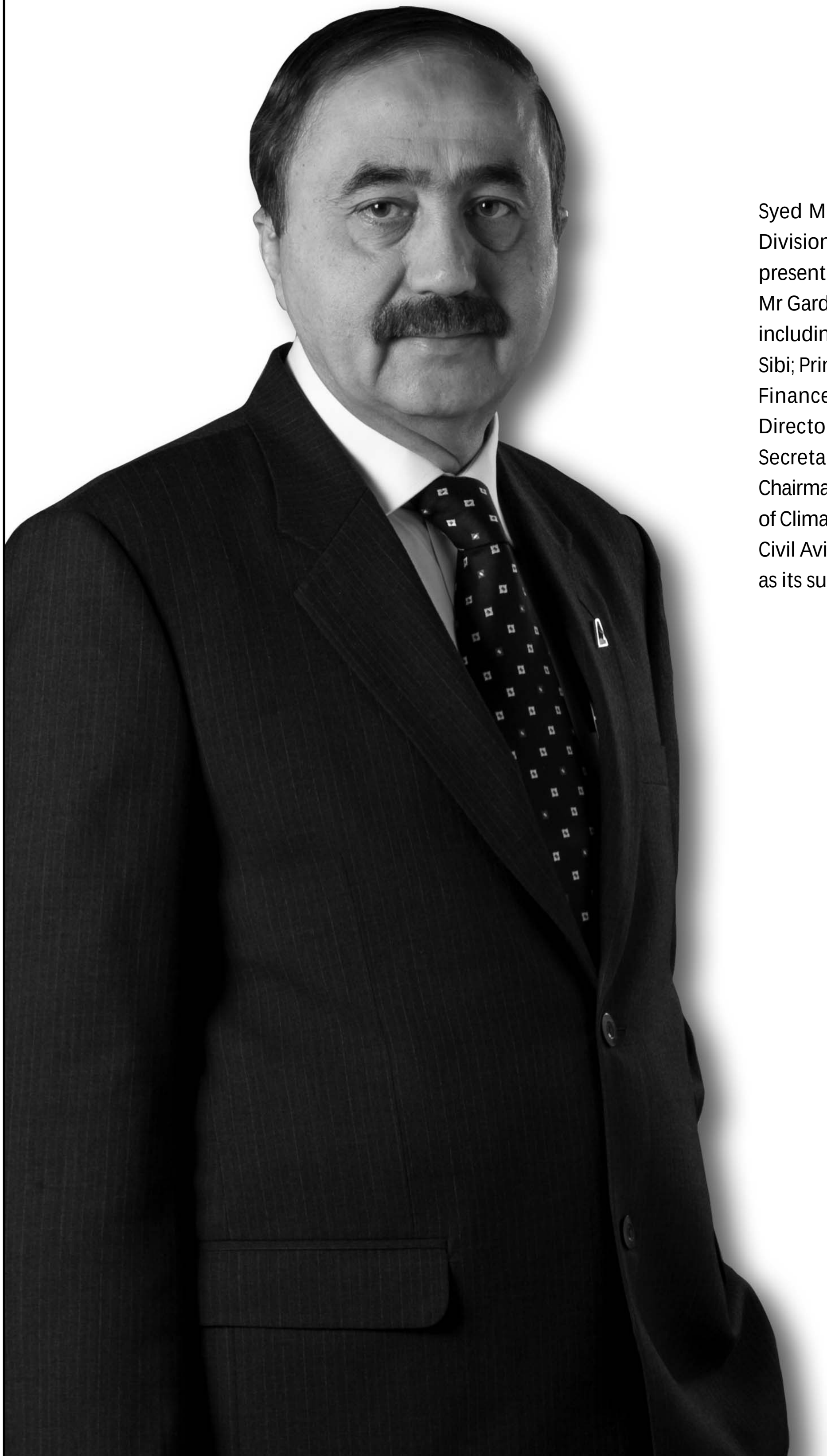
Dr Miftha Ismail, ***Director***

Dr Waqar Masood Khan, ***Director***

Mr Yousaf Waqar, ***Director***

Syed Muhammad Ali Gardezi

Federal Secretary Aviation Division & Acting Chairman-PIA



Syed Muhammad Ali Gardezi, Federal Secretary Aviation Division is a nominated Director since July 3, 2013 and is presently serving as *Acting* Chairman since August 6, 2013. Mr Gardezi is a civil servant and has held different positions including Commercial Secretary in Hungary; Commissioner Sibi; Principal Secretary to Governor of Balochistan; Director Finance of Multan Development Authority; Managing Director of Punjab Small Industries Corporation, Federal Secretary Labor Division; Commissioner Multan Division; Chairman National Highway Authority; and, Secretary Ministry of Climate Change. He is also serving as Chairman of Pakistan Civil Aviation Authority and PIA Investments Limited as well as its subsidiaries.

Mr Muhammad Junaid Yunus

Managing Director

Mr Muhammad Junaid Yunus has 35 years of service in the airline and is a Mechanical Engineering graduate and a certified Director (in CGLS, Corporate Governance Leadership Skills) from P.I.C.G (Pakistan Institute of Corporate Governance), apart from office management qualification from Pakistan Institute of Management.

He has been in the management of PIA for more than ten years, since, August 2004 .He has been on various Management positions as Chief Pilot North, General Manager Planning & Scheduling, General Manager Training, General Manager Special Projects, Director Training & Development, Director Marketing, Director Standards & Special Projects, Deputy Managing Director and presently as Managing Director, PIA and Chairman of Skyrooms (Pvt) Limited. He is a member Board of Directors PIA Investments Ltd and PCAA. This diverse and wide range of experience has made him uniquely qualified to lead this airline.

He began his career as a cadet in the PIA Flight Academy and shortly after passing out he was immediately sent on deputation as a Pilot with Malaysian Airlines System and then later on to Emirates Airlines. He has been a Designated Standards, Check and Instructor Pilot on Fokker F-27, Boeing 737, Airbus 310, Boeing 777. He has been a VVIP pilot for Heads of State. He has been one of the first Air Safari pilots. He made a documentary and composed the announcement commentary for the breathtaking spectacular flight in the Northern Areas.

As evident he not only did well as a pilot but also in the field of management where he has been awarded for: Excellence in Management Skills, Inspiring personality in Aviation industry and Excellence in Aviation Training Services.

As Director Special Projects, he established the PIA Flight Academy within a very short span of time, which has quickly risen as the top flight training school of Pakistan. As Deputy Managing Director, adopted a successful and aggressive policy for UN and Hajj Charters and won numerous bids for charters and generated substantial and unprecedented revenue for the airline.

As Managing Director, he spearheaded an unprecedented successful Hajj operation in 2012 which was not only commended by the Saudi Arabia Airport Management but also led to an award from the Ministry of Religious Affairs. He has interest in literature and journalism. He has been the chief editor and editor of various newsletters, college and university magazines. He is an avid reader of books especially those on history, current affairs, adventure and northern areas. In his spare time he looks forward to spending time with his family, which he cannot get enough of.

Board of Directors

Mr Ghiasuddin Ahmed *(Director)*

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

Malik Nazir Ahmed *(Director)*

Malik Nazir Ahmed is an elected Director since March, 2008. He has been re-elected as Director effective April 2011. He holds Bachelor's Degree in Law from Punjab University. Malik Ahmed is a renowned Businessman and is presently CEO of Nam International (Pvt.) Ltd, Namco Associates (Pvt) Ltd, and Executive Director of Wire Manufacturing Industries Ltd. (WMIL). Malik Ahmed has attended various courses in business and administration from Lahore Chamber of Commerce and Industry of which WMIL is a Corporate Member. He actively participates in welfare activities. Malik Ahmed has attended a number of business forums and trade exhibitions within and outside Pakistan. He is Member of PIA Board's Audit Committee, Board's Human Resource & Remuneration Committee and Board's Brand & Advertisement Committee.

Syed Yawar Ali *(Director)*

Syed Yawar Ali is a nominated Director since September, 2013. He holds Bachelor's Degree in Chemical Engineering and Master's Degree in Management Science from Stevens Institute of Technology. He is a 'Certified Director' from Pakistan Institute of Corporate Governance (PICG) in collaboration with IFC (the World Bank Group). He had participated in different conferences, seminars and workshops on aviation held nationally and internationally. Syed Yawar Ali joined the family business, Packages Limited and later became Managing Director of Milkpak Ltd. He is presently serving as Chairman of Nestlé Pakistan Limited; Wazir Ali Industries Limited and remained Chairman of Pakistan Dairy Association. He is serving as a Member on the Board of State Bank of Pakistan, Agricultural Development Bank of Pakistan and Lahore Electric Supply Company. Currently, he is Vice-President of the India-Pakistan Chamber of Commerce and Industry and is heading a committee to 'Promote Trade with India'. He is Chairman of PIA Board's Brand & Advertisement Committee and Member of Board's Information Technology Steering Committee.

Mr Atif Aslam Bajwa *(Director)*

Mr Atif Aslam Bajwa is a nominated Director since September, 2013. Mr Bajwa is a graduate from Columbia University, New York, USA. He is a seasoned banker and has 30 years of diverse national and international banking experience. Presently, he is working as President & Chief Executive Officer of Bank Alfalah Limited. He started his career in 1982 with Citibank, Karachi, and worked on various senior level positions. Mr Bajwa has worked for ABN AMRO Bank in Pakistan, Singapore and Amsterdam. He has served as President and Chief Executive Officer of MCB Bank Limited, Pakistan, the 4th largest Bank in Pakistan as well as President & Chief Executive Officer of Soneri Bank Limited, Pakistan. He has also served as President of Abu Dhabi Group. He is Chairman of PIA Board's Audit Committee, Member of Board's Finance Committee and Board's Information Technology Steering Committee.

Board of Directors

Dr Miftah Ismail *(Director)*

Dr Miftah Ismail is a nominated Director since September, 2013. He is Special Assistant to Prime Minister of Pakistan, and Chairman of Board of Investment and Chairman of SSGC. He holds a Bachelor's Degree in Business Administration from Duquesne University, Pittsburgh, USA, Master's Degree in Public Policy and Management, and Doctorate in Public Finance and Political Economy from the Wharton School, University of Pittsburgh, USA. He has served as President of Rotary Club of Karachi Sunset Millennium, ex-faculty member of Institute of Business Administration and Vice Chairman of Punjab Board of Investment and Trade. He has also worked as Economist in International Monitory Fund, Washington DC. He is Director of Ismail Industries Ltd, Flexipack Films (Pvt) Ltd, and Delmare Foods (Pvt) Ltd. He is also President of Board of Trustees, Karachi American School. He is Chairman of PIA Board's Human Resource & Remuneration Committee, Member of Board's Finance Committee and Board's Information Technology Steering Committee.

Mr Aslam Khaliq *(Director)*

Besides CHAL Foundation and The Hunar Foundation (Not for Profit- NGO's) Chairmanship Mr Aslam Khaliq is also presently serving as Chairman Reckitt Benckiser Pakistan. He has been former Chairman and Advisor of Pakistan Tobacco Company where he worked for over 40 years. Furthermore, He has also served on the Boards of OGDCL, National Data Base & Registration Authority (NADRA), Intellectual Property Rights Organization (IPO-Pakistan), Pakistan Atomic Energy Bio Sciences (Pvt.) Limited & Islamabad Stock Exchange, JS Global Capital Limited. Besides being Honorary Consulate General for Bulgaria, he is on the Board of Governors of Lahore University of Management Sciences (LUMS) since 2003.

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

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

Mr Muhammad Azam Saigol *(Director)*

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

Mr Yousaf Waqar *(Director)*

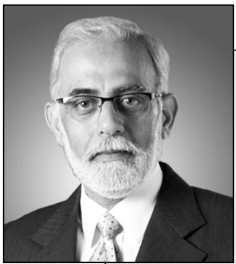
Mr Yousaf Waqar is an elected Director since April, 2011. He has done BBA from Lahore School of Economics. He is a 'Certified Director' from Pakistan Institute of Corporate Governance (PICG) in collaboration with IFC (the World Bank Group). He is a well-known businessman and is presently looking after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

Chinese Officials and PIA Management at the inaugural function of PIA 1st Flight to China 1964.

Regulatory Appointement

Mr Nayyar Hayat *(Chief Financial Officer)*

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



Mr Younus M. Khan (Corporate Secretary)

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

Mr Jawed Mansha *(Chief Internal Auditor) Officiating*

Mr Jawed Mansha is Head of Internal Audit since August 2013. Mr Mansha is an FCMA - Fellow Member of the Institute of Cost and Management Accountants of Pakistan (ICMAP). Additionally, he has obtained M.Com (Eqvi), MA Economics and some other professional trainings/workshops from various professional institutions. He has a practical experience of 20 years plus in Finance, Safety (IOSA-Audit), Corporate Secretariat and Internal Audit of PIAC. Mr Mansha is a certified Director from Pakistan Institute of Corporate Governance (PICG). He is known expert of Management Accounting, Financial Management, and specially Corporate Governance. He was also member of Task Force established by the Ministry of Finance for the development of Code of Corporate Governance for Public Sector Organizations. He has represented ICMAP & PIA at various International Forums & Conferences. He is member of National Council of ICMAP & Chairman of Joint Committee of ICMAP & ICAP.

Capt. Taimur Baig (left) after completing
first flight in China 1964.

Board of Directors' Committees (as at April 29, 2014)

Board's Audit Committee

Mr Atif Aslam Bajwa	**Chairman**
Malik Nazir Ahmed	Member
Mr Yousaf Waqar	Member

Board's Human Resource and Remuneration Committee

Dr Miftah Ismail	**Chairman**
Malik Nazir Ahmed	Member
Mr Yousaf Waqar	Member

Board's Finance Committee

Dr Waqar Masood Khan	**Chairman**
Mr Atif Aslam Bajwa	Member
Dr Miftah Ismail	Member
Mr Muhammad Azam Saigol	Member

Board's Brand and Advertisement Committee

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

Board's Information Technology Steering Committee

Mr Muhammad Azam Saigol	**Chairman**
Dr Miftah Ismail	Member
Syed Yawar Ali	Member
Mr Atif Aslam Bajwa	Member

First flight of PIA on Boeing 720B
Landed at, China 1964.

DIRECTORS' REPORT Year Ended December 31, 2013

Dear Shareholders

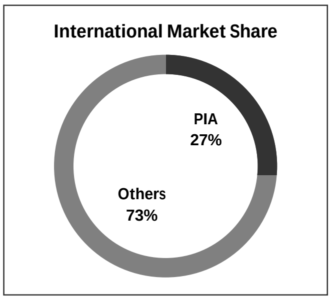
This has been another difficult year due to economic challenges facing the country, prevailing law and order conditions, ever increasing competition in the aviation market coupled with other operational issues of the Corporation. The Corporation faced capacity shortage due to delays in aircraft acquisition. Our passengers had to brave cancellations and delays due to ageing and inadequate fleet. There has been significant revenue shortfall and the Corporation had to borrow heavily to fill the cash flow gap. Resultant increase in interest expense further exacerbated the losses. Pak rupee continued to lose its value against dollar which not only impacted in the form of exchange loss but also increased dollar denominated expenses.

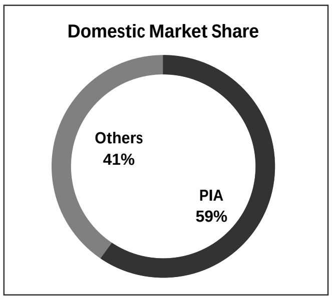
Our Performance

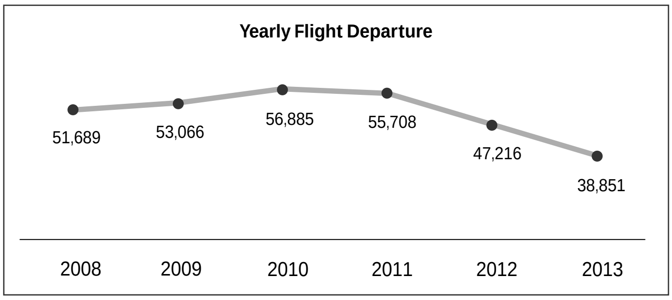
The Corporation registered a decline in total revenue by 14.6% as compared to the last year. Passenger revenue decreased by 15.4% mainly because of reduced available capacity which scaled down by 12.3% (ASKs' 2013: 17.38 million, 2012: 19.85 million). The decrease in revenue was observed across the board in Passenger, Cargo and Charter revenues. Moreover, passport, visa issues negatively impacted the Umra revenue by 36%.

Key factors attributing to the significant losses included shortage of operational aircraft as the average available number of aircraft decreased to 24 during year 2013 (year 2012: 30 aircraft), decline in yield by 4.5%, high operational costs due to increase in landing, handling and navigation charges across the network. Moreover, Pak Rupee experienced a steep decline of nearly 9% in exchange rate against the US Dollar adding further strain on the foreign currency liabilities and operational losses. Financial charges also witnessed an increase of PKR 1,207 million as the Corporation was forced to borrow heavily in order to meet working capital requirements.

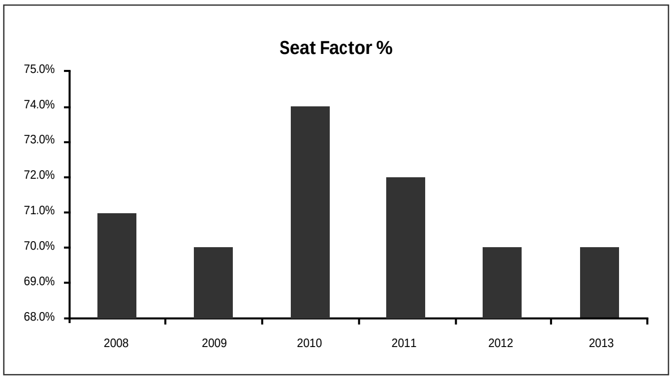
Despite the increasing competition and operational problems the Corporation still managed to retain larger part of domestic share. However, as compared to 2012 domestic share decreased by 17% and international market share showed a decline of 6% due to fleet constraints which not only reduced the no. of departures in the year 2013 but also impinged the overall operations of Corporation. As an effort to sustain normal operations the Corporation acquired four 737-800 narrow body aircraft on dry lease during the month of November, 2013.





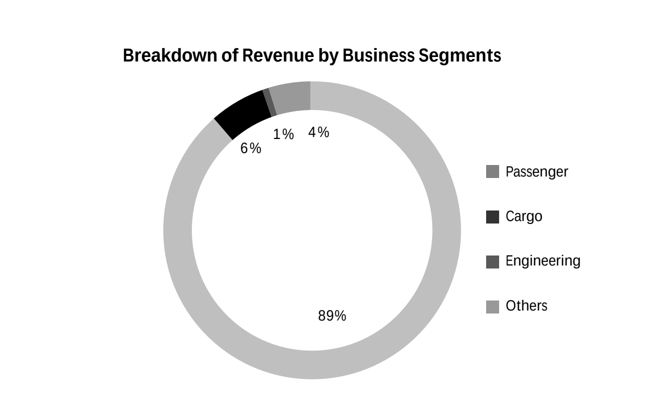


Passenger seat factor remained almost at the same level of 70.41% as that of last year.



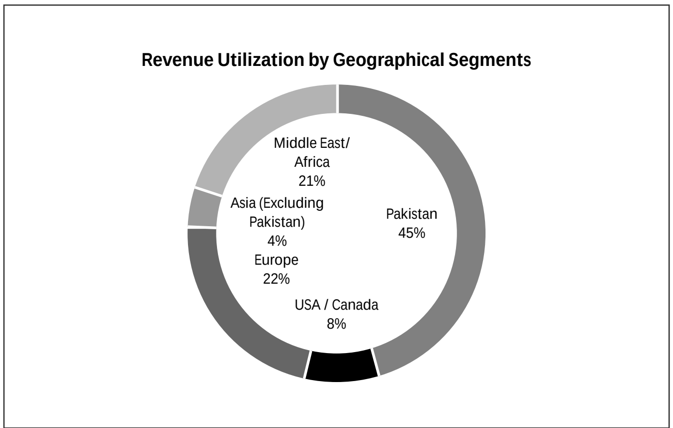
Cargo capacity reduced by 10%, load factor reported a decrease from 57% to 55% which resulted in decrease of RFTKs by 14% during the year 2013. Cargo revenue decreased by 6.5% while cargo yield showed encouraging signs resulting in an increase from Rs. 23.03 in 2012 to Rs. 24.99 in 2013.

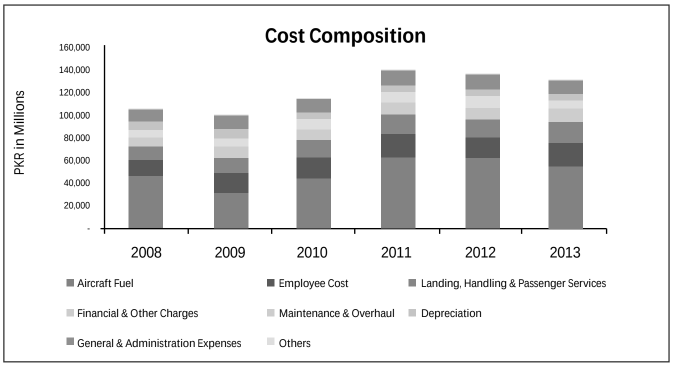
The excess baggage revenue and mail revenue have increased by 13% and 6%, respectively. On the other hand, charter revenue reduced significantly due to the non-availability of aircraft, reporting a decrease of 29% during the year 2013.



Particulars	Year ended December 31	
	2013	2012*
	(PKR in Millions)	
Turnover - net	95,771	112,130
Operating Cost & Expenses	(121,421)	(127,233)
Other Income	1,664	3,405
Exchange Loss	(6,407)	(6,697)
Financial Costs	(12,588)	(11,381)
Loss Before Tax	(42,981)	(29,776)
Taxation	(1,550)	(810)
Loss After Tax	**(44,531)**	**(30,586)**

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





Despite these trying circumstances, management has taken various steps to reduce costs and improve productivity. These include contract re-negotiations, route rationalization by discontinuing loss making routes like Amsterdam-Frankfurt, Bangkok-Hongkong, Qandahar and Zahidan re-deploying aircraft on more profitable routes and additional flights on high yield strategic international routes like Toronto, Manchester, Dubai, Kuala Lumpur, Abu Dhabi, Muscat & Dhaka. Moreover, additional flights on primary domestic routes have also been operated after the addition of narrow body aircraft acquired on wet lease.

Management has initiated an intense cost cutting drive and certain key decisions have already been taken like shutting down of seven international offline stations and layover of contractual staff at international stations. A brief overview of the overall results of operations for the year ended December 31, 2013 is given below:

PIA Subsidiaries

PIA Investment Limited operates Scribe Hotel in Paris and Roosevelt Hotel in New York along with other prestigious subsidiaries. PIA Investment Limited continued profitability trend showing an increase in revenue of US$ 3 million while profit after tax increased by 9.6 % during the financial year.

Skyroom Limited (Airport Hotel) located next to PIA Head Office in Karachi provides its services mainly to the transit passengers of PIA. Revenue has increased by 10.6% which has been offset by similar increase in cost and other income. Keeping net loss at the same level. The room occupancy and bed occupancy

Airport Hotel	2013	2012
Guest Numbers	157,277	173,464
Room Occupancy	88%	94%
Bed Occupancy	80%	84%

Major Judgment Areas

Revaluation of Property, Plant & Equipment

The Corporation uses the policy of revaluing its assets to market values as provided for in IAS 16 - Property, Plant and Equipment. Land, buildings and aircrafts are revalued through independent professional valuation company with sufficient regularity. A revaluation in respect of land and buildings was carried out during the year 2011.

The latest revaluation of aircrafts on December 31, 2013 was carried out by Ascend - a part of Reed Business Information Limited on the basis of professional assessment of current market values which resulted in a revaluation deficit of PKR 4,575.364 million (2012: PKR 507.317 million).

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

Frequent Flyer Programme - IFRIC 13

IFRIC 13 - 'Customer loyalty programmes' addresses accounting by entities that operate or otherwise participate in customer loyalty program for their customers. IFRIC 13 applies to sales transactions in which the entities grant their customers award credits that, subject to meeting further qualifying conditions, can be redeemed in future for free by the customers.

The Corporation operates a frequent flyer program that grants travel awards to members of the program based on accumulated mileage. 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 program is determined based on the valuation carried out by an independent professional valuator.

Employee Benefits

The liabilities of defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. This is the method mandated under the latest International Accounting Standard; IAS 19 'Employee Benefit' (revised 2011). The method involves making assumptions about discount rates, expected rates of return on pension plan assets, future salary increase, 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. Expected returns on plan assests will no longer be recognised in profit or loss. Expected returns are replaced by recording interest income in profit or loss, which is calculated using the discount rate use to measure the pension obligation.

Compensated Absences

The liability relating to compensated absences is determined through actuarial valuation using the projected unit credit method. Under this method the projected value at retirement of the benefits under the scheme is determined for each member, projecting salary increase at the assumed rate and using the service & leave balance at retirement.

This projected value is then discounted using the valuation rate of discount and adjusted for the probability of survival in service up to the retirement age. Due to the long term nature of this obligation, such estimates are subject to various uncertainties.

Principal Risks & Uncertainties

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

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

Financial Risk Management

PIA is exposed to a variety of financial risks which involves the analysis, evaluation, acceptance and management of some degree of risk or a combination thereof. The Corporation's aim is to achieve an appropriate balance and minimize the adverse impact on financial performance. Risk management is carried out by Finance department under setout procedures and in consultation with other departments. Financial risks are managed by deploying quality human resources in key operational areas to ensure effective monitoring of the airline's exposure in different areas. Senior Management carries out financial risk management under governance approved by Board of Directors. Senior Management identifies, evaluates & hedges financial risk whenever necessary.

Fuel Prices Risk

PIA is exposed to volatility in the price of Jet fuel. The Corporation has re-initiated the risk management through fuel hedging program that operates under the guidelines set by the Board of Directors. Geographical risks, dominated by developments surrounding Iran, have put upward pressure on oil prices, although the weak demand outlook has mitigated the impact to a large extent for the time being. Oil prices forecast show fluctuations in oil prices because of which fuel pass-on, fuel efficiency and fuel hedging measures are more important than ever. In this context the Corporation will continue with its fuel price risk management program and fuel price increase or decrease being passed on to passengers where possible.

Interest Rate Risk

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

Simplified Interline Settlement

PIA successfully implemented SIS in line with rapid migration of the entire airline industry to this new electronic invoicing and settlement platform, IATA has been looking into how to best leverage the effort made by the airlines. A wide consultation showed that the next step bringing the most benefit to the industry as a whole is to expand the usage of the SIS platform to airline suppliers. This brings many benefits to airlines (and their suppliers), depending on their existing systems and processes.

Taking the lead ahead, PIA is one of the few airlines that have implemented the E-invoicing module, recently launched by IATA that provides a unique opportunity for suppliers to connect and invoice most of their customers with a standardized format on a shared platform, resulting in significant operational efficiencies and reduced costs for airlines and suppliers alike.

Hajj Operation

PIA undertakes a massive Hajj operation every year and accordingly the preparations start right away with the end of previous Hajj operation. Considering the religious as well as social aspect of this holy ritual, being National Flag Carrier, PIA gives great importance to the Hajj operation with special emphasis on Hujjaj convenience and serviceability of the aircraft.

Hajj operation 2013 was completed successfully and approximately 63,436 Hujjaj were carried by PIA on 146 flights including schedule flights. PIA Hajj performance was significantly superior to all other Hajj operators at Jeddah Airport the Post Hajj regularity recorded in 2013 was 89% which is 12% higher than 2012. Due to efficient and well organized Service Standards maintained at Jeddah both on Pre & Post Hajj operation PIA was conferred with "Certificate of Appreciation" in 2013 as well.

PIA - an icon of Corporate Social Responsibility (CSR)

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

PIA has institutionalized the practice of good governance by establishing a Corporate Social Responsibility Committee which provides a platform to evaluate, update, and recommend best practices. Key activities supporting the community reflect PIA's belief in contributing for the betterment of society are Education & Training, Scouts Association, Al-Shifa Trust, PIA Employee Health and Medical Services.

Owing to prospering Aviation industry large number of technical manpower will be required. Therefore, PIA management has envisaged to set up aviation training centers at Lahore and Islamabad that will become operational by June, 2014, PIA already has a fully operational training center at Karachi. These training institutes will impart training to youth from southern to northern parts of the country. These will not only provide affordable technical opportunities to the youth of the country but will also enable them to contribute to the national exchequer. Moreover, PIA is also contributing a lot in educating thousands of people in multifarious disciplines through:

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

The PIA Scouts Association is a provincial segment of the Pakistan Scouts Association. Through its various community and educational programs, it contributes to the education of young people and helps to build a better world where individuals can play constructive roles in society.

PIA sponsors Al-Shifa Trust, which provides relief and rehabilitation services to special children suffering from cerebral palsy and other motor disorders. It is dedicated to ensuring that the children, adults young and old with physical disabilities, receive opportunities to achieve their maximum potential for independence within their family and their community. PIA keeps on meeting needs of this center which is a home to many such members of the society and a ray of hope for their families.

The health and welfare of our employees has always been a matter of utmost importance and significance at PIA. Its medical facilities cover the parents and spouses, children up to the age of 27, unmarried daughters, disabled and mentally challenged children of any age in collaboration with reputable hospitals, diagnostic labs, and medical institutions. Retired employees and their spouses are also eligible for medical care at PIA's Medical Centers.

Support for Needy people in Thar

As a part of its corporate social responsibility initiatives in providing help to charities and trusts not only the airline but its employees are equally contributing towards noble causes. Last month, they have donated their one day salary to help the affected at Thar.

Corporate Safety & Quality Assurance

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

- IOSA (IATA Operational Safety Audit) Certification - PIA is the one of the 300 hundred airlines of the world and the only airline of the country that conforms to this high value certification

- Fire Safety at Workplace & Home - Technological protection and awareness campaigns are the major tool.

- Emergency Response Planning (ERP) - Comprehensive SOPs, Training, Exercises, a state of the art Emergency Response Centre (ERC) and motivated Volunteer Teams to manage aircraft emergencies and natural disasters
- Health, Safety & Environment - PIA has been proactive in understanding the needs of time and has launched the Health, Safety & Environment (HSE) initiative. The objective of this program is to mature the airline's HSE systems to a level which will eventually lead to OHSAS-18001 and ISO-14001 certification.

Pattern of Shareholding

A statement showing the pattern of shareholding in the Corporation and additional information as at December 31, 2013 appears on page 31. The highest and lowest market prices for ordinary 'A' class shares of PKR 10/- each were PKR 12.20 and PKR 3.21 per share, respectively. The highest and lowest market price for ordinary 'B' class shares of PKR 5/- each were PKR 5.42 and PKR 4.42 per share, respectively. Government of Pakistan through Ministry of Defense holds 84.64% of shares. PEET holds 8.06% Public Sector Companies and Corporation holds 0.73% individual and others hold 6.37% whereas financial institutions hold 0.04%.

Changes in Board of Directors

During the Financial Year 2013, the following changes took place in PIA's Board of Directors:

Mr Abdul Wajid Rana *Federal Secretary Finance & Member*	Relinquished
Mr Abdul Khaliq *Federal Secretary Finance & Member*	
Mr Javed Akhtar	
Syed Omar Sharif Bokhari	
Mr Husain Lawai	
Khawaja Jalaluddin Roomi	
Makhdum Syed Ahmad Mahmud	
Mr Nasir Mahmood Khosa *Federal Secretary Finance & Member*	
Lt Gen Asif Yasin Malik(Retd) *Federal Secretary Defence, Chairman-PIA*	
Mr Aslam Khaliq *Acting Chairman-PIA & Member*	
Mr Nasser N S Jaffer	
Mr Arif Habib	
Mr Sarfaraz A Rehman	
Mr Imran Khan	
Mian Muhammad Mansha	
Mr Abdul Khaliq *Federal Secretary Finance & Member*	Nominated
Mr Nasir Mahmood Khosa *Federal Secretary Finance & Member*	
Mr Aslam Khaliq *Acting Chairman-PIA & Member*	
Mr Nasser N S Jaffer	
Mian Muhammad Mansha	
Mr Arif Habib	
Mr Sarfaraz A Rehman	

Mr Imran Khan	Nominated
Syed Muhammad Ali Gardezi *Federal Secretary Aviation, Acting Chairman-PIA & Member*	
Dr Waqar Masood Khan *Federal Secretary Finance & Member*	
Syed Yawar Ali	
Mr Muhammad Azam Saigol	
Mr Atif Aslam Bajwa	
Mr Ghiasuddin Ahmed	
Dr Miftah Ismail	
Mr Muhammad Naeem Bajwa	

Corporate and Financial Reporting Framework

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

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

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

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

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

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

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

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

i) The reason for non-declaration of dividend / non issuance of bonus shares is net loss during the year, except as highlighted in sub Para 23(c) of the Statement of Compliance with the Code of Corporate Governance 2012.

j) During the year, the Board of Directors held 8 (eight) meetings. The attendance record of Directors is annexed to this Report.

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

l) The Board Members, CEO, MD, CFO, Head of Internal Audit, Corporate Secretary, their spouses and minor children have not traded in PIA Shares during the year except as set out in the Statement of Compliance with Code of Corporate Governance 2012.

m) The value of investment of recognized provident fund and pension fund as at December 31, 2013 were PKR 20,829.608 million and PKR 12,795.498 million respectively.

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

o) There is no statutory payment outstanding against the Corporation except those disclosed in note 27 of the unconsolidated financial statements.

p) The Corporation is in the process of restructuring TFCs as provided in notes 22.1 of the unconsolidated financial statements.

q) The Board of Directors' has recommended the reappointment of M/s A.F. Ferguson & Co. The appointment of M/s. KPMG Taseer Hadi & Co. as external auditors for the year 2014. M/s. Yousuf Adil Saleem & Co. has completed their five years term, as external auditors, as prescribed by Ministry of Finance.

Compliance with Best Practices of Corporate Governance

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

Statement of Internal Control

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

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

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

The Corporation's internal audit function is handled by a qualified Cost and Management Accountant. Further, Audit Committee has assigned the task to internal audit function for transforming the traditional audit approach to risk based for all auditable assignments in line with guidelines of COSO and IIA-USA.

Way Forward

The Corporation has aggressively started fleet modernization and replacement program to bridge the capacity gap. PIA has signed Letter of Intent with two lessors for dry lease of a total of eleven narrow body aircraft which are expected to join fleet on varying dates during second half of year 2014.

Government is also supporting the Corporation in pursuit of its fleet modernization by giving cash support of Rs.16 billion for aircraft induction and working capital support. The induction of these aircraft will improve the operational efficiency of the airline and allow it to provide better services to its valued customers. The Corporation is also exploring the possibilities to upgrade its wide body aircraft fleet. In order to capitalise the competitive advantage, a number of product improvement measures like upgrading of business class seats and In Flight Entertainment (IFE) are underway. In order to diversify the revenue earning steam and take the advantage of engineering facilities management has decided to seek certification of European Aviation Safety Agency (EASA 145) being the prerequisite to be an authorized aeronautical repair station.

Moreover, Government has also resolved to restructure the Corporation and bring in strategic investor to make the Corporation an operationally and economically viable enterprise. Our revival in this competitive market is primarily based on:

i. Fleet modernization
ii. Revenue enhancement through route rationalization
iii. Cost cutting measures
iv. Balance sheet restructuring
v. Human resource enrichment & restructuring and
vi. Implementation of ERP

Successful and effective implementation of aforesaid strategy is expected to bring betterment and get the airline back on right track. We are confident that the dedication of our people, commitment of our management and the valuable support of Government of Pakistan as shareholders shall bring the organization out of this difficult situation.

On behalf of the Board of Directors, I would like to take this opportunity to place on record our appreciation and gratitude to our customers for their patronage; our employees for their hard work and dedication; our stakeholders for their valued services; and lastly the Government of Pakistan for its continued support and commitment to the Corporation.

With your support we shall rise.

For and on behalf of the board

Chairman

Syed Muhammad Ali Gardezi
April 29, 2014.

Board Meetings Attendance

Meetings Date / Attended by	BM 346 21/01/13	BM 347 04/04/13	BM 348 26/04/13	BM 349 11/07/13	BM 350 25/09/13	BM 351 31/10/13 & 01/11/13	BM 352 23/11/13	BM 353 26/12/13
Lt Gen Asif Yasin Malik (Retd) *Federal Secretary Defence & Chairman-PIA/CEO*	✓	✓	✓	Relinquished 04/07/2013	-	-	-	-
Malik Nazir Ahmed	✓	✓	✓	✓	✓	✓	✓	✓
Syed Omar Sharif Bokhari	✓	✓	✓	Relinquished 03/07/2013	-	-	-	-
Mr Husain Lawai	✓	✓	✓	Relinquished 03/07/2013	-	-	-	-
Mr Abdul Wajid Rana *Federal Secretary Finance*	✓	Relinquished 12/02/2013	-	-	-	-	-	-
Khawaja Jalaluddin Roomi	✓	✓	✓	Relinquished 03/07/2013	-	-	-	-
Mr Javed Akhtar	Leave of Absence	✓	✓	Relinquished 03/07/2013	-	-	-	-
Makhdum Syed Ahmad Mahmud	Leave of Absence	Leave of Absence	Leave of Absence	Relinquished 03/07/2013	-	-	-	-
Mr Yousaf Waqar	Leave of Absence	✓	✓	✓	✓	Leave of Absence	✓	✓
Mr Abdul Khaliq *Federal Secretary Finance*	-	Leave of Absence Nominated 12/02/2013	Relinquished 04/04/2013	-	-	-	-	-
Mr Nasir Mahmood Khosa *Federal Secretary Finance*	-	-	Nominated 04/04/2013	Relinquished 03/07/2013	-	-	-	-
Mr Aslam Khaliq *Acting Chairman-PIA & Member*	-	-	-	✓ Nominated 03/07/2013	Relinquished 01/08/2013	-	-	-
Syed Muhammad Ali Gardezi *Federal Secretary Aviation; Acting Chairman-PIA & Member*	-	-	-	✓ Nominated 03/07/2013	✓	✓	✓	✓
Mr Arif Habib	-	-	-	✓ Nominated 03/07/2013	Relinquished 15/08/2013	-	-	-
Mr Nasser N S Jaffer	-	-	-	✓ Nominated 03/07/2013	Relinquished 01/08/2013	-	-	-
Dr Waqar Masood Khan *Federal Secretary Finance*	-	-	-	✓ Nominated 03/07/2013	✓	✓	✓	✓
Mian Muhammad Mansha	-	-	-	✓ Nominated 03/07/2013	Leave of Absence	Relinquished 27/09/2013	-	-
Mr Sarfaraz A Rehman	-	-	-	✓ Nominated 03/07/2013	Relinquished 15/08/2013	-	-	-
Mr Imran Khan	-	-	-	Leave of Absence Nominated 03/07/2013	Relinquished 15/08/2013	-	-	-
Mr Ghiasuddin Ahmed	-	-	-	-	-	✓ Nominated 27/09/2013	Leave of Absence	✓
Syed Yawar Ali	-	-	-	-	-	✓ Nominated 27/09/2013	✓	✓
Dr Miftah Ismail	-	-	-	-	-	✓ Nominated 27/09/2013	✓	✓
Mr Muhammad Azam Saigol	-	-	-	-	-	✓ Nominated 27/09/2013	✓	✓
Mr Atif Aslam Bajwa	-	-	-	-	-	Leave of Absence Nominated 27/09/2013	✓	✓
Mr Muhammad Naeem Bajwa	-	-	-	-	-	Absent without leave Nominated 27/09/2013	Absent without leave	Absent without leave

Attendance of Directors at Audit Committee Meeting

Attended by / Meetings Date	63rd 03/04/2013	64th 25/04/2013	65th 24/09/2013	66th 27/12/2013	67th 27/12/2013
Mr Husain Lawai *Chairman*	✓	✓	-	-	-
Mr Javed Akhtar	✓	✓	-	-	-
Syed Omar Sharif Bokhari	✓	✓	-	-	-
Mr Yousaf Waqar	✓	✓	✓	✓	✓
Khawaja Jalaluddin Roomi	Leave of Absence	✓	-	-	-
Malik Nazir Ahmed *Chairman & Member*	-	-	✓	✓	✓
Mr Atif Aslam Bajwa *Chairman*	-	-	-	✓	✓

Attendance of Directors at Human Resource & Remuneration Committee Meeting

Attended by / Meetings Date	27th 03/04/2013	28th 14/05/2013	29th 14/12/2013
Makhdum Syed Ahmad Mahmud *Chairman*	-	-	-
Malik Nazir Ahmed *Chairman & Member*	✓	✓	✓
Mr Javed Akhtar	✓	Leave of Absence	-
Syed Omar Sharif Bokhari	✓	Leave of Absence	-
Khawaja Jalaluddin Roomi *Chairman & Member*	Leave of Absence	✓	-
Dr Miftah Ismail *Chairman*	-	-	✓
Mr Yousaf Waqar	-	-	✓

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING NO. 1-C
I.I. CHUNDRIGAR ROAD
P.O. BOX 4716
KARACHI - 74000

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS
CAVISH COURT, A-35, BLOCK 7 & 8
KCHSU, SHARAH-E-FAISAL
KARACHI - 75350

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Pakistan International Airlines Corporation (the Corporation) for the year ended December 31 2013 to comply with the requirements of Listing Regulations of Stock Exchanges where the Corporation is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Corporation's compliance, in all material respects, with the best practices contained in the Code as applicable to the Corporation for the year ended December 31, 2013.

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

i. Paragraph 16: The third quarter financial statements could not be placed before the board audit committee.

ii. Paragraph 23(a): Details of those liabilities (including financing arrangements) in respect of which the Corporation was not able to meet its contractual obligations were not brought to the attention of the Board.

iii. Paragraph 23(b): Details of the related party transactions were not placed before the audit committee and the Board for their recommendation / review and approval.

iv. Paragraph 23(c): During the year, one of the directors sold shares of the Corporation, details of which were sent to the stock exchanges as per Listing Regulations of the stock exchanges. However, they were not put up for information of the Board.

v. Paragraph 23(d): Appointment of Chief Financial Officer and officiating Chief Internal Auditor could not be recommended by board's HR & Remuneration Committee.

Chartered Accountants

Audit Engagement Partner:
Khurshid Hasan

Chartered Accountants

Audit Engagement Partner:
Syed Asad Ali Shah

Date: April 29, 2014
Place: Karachi

Statement of Compliance

With the Code of Corporate Governance 2012 [Under Clause (XI) of the Code] Pakistan International Airlines Corporation year ending December 31, 2013

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

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

1. The Corporation has been incorporated under Pakistan International Airlines Corporation Act, 1956 (the PIAC Act) which stipulates that chairman and eight directors are nominated by the Federal Government whereas two Directors are elected by the Shareholders other than the Federal Government. As at December 31, 2013 the Board includes:

Category	Names
Independent directors	None
Executive directors	Syed Muhammad Ali Gardezi, *Acting* Chairman
Non-executive directors (Nominated)	Mr Ghiasuddin Ahmed Syed Yawar Ali Mr Atif Aslam Bajwa Mr Muhammad Naeem Bajwa Dr Miftah Ismail Dr Waqar Masood Khan Mr Muhammad Azam Saigol
Non-executive directors (Elected)	Malik Nazir Ahmed Mr Yousaf Waqar

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Corporation (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the directors of the Corporation are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. During the year, all casual vacancies of nominated directors have been filled up except one, for which nomination by the Federal Government is awaited.
5. The Corporation has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Corporation along with its supporting policies and procedures.
6. The Board has developed a vision statement, mission statement, overall corporate strategy and significant polices of the Corporation. A complete record of particulars of significant polices along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board except as mentioned in paragraph 23 (a) and (b) below. The appointment of Syed Muhammad Ali Gardezi as Acting Chairman was made by the Federal Government.
8. The meetings of the Board were presided over by the Chairman / Acting Chairman [who is also the Chief Executive (CE), as per the PIAC Act] and it met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for two meetings which were called on short notice as per PIAC Act 1956. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has arranged Director's Training Program in the previous year, whereby Mr Yousaf Waqar has been awarded Certificate of Director Education by Pakistan Institute of Corporate Governance. Further, during the year Mr Yawar Ali was nominated on the Board who is a Certified Director from Pakistan Institute of Corporate Governance.

10. The Board has approved appointment of the Chief Financial Officer (CFO) and Head of Internal Audit (HoIA), including their remuneration and terms and conditions of employment.

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

12. The financial statements of the Corporation have been duly endorsed by Acting Chairman (who is the CE of the Corporation) and the CFO before approval of the Board.

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

14. The Corporation has complied with all corporate and financial reporting requirements of the Code.

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

16. The meetings of the Board's Audit Committee (BAC) were held at least once every quarter prior to approval of interim and final results of the Corporation and as required by the Code except that the third quarter financial statements could not be placed before BAC due to the reason mentioned in paragraph 23(d) below. The terms of reference of the Committee have been formed by the Board and advised to the Committee for compliance.

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

18. The Board has set up an internal audit function which comprises of qualified and experienced personnel and is conversant with the policies and procedures of the Corporation.

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

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

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

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

23. We confirm that all other material principles enshrined in the Code have been complied with except for the following, toward which efforts are being made by the Corporation to seek compliance by the end of next accounting year:

a) Details of those liabilities (including financing arrangements) in respect of which the Corporation was not able to meet its contractual obligations were not brought to the attention of the Board [Partial non-compliance of clause (ix) of the Code].

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

c) During the year, one of the directors sold shares of the Corporation, details of which were sent to the stock exchanges as per Listing Regulations of the stock exchanges. However, they were not put up for information of the Board [Non-compliance of clause (xxiii) of the Code].

d) During the year, various Board Members had resigned including the Chairman of the Board, Chairman of Board's Audit Committee and members of Board's HR & Remuneration Committee. Consequently, meetings of the Board's Committees could not be convened in certain cases where they were required mandatorily. The uncontrollable non-compliances arising out includes the appointment of the Chief Financial Officer and the officiating Chief Internal Auditor,which could not be recommended by the Board's HR & Remuneration Committee [Non-compliance of clause (xxv)(iii) of the Code].

April 29, 2014

Syed Muhammad Ali Gardezi
Acting Chairman-PIA

Pattern of Shareholding As at December 31, 2013

Shareholdings From		To	Number of Shareholders	Ordinary 'A' Class Shares of Rs.10/- each Total Shares Held	Ordinary 'B' Class Shares of Rs.5/- each Total Shares Held
1	to	100	13840	268,179	13,090
101	to	500	30562	8,591,090	9,971
501	to	1000	4909	4,216,129	1,937
1001	to	5000	5673	14,532,787	12,486
5001	to	10000	1302	10,510,853	-
10001	to	15000	376	4,889,695	-
15001	to	20000	315	5,873,864	-
20001	to	25000	184	4,391,375	-
25001	to	30000	130	3,735,218	-
30001	to	35000	73	2,457,333	-
35001	to	40000	66	2,561,000	-
40001	to	45000	41	1,772,240	-
45001	to	50000	129	6,395,953	-
50001	to	55000	27	1,431,896	-
55001	to	60000	41	2,427,042	-
60001	to	65000	17	1,086,000	-
65001	to	70000	23	1,592,726	-
70001	to	75000	12	890,000	-
75001	to	80000	19	1,496,000	-
80001	to	85000	17	1,422,500	-
85001	to	90000	14	1,239,820	-
90001	to	95000	5	469,000	-
95001	to	100000	70	6,988,466	-
100001	to	105000	7	725,658	-
105001	to	110000	4	439,000	-
110001	to	115000	8	911,000	-
115001	to	120000	5	590,178	-
120001	to	125000	8	992,000	-
125001	to	130000	1	130,000	-
130001	to	135000	2	269,500	-
135001	to	140000	3	413,562	-
140001	to	145000	6	860,626	-
145001	to	150000	14	2,096,500	-
150001	to	155000	3	455,000	-
155001	to	160000	4	632,000	-
160001	to	165000	5	820,000	-
165001	to	170000	3	510,000	-

Pattern of Shareholding As at December 31, 2013

Shareholdings From		To	Number of Shareholders	Ordinary 'A' Class Shares of Rs.10/- each Total Shares Held	Ordinary 'B' Class Shares of Rs.5/- each Total Shares Held
170001	to	175000	8	1,391,600	-
175001	to	180000	1	176,000	-
180001	to	185000	2	367,000	-
185001	to	190000	4	750,500	-
190001	to	195000	4	771,765	-
195001	to	200000	16	3,200,000	-
200001	to	205000	1	205,000	-
205001	to	210000	1	206,000	-
210001	to	215000	1	211,443	-
215001	to	220000	2	440,000	-
220001	to	225000	2	444,845	-
225001	to	230000	4	914,167	-
230001	to	235000	1	231,000	-
235001	to	240000	5	1,192,500	-
240001	to	245000	1	240,500	-
245001	to	250000	11	2,747,000	-
250001	to	255000	1	254,168	-
270001	to	275000	4	1,093,000	-
275001	to	280000	1	280,000	-
295001	to	300000	8	2,396,500	-
320001	to	325000	2	645,500	-
325001	to	330000	3	985,500	-
330001	to	335000	1	335,000	-
335001	to	340000	1	338,500	-
340001	to	345000	1	342,500	-
350001	to	355000	1	350,200	-
365001	to	370000	1	366,000	-
375001	to	380000	2	759,500	-
390001	to	395000	1	394,000	-
395001	to	400000	2	800,000	-
400001	to	405000	2	804,500	-
420001	to	425000	1	425,000	-
425001	to	430000	1	427,650	-
440001	to	445000	1	443,000	-
495001	to	500000	7	3,500,000	-
500001	to	505000	1	500,500	-
565001	to	570000	1	567,504	-
595001	to	600000	1	600,000	-
605001	to	610000	1	608,000	-
620001	to	625000	1	625,000	-
630001	to	635000	1	630,067	-

Pattern of Shareholding As at December 31, 2013

Shareholdings From		To	Number of Shareholders	Ordinary 'A' Class Shares of Rs.10/- each Total Shares Held	Ordinary 'B' Class Shares of Rs.5/- each Total Shares Held
675001	to	680000	1	677,000	-
695001	to	700000	1	700,000	-
765001	to	770000	1	767,500	-
790001	to	795000	1	795,000	-
795001	to	800000	1	800,000	-
800001	to	805000	1	805,000	-
860001	to	865000	1	863,500	-
895001	to	900000	1	900,000	-
970001	to	975000	1	974,000	-
995001	to	1000000	3	3,000,000	-
1025001	to	1030000	2	2,058,000	-
1145001	to	1150000	1	1,150,000	-
1250001	to	1255000	2	2,503,090	-
1460001	to	1465000	2	1,425,000	-
1465001	to	1470000	1	1,470,000	-
1495001	to	1500000	1	1,500,000	-
1675001	to	1680000	1	1,675,635	-
1695001	to	1700000	1	1,700,000	-
1785001	to	1790000	1	1,786,000	-
1795001	to	1800000	1	1,800,000	-
2140001	to	2145000	1	2,143,000	-
2995001	to	3000000	1	3,000,000	-
3970001	to	3975000	1	3,974,664	-
5010001	to	5015000	1	5,010,500	-
8840001	to	8845000	1	8,844,200	-
11905001	to	11910000	1	11,910,000	-
16875001	to	16880000	1	16,876,347	-
231855001	to	231860000	1	231,855,493	-
2435205001	to	2435210000	1	2,435,208,439	1,462,515
	TOTAL		**58,063**	**2,877,217,467**	**1,499,999**

Warm Welcome by Chinese People to PIA's first flight from Karachi 1964.

Pakistan International Airlines Corporation
Categories of Shareholders As at December 31, 2013

Categories of Shareholders	Number of Shareholders	Number of Shares Held		Percentage
		Ordinary 'A' Class	Ordinary 'B' Class	
Associated Companies, undertakings and related parties	-	-	-	-
Mutual Funds				
National Bank of Pakistan, - Trustee Department NI (U) T FL	1	427,650	-	0.01
CDC - Trustee Faysal Balanced Growth Fund	1	805,000	-	0.03
CDC - Trustee Faysal Asset Allocation Fund	1	1,425,000	-	0.05
M/S Safeway Fund (Pvt) Limited	1	2	-	0.00
Prudential Stock Fund Limited	1	5,000	-	0.00
Pak Asian Fund Limited	1	15,000	-	0.00
Directors and their spouse(s) and minor children				
Yousaf Waqar Shaffi, Director	1	10,000	-	0.00
Malik Nazir Ahmad, Director	1	1,800,000	-	0.06
Syed Yawar Ali, Director	1	3,660	-	0.00
Mrs Nighat Ali (Spouse, Syed Yawar Ali, Director)	1	599	-	0.00
Executives	1,523	202,165	-	0.01
Public Sector Companies and Corporations	7	20,898,981	100	0.73
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	23	1,182,701	3	0.04
Shareholders holding five percent or more voting rights				
Secretary, Ministry of Defence	1	2,435,208,439	1,462,515	84.64
PIA Employees Empowerment Trust (PEET)	1	231,855,493	-	8.06
Individual	56,233	152,245,797	34,454	5.29
Others	265	31,131,980	2,927	1.08
Totals	**58,063**	**2,877,217,467**	**1,499,999**	**100.00**

The above two statements include 9,765 Shareholders holding 188,170,734 Ordinary 'A' Class Shares and 2,421 Ordinary 'B' Class Shares through the Central Depository Company of Pakistan Limited.

Share Capital (December 31, 2013)

December 2013	December 2012		December 2013	December 2012
-------- Number of Shares --------			--------- Rupees in 000 ---------	
		Authorized Capital		
		Ordinary Share Capital		
2,949,250,000	2,949,250,000	A' class shares of Rs.10/- each	**29,492,500**	29,492,500
1,500,000	1,500,000	'B' class shares of Rs.5/- each	**7,500**	7,500
2,950,750,000	2,950,750,000		**29,500,000**	29,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs.10/- each	**500,000**	500,000
3,000,750,000	3,000,750,000		**30,000,000**	30,000,000
		Issued, subscribed and paid up share capital		
		Ordinary share capital		
		'A' class shares of Rs.10/- each		
2,642,351,957	2,642,351,957	Issued for consideration in cash	**26,423,519**	26,423,519
		Issued for consideration other than cash for		
931,028	931,028	acquisition of shares	**9,310**	9,310
233,934,482	233,934,482	Issued as bonus shares	**2,339,345**	2,339,345
2,877,217,467	2,877,217,467		**28,772,174**	28,772,174
		'B' class shares of Rs.5/- each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash for		
2,625	2,625	acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
1,499,999	1,499,999		**7,500**	7,500
			28,779,674	28,779,674

Six-year Summary

	2013	2012 (Restated)	2011	2010	2009	2008
OPERATION						
Route Kilometers	**411,936**	448,120	460,719	424,570	380,917	311,131
Revenue Kilometers Flown (000)	**63,144**	75,750	84,898	81,588	80,108	79,580
Revenue Hours Flown	**106,476**	127,268	141,727	142,940	132,155	132,378
Available Tonne Kilometers (000)	**2,471,474**	2,859,450	2,972,014	3,091,344	2,933,253	2,934,626
Available Seat Kilometers (000)	**17,412,376**	19,849,470	21,725,390	21,218,879	19,859,050	19,528,207
TRAFFIC						
Revenue Passengers Carried (000)	**4,449**	5,236	5,953	5,538	5,535	5,617
Revenue Passengers Kilometers (000)	**12,237,251**	13,873,760	15,663,646	15,656,596	13,891,225	13,925,297
Passenger Load Factor (%)	**70**	70	72	74	70	71
Revenue Freight Tonne Kilometers (000)	**235,605**	273,414	288,497	329,285	270,310	319,835
Kgs. of Excess Baggage & Cargo (000)	**82,155**	98,348	93,305	104,116	95,393	111,088
Kgs. of Mail (000)	**648**	891	1,335	1,454	702	778
Revenue Tonne Kilometers (000)	**1,350,629**	1,513,041	1,677,646	1,745,746	1,525,293	1,580,507
Revenue Load Factor (%)	**55**	53	56	56	52	54
Avg. Pax Stage Distance (Statute Kilometers)	**2,751**	2,650	2,631	2,827	2,510	2,479
FINANCIAL						
Operating Revenue (Rs. in million)	**95,771.13**	112,130.00	116,550.58	107,531.59	94,563.77	88,863.26
Operating Expenses (Rs. in million)	**119,141.10**	129,450.00	134,477.33	106,811.51	98,628.76	120,499.38
Operating Profit/(loss) (Rs. in million)	**(23,369.97)**	(17,320.00)	(17,926.76)	(4,064.99)	(31,636.12)	(5,935.08)
Profit/(loss) after tax (Rs. in million)	**(44,524.42)**	(33,844.00)	(26,767.21)	(20,785.12)	(5,822.43)	(36,138.64)
Fixed Assets (Rs. in million)	**100,291.47**	106,174.00	96,685.08	96,714.94	133,647.52	115,123.49
Current Assets (Rs. in million)	**24,365.50**	22,499.00	16,562.57	16,410.13	16,880.56	15,039.28
Current Liabilities (Rs. in million)	**10,282.02**	9,272.00	104,783.97	75,507.09	68,817.62	72,528.40
Long-Term Debts (Rs. in million)	**31,408.00**	13,957.00	89,535.86	98,533.01	105,418.23	96,926.21
Net Worth (Rs. in million)	**(149,768.14)**	(116,899.00)	(85,933.56)	(62,244.18)	(49,054.75)	(47,522.42)
Jet Fuel Prices (Rs. per US Gallon)	**317.25**	298.90	270.06	194.57	149.39	216.04
Cost per A. T. K. (Rs.)	**48.21**	46.68	45.25	34.55	33.62	41.06
RATIOS						
Earnings per share (Rs.)	**(14.76)**	(11.00)	(9.73)	(8.39)	(2.72)	(17.79)
Debt equity ratio	**NA**	NA	NA	NA	NA	NA
Current ratio	**0.13**	0.13	0.16	0.22	0.25	0.21
SHARE PRICES (Rs. 10 Share)						
High	**4.76**	4.76	3.4	4.02	5.1	7.65
Low	**1.75**	1.75	1.61	1.95	2.31	1.7
Closing	**4.03**	4.03	1.97	2.26	2.61	3.51
PERSONNEL						
Average No. of Empolyees	**16,604**	17,439	18,014	18,019	17,944	18,036
Revenue per Employee (Rs.)	**5,767,955**	6,429,841	6,470,000	5,967,678	5,269,938	4,926,994
A. T. K. per Employee	**148,848**	163,969	164,984	171,560	163,467	162,709

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Unconsolidated

Financial Statements

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING NO. 1-C
I.I. CHUNDRIGAR ROAD
P.O. BOX 4716
KARACHI - 74000

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS
CAVISH COURT, A-35, BLOCK 7 & 8
KCHSU, SHARAH-E-FAISAL
KARACHI - 75350

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of Pakistan International Airlines Corporation (the Corporation) as at December 31, 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) In our opinion, proper books of accounts have been kept by the Corporation as required by the Pakistan International Airlines Corporation Act, 1956 and the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Pakistan International Airlines Corporation Act, 1956 and the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Pakistan International Airlines Corporation Act, 1956 and the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Corporation's affairs as at December 31, 2013 and of the loss, total comprehensive income, cash flows and changes in equity for the year then ended; and

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

We draw attention to note 1.2 to the unconsolidated financial statements, which states that the Corporation incurred a loss of Rs. 44,530.891 million during the year ended December 31, 2013, resulting in accumulated loss of Rs. 197,797.852 million as of December 31, 2013, and, as of that date, the Corporation's current liabilities exceeded its current assets by Rs. 164,696.792 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Audit Engagement Partner:
Khurshid Hasan

Chartered Accountants
Audit Engagement Partner:
Syed Asad Ali Shah

Date: April 29, 2014
Place: Karachi

UNCONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2013

	Note	2013	2012	2013	2012
		------------Rupees in '000-------------		---------------US$ in '000---------------	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	5	**89,632,833**	95,712,875	**848,045**	984,397
- Intangibles	6	**88,204**	79,820	**835**	821
		89,721,037	95,792,695	**848,880**	985,218
Long-term investments	7	**4,465,759**	4,444,491	**42,252**	45,711
Long-term advances	8	**-**	-	**-**	-
Long-term deposits and prepayments	9	**6,104,677**	5,936,957	**57,758**	61,061
		100,291,473	106,174,143	**948,890**	1,091,990
CURRENT ASSETS					
Stores and spares	10	**3,641,758**	4,057,648	**34,456**	41,732
Trade debts	11	**8,712,578**	9,416,133	**82,432**	96,843
Advances	12	**1,110,535**	2,045,381	**10,507**	21,037
Trade deposits and prepayments	13	**2,551,545**	587,699	**24,141**	6,044
Other receivables	14	**6,039,732**	4,201,330	**57,144**	43,210
Short-term investments	15	**19,220**	19,220	**182**	198
Cash and bank balances	16	**2,290,134**	2,172,389	**21,668**	22,343
		24,365,502	22,499,800	**230,530**	231,407
TOTAL ASSETS		**124,656,975**	128,673,943	**1,179,420**	1,323,397

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

UNCONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2013

	Note	2013	2012	2013	2012
		------------Rupees in '000-------------		---------------US$ in '000---------------	
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital	17	28,779,674	28,779,674	272,294	295,996
Reserves	18	4,328,799	4,307,531	40,956	44,302
Accumulated losses		(197,797,852)	(151,914,479)	(1,871,429)	(1,562,423)
		(164,689,379)	(118,827,274)	(1,558,179)	(1,222,125)
Advance against equity from Government of Pakistan (GoP)	19	14,921,244	1,928,167	141,175	19,831
TOTAL EQUITY		(149,768,135)	(116,899,107)	(1,417,004)	(1,202,294)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- NET	20	5,490,963	7,220,492	51,952	74,262
NON CURRENT LIABILITIES					
Long-term financing	21	31,407,996	13,957,198	297,161	143,548
Term finance and sukuk certificates	22	-	4,394,027	-	45,192
Liabilities against assets subject to finance lease	23	31,357,890	38,305,557	296,687	393,968
Advance from a subsidiary	24	1,479,709	1,069,530	14,000	11,000
Long-term deposits	25	435,398	534,635	4,119	5,499
Deferred liabilities	26	15,190,860	13,146,198	143,726	135,207
		79,871,853	71,407,145	755,693	734,414
CURRENT LIABILITIES					
Trade and other payables	27	76,111,721	53,308,225	720,117	548,269
Accrued interest	28	12,799,646	6,770,759	121,102	69,637
Provision for taxation		223,421	676,930	2,114	6,962
Short-term borrowings	29	56,747,538	61,354,530	536,907	631,025
Current maturities of:					
- Long-term financing	21	13,308,189	20,366,285	125,913	209,465
- Term finance and sukuk certificates	22	19,589,760	15,195,733	185,345	156,286
- Liabilities against assets subject to finance lease	23	10,282,019	9,272,951	97,281	95,371
		189,062,294	166,945,413	1,788,779	1,717,015
TOTAL LIABILITIES		268,934,147	238,352,558	2,544,472	2,451,429
TOTAL EQUITY AND LIABILITIES		124,656,975	128,673,943	1,179,420	1,323,397
CONTINGENCIES AND COMMITMENTS	30				

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 (Restated)	2013	2012 (Restated)
		------------Rupees in '000------------		---------------US$ in '000---------------	
REVENUE - NET	31	**95,771,125**	112,130,066	**906,121**	1,153,246
COST OF SERVICES					
Aircraft fuel		**(55,116,104)**	(61,157,291)	**(521,471)**	(628,996)
Others	32	**(48,064,025)**	(49,493,646)	**(454,749)**	(509,037)
		(103,180,129)	(110,650,937)	**(976,220)**	(1,138,033)
GROSS (LOSS) / PROFIT		**(7,409,004)**	1,479,129	**(70,099)**	15,213
Distribution costs	33	**(5,764,850)**	(6,772,016)	**(54,543)**	(69,649)
Administrative expenses	34	**(10,196,116)**	(9,080,302)	**(96,469)**	(93,390)
Other provisions and adjustments	35	**(2,280,464)**	(730,454)	**(21,576)**	(7,513)
Exchange loss - net		**(6,406,746)**	(6,696,708)	**(60,616)**	(68,875)
Other income	36	**1,663,978**	3,405,000	**15,743**	35,020
		(22,984,198)	(19,874,480)	**(217,461)**	(204,407)
LOSS FROM OPERATIONS		**(30,393,202)**	(18,395,351)	**(287,560)**	(189,194)
Finance cost	37	**(12,588,077)**	(11,380,757)	**(119,100)**	(117,050)
LOSS BEFORE TAXATION		**(42,981,279)**	(29,776,108)	**(406,660)**	(306,244)
Taxation	38	**(1,549,612)**	(810,227)	**(14,661)**	(4,709)
LOSS FOR THE YEAR		**(44,530,891)**	(30,586,335)	**(421,321)**	(310,953)

	Note	(Rupees)		(US$)	
EARNINGS PER SHARE - BASIC AND DILUTED					
Loss attributable to:					
'A' class ordinary shares of Rs. 10 each	39	**(12.57)**	(10.14)	**(0.12)**	(0.10)
'B' class ordinary shares of Rs. 5 each	39	**(6.29)**	(5.07)	**(0.06)**	(0.05)

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012 (Restated)	2013	2012 (Restated)
	------------Rupees in '000-------------		-------------US$ in '000---------------	
Loss for the year	**(44,530,891)**	(30,586,335)	**(421,321)**	(310,953)
Other comprehensive income				
Items that will be reclassified subsequently to profit and loss account				
Unrealised gain on remeasurement of available for sale investments	**21,268**	4,037	**201**	42
Items that will not be reclassified subsequently to profit and loss account				
Remeasurement of post retirement defined benefits obligation	**(611,860)**	(2,947,546)	**(5,789)**	(30,315)
Impact of deferred tax	**142,695**	352,341	**1,350**	3,624
	(469,165)	(2,595,205)	**(4,439)**	(26,691)
Total comprehensive income	**(44,978,788)**	(33,177,503)	**(425,559)**	(337,602)

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

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012	2013	2012
		------------Rupees in '000-------------		---------------US$ in '000---------------	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash used in operations	40	**3,655,697**	(1,072,710)	**34,588**	(11,033)
Profit on bank deposits received		**32,314**	51,399	**306**	529
Finance costs paid		**(6,606,179)**	(9,300,090)	**(62,503)**	(95,650)
Taxes paid		**(453,509)**	(648,676)	**(4,291)**	(6,672)
Staff retirement benefits paid		**(623,466)**	(623,012)	**(5,899)**	(6,408)
Long-term deposits and prepayments - net		**251,142**	718,412	**2,376**	7,389
Net cash used in operating activities		**(3,744,001)**	(10,874,677)	**(35,423)**	(111,845)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(4,339,971)**	(7,298,756)	**(41,062)**	(75,067)
Proceeds from sale of property, plant and equipment		**22,361**	79,306	**212**	816
Purchase of intangibles		**(34,317)**	(53,368)	**(325)**	(549)
Net cash used in investing activities		**(4,351,927)**	(7,272,818)	**(41,175)**	(74,800)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipt of advance against equity from GoP		**12,993,077**	1,928,167	**122,932**	19,831
Repayment of long-term financing		**(6,893,800)**	(10,206,640)	**(65,224)**	(104,974)
Proceeds from long-term financing		**15,872,898**	500,000	**150,178**	5,143
Receipt of advance from a subsidiary		**296,850**	-	**2,808**	-
(Repayment) / proceeds fron long-term deposits		**(99,237)**	89,950	**(939)**	925
Repayment of obligations under finance lease - net		**(9,272,951)**	(8,225,660)	**(87,734)**	(84,600)
Net cash generated from / (used in) financing activities		**12,896,837**	(15,914,183)	**122,021**	(163,675)
Increase / (decrease) in cash and cash equivalents		**4,800,909**	(34,061,678)	**45,423**	(350,320)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**(59,182,141)**	(24,906,213)	**(559,941)**	(256,158)
Effect of exchange rate changes on cash and cash equivalents		**(76,172)**	(214,250)	**(721)**	(2,204)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**(54,457,404)**	(59,182,141)	**(515,239)**	(608,682)
CASH AND CASH EQUIVALENTS					
Cash and bank balances	16	**2,290,134**	21,72,389	**21,668**	22,343
Short-term borrowings	29	**(56,747,538)**	(61,354,530)	**(536,907)**	(631,025)
		(54,457,404)	(59,182,141)	**(515,239)**	(608,682)

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

	Issued, subscribed, and paid-up share capital	Advance against equity from Government of Pakistan (GoP)	Reserves				Accumulated losses (Restated)	Total
			Capital reserves	Revenue reserves	Unrealised gain on remeasurement of investments	Sub total		
	Rupees in '000							
Balance as at January 1, 2012	28,779,674	-	2,501,038	1,779,674	22,782	4,303,494	(119,016,727)	(85,933,559)
Total comprehensive income for the year ended December 31, 2012 (Restated)								
Loss for the year	-	-	-	-	-	-	(30,586,335)	(30,586,335)
Other comprehensive income for the year	-	-	-	-	4,037	4,037	(2,595,205)	(2,591,168)
Total comprehensive income for the year	-	-	-	-	4,037	4,037	(33,181,540)	(33,177,503)
Advance against equity from GoP	-	1,928,167	-	-	-	-	-	1,928,167
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	283,788	283,788
Balance as at December 31, 2012	**28,779,674**	**1,928,167**	**2,501,038**	**1,779,674**	**26,819**	**4,307,531**	**(151,914,479)**	**(116,899,107)**
Total comprehensive income for the year ended December 31, 2013								
Loss for the year	-	-	-	-	-	-	(44,530,891)	(44,530,891)
Other comprehensive income for the year	-	-	-	-	21,268	21,268	(469,165)	(447,897)
Total comprehensive income for the year	-	-	-	-	21,268	21,268	(45,000,056)	(44,978,788)
Advance against equity from GoP	-	12,993,077	-	-	-	-	-	12,993,077
Surplus on revaluation of property, plant and equipment realised during the year on account of reduced depreciation charged thereon - net of tax	-	-	-	-	-	-	(883,317)	(883,317)
Balance as at December 31, 2013	**28,779,674**	**14,921,244**	**2,501,038**	**1,779,674**	**48,087**	**4,328,799**	**(197,797,852)**	**(149,768,135)**

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

1. THE CORPORATION AND ITS OPERATIONS

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

1.2 During the current year, the Corporation incurred a net loss of Rs. 44,530.891 million (2012: Rs. 30,586.335 million) resulting in accumulated loss of Rs. 197,797.852 million as of December 31, 2013 (2012: Rs. 151,914.479 million). Further, as of December 31, 2013 current liabilities of the Corporation exceeded its current assets by Rs. 164,696.792 million (2012: Rs. 144,445.613 million). Furthermore, as disclosed in notes 22.1, 22.2, 21.9 and 29.1.3, the Corporation has not been able to pay interest and principal amount of term finance and other borrowings, which are overdue as at December 31, 2013.

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

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Corporation. In this respect, amounts aggregating to Rs. 10,848 million have been provided to the Corporation towards equity since the year ended December 31, 2008;

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

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

- On July 3rd, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs. 12,790 million along with conversion of certain short term loans amounting to Rs. 20,700 million into new term finance certificates (refer note 22.1); and

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

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

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

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

To alleviate the operational problems, the Corporation acquired four narrow body aircraft on wet lease towards the end of 2013. The Corporation is also in the process of acquisition of aircraft on dry lease and in this respect a tender was published by the Corporation subsequent to year end and the bid for eight aircraft was accepted by the Corporation in March 2014. Subsequent to the year end, the GoP, through the Privatization Commission, has also initiated the process of restructuring the Corporation leading to private sector participation in the Core Operations of PIA, and for this purpose, newspaper advertisements have been published in the leading newspapers for appointing a "Financial Advisor".

In addition to the above measures taken by the Corporation and the GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Corporation. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from non-core activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircraft on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

In view of the situation described above, material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these unconsolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

- certain items of property, plant and equipment are stated at revalued amount;
- certain financial assets are carried at fair value;
- liability on account of frequent flyer programme is recognised at fair value; and
- defined benefit obligations are stated at present value (net off fair value of plan assets, wherever applicable) in accordance with International Accounting Standard (IAS) - 19 (Revised) 'Employee Benefits'.

2.3 Functional and presentation currency

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

The US Dollar amounts reported in the balance sheet, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information, solely for the convenience of the users of these unconsolidated financial statements. The US Dollar amounts in the unconsolidated balance sheet, profit and loss account, statement of comprehensive income and cash flow statement have been translated into US Dollar at the rate of Rs. 105.69 = US $ 1 (2012: Rs. 97.23 = US $ 1).

2.4 Amendments to approved accounting standards and new interpretation to an existing standard that were effective for the year ended December 31, 2013

2.4.1 The following amendments to approved accounting standards and an interpretation, other than those disclosed in note 2.4.2, were effective for the year ended December 31, 2013. These amendments and interpretation were either not relevant to the Corporation's operations or did not have significant impact on these unconsolidated financial statements other than certain additional disclosures.

- Amendment to IAS 1 'Presentation of Financial Statements' – Clarification of requirements for comparative information
- Amendment to IAS 16 'Property, Plant and Equipment' – Classification of servicing equipment
- Amendments to IAS 32 'Financial Instruments: Presentation' - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction
- Amendments to IAS 34 'Interim Financial Reporting' - Interim reporting of segment information for total assets and total liabilities
- Amendments to IFRS 7 'Financial Instruments: Disclosures' - Offsetting financial assets and financial liabilities - (disclosure of information about rights to set-off and related arrangements)
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'

2.4.2 Apart from the amendments described in note 2.4.1, an amendment to IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income and IAS 19 - Employee Benefits (Revised 2011) also became effective during the year ended December 31, 2013 and have significant impact on these unconsolidated financial statements as described in note 4.1. These changes are considered as changes in accounting policies.

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

The following amendments and an interpretation are only effective for accounting periods, beginning on or after January 1, 2014. These amendments and interpretation are either not relevant to the Corporation's operations or are not expected to have significant impact on the Corporation's financial statements other than certain additional disclosures.

Amendments to IAS 32 'Financial Instruments: Presentation' - Offsetting financial assets and financial liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

Amendments to IAS 36 'Impairment of Assets' - Recoverable amount disclosures for non-financial assets

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognised (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13); and

- introduce additional disclosure requirements in respect of assets for which an impairment has been recognised or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' - Novation of derivatives and continuation of hedge accounting

The amendment allows the continuation of hedge accounting (under IAS 39 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

IFRIC 21 - Levies

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

2.6 Other standards issued by IASB but not adopted by Securities and Exchange Commission of Pakistan (SECP)

Other than the aforesaid standards, amendments and an interpretation, IASB has also issued the following standards which have not been adopted by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.1 Property, plant and equipment

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

Change in accounting estimate

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2012, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the year would have been higher by Rs. 673.366 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

3.2 Employee benefits

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

3.3 Stores and spares

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

3.4 Taxation

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

3.5 Trade debts

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

3.6 Liability on account of frequent flyer programme

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

3.7 Revenue recognition

Revenue for passenger tickets and cargo airway bills is recognised when the transportation services are provided. Effective July 1, 2013 passenger tickets that are un-utilised, are recognised as unearned revenue on the basis of sale value of those unused tickets whereas consistent with prior years cargo airway bills that are un-utilised, are recognised as revenue on the basis of estimated number of days delay between the date of sale of airway bills and the date of actual lift.

Change in accounting estimate

During the year, the Corporation has changed its method of computing passenger unearned revenue from estimating the unearned revenue on the basis of estimated number of days delay between the date of sale of ticket and the date of actual lift to the sale value of un-utilised tickets as at year end. The value of un-utilised tickets is calculated on the basis of difference between the value of tickets sold and value of ticket coupons actually lifted. Had there been no change in estimate, revenue for the year would have been higher and advance against transportation would have been lower by Rs. 1,882.520 million.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are same as those applied in the preparation of the unconsolidated financial statements of the Corporation for the year ended December 31, 2012 except for changes in accounting policies as stated in note 4.1 and are enumerated as follows:

4.1 Changes in accounting polices

4.1.1 IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time are presented separately from items that will never be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis, i.e., the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

As a result of amendments in IAS 1, the Corporation modified the presentation of the items of other comprehensive income in its statement of comprehensive income, to present items that would be reclassified to profit and loss account in the future separately from those that would never be reclassified to profit and loss account. Comparative information has been re-presented on the same basis.

4.1.2 IAS 19 - Employee Benefits (Revised 2011)

The Corporation has adopted IAS 19 Employees Benefits (Revised 2011) along with related consequential amendments. The amendments require actuarial gains and losses (now termed as 'remeasurements') to be recognised immediately in other comprehensive income; to immediately recognise all past service costs; to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset; and to disclose the impact on defined benefit obligation as a result of changes in actuarial assumptions. This change has removed the corridor method and eliminated the ability for entities to recognise all changes in the defined benefit obligation and in plan assets to profit or loss account. As a result of adoption of this amendment, for the post- retirement medical benefits and pension obligation, the Corporation has recognised the actuarial gains and losses (i.e., re-measurements) in other comprehensive income, which were previously being recognised in the profit and loss account.

Specific transitional provisions are applicable to first-time application of IAS 19 (Revised 2011). The Corporation has applied the relevant transitional provisions and restated the comparatives on retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Effect of retrospective application of change in accounting policy is as follows:

	Amount as reported earlier	Effects of change in accounting policy	Amount restated
Effect on profit and loss account for the year ended December 31, 2012	-----------------------	Rupees in '000	----------------------
Cost of services - others	(51,291,649)	1,798,003	(49,493,646)
Distribution cost	(7,155,197)	383,181	(6,772,016)
Administrative expenses	(9,846,664)	766,362	(9,080,302)
Taxation	(457,886)	(352,341)	(810,227)
Loss for the year	(33,181,540)	2,595,205	(30,586,335)
Effect on statement of comprehensive income for the year ended December 31, 2012			
Remeasurement of defined benefit obligations - net of tax	-	2,595,205	2,595,205

There is no impact on the Corporation's opening equity as a result of change in this accounting policy. The Corporation has not presented the balance sheet as at January 1, 2012 as there is no impact of the above change as at that date.

4.2 Fixed assets

Property, plant and equipment

Owned

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

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

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

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

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

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

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

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

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

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

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

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

Leased

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

Finance lease

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

Operating lease

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

Capital spares

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

Capital work-in-progress

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

4.3 Intangibles

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

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

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

4.4 Investments

Subsidiaries and associates

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

Available for sale

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

Held to maturity

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

4.5 Stores and spares

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

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

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

4.6 Trade debts and other receivables

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

4.7 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 bank overdrafts / short-term borrowings that are repayable on demand and form an integral part of the Corporation's cash management.

4.8 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.

4.9 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.

4.10 Employee benefits

Provident fund

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

Pension funds

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

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

Post-retirement medical benefits

The Corporation operates an unfunded defined benefit medical scheme and provides medical allowances and free hospitalisation benefits to all its retired employees and their spouses in accordance with their service regulations. The post-retirement medical benefit is accounted for on the basis of actuarial valuation that is carried out annually.

Compensated absences

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

Remeasurements of employee benefits plans

Effective January 1, 2013 in case of pension funds and post-retirement medical benefits, remeasurements of net defined benefit liability / (asset), which comprises actuarial gains / (losses), return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. In case of compensated absences, actuarial gains / (losses) are recognised in profit and loss account.

4.11 Taxation

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

Current

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

Deferred taxation

Deferred income tax is recognised using the balance sheet method on temporary differences at the balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset is reassessed at each balance sheet date and recognised to the extent that it has become probable that future taxable profits or taxable temporary differences will allow the deferred tax asset to be recovered.

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

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

4.12 Revenue recognition

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

Passenger and cargo revenue

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

Engineering and other services

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

Frequent flyer programme revenue

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

In addition, miles are sold to a commercial partner to use in promotional activity. The fair value of the miles sold is deferred and 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 Corporation recognises interest income / mark-up on short-term bank deposits, interest bearing advances and held to maturity investments on time proportion basis using effective interest method.

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

4.13 Borrowing costs

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

4.14 Provisions

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

4.15 Impairment

Financial assets

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

Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the 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.

4.16 Foreign currency transactions

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

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

4.17 Financial instruments

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

4.18 Earnings per share

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

4.19 Derivative financial instruments

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

4.20 Offsetting of financial assets and financial liabilities

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

	Note	2013	2012
		----------- Rupees in 000 -----------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
- owned	**5.1**	**25,933,545**	25,217,571
- leased	**5.2**	**61,399,468**	68,233,428
Capital work-in-progress	**5.8**	**2,299,820**	2,261,876
		89,632,833	95,712,875

5.1 Owned fixed assets

	Land		Buildings on:		Workshops and hangars	Renovation and improvements	Aircraft fleet (note 5.1.3 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (note 5.1.1 and 5.3)	Other land					
As at December 31, 2012									
Cost or revalued amount	5,410,000	24,400	1,310,299	840,028	902,235	780,800	41,337,733	789,982	1,615,681
Accumulated depreciation	-	-	(232,216)	(333,175)	(776,010)	(721,879)	(29,704,163)	(638,882)	(1,316,581)
Net book value	5,410,000	24,400	1,078,083	506,853	126,225	58,921	11,633,570	151,100	299,100
Year ended December 31, 2013									
Opening net book value	5,410,000	24,400	1,078,083	506,853	126,225	58,921	11,633,570	151,100	299,100
Additions / transfers	-	-	2,892	1,842	6,381	5,437	1,058,948	544	13,971
Revaluation									
Cost or revalued amount	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	2,141,563	-	-
	-	-	-	-	-	-	2,141,563	-	-
Adjustments / transfer									
Cost or revalued amount	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Disposals									
Cost or revalued amount	-	-	-	-	-	-	-	(10,686)	-
Accumulated depreciation	-	-	-	-	-	-	-	10,686	-
	-	-	-	-	-	-	-	-	-
Write off									
Cost or revalued amount	-	-	-	-	-	-	(2,353,203)	(1,339)	(11)
Accumulated depreciation	-	-	-	-	-	-	2,332,299	1,248	11
	-	-	-	-	-	-	(20,904)	(91)	-
Depreciation charge for the year	-	-	(152,722)	(19,523)	(13,367)	(40,872)	(1,804,421)	(42,363)	(73,401)
Closing net book value	5,410,000	24,400	928,253	489,172	119,239	23,486	13,008,756	109,190	239,670
As at December 31, 2013									
Cost or revalued amount	5,410,000	24,400	1,313,191	841,870	908,616	786,237	40,043,478	778,501	1,629,641
Accumulated depreciation	-	-	(384,938)	(352,698)	(789,377)	(762,751)	(27,034,722)	(669,311)	(1,389,971)
Net book value	5,410,000	24,400	928,253	489,172	119,239	23,486	13,008,756	109,190	239,670
Annual depreciation rate (%)	-	-	2.5	2.5	5	20	4- 100	10	10 - 20

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

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

5.1.3 During the year, the Corporation has written off aircraft having net book value of Rs. 20.904 million. The related deficit amounting to Rs. 555.601 million included in surplus on revaluation on property, plant and equipment as at the date of write off has been released to profit and loss account (refer note 35).

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Other equipment	Capital spares	Total
Rupees in '000										
1,920,291	877,932	420,233	79,120	1,613,204	823,862	15,039	11,799	1,469,935	8,446,212	68,688,785
(1,519,057)	(711,815)	(349,063)	(76,916)	(1,449,132)	(811,527)	(15,039)	(11,799)	(502,650)	(4,301,310)	(43,471,214)
401,234	166,117	71,170	2,204	164,072	12,335	-	-	967,285	4,144,902	25,217,571
401,234	166,117	71,170	2,204	164,072	12,335	-	-	967,285	4,144,902	25,217,571
18,213	6,873	1,442	342	8,165	53,117	-	-	36,395	41,802	1,256,364
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	2,141,563
-	-	-	-	-	-	-	-	-	-	2,141,563
-	-	-	-	-	-	-	-	-	(18,372)	(18,372)
-	-	-	-	-	-	-	-	-	7,370	7,370
-	-	-	-	-	-	-	-	-	(11,002)	(11,002)
(1,555)	-	(25,741)	-	-	-	-	-	-	-	(37,982)
1,540	-	8,064	-	-	-	-	-	-	-	20,290
(15)	-	(17,677)	-	-	-	-	-	-	-	(17,692)
-	-	-	(935)	(2,049)	-	-	-	(3,643)	(118,513)	(2,479,693)
-	-	-	901	1,835	-	-	-	3,594	93,879	2,433,767
-	-	-	(34)	(214)	-	-	-	(49)	(24,634)	(45,926)
(40,841)	(25,728)	(21,979)	(730)	(44,214)	(57,167)	-	-	(46,369)	(223,636)	(2,607,333)
378,591	147,262	32,956	1,782	127,809	8,285	-	-	957,262	3,927,432	25,933,545
1,936,949	884,805	395,934	78,527	1,619,320	876,979	15,039	11,799	1,502,687	8,351,129	67,409,102
(1,558,358)	(737,543)	(362,978)	(76,745)	(1,491,511)	(868,694)	(15,039)	(11,799)	(545,425)	(4,423,697)	(41,475,557)
378,591	147,262	32,956	1,782	127,809	8,285	-	-	957,262	3,927,432	25,933,545
10 - 20	10	25	15	10 - 20	10	20	10	10	4 - 100	

	Land		Buildings on:		Workshops and hangars	Renovation and improvements	Aircraft fleet (notes 5.2.1 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other lands					
As at December 31, 2011									
Cost or revalued amount	5,410,000	24,400	1,307,229	840,028	899,360	741,898	33,196,690	779,368	1,599,224
Accumulated depreciation	-	-	(100,819)	(312,664)	(762,691)	(673,369)	(21,488,567)	(591,538)	(1,239,866)
Net book value	5,410,000	24,400	1,206,410	527,364	136,669	68,529	11,708,123	187,830	359,358
Year ended December 31, 2012									
Opening net book value	5,410,000	24,400	1,206,410	527,364	136,669	68,529	11,708,123	187,830	359,358
Additions / transfers	-	-	3,070	-	2,875	39,171	1,069,266	10,700	17,106
Revaluation									
Cost or revalued amount	-	-	-	-	-	-	(3,793,787)	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(3,793,787)	-	-
Adjustments / transfer									
Cost or revalued amount	-	-	-	-	-	-	(10,979,748)	-	-
Accumulated depreciation	-	-	-	-	-	-	(5,993,275)	-	-
	-	-	-	-	-	-	4,986,473	-	-
Disposals									
Cost or revalued amount	-	-	-	-	-	-	(114,184)	-	-
Accumulated depreciation	-	-	-	-	-	-	27,230	-	-
	-	-	-	-	-	-	(86,954)	-	-
Write off									
Cost or revalued amount	-	-	-	-	-	(269)	-	(86)	(649)
Accumulated depreciation	-	-	-	-	-	269	-	86	649
	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	(131,397)	(20,511)	(13,319)	(48,779)	(2,249,551)	(47,430)	77,364
Closing net book value	5,410,000	24,400	1,078,083	506,853	126,225	58,921	11,633,570	151,100	299,100
As at December 31, 2012									
Cost or revalued amount	5,410,000	24,400	1,310,299	840,028	902,235	780,800	41,337,733	789,982	1,615,681
Accumulated depreciation	-	-	(232,216)	(333,175)	(776,010)	(721,879)	(29,704,163)	(638,882)	(1,316,581)
Net book value	5,410,000	24,400	1,078,083	506,853	126,225	58,921	11,633,570	151,100	299,100
Annual depreciation rate (%)	-	-	2.5	2.5	5	20	5-100	10	10-20

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Other equipment	Capital spares	Total
Rupees in '000										
1,895,669	861,833	402,311	78,179	1,605,685	821,106	15,039	11,908	1,468,045	8,663,258	60,621,230
(1,453,197)	(677,728)	(330,997)	(75,950)	(1,398,044)	(809,110)	(15,039)	(11,908)	(443,415)	(4,222,207)	(34,607,109)
442,472	184,105	71,314	2,229	207,641	11,996	-	-	1,024,630	4,441,051	26,014,121
442,472	184,105	71,314	2,229	207,641	11,996	-	-	1,024,630	4,441,051	26,014,121
24,622	16,475	31,838	941	8,305	2,756	-	-	1,890	188,789	1,417,804
-	-	-	-	-	-	-	-	-	-	(3,793,787)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	(3,793,787)
-	-	-	-	-	-	-	-	-	(254,730)	10,725,018
-	-	-	-	-	-	-	-	-	69,913	(5,923,362)
-	-	-	-	-	-	-	-	-	(184,817)	4,801,656
-	-	(13,916)	-	(205)	-	-	-	-	(18,486)	(146,791)
-	-	8,585	-	68	-	-	-	-	18,486	54,369
-	-	(5,331)	-	(137)	-	-	-	-	-	(92,422)
-	(376)	-	-	(581)	-	-	(109)	-	(132,619)	(134,689)
-	376	-	-	529	-	-	109	-	96,260	98,278
-	-	-	-	(52)	-	-	-	-	(36,359)	(36,411)
(65,860)	(34,463)	(26,651)	(966)	(51,685)	(2,417)	-	-	(59,235)	(263,762)	(3,093,390)
401,234	166,117	71,170	2,204	164,072	12,335	-	-	967,285	4,144,902	25,217,571
1,920,291	877,932	420,233	79,120	1,613,204	823,862	15,039	11,799	1,469,935	8,446,212	68,688,785
(1,519,057)	(711,815)	(349,063)	(76,916)	(1,449,132)	(811,527)	(15,039)	(11,799)	(502,650)	(4,301,310)	(43,471,214)
401,234	166,117	71,170	2,204	164,072	12,335	-	-	967,285	4,144,902	25,217,571
10 - 20	10	25	15	10 - 20	10	20	10	10	5 - 100	

		Note	2013	2012
			------------Rupees in '000-------------	
5.2	**Leased fixed assets**			
	(Aircraft fleet)			
	As at January 1			
	Cost or revalued amount		**68,233,428**	72,779,943
	Accumulated depreciation		**-**	(3,135,383)
	Net book value		**68,233,428**	69,644,560
	Year ended December 31			
	Opening net book value		**68,233,428**	69,644,560
	Additions		**3,056,665**	4,592,624
	Revaluation			
	Cost or revalued amount		**(6,716,927)**	1,840,609
	Accumulated depreciation		**-**	1,445,861
		5.4	**(6,716,927)**	3,286,470
	Transfer to owned fixed assets			
	Cost or revalued amount		**-**	(10,979,748)
	Accumulated depreciation		**-**	5,993,275
		5.2.1	**-**	(4,986,473)
	Depreciation charge for the year		**(3,173,698)**	(4,303,753)
	Closing net book value		**61,399,468**	68,233,428
	As at December 31			
	Cost or revalued amount		**64,573,166**	68,233,428
	Accumulated depreciation		**(3,173,698)**	-
	Net book value		**61,399,468**	68,233,428
	Annual depreciation rate (%)		**4-41**	5 - 20

5.2.1 During the year 2012, the lease term of an engine and propulsor expired and accordingly those were transferred from leased assets to owned assets.

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, 2011:

- Arif Evaluators, based in Pakistan
- Narendar Consultants and Subhash Shah and Associates, based in India
- Eastern Appraisal Co. INC., based in USA
- Olimp – Baholash Va Ekspertiza Markazi LLC, based in Tashkent
- Lankhort Vastogoed, 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. 300.736 million as at December 31, 2011.

5.4 Aircraft fleet

The aircraft fleet of the Corporation was revalued by an independent valuer, Ascend - a part of Reed Business Information Limited, on the basis of professional assessment of current market values as of December 31, 2013. The current market value represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of market activity and known transaction data involving the subject aircraft types, covering 'open' market and financial sales. It additionally considers the perceived demand for each type, its availability in the market and further takes into account the expressed views of informed industry sources.

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

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

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

	2013			2012		
	Cost	Accumulated Depreciation	Book value	Cost	Accumulated Depreciation	Book value
	Rupees in '000					
Leasehold Land	**44,166**	**-**	**44,166**	44,166	-	44,166
Buildings on leashold land	**354,450**	**184,813**	**169,637**	351,558	176,287	175,271
Aircraft fleet	**124,046,922**	**53,304,511**	**70,742,411**	122,284,511	48,346,073	73,938,438
	124,445,538	**53,489,324**	**70,956,214**	122,680,235	48,522,360	74,157,875

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

	Note	2013	2012
		Rupees in '000	
Cost of services - others	**32**	**5,518,734**	7,145,728
Distribution costs	**33**	**61,166**	36,855
Administrative expenses	**34**	**201,131**	214,560
		5,781,031	7,397,143

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

Description	Sold to	Method of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds
			-------------------- Rupees in '000			----------------------
Motor vehicles to employees						
Honda City	Mr. Shahab Karamat	Corporation policy	746	615	131	86
Honda City	Mr. Babar Kamal	-------do------	764	659	105	86
Honda City	Mr. Amanullah	-------do------	764	659	105	86
Honda City	Mr. Anjum Amin Mirza	-------do------	746	615	131	86
Honda City	Mr. Arif Sultan	-------do------	772	608	164	86
Honda City	Mr. Jawed Lodhi	-------do------	746	587	159	278
Honda City	Mr. Muhammad Zubair Bhatty	-------do------	746	587	159	91
Toyota Corolla Car	Mr. Muhammad Shoiab	-------do------	804	633	171	93
Toyota Corolla Car	Mr. Farid A. Mughal	-------do------	905	645	260	111
Toyota Corolla Car	Mr. Noman Shah	-------do------	1,094	759	335	555
Toyota Corolla Car	Mr. Ghulam Nabi Shah	-------do------	1,094	759	335	262
Toyota Corolla Car	Mr. Mamoon Rashid	-------do------	1,311	197	1,114	765
Toyota Corolla Car	Mr. Sher Muhammad	-------do------	1,314	25	1,289	762
Toyota Corolla Car	Mr. Tasleem Jat	-------do------	1,202	23	1,179	697
Toyota Corolla Car	Mrs. Anisa Rehman	-------do------	1,274	215	1,059	320
Toyota Corolla Car	Mr. Muhammad Arif	-------do------	1,274	215	1,059	320
			15,556	**7,801**	**7,755**	**4,684**
Aggregate value of other items where NBV is above Rs. 50,000 - Various*			8,695	1,579	7,116	11,185
Aggregate value of items where NBV is less than Rs. 50,000 - Various			13,731	10,910	2,821	6,492
	Total	**2013**	**37,982**	**20,290**	**17,692**	**22,361**
		2012	146,791	54,369	92,422	79,306

* 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 fixed assets is made through a disposal committee in accordance with the prescribed procedures.

5.8 **Capital work-in-progress**

	Aircraft Fleet	Others	Total
	-------------------Rupees in '000		--------------------
Year ended December 31, 2013			
Balance as at January 1, 2013	**1,972,745**	**289,131**	**2,261,876**
Additions during the year	**3,851,426**	**320,027**	**4,171,453**
Transfer to operating assets	**(3,936,094)**	**(197,415)**	**(4,133,509)**
Balance as at December 31, 2013	**1,888,077**	**411,743**	**2,299,820**
Year ended December 31, 2012			
Balance as at January 1, 2012	777,957	195,591	973,548
Additions during the year	1,965,070	347,936	2,313,006
Transfer to operating fixed assets	(770,282)	(254,396)	(1,024,678)
Balance as at December 31, 2012	1,972,745	289,131	2,261,876

		Note	2013	2012
			--------------Rupees in '000---------------	
6.	**INTANGIBLES**			
	Computer software			
	Cost	6.1	**365,289**	330,972
	Accumulated amortisation	6.2	**(277,085)**	(251,152)
			88,204	79,820
6.1	**Cost**			
	Opening balance		**330,972**	277,604
	Additions during the year		**34,317**	53,368
	Closing balance		**365,289**	330,972
6.2	**Accumulated amortisation**			
	Opening balance		**251,152**	224,749
	Amortisation for the year	6.2.1	**25,933**	26,403
	Closing balance		**277,085**	251,152
	Useful life		**5 - 10 years**	5 - 10 years
6.2.1	**Amortisation charge for the year has been allocated as under:**			
	Cost of services - others	32	**1,667**	1,667
	Distribution cost	33	**50**	50
	Administrative expenses	34	**24,216**	24,686
			25,933	26,403
7.	**LONG - TERM INVESTMENTS**			
	Unquoted - at cost			
	Subsidiaries	7.1	**4,415,714**	4,415,714
	Associate	7.2	**396**	396
			4,416,110	4,416,110
	Other investments	7.3	**49,649**	28,381
			4,465,759	4,444,491

		2013	2012
		---------------Rupees in '000-------------	
7.1	**Subsidiaries**		
	PIA Investments Limited (PIAIL)		
	792,000 (2012: 792,000) fully paid ordinary shares of AED 100 each. Equity held 100% (2012: 100%). Break-up value of each ordinary share of AED 100: Rs. 46,496 (2012: Rs. 38,714) per ordinary share based on the audited (2012: audited) financial statements for the year ended December 31, 2013.	**2,245,155**	2,245,155
	Advance against equity	**2,170,557**	2,170,557
		4,415,712	4,415,712
	Skyrooms (Private) Limited		
	4,000,000 (2012: 4,000,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2012: 100%). Break-up value of each ordinary share of Rs. 10: negative Rs. 29 (2012: negative Rs. 24) per ordinary share based on the unaudited (2012: unaudited) financial statements for the year ended December 31, 2013.	**40,000**	40,000
	Midway House (Private) Limited (under winding-up)		
	2,960,000 (2012: 2,960,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2012: 100%). Break-up value of each ordinary share of Rs. 10: Rs. Nil (2012: Rs. Nil) per ordinary share. Financial statements are not available.	**28,520**	28,520
	Abacus Distribution Systems Pakistan (Private) Limited	**2**	2
	312,586 (2012: 312,586) fully paid ordinary shares of Rs. 100 each. Equity held - 70% (2012: 70%) Break-up value of each ordinary share of Rs. 100: Rs. 582 (2012: Rs. 512) per ordinary share based on the unaudited (2012: audited) financial statements for the year ended December 31, 2013.		
		68,522	68,522
	Provision for diminution in value of investments	**(68,520)**	(68,520)
		2	2
		4,415,714	4,415,714

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

		Note	2013	2012
			---------------Rupees in '000-------------	
7.2	**Associate**			
	Minhal Incorporated - Sharjah			
	1,600 fully paid Ordinary shares (2012: 1,600) of AED 100 each. Equity held 40% (2012: 40%). Break-up value of each ordinary share of AED 100 each: Rs. 46,606 (2012: Rs. 43,441) per ordinary share based on the audited financial statements for the year ended December 31, 2013.		**396**	396
7.3	**Other investments**			
	Available for sale	7.3.1	**49,649**	28,381

	Note	2013	2012
		---------------Rupees in '000-------------	
7.3.1 Available for sale			
Quoted			
Pakistan Services Limited			
172,913 (2012: 172,913) ordinary shares of Rs. 10 each having market value per ordinary share of Rs. 285 (2012: Rs. 162) each		**49,280**	28,012
Unquoted			
Pakistan Tourism Development Corporation Limited			
10,000 (2012: 10,000) ordinary shares of Rs. 10 each		**100**	100
Duty Free Shops (Private) Limited			
87,512 (2012: 87,512) ordinary shares of Rs. 100 each		**269**	269
		49,649	28,381

8. LONG-TERM ADVANCES

		2013	2012
Subsidiaries - considered doubtful			
Skyrooms (Private) Limited		**37,042**	37,042
Midway House (Private) Limited		**82,476**	82,476
		119,518	119,518
Provision for doubtful long-term advances		**(119,518)**	(119,518)
		-	-

9. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2013	2012
Deposits			
Aircraft fleet lease deposits		**3,563,657**	3,342,482
Maintenance reserve	9.1	**1,625,014**	1,482,576
Engine maintenance		**2,142**	8,948
Rent		**78,149**	79,741
Utilities		**12,964**	12,904
Aircraft fuel		**13,277**	12,577
Guarantee deposit		**25,296**	23,660
Others		**202,708**	177,900
		5,523,207	5,140,788
Prepayments			
Exposure fee to support financing	9.2	**769,169**	1,015,924
Less: current portion	13.1	**(214,699)**	(219,755)
		581,470	796,169
		6,104,677	5,936,957

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

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

	Note	2013	2012
		---------------Rupees in '000-------------	
10. STORES AND SPARES			
Stores		**647,551**	756,071
Spare parts		**6,181,354**	6,238,426
Inventory held for disposal - adjusted to net realisable value		**252,859**	252,859
		7,081,764	7,247,356
Provision for slow moving and obsolete spares	10.1	**(3,499,163)**	(3,262,882)
		3,582,601	3,984,474
Stores and spares-in-transit		**59,157**	73,174
		3,641,758	4,057,648
10.1 Movement in provision is as follows:			
Balance at the beginning of the year		**3,262,882**	2,959,535
Provision for the year	35	**236,281**	303,347
Balance at the end of the year		**3,499,163**	3,262,882
11. TRADE DEBTS			
Considered good		**8,712,578**	9,416,133
Considered doubtful		**1,363,618**	1,163,314
Less: provision for doubtful debts	11.2	**(1,363,618)**	(1,163,314)
		-	-
		8,712,578	9,416,133

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

	2013		2012	
	Trade debts Gross	Impaired	Trade debts Gross	Impaired
	---------------Rupees in '000---------------			
Within current year	**7,989,248**	**68,466**	9,071,637	250,192
1 year old	**649,870**	**208,194**	440,640	151,682
2 years old	**369,908**	**325,518**	327,165	199,830
Over 3 years old	**1,067,170**	**761,440**	740,005	561,610
	10,076,196	**1,363,618**	10,579,447	1,163,314

		Note	2013	2012
			Rupees in '000	
11.2	**Movement in provision is as follows:**			
	Balance at the beginning of the year		**1,163,314**	924,292
	Written off during the year		**(269)**	(32,103)
	Provision for the year	35	**200,573**	271,125
	Balance at the end of the year		**1,363,618**	1,163,314

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

		Note	2013	2012
			Rupees in '000	
12.	**ADVANCES**			
	Considered good			
	Employees		**145,041**	178,544
	Fuel Suppliers		**293,321**	1,397,157
	Other Suppliers		**666,511**	464,047
	Others		**5,662**	5,633
			1,110,535	2,045,381
	Considered doubtful			
	Subsidiary - Skyrooms (Private) Limited	12.1	**183,339**	178,207
	Others - Suppliers		**55,339**	55,339
			238,678	233,546
	Provision for doubtful advances	12.2	**(238,678)**	(233,546)
			-	-
			1,110,535	2,045,381

12.1 Maximum aggregate gross amount due from the subsidiary at the end of any month was Rs.183.339 million (2012: Rs. 178.207 million).

		Note	2013	2012
			Rupees in '000	
12.2	**Movement in provision is as follows:**			
	Balance at the beginning of the year		**233,546**	191,527
	Provision for the year	35	**5,132**	42,019
	Balance at the end of the year		**238,678**	233,546
13.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits		**2,128,951**	49,426
	Prepayments	13.1	**422,594**	538,273
			2,551,545	587,699
13.1	**Prepayments**			
	Current portion of exposure fee to support financing	9	**214,699**	219,755
	Commission		**6,297**	184,854
	Interest on leased aircraft		**108,802**	125,287
	Rent		**92,465**	8,070
	Others		**331**	307
			422,594	538,273

	Note	2013	2012
		---------------Rupees in '000-------------	
14. OTHER RECEIVABLES			
Considered good			
Claims receivable		**183,907**	92,968
Excise duty	**30.1 (a)**	**100,000**	100,000
Sales tax receivable	**14.1**	**4,902,346**	3,404,720
Receivables from GoP	**14.2**	**460,035**	332,809
Others		**393,444**	270,833
		6,039,732	4,201,330
Considered doubtful		**177,077**	177,077
Less: provision for doubtful other receivables		**(177,077)**	(177,077)
		-	-
		6,039,732	4,201,330

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

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

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

	Note	2013	2012
		---------------Rupees in '000-------------	
15. SHORT - TERM INVESTMENTS			
Available for sale - Unquoted			
SITA INC. N.V.			
325,491 (2012: 325,491) ordinary shares	**15.1**	**19,220**	19,220

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

	Note	2013	2012
		---------------Rupees in '000-------------	
16. CASH AND BANK BALANCES			
In hand		**7,311**	6,317
In transit		**268,774**	82,182
		276,085	88,499
With banks			
- in current accounts		**1,081,533**	1,933,494
- in deposit accounts	**16.1**	**932,516**	150,396
		2,014,049	2,083,890
		2,290,134	2,172,389

16.1 These carry interest ranging from 0.1% to 7.5% (2012: 0.1% to 7%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013	2012		2013	2012
------------ Number of Shares -----------			------------ Number of Shares -----------	
		Authorised capital		
		Ordinary share capital		
2,949,250,000	2,949,250,000	'A' class shares of Rs.10 each	**29,492,500**	29,492,500
1,500,000	1,500,000	'B' class shares of Rs. 5 each	**7,500**	7,500
2,950,750,000	2,950,750,000		**29,500,000**	29,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs.10 each	**500,000**	500,000
3,000,750,000	3,000,750,000		**30,000,000**	30,000,000
		Issued, subscribed and paid-up share capital		
		Ordinary share capital		
		'A' class shares of Rs.10 each		
2,642,351,957	2,642,351,957	Issued for consideration in cash	**26,423,519**	26,423,519
		Issued for consideration other than cash		
931,028	931,028	- for acquisition of shares	**9,310**	9,310
233,934,482	233,934,482	Issued as bonus shares	**2,339,345**	2,339,345
2,877,217,467	2,877,217,467		**28,772,174**	28,772,174
		'B' class shares of Rs.5 each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash		
2,625	2,625	- for acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
			7,500	7,500
1,499,999	1,499,999		**28,779,674**	28,779,674

17.1 At December 31, 2013, the GoP held 2,435,208,439 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2012: 2,435,208,439 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively).

18. RESERVES

	Note	2013	2012
		--------------Rupees in '000------------	
Capital reserves			
Reserve for replacement of fixed assets	18.1	**1,966,779**	1,966,779
Capital redemption reserve fund		**250,000**	250,000
Others		**284,259**	284,259
		2,501,038	2,501,038
Revenue reserve		**1,779,674**	1,779,674
		4,280,712	4,280,712
Unrealised gain on remeasurement of investment		**48,087**	26,819
		4,328,799	4,307,531

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

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

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

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

	Note	2013	2012
		-----------Rupees in '000-----------	
As at January 1		8,219,154	9,163,068
Deficit arising on property, plant and equipment during the year		(4,575,364)	(507,317)
Deficit released to profit and loss on write off of aircraft during the year	5.1.3	555,601	-
		4,199,391	8,655,751
Less: transferred to accumulated loss:			
- Surplus on revaluation of property, plant and equipment realised during the year on account of reduced / (incremental) depreciation charged thereon - net of tax		883,317	(283,788)
- Related deferred tax		475,632	(152,809)
		1,358,949	(436,597)
		5,558,340	8,219,154
Less: related deferred tax liability on:			
- Revaluation as at January 1		998,662	1,329,032
- Deficit arising on property, plant and equipment during the year		(1,601,377)	(177,561)
- Reduced / (incremental) depreciation charged during the year on related assets transferred to profit and loss		475,632	(152,809)
- Deficit released to profit and loss on aircraft written off		194,460	-
		67,377	998,662
As at December 31		5,490,963	7,220,492

21. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installments / Mode	Mark-up	2013	2012
							------------Rupees in '000----------	
Secured - from Banking Companies								
Citibank, N.A.	21.1	Demand Finance	82 USD	2006 - 2017	20 Half-yearly	5.28% fixed	2,396,256	3,309,941
Citibank, N.A.	21.2	Islamic Finance	75 USD & 91.825 AED	2011 - 2014	30 Monthly	3 month LIBOR + 4.25% & 3 month EIBOR + 3.75%	4,231,216	7,779,413
Citibank, N.A.	21.3	Islamic Finance	120 USD & 36.73 AED	2014 - 2016	33 Monthly	1 month LIBOR + 4% & 1 month EIBOR + 4%	13,740,155	-
Faysal Bank Limited	21.4	Term Finance	2,000 PKR	2013 - 2016	36 Monthly	6 month KIBOR + 1.75%	1,665,338	2,000,000
Faysal Bank Limited	21.5	Term Finance	2,000 PKR	2013 - 2018	12 Quarterly	3 month KIBOR + 1.5%	2,000,000	-
KASB Bank Limited	21.6	Demand Finance	194 PKR	2012 - 2013	36 Fortnightly	3 month KIBOR + 2.5%	-	186,851
National Bank of Pakistan - Bahrain	21.7	Syndicate Finance	120 USD	2013 - 2023	40 Quarterly	Note 21.7	12,683,220	11,667,600
National Bank of Pakistan - Bahrain	21.8	Demand Finance	40 USD & 75 SAR	2011 - 2013	24 Monthly	1 month LIBOR + 5.25% & 1 month SIBOR + 5.25%	-	259,273
Royal Bank of - Scotland - Netherland	21.9	Demand Finance	59.5 USD	2009 - 2013	19 Quarterly	3 month LIBOR + 1.6%	-	1,120,405
Others - unsecured								
Long - term loan - GoP	21.10	Term Finance	8,000 PKR	2011 - 2020	16 Half-yearly	10% fixed	8,000,000	8,000,000
							44,716,185	34,323,483
Current maturity shown under current liabilities							(13,308,189)	(20,366,285)
							31,407,996	13,957,198

21.1 The finance is secured by way of:

- Mortgage over each of the six (2012: seven) ATR aircrafts purchased; and
- European Credit Agencies / GoP Guarantee.

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

21.3 The facility is obtained from consortium of financial institutions in which Citi bank 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.

21.4 The finance is secured by way of unconditional and irrevocable GoP guarantee. Principal amounting to Rs. 54.227 million due on December 16, 2013 was paid by the Corporation subsequent to the year end on January 21, 2014.

21.5 The finance is secured by way of GoP guarantee. Interest amounting to Rs. 52.106 million due on December 12, 2013 was paid by the Corporation subsequent to the year end on January 23, 2014.

21.6 The finance was secured by way of first Pari Passu charge over the Corporation's receivables amounting to Rs. 666.660 million (with 25% margin).

21.7 On July 1, 2013, GoP has accorded approval for rollover of this facility for an extended period of 10 years at revised interest rate of 3 month LIBOR + 3.75%. The following are the participating banks:

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

Principal and mark up aggregating Rs. 126.832 million and Rs. 101.149 million due on July 1, 2013 and October 1, 2013 have not been paid.

21.8 The finance was secured against all the present and future receivables generated from the sale of tickets in United Kingdom and Kingdom of Saudi Arabia.

21.9 The Corporation had entered into an arrangement with the bank to finance 15% of the purchase price of two B 777-300 aircraft acquired from Boeing Company. The finance was secured by GoP Guarantee.

21.10 The Corporation has not paid any installment since the due date of first installment, i.e., October 23, 2011. The overdue principal and markup as at December 31, 2013 is Rs. 2,062.500 million and Rs. 3,254.246 million respectively. The overdue principal amount is included in current maturity.

22. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up	2013	2012
						Rupees in '000	
Term finance certificates	**22.1**	GoP Guarantee	2009-2014	10 Half-yearly	6 month KIBOR +0.85%	**12,789,760**	12,789,760
Sukuk certificates	**22.2**	GoP Guarantee	October 20, 2014	Bullet	6 month KIBOR +1.75%	**6,800,000**	6,800,000
						19,589,790	19,589,790
Less: current maturity	**22.3**					**(19,589,760)**	(15,195,733)
						-	4,394,027

22.1 The Corporation has not made payments of principal redemptions aggregating Rs. 12,789.760 million (including Rs. 2,127.360 million that became due subsequent to December 31, 2013) due on various dates as per repayment schedule. Management applied for restructuring of these term finance certificates (TFCs) prior to the due date of first redemption and the Trustee on behalf of the TFC investors has not notified any event of default to the Corporation. On July 3, 2012, the Economic Coordination Committee (ECC) decided / approved the restructuring of these TFCs from various banks alongwith restructuring of certain short-term borrowings (refer note 29.1.2) into new TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by Ministry of Finance. Presently, finalisation of the restructuring process with a consortium of TFC investors is at an advanced stage. The overdue principal amount as at December 31, 2013 is included in current maturity.

22.2 The Corporation had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31, 2009. The principal amount was payable after two years in six equal half yearly instalments, however, the Corporation has not made any principal payments that were due until December 30, 2013. The Sukuk investors were requested to re-profile the principal repayment schedule alongwith other terms of Sukuk Certificates with the assistance of Ministry of Finance. On December 30, 2013, the Sukuk agreement with Sukuk investors has been rescheduled by virtue of which the Corporation is required to pay the entire principal on October 20, 2014. The markup rate and security have remained unchanged.

22.3 This includes current maturity of the TFC and Sukuk certificates related to the principal redemption including overdue installments of TFCs as disclosed in note 22.1.

	Note	2013	2012
		--------------Rupees in '000------------	
23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments - aircraft fleet			
B-777 -200 ER	**23.2**	**6,911,210**	9,327,546
B-777 -200 LR	**23.3**	**10,613,933**	12,153,040
B-777 -300 ER	**23.4**	**24,114,766**	26,097,922
		41,639,909	47,578,508
Less: current maturity		**(10,282,019)**	(9,272,951)
		31,357,890	38,305,557

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

	2013			2012		
	Minimum lease payments	**Finance cost**	**Present value of minimum lease payments**	**Minimum lease payments**	**Finance cost**	**Present value of minimum lease payments**
	----------------------------Rupees in '000----------------------------					
Not later than one year	**11,527,334**	**1,245,315**	**10,282,019**	10,739,693	1,466,742	9,272,951
Later than one year but not later than five years	**31,559,961**	**1,799,082**	**29,760,879**	35,787,131	2,726,527	33,060,604
Later than five years	**1,608,451**	**11,441**	**1,597,011**	5,320,497	75,544	5,244,953
	44,695,746	**3,055,838**	**41,639,909**	51,847,321	4,268,813	47,578,508

23.2 In 2004, the Corporation arranged an Ex-Im Bank guaranteed financing of US$ 345 million to acquire three Boeing 777-200 ER aircraft, one spare engine and one propulsor, from Taxila Limited, a special purpose entity incorporated in Cayman Islands. The guaranteed lender is Citibank N.A. The lease term of spare engine and propulsor expired in the year 2012. The salient features of the lease of aircraft are as follows:

	2013	2012
Discount rate - two aircraft	**4.65%**	4.65%
Discount rate - one aircraft	**Three months LIBOR**	Three months LIBOR
Lease period - aircraft	**144 months**	144 months
Security deposit (Ruppes in '000)	**889,521**	818,292
Contingent rent (Rupees in '000)	**(24,508)**	(23,924)

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

	2013	2012
Discount rate - aircraft and propulsor	**Three month LIBOR - 0.02%**	Three month LIBOR - 0.02%
Lease period - aircraft	**144 months**	144 months
Lease period - propulsor	**96 months**	96 months
Security deposits (Rupees in '000)	**809,170**	744,375
Contingent rent (Rupees in '000)	**(599,289)**	(638,335)

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

	2013	2012
Discount rate - one aircraft	**5.25%**	5.25%
Discount rate - two aircraft and spare engine	**Three month LIBOR - 0.04%**	Three month LIBOR - 0.04%
Lease period - aircraft	**144 months**	144 months
Lease period - spare engine	**96 months**	96 months
Security deposits (Rupees in '000)	**1,626,221**	1,496,000
Contingent rent (Rupees in '000)	**(165,112)**	(138,775)

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

24. ADVANCE FROM A SUBSIDIARY

This represents advance of USD 10 million, USD 1 million and USD 3 million received on March 2, 2011, September 12, 2011 and July 26, 2013 respectively from PIA Investments Limited (PIAIL), a subsidiary of the Corporation which will be adjusted against future dividends if any, distributed by PIAIL and if within five years from the date of disbursement of advance from PIAIL, no dividend is declared or the amount of principal is not wholly paid off, PIAIL shall have the right to call payment from the Corporation. The advance carries mark-up at the rate of 1 month LIBOR plus 1.75% per annum.

25. LONG-TERM DEPOSITS

	Note	2013	2012
		Rupees in '000	
Deposits from agents		**177,338**	185,740
Retention money		**251,616**	348,772
Others		**6,444**	123
		435,398	534,635

26. DEFERRED LIABILITIES

	Note	2013	2012
Post retirement medical benefits	26.2	**6,405,308**	5,777,883
Pension obligation	26.3	**8,785,552**	7,368,315
		15,190,860	13,146,198

26.1 General description of the type of defined benefit plans and accounting policy for remeasurements of the net defined benefit obligation / asset is disclosed in note 4.10 to these unconsolidated financial statements.

26.2 Post retirement medical benefits

	2013	2012 (Restated)
	Rupees in '000	
Liability recognised in the balance sheet		
Present value of defined benefit obligation	**6,405,308**	5,777,883
Movement in liability during the year		
Balance at the beginning of the year	**5,777,883**	4,648,297
Expense recognised in profit or loss	**737,289**	636,983
Total remeasurements recognised in other comprehensive income	**407,700**	1,006,688
Payments made during the year	**(517,564)**	(514,085)
Balance at the end of the year	**6,405,308**	5,777,883
Expense recognised in profit and loss account		
Current service cost	**102,592**	88,076
Interest cost	**634,697**	548,907
	737,289	636,983
Total remeasurement recognised in other comprehensive income		
Acturial loss / (gain) on liability arising on		
- financial assumptions	**25,700**	14,164
- demographic assumptions	**372,000**	-
- experience adjustments	**10,000**	992,524
	407,700	1,006,688

26.3 Pension obligation

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
	---------- Rupees in '000 ----------							
Liability / (Asset) recognised								
Present value of defined benefit obligation	**2,085,322**	2,162,483	**469,893**	629,686	**19,025,835**	17,789,529	**21,581,050**	20,581,698
Fair value of plan assets	**(1,830,612)**	(1,904,687)	**(1,052,508)**	(1,064,367)	**(9,912,378)**	(10,244,329)	**(12,795,498)**	(13,213,383)
	254,710	257,796	**(582,615)**	(434,681)	**9,113,457**	7,545,200	**8,785,552**	7,368,315
Movement in liability / (asset) during the year								
Opening liability / (asset)	**257,796**	125,388	**(434,681)**	(449,064)	**7,545,200**	4,849,568	**7,368,315**	4,525,892
Expense recognised in profit or loss	**68,916**	55,777	**(46,956)**	(51,476)	**1,289,097**	995,244	**1,311,057**	999,545
Total remeasurements recognised in other comprehensive income	**(57,803)**	90,830	**(96,983)**	69,854	**358,946**	1,780,174	**204,160**	1,940,858
Employer contributions	**(14,199)**	(14,199)	**(3,995)**	(3,995)	**(79,786)**	(79,786)	**(97,980)**	(97,980)
Closing liability / (asset)	**254,710**	257,796	**(582,615)**	(434,681)	**9,113,457**	7,545,200	**8,785,552**	7,368,315
Movement in the defined benefit obligation								
Obligation as at January 1	**2,162,483**	1,986,809	**629,686**	569,000	**17,789,529**	14,923,556	**20,581,698**	17,479,365
Current service cost	**40,086**	40,991	**3,262**	4,907	**425,986**	394,034	**469,334**	439,932
Interest cost	**236,134**	238,076	**68,053**	67,105	**1,963,196**	1,787,272	**2,267,383**	2,092,453
Benefits paid	**(218,289)**	(164,402)	**(75,842)**	(64,315)	**(1,436,527)**	(1,250,768)	**(1,730,658)**	(1,479,485)
Remeasurement	**(135,092)**	61,009	**(155,266)**	52,989	**283,651**	1,935,435	**(6,707)**	2,049,433
Obligation as at December 31	**2,085,322**	2,162,483	**469,893**	629,686	**19,025,835**	17,789,529	**21,581,050**	20,581,698
Movement in fair value of plan assets								
Fair value as at January 1	**1,904,687**	1,861,421	**1,064,367**	1,018,064	**10,244,329**	10,073,988	**13,213,383**	12,953,473
Interest income	**207,304**	223,290	**118,271**	123,488	**1,100,085**	1,186,062	**1,425,660**	1,532,840
Employer contributions	**14,199**	14,199	**3,995**	3,995	**79,786**	79,786	**97,980**	97,980
Benefits paid	**(218,289)**	(164,402)	**(75,842)**	(64,315)	**(1,436,527)**	(1,250,768)	**(1,730,658)**	(1,479,485)
Return on plan assets excluding amount included in interest income	**(77,289)**	(29,821)	**(58,283)**	(16,865)	**(75,295)**	155,261	**(210,867)**	108,575
Fair value as at December 31	**1,830,612**	1,904,687	**1,052,508**	1,064,367	**9,912,378**	10,244,329	**12,795,498**	13,213,383
Expense recognised in profit or loss								
Current service cost	**40,086**	40,991	**3,262**	4,907	**425,986**	394,034	**469,334**	439,932
Net interest expense / (income)	**28,830**	14,786	**(50,218)**	(56,383)	**863,111**	601,210	**841,723**	559,613
	68,916	55,777	**(46,956)**	(51,476)	**1,289,097**	995,244	**1,311,057**	999,545
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on								
- financial assumptions	**(97,550)**	148,066	**(12,563)**	37,813	**298,352**	1,456,182	188,239	**1,642,061**
- demographic assumptions	**(62,372)**	-	**(19,004)**	-	**437,504**	-	356,128	**-**
- experience adjustments	**24,830**	(87,057)	**(123,699)**	15,176	**(452,205)**	479,253	(551,074)	**407,372**
	(135,092)	61,009	**(155,266)**	52,989	**283,651**	1,935,435	(6,707)	**2,049,433**
Return on plan assets excluding amount included in interest income	**77,289**	29,821	**58,283**	16,865	**75,295**	(155,261)	210,867	**(108,575)**
	(57,803)	90,830	**(96,983)**	69,854	**358,946**	1,780,174	204,160	**1,940,858**
The plan assets comprise of:								
Debt instruments	**13.07%**	38.81%	**21.75%**	37.58%	**30.10%**	39.83%	26.98%	**39.50%**
Others including cash and cash equivalents	**86.93%**	61.19%	**78.25%**	62.42%	**69.90%**	60.17%	73.02%	**60.50%**
	100.00%	100.00%	**100.00%**	100.00%	**100.00%**	100.00%	100.00%	**100.00%**
Actual return on plan assets	**130,015**	193,469	**59,988**	106,623	**1,024,790**	1,341,323	1,214,793	**1,641,415**

26.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 27.2) were carried out at December 31, 2013. The valuations have been carried out using Projected Unit Credit method and the following significant financial assumptions have been used:

	2013	2012
Valuation discount rate	**13.00%**	11.50%
Salary increase rate	**12.00%**	10.50%
Pension indexation rate	**4.00%**	3.00%
Medical inflation rate	**11.50%**	10.00%
Mortality table	**Adjusted SLIC 2001-2005 with one year age set back**	Adjusted EFU 61-66

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

	2013	2012
	---Number---	
Pension scheme		
Active employees	**12,819**	13,799
Beneficiaries	**16,901**	14,388
Post retirement medical benefit scheme	**15,409**	16,226

26.6 **Sensitivity analysis**

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

		Increase / (decrease) in defined benefit obligation of					
		PALPA Fund		FENA Fund		Main Pension Fund	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		Rupees in '000					
Valuation discount rate	1%	(135,582)	138,285	(26,543)	29,102	(1,578,476)	1,612,131
Salary increase rate		Not Applicable	Not Applicable	Not Applicable	Not Applicable	385,711	(251,212)
Pension indexation rate	1%	134,899	(103,990)	31,133	(27,807)	966,622	(855,750)
Life expectancy	one year	160,236	111,395	86,986	64,560	127,107	(54,203)

		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%	(788,925)	918,692	(147,225)	163,873
Salary increase rate	1%	Not Applicable	Not Applicable	163,873	(149,740)
Medical inflation rate	1%	467,293	(642,951)	Not Applicable	Not Applicable
Life expectancy	one year	449,823	(20,656)	4,061	(4,052)

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

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

Mortality risk: The risk that the actual mortality rate is different. The effect depends on the beneficiaries service/age distribution and the benefit.
Investment risk: The risk of the investment underperforming and being not sufficient to meet the liabilities.

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

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

26.8 The fair value of plan assets of pension funds includes investment in the Corporation's shares, amounting to Rs. 4.755 million (2012: Rs. 2.287 million).

26.9 The weighted average duration of the benefit obligations as at December 31, 2013 is as follows:

	Years
Post retirement medical benefits	0.87
PALPA fund	6.57
FENA fund	5.92
Main Pension fund	8.38
Compensated absences	0.40

26.10 The expected pension and medical expense for the next one year from January 1, 2014 amounts to Rs. 1,698.593 million and Rs. 888.110 million respectively. The expected amount of Pension fund is the amount which the Corporation has to contribute for the next one year.

26.11 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 1,354.127 million (2012: Rs. 992.678 million), Rs. 312.028 million (2012: Rs. 204.202 million) and Rs. 382.19 million (2012: Rs. 439.648 million) respectively.

	Note	2013	2012
		----------Rupees in '000-----------	
27. TRADE AND OTHER PAYABLES			
Trade creditors			
Goods		**9,898,067**	1,738,390
Services		**4,888,853**	5,109,797
Airport related charges		**11,109,426**	7,944,902
		25,896,346	14,793,089
Others			
Accrued liabilities	27.1	**6,941,462**	6,495,924
Advance against transportation (unearned revenue)		**7,906,619**	6,665,289
Obligation for compensated absences	27.2	**4,330,387**	4,010,535
Unredeemed frequent flyer liabilities	27.3	**1,518,577**	1,683,665
Advances from customers		**890,455**	713,650
Payable to employees' provident fund	27.4	**7,210,729**	5,404,673
Unclaimed dividend - Preference shares		**8,493**	8,493
Collection on behalf of others		**14,207,067**	8,565,331
Customs and Federal excise duty		**7,071**	177,938
Federal excise duty - International travel		**6,428,488**	4,307,929
Income tax deducted at source		**348,964**	154,748
Short-term deposits		**417,063**	326,961
		76,111,721	53,308,225

27.1 This includes Rs. 266.295 million (2012: Rs. 142.948 million) payable to PIA Investments Limited, a subsidiary company.

		2013	2012
		-----------Rupees in '000-----------	
27.2	**Obligation for compensated absences**		
	Liability recognised in the balance sheet		
	Balance at the beginning of the year	**4,010,535**	3,506,407
	Expense recognised during the year	**327,774**	515,075
	Benefits paid during the year	**(7,922)**	(10,947)
	Balance at the end of the year	**4,330,387**	4,010,535

27.2.1 Number of employees covered by the compensated absences are 15,409 (2012: 16,226). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 26.4, 26.6 and 26.9 respectively.

27.2.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 216.686 million (2012: Rs. 334.470 million), Rs. 49.930 million (2012: Rs. 81.417 million) and Rs. 61.158 million (2012: Rs. 99.188 million) respectively.

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

- ticket inflation rate at the rate of 11% (2012: 11.5%);
- discount rate at the rate of 12.5 % (2012: 11.5%);
- expiry of unavailed points after three years; and
- accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.

27.4 The amount is payable to Pakistan International Airlines Corporation Employees' Provident Fund and carries mark-up based on the discount rate announced by the State Bank of Pakistan.

		Note	2013	2012
28.	**ACCRUED INTEREST**		-----------Rupees in '000-----------	
	Mark-up / profit payable on:			
	- long-term financing		**3,961,506**	3,010,252
	- term finance certificates		**2,669,678**	1,349,835
	- sukuk certificates		**539,955**	625,317
	- short-term borrowings		**3,537,986**	314,859
	- provident fund		**2,022,809**	1,431,743
	- advance from a subsidiary		**67,712**	38,753
			12,799,646	6,770,759

			2013	2012
			-----------Rupees in '000-----------	
29.	**SHORT-TERM BORROWINGS**			
	Short-term loans - secured	**29.1**	**52,059,739**	56,557,824
	Running finance under mark-up arrangements	**29.2**	**4,687,799**	4,796,706
			56,747,538	61,354,530

29.1 Short-term loans - secured

Financier	Note	Security	Facility amount (million)	Expiry date	2013	2012
					----------Rupees in '000--------	
From Banking Companies						
Askari Bank Limited	**29.1.2 & 29.1.4**	GoP Guarantee; charge over all present and future assets including without limitation fixed (excluding land and building) movable and current assets of the customer; irrevocable and unconditional assignment of all present and future receivables in favour of the Bank.	1,500 PKR	26-Aug-14	**1,500,000**	1,500,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	2,000 PKR	8-Sep-14	**2,000,000**	2,000,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	2,000 PKR	31-Dec-14	**2,000,000**	2,000,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	1,600 PKR	12-Dec-14	**1,600,000**	1,600,000
Habib Bank Limited	**29.1.2**	GoP Guarantee	1,000 PKR	16-Aug-14	**1,000,000**	1,000,000
Habib Allied International Bank Limited - London	**29.1.5**	EURO receivables	4 USD 5 USD	30-Mar-14 21-Apr-14	**951,242**	875,070
KASB Bank Limited	**29.1.5**	GoP Guarantee	1,000 PKR	30-Sep-13	**1,000,000**	1,000,000
KASB Bank Limited	**29.1.2 & 29.1.5**	GoP Guarantee	500 PKR	30-Sep-13	**500,000**	500,000
National Bank of Pakistan	**29.1.2, 29.1.4 & 29.1.5**	GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	15-Jun-14 30-Sep-13 28-Oct-13	**5,000,000**	5,000,000
National Bank of Pakistan	**29.1.4 & 29.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	20-Dec-13	**5,000,000**	5,000,000
National Bank of Pakistan	**29.1.4 & 29.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	13-Nov-13	**5,000,000**	5,000,000
National Bank of Pakistan	**29.1.4 & 29.1.5**	GoP Guarantee; ranking charge over movable current and fixed assets amounting to PKR 6,667 million with 25% margin; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	25-Mar-14	**5,000,000**	-
Carried forward					**30,551,242**	25,475,070

Financier	Note	Security	Facility amount (million)	Expiry date	2013	2012
					---------Rupees in '000--------	
Brought forward					**30,551,242**	25,475,070
National Bank of Pakistan	**29.1.4**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	4,360 PKR	24-May-14	**4,360,000**	4,360,000
National Bank of Pakistan	**29.1.2, 29.1.4 & 29.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,600 PKR	30-Dec-13	**3,600,000**	3,600,000
National Bank of Pakistan	**29.1.4 & 29.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	3-Oct-13	**3,500,000**	3,500,000
National Bank of Pakistan	**29.1.4**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	29-Jun-14	**3,000,000**	3,000,000
National Bank of Pakistan	**29.1.4**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	29-Jun-14	**2,000,000**	2,000,000
National Bank of Pakistan	**29.1.4 & 29.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	16-Mar-14	**2,000,000**	2,000,000
National Bank of Pakistan	**29.1.2, 29.1.4 & 29.1.5**	GoP Guarantee	1,500 PKR	19-Aug-13	**1,500,000**	1,500,000
National Bank of Pakistan	**29.1.2 , 29.1.3, 29.1.4 & 29.1.5**	Hypothecation of entire receivables, book debts, stocks and spares amounting to PKR 2,667 million with 25% margin and lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	13-Mar-14	**1,067,592**	1,372,746
National Bank of Pakistan - Bahrain		Lien over all present and future receivables generated from sales of tickets (through IATA agent and PIA counter) and cargo services within the frontier of Kingdom of Saudi Arabia, Sultanate of Oman and Bangladesh.	5 USD	28-Feb-14	**480,905**	-
National Bank of Pakistan - Bahrain	**29.1.6**	Lien over collection proceeds from Kingdom of Saudi Arabia, Sultanate of Oman and Bangladesh.	65 USD		**-**	6,319,950
National Bank of Pakistan - Bahrain		Lien over Saudi Arabia and UK collection and receivables.	25 USD		**-**	405,125
Standard Chartered Bank		First prior security over collection and facility service reserve account; assignments of ticket sales collection for UK sector through IATA; charge over assets to the extent of facility amount with 25% margin.	60 USD		**-**	3,024,933
					52,059,739	56,557,824

29.1.1 The borrowings in PKR carry mark-up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (2012: spread of 0.85% to 2.0% over 1 month and 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% to 5.75% over 1 month and 3 months LIBOR (2012: a spread of 2.25% to 5.75% over 1 month and 3 months LIBOR).

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

29.1.3 The Corporation has not paid the balance of the short-term loan became due during the year. As at December 31, 2013, the overdue balance of principal amount of the short-term loan aggregate Rs. 764.616 million.

29.1.4 During the year, the Corporation has not paid mark-up on these borrowings on due dates aggregating Rs. 3,281.188 million as at December 31, 2013. Subsequent to the year end and such mark up has been paid.

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

29.1.6 During the year, entire amount of this facility has been adjusted from the proceeds of new syndicated Islamic facility obtained from consortium of financial institutions (refer note 21.3).

29.2 Running finance under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit (million) Note 29.2.2	Expiry date	2013	2012
						-------Rupees in '000------	
Secured							
Habib Bank Limited		Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables.	350 PKR	35 PKR	9-Feb-15	**315,073**	460,991
Habib Allied International Bank Limited - London		EURO receivables	3 USD	-	On Demand	**306,286**	292,659
KASB Bank Limited		First pari passu charge on certain specific receivables amounting to PKR 533.33 million.	Nil (2012: 155 PKR)	-	30-Jun-13	**-**	146,168
National Bank of Pakistan		First pari passu hypothecation charge of PKR 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	575 PKR	-	31-Jul-14	**555,542**	449,761
The Bank of Punjab	29.2.3	Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 1,000 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BoP counter.	550 PKR	0.6 PKR	1-Jan-14	**544,574**	543,666
United Bank Limited - Karachi		Hypothecation charge of PKR 3,427 million on all present and future stocks and spares; assignment of receivables from Karachi and Lahore.	2,570 PKR	1 PKR	8-Aug-14	**2,568,263**	2,545,036
Un-secured							
Habib American Bank		-	1.5 USD	0.7 USD	On Demand	**80,980**	66,735
Citibank N.A.		-	3 USD	-	On Demand	**317,081**	291,690
						4,687,799	4,796,706

29.2.1 The borrowings in PKR carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (2012: 2.0% to 2.5% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% (2012: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 1 month LIBOR and 4% over USD Prime Rate (2012: spread of 3.5% over 1 month LIBOR and 4% over USD Prime Rate).

29.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at December 31, 2013.

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

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

a) The tax department had raised demand of Rs. 566.544 million (2012: Rs. 566.544 million) on December 30, 1998 as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2012: Rs. 1 million) and additional duty of Rs. 2,923.005 million (2012: Rs. 2,923.005 million) on the contention that the Corporation had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Corporation has paid Rs. 100 million (note 14) against the subject demand which is considered fully recoverable from the department. This case is currently under adjudication before Appellate Tribunal Inland Revenue (ATIR). Management believes that the case will be decided in favour of the Corporation. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

b) The tax department has raised demands of Rs. 6.804 million (2012: Rs. 6.804 million) and Rs. 277.621 million (2012: Rs. 277.621 million) on March 11, 2008 as FED and Sales Tax respectively along with penalty of Rs. 1.205 million (2012: Rs. 1.205 million) and additional duty / default surcharge of Rs. 17.91 million (2012: Rs. 17.91 million) during the audit of the Corporation for the periods 2004-2005 and 2005-2006. These demands were raised on the issues of late payment of FED, collection of FED at incorrect rate, incorrect apportionment of input tax and failure to collect FED on carriage of goods / mail of Pakistan Post. The Corporation has paid an amount of Rs. 25 million (2012: Rs. 25 million) in this regard which is considered fully recoverable. The Corporation filed an appeal with the Collector of Customs, Sales Tax and Federal Excise (Appeals), which has been decided partially in its favour, partially against it and partially remanded back. The Corporation and the department both have filed appeals at the ATIR level which are pending adjudication. Management believes that the case will be decided in the favour of the Corporation. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

c) The tax department has raised demands of Rs. 2.065 million (2012: Rs. 2.065 million) and Rs. 1,319.101 million (2012: Rs. 1,319.101 million) on February 25, 2010 as FED and Sales Tax respectively along with penalty of Rs. 66.058 million (2012: Rs. 66.058 million) and additional duty / default surcharge of Rs. 534.412 million (2012: Rs. 534.412 million) during the audit of the Corporation for the period 2007-2008. These demands have been raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Corporation filed appeal at Commissioner Inland Revenue (Appeals) level, which was decided in favour of the department. Currently, the Corporation has filed appeal against this at ATIR level and a rectification application with CIR (A) both of which are pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

d) The tax department has through orders dated March 6, 2009, December 4, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (2012: Rs. 5,877.351 million), Rs. 5,679.110 million (2012: Rs. 5,679.110 million) and Rs. 7,025.270 million (2012: 7,025.270 million) on account of delayed payment of sales tax and FED for the months of November - December 2008, January - March 2010 and November 2010 - January 2011 respectively. In addition to this, the tax department has levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs. 38.88 million, Rs. 79.969 million and Rs. 74 million respectively. The Corporation has filed application for waiver of penalty for the months of November - December 2008 before Federal Board of Revenue (FBR) on which the decision is pending. For the months of January - March 2010 and November 2010 - January 2011, the Commissioner Inland Revenue (Appeals) - CIR(A) has deleted the penalties of Rs. 5,679.110 million and Rs. 7,025.270 million respectively through its orders dated September 19, 2011, however, default surcharge and 5% penalty on the unpaid sales tax and FED were maintained. The Corporation and the department have filed appeal with the Tribunal, which has been decided in favour of the Corporation. Further, for the months of January - March 2010, the Corporation has filed an application for rectification, which is still pending before Additional Commissioner Inland Revenue (ACIR).

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

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

e) A show cause notice was issued to the Corporation by the Collector of Customs demanding payment of Rs. 87.926 million (2012: Rs. 87.926 million) in respect of custom duties and other taxes levied on the import of simulator. The Corporation has filed an appeal before the Appellate Tribunal which is pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

f) The custom authorities raised demands aggregating Rs. 274.120 million (2012: Rs. 274.120 million) in total of 44 cases of identical nature by imposing custom duty, sales tax and income tax and penalty of Rs. 54.824 million (2012: Rs. 54.824 million) on re-import of aircraft engines after repair. The Corporation filed an application to the FBR at Alternate Dispute Resolution Committee (ADRC) for review of the demands. The total demand raised by the custom authorities was reduced to Rs. 226.172 million (2012: Rs. 226.172 million) as a result of the decision of ADRC. Against the amount of Rs. 226.172 million, the Corporation has paid an amount of Rs. 95.245 million and filed a petition in the High Court of Sindh, which is pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

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

h) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Corporation which mainly relates to non-aeronautical charges comprising of land lease rent and license fee. In view of the understanding reached in the past between the Corporation and CAA, management does not accept the higher amounts being claimed by CAA. As at December 31, 2013 the amount claimed by CAA which is not acknowledged by the Corporation aggregates Rs. 4,061 million. The Corporation will take up this matter again with the Aviation Division of Government of Pakistan for resolution in the light of the previous understanding reached with CAA. Accordingly, management of the Corporation believes that no excessive amount will eventually become payable to CAA and therefore, no provision for the excessive amount has been made in these unconsolidated financial statements.

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

j) The Corporation is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. Management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in these unconsolidated financial statements against these claims amounting to Rs. 5,938.243 million (2012: Rs. 5,690.326 million).

k) Claims against Corporation not acknowledged as debt amount to Rs. 455 million (2012: Rs. 1,259 million).

l) Contingencies relating to income tax matters are disclosed in note 38.1.

30.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 63.009 million (2012: Rs. 130.473 million).

b) Outstanding letters of credit amounted to Rs. 113.930 million (2012: Rs. 63.095 million).

c) Outstanding letters of guarantee amounted to Rs. 583.403 million (2012: Rs. 508.372 million).

d) The Corporation has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to USD 1,527.904 million (2012: USD 1,527.904 million) equivalent to Rs. 161,489.521 million (2012: Rs. 148,558.129 million) based on catalogue prices. The Corporation has not made certain payments on its due dates as per the terms of the agreement.

e) The amount of future payments in operating lease arrangement relating to various aircraft and the period in which these payments will become due is as follows:

	Note	2013	2012
		------------Rupees in '000------------	
Not later than one year		**1,481,774**	1,218,359
Later than one year but not later than five years		**2,869,560**	3,858,136
		4,351,334	5,076,495

31. REVENUE - NET

	Note	2013	2012
Passenger		**84,956,590**	100,805,806
Cargo		**5,888,887**	6,295,562
Excess baggage		**1,109,804**	983,063
Charter services		**503,333**	710,067
Engineering services		**635,839**	738,609
Handling and related services		**635,584**	667,519
Mail		**438,199**	415,142
Others		**1,602,889**	1,514,298
	31.1	**95,771,125**	112,130,066

31.1 Revenue by geographical segments

Revenue analysis	2013	2012
	-------------Rupees in '000-------------	
USA / Canada	**7,855,991**	8,852,427
Europe	**21,292,142**	21,608,059
Middle East / Africa	**19,100,871**	22,691,521
Asia (excluding Middle East and Pakistan)	**4,011,709**	5,730,461
Pakistan	**43,510,412**	53,247,598
	95,771,125	112,130,066

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

32. COST OF SERVICES - OTHERS

	Note	2013	2012 (Restated)
		-------------Rupees in '000-------------	
Salaries, wages and allowances		**10,702,405**	10,281,583
Welfare and social security costs		**54,824**	50,816
Retirement benefits	32.1	**1,640,861**	1,275,991
Compensated absences		**216,686**	334,470
Legal and professional charges		**22,788**	17,352
Stores and spares consumed		**1,930,706**	2,486,956
Maintenance and overhaul		**2,913,483**	5,098,629
Flight equipment rental		**1,919,881**	1,497,186
Landing and handling		**14,656,406**	12,296,804
Passenger services		**3,135,909**	3,441,576
Crew layover		**2,976,811**	2,960,301
Staff training		**104,809**	143,345
Utilities		**25,982**	31,495
Communication		**29,779**	29,088
Insurance		**1,211,437**	1,312,544
Rent, rates and taxes		**593,458**	647,732
Printing and stationery		**171,164**	215,119
Depreciation	5.6	**5,518,734**	7,145,728
Amortisation on intangibles	6.2.1	**1,667**	1,667
Others		**236,235**	225,264
		48,064,025	49,493,646

32.1 The Corporation's staff retirement benefits includes provident fund - a defined contribution plan. The Corporation has established a separate provident fund. Following information of the provident fund has been derived from the unaudited (2012: unaudited) financial statements of the provident fund as at December 31, 2013 and 2012.

The information related to provident fund established by the Corporation is as follows:	2013	2012
	-------------Rupees in '000------------	
Size of provident fund	**23,583,817**	24,310,931
Cost of investments made	**19,804,004**	21,231,774
Percentage of investments made	**88%**	92%
Fair value of investment	**20,829,608**	22,260,053

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

	2013	2012	2013	2012
	------------Percentage----------		------------Rupees in '000------------	
Term finance certificates	**19%**	18%	**4,404,292**	4,285,592
Pakistan Investment Bonds	**2%**	2%	**517,040**	513,549
Treasury Bills	**1%**	4%	**247,855**	920,174
Islamic bonds	**9%**	9%	**2,088,726**	2,112,939
Term deposit receipts	**56%**	56%	**13,235,673**	13,685,586
Bank deposits	**1%**	3%	**323,089**	739,677
PIAC shares	**0.05%**	0.01%	**12,933**	2,536
			20,829,608	22,260,053

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

32.1.2 Number of employees of the Corporation:

	2013	2012
	------------Number-----------	
Average number of employees during the year	**16,478**	17,405
Number of employees as at year end	**15,957**	16,998

33. DISTRIBUTION COSTS

	Note	2013	2012 (Restated)
		-----------Rupees in '000-------------	
Salaries, wages and allowances		**1,794,816**	1,736,701
Welfare and social security costs		**105,477**	118,454
Retirement benefits		**378,100**	249,981
Compensated absences		**49,930**	81,417
Distribution and advertising expenses		**2,146,712**	3,335,190
Legal and professional charges		**32,806**	33,697
Repairs and maintenance		**60,107**	62,770
Insurance		**23,662**	25,998
Printing and stationery		**33,472**	38,215
Communication		**512,632**	492,874
Staff training		**39,193**	70,564
Rent, rates and taxes		**335,548**	307,492
Utilities		**35,929**	21,831
Depreciation	**5.6**	**61,166**	36,855
Amortisation on intangibles	**6.2.1**	**50**	50
Others		**155,250**	159,927
		5,764,850	6,772,016

	Note	2013	2012 (Restated)
34. ADMINISTRATIVE EXPENSE		-------------Rupees in '000------------	
Salaries, wages and allowances		**2,812,725**	2,430,277
Welfare and social security costs		**2,606,720**	2,130,262
Retirement benefits		**463,118**	516,863
Compensated absences		**61,158**	99,188
Legal and professional charges		**335,054**	261,319
Repairs and maintenance		**404,706**	355,638
Insurance		**45,910**	28,172
Printing and stationery		**94,503**	70,779
Staff training		**100,136**	107,314
Rent, rates and taxes		**603,453**	539,174
Utilities		**756,705**	719,277
Auditors' remuneration	34.1	**16,535**	24,517
Communication		**1,221,872**	1,076,998
Depreciation	5.6	**201,131**	214,560
Amortisation on intangibles	6.2.1	**24,216**	24,686
Donations	34.2	**3,080**	8,243
Others		**445,094**	473,035
		10,196,116	9,080,302

34.1 Auditors' remuneration

	2013			2012		
	M. Yousuf Adil Saleem & Co.	A.F. Ferguson & Co.	Total	M. Yousuf Adil Saleem & Co.	A.F. Ferguson & Co.	Total
	------ Rupees in '000 ------					
Audit fee	**4,680**	**4,680**	**9,360**	4,254	4,254	8,508
Fee for review of interim financial information	**1,403**	**1,403**	**2,806**	1,275	1,275	2,550
Consolidated financial statements	**696**	**696**	**1,392**	633	633	1,266
Code of Corporate Governance	**240**	**240**	**480**	218	218	436
Tax and other services	**-**	**1,605**	**1,605**	-	10,023	10,023
Out of pocket expenses	**431**	**461**	**892**	392	1,342	1,734
	7,450	**9,085**	**16,535**	6,772	17,745	24,517

34.2 Donations include payments aggregating Rs. 1.5 million (2012: Rs. 4.529 million) to Al-Shifa Trust, situated at Terminal-2, Road, Karachi Airport, Pakistan in which the Managing Director of the Corporation acts as a Trustee, and Rs. 1.5 million (2012: Rs. 3.197 million) to Pakistan Airline Pilots' Association (PALPA) which is an association of and run by PIAC's pilots. Besides this, none of the directors or their spouse have any interest in the donees.

	Note	2013	2012
35. OTHER PROVISIONS AND ADJUSTMENTS		-----------Rupees in '000-------------	
Property, plant and equipment written off		**45,926**	36,411
Provision for slow moving and obsolete spares	10.1	**236,281**	303,347
Provision for doubtful debts	11.2	**200,573**	271,125
Provision against doubtful advances	12.2	**5,132**	42,019
Late payment surcharge on fuel		**1,236,951**	-
Derivative expense		**-**	15,948
Loss on exchange of property, plant and equipment		**-**	14,556
Deficit released on aircraft written off	5.1.3	**555,601**	-
Others		**-**	47,048
		2,280,464	730,454

36. OTHER INCOME

	Note	2013	2012
		----------Rupees in '000----------	
Income from financial assets			
Profit on bank deposits		32,314	51,399
Interest on maintenance reserve		13,095	6,752
		45,409	58,151
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		4,669	1,440
Gain on termination of lease		-	1,307,524
Gain on termination of fleet management program of leased aircraft	36.1	-	1,848,931
Insurance claims	36.2	1,450,176	523
Others		163,724	188,431
		1,618,569	3,346,849
		1,663,978	3,405,000

36.1 During the previous year on August 23, 2012, the Corporation and a vendor mutually agreed to terminate a contract which was entered in the year 2003 for a period of ten years, unless earlier terminated, to obtain repairs and maintenance services for certain aircrafts according to the Fleet Management Program (FMP) offered by the vendor. The Corporation was required to make monthly payments in accordance with the FMP rate mutually agreed with the vendor. On termination of the contract, a reconciliation of FMP services vis-à-vis FMP billings to the Corporation was made, which resulted in a net gain of USD 19.528 million.

36.2 This represents insurance claim in respect of two aircrafts.

37. FINANCE COST

	2013	2012
	----------Rupees in '000----------	
Mark-up on:		
- long-term financing	2,165,773	2,529,852
- term finance certificates	1,319,844	1,598,972
- short-term borrowings	6,285,517	4,532,093
- advance from a subsidiary	24,623	21,126
	9,795,757	8,682,043
Profit on sukuk certificates	773,687	906,688
Interest on liabilities against assets subject to finance lease	772,700	986,550
Interest on provident fund	591,066	477,071
Arrangement, agency and commitment fee	352,281	67,107
Amortisation of prepaid exposure fee	219,755	211,907
Bank charges, guarantee commission and other related charges	82,831	49,391
	12,588,077	11,380,757

38. TAXATION

	Note	2013	2012 (Restated)
		----------Rupees in '000----------	
Current	38.1	-	280,325
Deferred	38.2.2	1,549,612	529,902
		1,549,612	810,227

38.1 Current

38.1.1 In view of gross loss for the year as defined in the Income Tax Ordinance, 2001, provision for minimum taxation has not been made in accordance with section 113 of the Income Tax Ordinance, 2001. The provision for the previous year is based on Section 113 and S.R.O. 57 (I)/ 2012 dated January 24, 2012 issued by the Federal Board of Revenue (FBR) in which the rate of minimum tax for the Corporation was reduced by 50% of the applicable minimum tax rate.

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

38.1.2 As at year end, the Corporation has filed tax returns for tax years up to tax year 2012 whereas tax return for tax year 2013 has been filed subsequent to year end. The tax returns from tax years 2003 to 2013 have been filed under self assessment scheme. All assessments for tax years 1991 to 2002 have been finalized by the department. The minimum tax liability under section 80D of the repealed ordinance had been levied by the department from assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover on estimated basis. The Corporation had filed appeals against the above demands which have been decided in favour of the Corporation at Appellate Tribunal Inland Revenue (ATIR) level. The department has now filed appeal at the Sindh High Court in respect of assessment year 2000-01. After decision by the Sindh High Court on a few grounds in favour of the Corporation, the department has filed appeal in the Supreme Court. Management believes that this issue will be decided in favour of the Corporation without any additional tax liability.

38.1.3 A demand of Rs. 898.177 million (2012: Rs. 898.177 million) was raised by the Deputy Commissioner Inland Revenue (DCIR) by issuing an amended order in relation to the tax year 2005. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Corporation claimed the depreciation on the contention that those aircraft were obtained under hire purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48.235 million was also recovered by FBR in this respect. The Corporation filed appeal at CIT (A) level which was decided partially in favour of the Corporation. Being further aggrieved, the Corporation has filed appeal at ITAT level which is pending adjudication. The Corporation is confident that this issue will ultimately be decided in its favour and the amount will be recovered.

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

The Corporation has also received show cause notices in respect of tax years 2008 and 2009 on account of disallowance of depreciation on leased aircraft and other provisions. The Corporation has filed its reply in response to these notices however, the matter is still pending for adjudication.

In addition to above, the tax department has also issued orders under section 161 / 205 (related to 'assessee-in-default') of the Income Tax Ordinance, 2001 pertaining to tax years 2011 and 2012 and raised a demand of Rs. 324.319 million and Rs. 1,834.103 million respectively. The Corporation has filed an application for revision of order of tax year 2012 and appeals against the orders before CIR(A). The return of income for tax year 2011 has been selected for audit under section 214C of the Income Tax Ordinance, 2001 and the proceedings of audit are in process.

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

38.2 Deferred taxation

	2013	2012
Deferred tax credits:	------------Rupees in '000------------	
Accelerated tax depreciation	**21,864,537**	22,913,491
Surplus on revaluation of property, plant and equipment	**67,377**	998,662
	21,931,914	23,912,153
Deferred tax debits:		
Unused tax losses	**(15,320,250)**	(17,678,665)
Provisions for liabilities and to write down other assets	**(6,611,664)**	(6,233,488)
	(21,931,914)	(23,912,153)
	-	-

38.2.1 In accordance with the accounting policy of the Corporation (note 4.11), deferred tax asset of Rs. 57,777.480 million (2012: Rs. 43,659.839 million) has not been recognised in these unconsolidated financial statements due to uncertainty in availability of sufficient future taxable profits.

38.2.2 Movement in temporary differences during the year - Restated

	Balance as at January 1, 2012	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2012	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2013
	Rupees in '000						
Deferred tax credits:							
Accelerated tax depreciation	23,239,832	(326,341)	-	22,913,491	(1,048,954)	-	21,864,537
Surplus on revaluation of property, plant and equipment	1,329,032	(152,809)	(177,561)	998,662	475,632	(1,406,917)	67,377
	24,568,864	(479,150)	(177,561)	23,912,153	(573,322)	(1,406,917)	21,931,914
Deferred tax debits:							
Unused tax losses	(19,491,009)	1,812,344	-	(17,678,665)	2,358,415	-	(15,320,250)
Provisions for liabilities and to write down other assets	(5,077,855)	(803,292)	(352,341)	(6,233,488)	(235,481)	(142,695)	(6,611,664)
	(24,568,864)	1,009,052	(352,341)	(23,912,153)	2,122,934	(142,695)	(21,931,914)
	-	529,902	(529,902)	-	1,549,612	(1,549,612)	-

39. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2013	2012 (Restated)
		Rupees in '000	
Loss for the year (Rupees in '000)		**(44,530,891)**	(30,586,335)
Weighted average number of ordinary shares outstanding	39.2	**3,543,738,776**	3,017,179,751
Loss per share attributable to			
'A' class ordinary share (Rupees)		**(12.57)**	(10.14)
'B' class ordinary share (Rupees)		**(6.29)**	(5.07)

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

39.2 The weighted average number of shares as at December 31, 2013, exceeds the number of authorised shares of the Corporation due to the reason mentioned in note 19.

39.3 There were no dilutive potential ordinary shares outstanding as at December 31, 2013 and 2012.

40. CASH USED IN OPERATIONS

	2013	2012 (Restated)
	Rupees in '000	
Loss before taxation	**(42,981,279)**	(29,776,108)
Adjustments for:		
Depreciation	**5,781,031**	7,397,143
Gain / (loss) on disposal of property, plant and equipment - net	**(4,669)**	13,116
Gain on termination of lease	**-**	(1,307,524)
Gain on termination of fleet management program of leased aircraft	**-**	(1,848,931)
Amortisation of intangibles	**25,933**	26,403
Provision for slow moving and obsolete spares	**236,281**	303,347
Provision for doubtful debts	**200,573**	271,125
Property, plant and equipment written off	**45,926**	36,411
Provision for doubtful advances	**5,132**	42,019
Provision for staff retirement benefits	**2,376,120**	2,557,910
Finance cost	**12,588,077**	11,380,757
Unrealised exchange loss	**4,565,584**	5,306,106
Profit on bank deposits	**(32,314)**	(51,399)
Deficit released on write off of aircraft	**555,601**	-
	(16,638,004)	(5,649,625)
Working capital changes		
Decrease / (increase) in stores and spares	**179,609**	(312,293)
Decrease / (increase) in trade debts	**502,982**	(1,290,777)
(Increase) / decrease in advances	**929,714**	(1,770,538)
(Increase) / decrease in trade deposits and prepayments	**(1,963,846)**	207,766
Increase in other receivables	**(1,838,402)**	(1,925,492)
Increase in trade and other payables	**22,483,644**	9,668,249
	20,293,701	4,576,915
Cash used in operations	**3,655,697**	(1,072,710)

41. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	Managing Director		Head of Department		Executives	
	2013	2012	2013	2012	2013	2012
	Rupees in '000					
Managerial remuneration	**13,031**	6,723	**64,232**	66,042	**3,363,002**	2,317,682
Corporation's contribution to provident fund	**269**	70	**926**	1,251	**163,795**	110,584
Other perquisites	**1,049**	447	**10,470**	9,864	**2,457,109**	2,125,358
	14,349	7,240	**75,628**	77,157	**5,983,906**	4,553,624
Number	**1**	1	**14**	15	**2,995**	2,034

Aggregate amount charged in these unconsolidated financial statements for fee to directors was Rs. Nil (2012: Rs. Nil). Managing Director and certain executives are also provided with the Corporation's maintained cars and facilities as per the Corporation's rules.

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

42. FINANCIAL RISK MANAGEMENT

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

42.1 Market risk

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

a) Fuel price risk

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

b) Currency risk

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

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

	2013	2012	2013	2012
	Rupees in '000			
Change in USD rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**(3,496,554)**	(4,609,061)	**3,496,554**	4,609,061
Change in SAR rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**44,100**	(62,465)	**(44,100)**	62,465
Change in AED rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**(65,899)**	(141,650)	**65,899**	141,650
Change in GBP rate	+5%		(5%)	
(Increase) / Decrease in loss before tax	**39,428**	(152,496)	**(39,428)**	152,496

c) Interest rate risk

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

	2013	2012
Variable rate instruments at carrying amount:	-----------Rupees in '000------------	
Long-term financing	**34,319,929**	23,013,542
Term finance and sukuk certificates	**19,589,760**	19,589,760
Liabilities against assets subject to finance lease	**29,664,422**	33,354,658
Advance from a subsidiary	**1,479,709**	1,069,530
Provision for payable to employees' provident fund	**7,210,729**	5,404,673
Short-term borrowings	**56,666,558**	61,287,795
Long-term deposits and prepayments	**(1,625,014)**	(1,482,576)
	147,306,093	142,237,382
Fixed rate instruments at carrying amount		
Long-term financing	**10,396,256**	11,309,941
Liabilities against assets subject to finance lease	**11,975,487**	14,223,850
Short-term borrowings	**80,980**	66,735
Bank deposits	**(932,516)**	(150,396)
	21,520,207	25,450,130

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	KIBOR		LIBOR	
	2013	2012	2013	2012
	------Rupees in '000------			
Change in interest rate	+1%		+0.25%	
Increase in loss before tax	**(850,769)**	(718,550)	**(150,286)**	(157,381)
Change in interest rate	(1%)		(0.25%)	
Decrease in loss before tax	**850,769**	718,550	**150,286**	157,381

d) Other price risk

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

42.2 Liquidity risk

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

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

	Less than 1 year	1 - 5 years	More than 5 years	Total
	--------Rupees in '000--------			
2013				
Long-term financing	**13,715,026**	**23,978,866**	**10,500,707**	**48,194,599**
Term finance and sukuk certificates	**22,799,393**	**-**	**-**	**22,799,393**
Liabilities against assets subject to finance lease	**11,527,334**	**31,559,961**	**1,608,451**	**44,695,746**
Advance from a subsidiary	**-**	**1,557,744**	**-**	**1,557,744**
Trade and other payables	**33,532,631**	**-**	**-**	**33,532,631**
Accrued interest / mark-up / profit	**12,799,646**	**-**	**-**	**12,799,646**
Short-term borrowings	**60,276,102**	**-**	**-**	**60,276,102**
	154,650,132	**57,096,571**	**12,109,158**	**223,855,861**
2012				
Long-term financing	21,811,694	14,407,288	2,178,219	38,397,201
Term finance and sukuk certificates	16,388,469	4,845,679	-	21,234,148
Liabilities against assets subject to finance lease	10,739,693	35,787,131	5,320,497	51,847,321
Advance from a subsidiary	-	1,069,530	-	1,069,530
Trade and other payables	20,533,216	-	-	20,533,216
Accrued interest / mark-up / profit	6,770,759	-	-	6,770,759
Short-term borrowings	65,135,038	-	-	65,135,038
	141,378,869	56,109,628	7,498,716	204,987,213

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, 2013 represents the maximum credit exposure, which is as follows:

	2013	2012
	----Rupees in '000----	
Long-term deposits	**5,523,207**	5,140,788
Trade debts	**8,712,578**	9,416,133
Advances	**150,703**	1,581,334
Trade deposits	**2,128,951**	49,426
Other receivables	**1,037,386**	696,610
Bank balances	**2,282,823**	2,166,072
	19,835,648	19,050,363

Trade debts

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

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

Other financial assets

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

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

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

42.4 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in these unconsolidated financial statements approximate to their fair value.

42.5 Capital management

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

43. TRANSACTIONS WITH RELATED PARTIES

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

	2013	2012
	------------Rupees in '000-------------	
Skyrooms (Private) Limited – Subsidiary		
Payments made against in-transit passengers	**306,535**	277,427
Advances extended	**5,132**	42,019
PIA Investments Limited - Subsidiary		
Management fee expense	**90,982**	80,982
Finance cost on advance	**24,623**	21,126
Minhal France S.A. - Sub-subsidiary		
Management fee income	**94,904**	84,339
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary		
Charges in respect of courier services	**166**	317
Retirement funds		
Contribution to Provident Fund and others	**434,457**	504,287
Interest on overdue balance of provident fund	**591,066**	477,071
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	**20,403,298**	20,360,973
Insurance premium	**1,191,133**	1,291,956
Finance cost	**7,354,043**	3,918,075
GoP - Major shareholder		
Finance cost	**800,000**	802,192
Advance against equity from GoP	**12,993,077**	1,928,167
Hajj revenue	**4,417,322**	4,410,495

43.1 Transactions with the directors, chief executive and key management personnel have been disclosed in note 41 to these unconsolidated financial statements.

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

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

44. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

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

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

Had the exemption not been granted, the accumulated losses as at December 31, 2013 would have been higher by Rs. 659.022 million (2012: Rs. 542.477 million), staff costs and loss after taxation of the Corporation for the year then ended would have been higher by Rs. 116.545 million (2012: Rs. 130.202 million) while earnings per share would have been lower by Rs. 0.03 and Rs. 0.02 per share (2012: Rs. 0.04 and Rs. 0.02 per share) for class 'A' and 'B' shareholders respectively.

45. AUTHORISATION OF FINANCIAL STATEMENTS

These unconsolidated financial statements were authorised for issue by the Board of Directors in their meeting held on April 29, 2014.

Syed Muhammad Ali Gardezi	**Atif Aslam Bajwa**
Chairman	Director

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Consolidated

Financial Statements

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING NO. 1-C
I.I. CHUNDRIGAR ROAD
P.O. BOX 4716
KARACHI - 74000

M. YOUSUF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS
CAVISH COURT, A-35, BLOCK 7 & 8
KCHSU, SHARAH-E-FAISAL
KARACHI - 75350

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan International Airlines Corporation (the Holding company) and its subsidiary companies as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Holding company. The consolidated financial statements of a subsidiary company were audited by one of the joint auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of that joint auditor. These consolidated financial statements are the responsibility of the Holding company's management. Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit.

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

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

   "As more fully explained in note 10.3 to the accompanying consolidated financial statements, during the year the PIAIL has recognised long term prepayment in respect of a lease amounting to USD 712,332 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 favor of Avant Hotels (Private) Limited. PIAIL and PCB agreed to settle the outstanding amounts against sub-lease of the aforementioned parcel of land. However, because the processes of determination of fair value and conducting feasibility study of the commercial project to be developed on the said parcel of land have not been completed till date, the amount at which the prepayment should have been recognised and probability of flow of economic benefits from the use of land cannot be determined at present."

4. In our opinion, except for the possible effects of the matter stated in paragraph 3 above, the consolidated financial statements present fairly the financial position of the Holding company and its subsidiary companies as at December 31, 2013 and the results of their operations for the year then ended.

We draw attention to note 1.2 to the annexed consolidated financial statements, which states that the Holding company incurred a net loss of Rs. 44,530.891 million during the year ended December 31, 2013, resulting in accumulated losses of Rs. 197,797.852 million as of December 31, 2013, and, as of that date, the Holding company's current liabilities exceeded its current assets by Rs. 164,696.792 million. These conditions indicate existence of a material uncertainty which may cast significant doubt about the Holding company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Audit Engagement Partner:
Khurshid Hasan

Chartered Accountants
Audit Engagement Partner:
Syed Asad Ali Shah

Date: April 29, 2014
Place: Karachi

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2013

	Note	2013	2012	2013	2012
		------------Rupees in '000------------		----------------US$ in '000-------------	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	5	**155,319,884**	153,662,065	**1,469,531**	1,580,398
- Intangibles	6	**3,521,475**	3,238,045	**33,318**	33,303
		158,841,359	156,900,110	**1,502,849**	1,613,701
Long-term investments	7	**120,386**	94,394	**1,139**	971
Receivable in respect of Centre Hotel	8	**798,648**	734,496	**7,556**	7,554
Long-term loans and advances	9	**8,696**	12,009	**82**	124
Long-term deposits and prepayments	10	**6,266,652**	6,020,026	**59,291**	61,915
		166,035,741	163,761,035	**1,570,917**	1,684,265
CURRENT ASSETS					
Stores and spares	11	**3,686,116**	4,096,403	**34,875**	42,131
Trade debts - net	12	**9,368,145**	10,014,544	**88,635**	102,998
Short-term loans and advances	13	**1,116,518**	2,054,153	**10,564**	21,127
Trade deposits and prepayments	14	**3,164,950**	1,204,634	**29,944**	12,390
Other receivables	15	**6,311,289**	4,300,365	**59,713**	44,229
Short-term investments	16	**305,019**	517,767	**2,886**	5,325
Taxation		**129,748**	102,102	**1,227**	1,050
Cash and bank balances	17	**8,309,897**	6,303,877	**78,623**	64,835
		32,391,682	28,593,845	**306,467**	294,085
TOTAL ASSETS		**198,427,423**	192,354,880	**1,877,384**	1,978,350

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2013

	Note	2013	2012	2013	2012
		-------------Rupees in '000-------------		-----------------US$ in '000-------------	
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital	18	**28,779,674**	28,779,674	**272,294**	295,996
Reserves	19	**10,049,476**	8,248,965	**95,081**	84,840
Accumulated losses		**(191,032,943)**	(146,466,912)	**(1,807,424)**	(1,506,397)
		(152,203,793)	(109,438,273)	**(1,440,049)**	(1,125,561)
Advance against equity from Govt. of Pakistan (GoP)	20	**14,921,244**	1,928,167	**141,175**	19,831
Attributable to the Holding company's shareholders		**(137,282,549)**	(107,510,106)	**(1,298,874)**	(1,105,730)
Non-controlling interest		**1,752,273**	1,385,606	**16,579**	14,251
TOTAL EQUITY		**(135,530,276)**	(106,124,500)	**(1,282,295)**	(1,091,479)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX	21	**27,488,558**	26,213,286	**260,078**	269,601
NON-CURRENT LIABILITIES					
Long-term financing	22	**32,671,889**	28,120,287	**309,119**	289,214
Term finance and sukuk certificates	23	**-**	4,394,027	**-**	45,192
Liabilities against assets subject to finance lease	24	**31,357,890**	38,305,557	**296,687**	393,968
Long-term deposits	25	**435,530**	534,767	**4,121**	5,500
Deferred taxation	26	**20,852,961**	18,314,706	**197,296**	188,365
Deferred liabilities	27	**15,248,903**	13,206,159	**144,275**	135,824
		100,567,173	102,875,503	**951,498**	1,058,063
CURRENT LIABILITIES					
Trade and other payables	28	**78,594,908**	55,313,306	**743,611**	568,891
Accrued interest	29	**12,788,401**	6,784,356	**120,995**	69,776
Provision for taxation		**284,221**	679,144	**2,689**	6,985
Short-term borrowings	30	**56,747,538**	61,354,530	**536,907**	631,025
Current maturities of:					
- Long-term financing	22	**27,615,121**	20,783,496	**261,275**	213,756
- Term finance and sukuk certificates	23	**19,589,760**	15,195,733	**185,345**	156,287
- Advance rent		**-**	4,831	**-**	50
- Liabilities against assets subject to finance lease	24	**10,282,019**	9,275,195	**97,281**	95,395
		205,901,968	169,390,591	**1,948,103**	1,742,165
TOTAL LIABILITIES		**306,469,141**	272,266,094	**2,899,601**	2,800,228
TOTAL EQUITY AND LIABILITIES		**198,427,423**	192,354,880	**1,877,384**	1,978,350
CONTINGENCIES AND COMMITMENTS	31				

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

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 (Restated)	2013	2012 (Restated)
		Rupees in '000		US$ in '000	
REVENUE - NET	32	**109,811,240**	124,777,545	**1,038,959**	1,283,324
COST OF SERVICES					
Aircraft fuel		**(55,116,104)**	(61,157,291)	**(521,471)**	(628,996)
Others	33	**(56,778,235)**	(57,247,383)	**(537,197)**	(588,783)
		(111,894,339)	(118,404,674)	**(1,058,668)**	(1,217,779)
GROSS (LOSS) / PROFIT		**(2,083,099)**	6,372,871	**(19,709)**	65,545
Distribution costs	34	**(6,343,290)**	(7,247,768)	**(60,016)**	(74,543)
Administrative expenses	35	**(12,770,497)**	(11,531,806)	**(120,826)**	(118,603)
Other provisions and adjustments	36	**(2,281,524)**	(698,310)	**(21,586)**	(7,182)
Exchange loss - net		**(6,406,746)**	(6,703,945)	**(60,616)**	(68,949)
Other income	37	**1,586,833**	3,327,619	**15,013**	34,224
		(26,215,224)	(22,854,210)	**(248,031)**	(235,053)
LOSS FROM OPERATIONS		**(28,298,323)**	(16,481,339)	**(267,740)**	(169,508)
Finance costs	38	**(13,414,851)**	(12,169,934)	**(126,922)**	(125,166)
Share of loss from associated company	7.1	**(1,456)**	(637)	**(14)**	(7)
LOSS BEFORE TAXATION		**(41,714,630)**	(28,651,910)	**(394,676)**	(294,681)
Taxation	39	**(1,941,218)**	(1,121,158)	**(18,366)**	(11,531)
LOSS FOR THE YEAR		**(43,655,848)**	(29,773,068)	**(413,042)**	(306,212)
Attributable to:					
Equity holders of the Holding company		**(43,699,015)**	(29,806,208)	**(413,451)**	(306,553)
Non-controlling interest		**43,167**	33,140	**409**	341
		(43,655,848)	(29,773,068)	**(413,042)**	(306,212)
EARNINGS PER SHARE - BASIC AND DILUTED		(Rupees)		(US$)	
Loss attributable to:					
'A' class Ordinary shares of Rs 10 each	40	**(12.33)**	(9.88)	**(0.12)**	(0.10)
'B' class Ordinary shares of Rs 5 each	40	**(6.17)**	(4.94)	**(0.06)**	(0.05)

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

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012 (Restated)	2013	2012 (Restated)
	Rupees in '000		US$ in '000	
Loss for the year	**(43,655,848)**	(29,773,068)	**(413,042)**	(306,212)
Other comprehensive income				
Items that will be reclassified subsequently to profit and loss account				
Unrealised gain on remeasurement of available for sale investments	**21,268**	4,037	**201**	42
Exchange differences on translation of foreign operations	**1,922,387**	1,011,593	**18,188**	10,404
Items that will not be reclassified subsequently to profit and loss account				
Remeasurement of post retirement defined benefits obligation	**(611,860)**	(2,947,546)	**(5,789)**	(30,315)
Impact of deferred tax	**142,695**	352,341	**1,350**	3,624
	(469,165)	(2,595,205)	**(4,439)**	(26,691)
Total comprehensive income	**(42,181,358)**	(31,352,643)	**(399,092)**	(322,457)
Attributable to:				
Equity holders of the Holding company	**(42,367,669)**	(31,455,263)	**(400,855)**	(323,512)
Non-controlling interest	**186,311**	102,620	**1,763**	1,055
	(42,181,358)	(31,352,643)	**(399,092)**	(322,457)

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

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

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012	2013	2012
		-------------Rupees in '000-------------		-----------------US$ in '000--------------	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	41	**4,170,963**	904,742	**39,463**	9,305
Profit on bank deposits received		**32,314**	51,399	**306**	529
Finance costs paid		**(7,457,795)**	(10,112,603)	**(70,561)**	(104,007)
Taxes paid		**(1,134,604)**	(1,197,159)	**(10,735)**	(12,313)
Staff retirement benefits paid		**(635,733)**	(617,559)	**(6,015)**	(6,352)
Long-term deposits and prepayments - net		**172,236**	773,850	**1,630**	7,959
Net cash used in operating activities		**(4,852,619)**	(10,197,330)	**(45,912)**	(104,879)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(5,053,846)**	(7,947,165)	**(47,816)**	(81,736)
Proceeds from sale of operating fixed assets		**37,430**	79,359	**354**	816
Purchase of intangibles		**(34,830)**	(158,077)	**(329)**	(1,626)
Payments against long-term loans		**3,313**	3,398	**31**	35
Proceeds from sale of short-term investments		**212,748**	216,879	**2,013**	2,231
Net cash used in investing activities		**(4,835,185)**	(7,805,606)	**(45,747)**	(80,280)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from advance against equity from GoP		**12,993,077**	1,928,167	**122,932**	19,831
Repayment of long-term financing		**(3,076,067)**	(8,504,428)	**(29,104)**	(87,467)
Proceeds from long-term financing		**15,872,898**	500,000	**150,179**	5,143
(Payment) / receipt of advance rent		**(4,831)**	(4,391)	**(46)**	(45)
Proceeds from long-term deposits		**(99,237)**	89,950	**(939)**	925
Payment of dividend to non-controlling interest		**(33,657)**	(29,983)	**(318)**	(308)
Repayment of obligations under finance lease - net		**(9,275,195)**	(8,251,697)	**(87,756)**	(84,868)
Net cash generated from / (used in) financing activities		**16,376,988**	(14,272,382)	**154,948**	(146,789)
Increase / (decrease) in cash and cash equivalents		**6,689,184**	(32,275,318)	**63,289**	(331,948)
Cash and cash equivalents at the beginning of the year		**(55,050,653)**	(22,561,084)	**(520,852)**	(232,038)
Effects of exchange rate changes on cash and cash equivalents		**(76,172)**	(214,251)	**(721)**	(2,204)
Cash and cash equivalents at the end of the year		**(48,437,641)**	(55,050,653)	**(458,284)**	(566,190)
CASH AND CASH EQUIVALENTS					
Cash and bank balances	17	**8,309,897**	6,303,877	**78,623**	64,835
Short-term borrowings	30	**(56,747,538)**	(61,354,530)	**(536,907)**	(631,025)
		(48,437,641)	(55,050,653)	**(458,284)**	(566,190)

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

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

	Attributable to the Holding company's shareholders										
			Reserves								
	Issued, subscribed, and paid-up capital	Advance against equity from Government of Pakistan (GoP)	Capital reserves	Revenue reserves	Unrealised gain on remeasur-ement of investments	Foreign currency translation reserves	Other reserves	Subtotal	Accumulated losses (Restated)	Non-controlling interest	Total
	Rupees in '000										
Balance as at January 1, 2012	28,779,674	-	2,501,038	1,779,674	22,781	2,987,298	11,249	7,302,040	(114,722,720)	1,081,405	(77,559,601)
Total comprehensive income for the year ended December 31, 2012 (Restated)											
- (Loss) / profit for the year	-	-	-	-	-	-	-	-	(29,806,208)	33,140	(29,773,068)
- Other comprehensive income for the year:											
- Transfer to other reserves	-	-	-	-	-	-	775	775	(775)	-	-
- Currency translation differences	-	-	-	-	-	942,785	(672)	942,113	-	69,480	1,011,593
- Remeasurement of post retirement defined benefits obligation - net of tax	-	-	-	-	-	-	-	-	(2,595,205)	-	(2,595,205)
- Unrealised gain on remeasurement of investments	-	-	-	-	4,037	-	-	4,037	-	-	4,037
Total comprehensive income for the year transferred to equity	-	-	-	-	4,037	942,785	103	946,925	(32,402,188)	102,620	(31,352,643)
Surplus on revaluation - net of tax	-	-	-	-	-	-	-	-	-	231,564	231,564
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	657,996	-	657,996
Transactions with owners:											
Issue of share capital 'A' class ordinary shares	-	1,928,167	-	-	-	-	-	-	-	-	1,928,167
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(29,983)	(29,983)
Balance as at December 31, 2012	28,779,674	1,928,167	2,501,038	1,779,674	26,818	3,930,083	11,352	8,248,965	(146,466,912)	1,385,606	(106,124,500)
Balance as at January 1, 2013	**28,779,674**	**1,928,167**	**2,501,038**	**1,779,674**	**26,818**	**3,930,083**	**11,352**	**8,248,965**	**(146,466,912)**	**1,385,606**	**(106,124,500)**
Total comprehensive income for the year ended December 31, 2013:											
- (Loss) / profit for the year	-	-	-	-	-	-	-	-	(43,699,015)	43,167	(43,655,848)
- Other comprehensive income for the year:											
- Currency translation differences	-	-	-	-	-	1,778,255	988	1,779,243	-	143,144	1,922,387
- Remeasurement of post retirement defined benefits obligation - net of tax	-	-	-	-	-	-	-	-	(469,165)	-	(469,165)
- Unrealised gain on remeasurement of investments	-	-	-	-	21,268	-	-	21,268	-	-	21,268
Total comprehensive income for the year transferred to equity	-	-	-	-	21,268	1,778,255	988	1,800,511	(44,168,180)	186,311	(42,181,358)
Surplus on revaluation - net of tax	-	-	-	-	-	-	-	-	-	213,972	213,972
Surplus on revaluation of property, plant and equipment realised during the year on account of reduced depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	(397,851)	-	(397,851)
Paid-up capital subscribed	-	-	-	-	-	-	-	-	-	41	41
Transactions with owners:											
Advance against equity from GoP	-	12,993,077	-	-	-	-	-	-	-	-	12,993,077
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(33,657)	(33,657)
Balance as at December 31, 2013	**28,779,674**	**14,921,244**	**2,501,038**	**1,779,674**	**48,086**	**5,708,338**	**12,340**	**10,049,476**	**(191,032,943)**	**1,752,273**	**(135,530,276)**

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

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

1. THE GROUP AND ITS OPERATIONS

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

Pakistan International Airlines Corporation

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

Subsidiaries

PIA Investments Limited (PIAIL) was incorporated on September 10, 1977 in Sharjah, United Arab Emirates, as a limited liability company under a decree issued by H.R.H. the Ruler of Sharjah. In 1986 PIAIL was registered in British Virgin Islands under International Business Companies Ordinance, 1984 (now BVI Business Companies Act, 2004) 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% (2012: 100%). Following are the details of PIAIL's subsidiaries:

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

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

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

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

PIAIL has been consolidated in these consolidated financial statements on the basis of its audited consolidated financial statements for the year ended December 31, 2013.

Skyrooms (Private) Limited (SRL) was incorporated on May 20, 1975 in Pakistan as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). SRL owns and manages 'Airport Hotel', Karachi. SRL is a wholly owned subsidiary of the Holding company. SRL has been consolidated on the basis of its unaudited financial statements for the year ended December 31, 2013 as the same is not considered to be material to these consolidated financial statements.

Abacus Distribution Systems Pakistan (Private) Limited (Abacus) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares, under the Companies Ordinance, 1984. Abacus markets and distributes a computer reservation system to subscribers in Pakistan, under a sub-distribution agreement with Abacus International (Pte) Limited Singapore (an associated Company and joint venture partner), that incorporates a software package which performs various functions including real-time airlines seat reservations, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding company's interest in Abacus is 70%. Abacus has been consolidated on the basis of its unaudited financial statements for the year ended December 31, 2013 as the same is not considered to be material to these consolidated financial statements.

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

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

Associate

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

1.2 During the current year, the Holding company incurred a net loss of Rs 44,530.891 million (2012: Rs 30,586.335 million) resulting in accumulated loss of Rs. 197,797.852 million as of December 31, 2013 (2012: Rs 151,914.479 million). Further, as of December 31, 2013 current liabilities of the Holding company exceeded its current assets by Rs 164,696.792 million (2012: Rs 144,445.613 million). Furthermore, as disclosed in notes 22.1, 22.2, 21.9 and 29.1.3 to the unconsolidated financial statements of the Holding company, the Holding company has not been able to pay interest and principal amount of term finance and other borrowings, which were overdue as at December 31, 2013.

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

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Holding company. In this respect, amounts aggregating to Rs. 10,848 million have been provided to the Holding company towards equity since the year ended December 31, 2008;

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

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

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

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

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

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

Consequent to the above approval, the GoP provided Rs. 11,758 million as financial assistance to the Holding company to enable it to make payments, of loan installments, to overdue vendors including payments to Exim Bank Guaranteed loan installments. To alleviate the operational problems, the Holding company acquired four narrow body aircraft on wet lease towards the end of 2013. The Holding company is also in the process of acquisition of aircraft on dry lease and in this respect a tender was published by the Holding company subsequent to year end and the bid for eight aircraft was accepted by the Holding company in March 2014. Subsequent to the year end, the GoP, through the Privatization Commission, has also initiated the process of restructuring the Holding company leading to private sector participation in the Core Operations of PIA, and for this purpose, newspaper advertisements have been published in the leading newspapers for appointing a "Financial Advisor".

In addition to the above measures taken by the Holding company and the GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Holding company. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from non-core activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircraft on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

In view of the situation described above, material uncertainty exists that may cast significant doubt on the Holding company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these consolidated financial statements on a going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

- certain items of property, plant and equipment are stated at revalued amount;
- certain financial assets are carried at fair value;
- liability on account of frequent flyer programme is recognised at fair value; and
- defined benefit obligations are stated at present value (net off fair value of plan assets, wherever applicable) in accordance with International Accounting Standard (IAS) - 19 (Revised) 'Employee Benefits'.

2.3 Functional and presentation currency

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

The US Dollar amounts reported in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information, solely for the convenience of the users of these consolidated financial statements. The US Dollar amounts in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement have been translated into US Dollar at the rate of Rs 105.6935 = US $ 1 (2012: Rs 97.23 = US $ 1).

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Holding company and its subsidiaries and its associate as at December 31 each year.

2.4.1 Subsidiaries

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

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

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

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

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

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

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

2.4.2 Associates

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

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

2.5 Amendments to approved accounting standards and new interpretation to an existing standard that were effective for the year ended December 31, 2013

2.5.1 The following amendments to approved accounting standards and an interpretation, other than those disclosed in note 2.5.2, were effective for the year ended December 31, 2013. These amendments and interpretation were either not relevant to the Group's operations or did not have significant impact on these consolidated financial statements other than certain additional disclosures.

- Amendment to IAS 1 'Presentation of Financial Statements' – Clarification of requirements for comparative information
- Amendment to IAS 16 'Property, Plant and Equipment' – Classification of servicing equipment
- Amendments to IAS 32 'Financial Instruments: Presentation' - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction
- Amendments to IAS 34 'Interim Financial Reporting' - Interim reporting of segment information for total assets and total liabilities
- Amendments to IFRS 7 'Financial Instruments: Disclosures' - Offsetting financial assets and financial liabilities - (disclosure of information about rights to set-off and related arrangements)
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'

2.5.2 Apart from the amendments described in note 2.5.1, an amendment to IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income and IAS 19 - Employee Benefits (Revised 2011) also became effective during the year ended December 31, 2013 and have significant impact on these consolidated financial statements as described in note 4.1. These changes are considered as changes in accounting policies.

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

The following amendments and an interpretation are only effective for accounting periods, beginning on or after January 1, 2014. These amendments and interpretation are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Amendments to IAS 32 'Financial Instruments: Presentation' - Offsetting financial assets and financial liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

Amendments to IAS 36 'Impairment of Assets' - Recoverable amount disclosures for non-financial assets

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognised (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13); and

- introduce additional disclosure requirements in respect of assets for which an impairment has been recognised or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' - Novation of derivatives and continuation of hedge accounting

The amendment allows the continuation of hedge accounting (under IAS 39 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

IFRIC 21 - Levies

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

2.7 Other standards issued by IASB but not adopted by Securities and Exchange Commission of Pakistan (SECP):

The IASB has also issued following standards that have not been adopted in Pakistan by the SECP.

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.1 Property, plant and equipment

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

Change in accounting estimate

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2012, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the year would have been higher by Rs. 673.366 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

3.2 Employee benefits

The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases, mortality rates, future increase in medical costs and future pension increases. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 27 to these consolidated financial statements.

3.3 Stores and spares

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

3.4 Taxation

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

3.5 Trade debts

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

3.6 Liability on account of frequent flyer programme

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

3.7 Revenue recognition

Revenue for passenger tickets and cargo airway bills is recognised when the transportation services are provided. Effective July 1, 2013 passenger tickets that are un-utilised, are recognised as unearned revenue on the basis of sale value of those unused tickets whereas consistent with prior years cargo airway bills that are un-utilised, are recognised as revenue on the basis of estimated number of days delay between the date of sale of airway bills and the date of actual lift.

Change in accounting estimate

During the year, the Holding company has changed its method of computing passenger unearned revenue from estimating the unearned revenue on the basis of estimated number of days delay between the date of sale of ticket and the date of actual lift to the sale value of un-utilised tickets as at year end. The value of un-utilised tickets is calculated on the basis of difference between the value of tickets sold and value of ticket coupons actually lifted. Had there been no change in estimate, revenue for the year would have been higher and advance against transportation would have been lower by Rs. 1,882.520 million.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2012 except for changes in accounting policies as stated in note 4.1 and are enumerated as follows:

4.1 Changes in accounting polices

4.1.1 IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time are presented separately from items that will never be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis, i.e., the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

As a result of amendments in IAS 1, the Group modified the presentation of the items of other comprehensive income in its statement of comprehensive income, to present items that would be reclassified to profit and loss account in the future separately from those that would never be reclassified to profit and loss account. Comparative information has been re-presented on the same basis.

4.1.2 IAS 19 - Employee Benefits (Revised 2011)

The Group has adopted IAS 19 Employees Benefits (Revised 2011) along with related consequential amendments. The amendments require actuarial gains and losses to be recognised immediately in other comprehensive income; to immediately recognise all past service costs; to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset; and to disclose the impact on defined benefit obligation as a result of changes in actuarial assumptions. This change has removed the corridor method and eliminated the ability for entities to recognise all changes in the defined benefit obligation and in plan assets to profit or loss account. As a result of adoption of this amendment, for the post- retirement medical benefits and pension obligation, the Group will recognise the actuarial gains and losses in other comprehensive income, which were previously being recognised in the profit and loss account.

Specific transitional provisions are applicable to first-time application of IAS 19 (Revised 2011). The Group has applied the relevant transitional provisions and restated the comparatives on retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Effect of retrospective application of change in accounting policy is as follows:

	Amount as reported earlier	Effects of change in accounting policies	Amount restated
Effect on profit and loss account for the year ended December 31, 2012	------------------------	Rupees in '000	----------------
Cost of services - others	(59,045,386)	1,798,003	(57,247,383)
Distribution cost	(7,630,949)	383,181	(7,247,768)
Administrative expenses	(12,298,168)	766,362	(11,531,806)
Taxation	(768,817)	(352,341)	(1,121,158)
Loss for the year	(32,368,273)	2,595,205	(29,773,068)
Effect on statement of comprehensive income for the year ended December 31, 2012			
Re-measurement of defined benefit obligations - net of tax	-	2,595,205	2,595,205

There is no impact on the Group's opening equity as a result of change in accounting policy. The Group has not presented the balance sheet as at January 1, 2012 as there is no impact of the above change as at that date.

4.2 Fixed assets

4.2.1 Property, plant and equipment

Operating fixed assets - owned

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of operating fixed assets is capitalised and the asset so replaced is derecognised.
Major renewals, improvements and overhauls to aircraft are capitalised and depreciated over the period to the next major overhaul. All other repairs and maintenance including cost incurred under 'power-by-the-hour' contracts in relation to aircraft are charged to the consolidated profit and loss account during the financial period in which they are incurred.

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

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

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

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

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

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

Leased

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

Finance lease

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

Operating lease

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

Capital spares

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

Capital work-in-progress

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

4.2.2 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.

4.3 Investments

At fair value through profit or loss - held for trading

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

Available for sale

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

Held to maturity

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as 'at fair value through profit or loss'. These investments are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using effective interest method. All investments categorised under held to maturity are subject to annual review for impairment. Provisions for impairment in value, if any is taken to the consolidated profit and loss account.

4.4 Stores and spares

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

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

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

4.5 Trade debts and other receivables

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

4.6 Cash and cash equivalents

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

4.7 Trade and other payables

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

4.8 Loans and borrowings

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

4.9 Employee benefits

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 profit and loss account.

Pension funds

For all the permanent employees hired prior to July 1, 2008 the Holding company operates a funded benefit pension scheme for its two categories of employees. Pension scheme is a final salary pension scheme and is invested through three funds namely Pakistan Airline Pilot Association (PALPA), Flight Engineering Association (FENA) and Employees' Pension Funds. Under PALPA and FENA, employees are entitled to basic salary and flight allowance whereas under Employees' Pension Fund, employees are entitled to basic salary and certain other allowances. Contributions are made to the scheme on the basis of actuarial valuation that is carried out annually.

For all the permanent employees hired on or after 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.

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.

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.

Remeasurements of employee benefits plans

Effective January 1, 2013 in case of pension funds and post-retirement medical benefits, remeasurements of net defined benefit liability / (asset), which comprises actuarial gains / (losses), return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. In case of compensated absences, actuarial gains / (losses) are recognised in profit and loss account.

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.

PIA Investments Limited (PIAIL)

PIAIL operates a funded gratuity scheme for its permanent employees who have completed one year of service. An accrual is made for maximum benefit that is payable to employees based on their number of years of service as at reporting date.

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.

Roosevelt Hotel Corporation N.V. (RHC)

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

Further, all RHC staff, both union and non-union, are employees of RHC's management company, 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.

Minhal France S.A.

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

Abacus Distribution Systems Pakistan (Private) Limited (Abacus)

Provident Fund

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

Compensated absences

Abacus accounts for compensated absences on the basis of unavailed earned leave balance of each employee at the end of the year.

4.10 Taxation

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

Current

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

Deferred taxation

Deferred income tax is recognised using the balance sheet method on temporary differences at the balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset is reassessed at each balance sheet date and recognised to the extent that it has become probable that future taxable profits or taxable temporary differences will allow the deferred tax asset to be recovered.

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

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

4.11 Revenue recognition

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

Passenger and cargo revenue

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

Room, food and beverages

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

In relation to PIAIL, 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.

4.12 Borrowing Costs

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

4.13 Provisions

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

4.14 Impairment

Financial assets

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

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

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

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

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

Non-financial assets

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

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

4.15 Foreign currency

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 balance sheet date. Gains and losses on translation are taken to consolidated profit and loss account currently.

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

Foreign operations

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

4.16 Financial instruments

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

4.17 Earnings per share

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

4.18 Derivative financial instruments

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

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Segment Reporting

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

5. PROPERTY, PLANT AND EQUIPMENT

		2013	2012
		------------- Rupees in '000------------	
Operating fixed assets:			
- owned	5.1	**91,603,985**	83,154,191
- leased	5.2	**61,399,468**	68,233,428
Capital work-in-progress	5.9	**2,316,431**	2,274,446
		155,319,884	153,662,065

5.1 Operating Fixed Assets - Owned

	Land		Buildings on:		Hotel property (note 5.5)	Workshops and hangars	Renovation and improvements	Aircraft fleet (notes 5.1.3 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other land						
As at December 31, 2012										
Cost or revalued amount	5,410,000	24,400	1,386,655	840,028	65,273,733	902,235	780,800	41,337,733	789,982	1,615,681
Accumulated depreciation	-	-	(265,861)	(333,175)	(9,671,286)	(776,010)	(721,879)	(29,704,163)	(638,882)	(1,316,581)
Net book value	5,410,000	24,400	1,120,794	506,853	55,602,447	126,225	58,921	11,633,570	151,100	299,100
Year ended December 31, 2013										
Opening net book value	5,410,000	24,400	1,120,794	506,853	55,602,447	126,225	58,921	11,633,570	151,100	299,100
Additions / transfers	-	-	2,892	1,842	126,642	6,381	5,437	1,058,948	544	13,971
Revaluation										
Cost or revalued amount	-	-	-	-	3,445,460	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	2,141,563	-	-
	-	-	-	-	3,445,460	-	-	2,141,563	-	-
Translation adjustments										
Cost or revalued amount	-	-	-	-	6,209,570	-	-	-	-	-
Accumulated depreciation	-	-	-	-	(1,059,419)	-	-	-	-	-
	-	-	-	-	5,150,151	-	-	-	-	-
Adjustments / transfer										
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Disposals										
Cost or revalued amount	-	-	-	-	-	-	-	-	(10,686)	-
Accumulated depreciation	-	-	-	-	-	-	-	-	10,686	-
	-	-	-	-	-	-	-	-	-	-
Write off										
Cost or revalued amount	-	-	-	-	-	-	-	(2,353,203)	(1,339)	(11)
Accumulated depreciation	-	-	-	-	-	-	-	2,332,299	1,248	11
	-	-	-	-	-	-	-	(20,904)	(91)	-
Depreciation charge for the year	-	-	(154,854)	(19,523)	(1,476,171)	(13,367)	(40,872)	(1,804,421)	(42,363)	(73,401)
Closing net book value	5,410,000	24,400	968,832	489,172	62,848,529	119,239	23,486	13,008,756	109,190	239,670
As at December 31, 2013										
Cost or revalued amount	5,410,000	24,400	1,389,547	841,870	75,055,405	908,616	786,237	40,043,478	778,501	1,629,641
Accumulated depreciation	-	-	(420,715)	(352,698)	(12,206,876)	(789,377)	(762,751)	(27,034,722)	(669,311)	(1,389,971)
Net book value	5,410,000	24,400	968,832	489,172	62,848,529	119,239	23,486	13,008,756	109,190	239,670
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	20	4- 100	10	10 - 20

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

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

5.1.3 During the year, the Holding Company has written off aircraft having net book value of Rs. 20.904 million. The related deficit amounting to Rs. 555.601 million included in surplus on revaluation on property, plant and equipment as at the date of write off has been released to profit and loss account (refer note 36).

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Other equipment	Capital Spares	Total
Rupees in '000													
1,920,291	8,091,178	432,093	88,597	1,694,614	823,862	15,039	11,799	12,929	5,925	2,799	1,476,934	8,446,212	141,383,519
(1,519,057)	(5,664,882)	(354,682)	(82,847)	(1,516,183)	(811,527)	(15,039)	(11,799)	(9,086)	(4,600)	(2,768)	(507,711)	(4,301,310)	(58,229,328)
401,234	2,426,296	77,411	5,750	178,431	12,335	-	-	3,843	1,325	31	969,223	4,144,902	83,154,191
401,234	2,426,296	77,411	5,750	178,431	12,335	-	-	3,843	1,325	31	969,223	4,144,902	83,154,191
18,213	569,939	1,649	916	16,508	53,117	-	-	-	-	-	36,395	41,802	1,955,196
-	-	-	-	-	-	-	-	-	-	-	-	-	3,445,460
-	-	-	-	-	-	-	-	-	-	-	-	-	2,141,563
-	-	-	-	-	-	-	-	-	-	-	-	-	5,587,023
-	812,937	155	-	-	-	-	-	-	-	-	-	-	7,022,662
-	(539,007)	(479)	-	-	-	-	-	-	-	-	-	-	(1,598,905)
-	273,930	(324)	-	-	-	-	-	-	-	-	-	-	5,423,757
-	-	-	-	-	-	-	-	-	-	-	-	(18,372)	(18,372)
-	-	-	-	-	-	-	-	-	-	-	-	7,370	7,370
-	-	-	-	-	-	-	-	-	-	-	-	(11,002)	(11,002)
(1,555)	(83,331)	(28,446)	(59)	-	-	-	-	-	-	-	-	-	(124,077)
1,540	70,301	8,838	57	-	-	-	-	-	-	-	-	-	91,422
(15)	(13,030)	(19,608)	(2)	-	-	-	-	-	-	-	-	-	(32,655)
-	-	-	(935)	(2,049)	-	-	-	-	-	-	(3,643)	(118,513)	(2,479,693)
-	-	-	901	1,835	-	-	-	-	-	-	3,594	93,879	2,433,767
-	-	-	(34)	(214)	-	-	-	-	-	-	(49)	(24,634)	(45,926)
(40,841)	(352,851)	(23,887)	(1,288)	(53,107)	(57,167)	-	-	(772)	(256)	(10)	(47,812)	(223,636)	(4,426,599)
378,591	2,904,284	35,241	5,342	141,618	8,285	-	-	3,071	1,069	21	957,757	3,927,432	91,603,985
1,936,949	9,390,723	405,451	88,519	1,709,073	876,979	15,039	11,799	12,929	5,925	2,799	1,509,686	8,351,129	151,184,695
(1,558,358)	(6,486,439)	(370,210)	(83,177)	(1,567,455)	(868,694)	(15,039)	(11,799)	(9,858)	(4,856)	(2,778)	(551,929)	(4,423,697)	(59,580,710)
378,591	2,904,284	35,241	5,342	141,618	8,285	-	-	3,071	1,069	21	957,757	3,927,432	91,603,985
10 - 20	10	25	15	10 - 20	10	20	10	10	10	20	10	4 - 100	

	Land		Buildings on:		Hotel property (note 5.5)	Workshops and hangars	Renovation and improvements	Aircraft fleet (notes 5.1.3 and 5.4)	Operating ground, catering, communication and meteorological equipment	Engineering equipment and tools
	Leasehold (notes 5.1.1 and 5.3)	Others (note 5.1.2)	Leasehold land (notes 5.1.1 and 5.3)	Other land						
As at December 31, 2011										
Cost or revalued amount	5,410,000	24,400	1,383,585	840,028	55,354,209	899,360	741,898	33,196,690	779,368	1,599,224
Accumulated depreciation	-	-	(132,633)	(312,664)	(7,979,271)	(762,691)	(673,369)	(21,488,567)	(591,538)	(1,239,866)
Net book value	5,410,000	24,400	1,250,952	527,364	47,374,938	136,669	68,529	11,708,123	187,830	359,358
Year ended December 31, 2012										
Opening net book value	5,410,000	24,400	1,250,952	527,364	47,374,938	136,669	68,529	11,708,123	187,830	359,358
Additions / transfers	-	-	3,070	-	5,369	2,875	39,171	1,069,266	10,700	17,106
Revaluation										
Cost or revalued amount	-	-	-	-	5,594,396	-	-	(3,793,787)	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	5,594,396	-	-	(3,793,787)	-	-
Translation adjustments										
Cost or revalued amount	-	-	-	-	4,319,759	-	-	-	-	-
Accumulated depreciation	-	-	-	-	(681,659)	-	-	-	-	-
	-	-	-	-	3,638,100	-	-	-	-	-
Adjustments / transfer										
Cost or revalued amount	-	-	-	-	-	-	-	10,979,748	-	-
Accumulated depreciation	-	-	-	-	-	-	-	(5,993,275)	-	-
	-	-	-	-	-	-	-	4,986,473	-	-
Disposals										
Cost or revalued amount	-	-	-	-	-	-	-	(114,184)	-	-
Accumulated depreciation	-	-	-	-	-	-	-	27,230	-	-
	-	-	-	-	-	-	-	(86,954)	-	-
Write off										
Cost or revalued amount	-	-	-	-	-	-	(269)	-	(86)	(649)
Accumulated depreciation	-	-	-	-	-	-	269	-	86	649
	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	(133,228)	(20,511)	(1,010,356)	(13,319)	(48,779)	(2,249,551)	(47,430)	(77,364)
Closing net book value	5,410,000	24,400	1,120,794	506,853	55,602,447	126,225	58,921	11,633,570	151,100	299,100
As at December 31, 2012										
Cost or revalued amount	5,410,000	24,400	1,386,655	840,028	65,273,733	902,235	780,800	41,337,733	789,982	1,615,681
Accumulated depreciation	-	-	(265,861)	(333,175)	(9,671,286)	(776,010)	(721,879)	(29,704,163)	(638,882)	(1,316,581)
Net book value	5,410,000	24,400	1,120,794	506,853	55,602,447	126,225	58,921	11,633,570	151,100	299,100
Annual depreciation rate (%)	-	-	2.5	2.5	30 - 50	5	20	5 - 100	10	10 - 20

Traffic equipment	Furniture, fixtures and fittings	Motor transport	Office equipment	Computer and office automation	Precision engineering equipment	Printing press equipment	Reservation equipment	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Other equipment	Capital Spares	Total
Rupees in '000													
1,895,669	6,682,355	411,384	87,163	1,692,314	821,106	15,039	11,908	11,550	5,925	2,799	1,475,037	8,663,258	122,004,269
(1,453,197)	(4,789,590)	(334,549)	(81,683)	(1,469,990)	(809,110)	(15,039)	(11,908)	(8,020)	(4,352)	(2,745)	(448,129)	(4,222,207)	(46,831,118)
442,472	1,892,765	76,835	5,480	222,324	11,996	-	-	3,530	1,573	54	1,026,908	4,441,051	75,173,151
442,472	1,892,765	76,835	5,480	222,324	11,996	-	-	3,530	1,573	54	1,026,908	4,441,051	75,173,151
24,622	893,000	34,447	1,796	17,935	2,756	-	-	1,379	-	-	1,897	188,789	2,314,178
-	-	-	-	-	-	-	-	-	-	-	-	-	1,800,609
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	1,800,609
-	532,306	610	-	-	-	-	-	-	-	-	-	-	4,852,675
-	(385,701)	(299)	-	-	-	-	-	-	-	-	-	-	(1,067,659)
-	146,605	311	-	-	-	-	-	-	-	-	-	-	3,785,016
-	-	-	-	-	-	-	-	-	-	-	-	(254,730)	10,725,018
-	-	-	-	-	-	-	-	-	-	-	-	69,913	(5,923,362)
-	-	-	-	-	-	-	-	-	-	-	-	(184,817)	4,801,656
-	(16,107)	(14,348)	(362)	(15,054)	-	-	-	-	-	-	-	(18,486)	(178,541)
-	15,234	9,017	309	14,917	-	-	-	-	-	-	-	18,486	85,193
-	(873)	(5,331)	(53)	(137)	-	-	-	-	-	-	-	-	(93,348)
-	(376)	-	-	(581)	-	-	(109)	-	-	-	-	(132,619)	(134,689)
-	376	-	-	529	-	-	109	-	-	-	-	96,260	98,278
-	-	-	-	(52)	-	-	-	-	-	-	-	(36,359)	(36,411)
(65,860)	(505,201)	(28,851)	(1,473)	(61,639)	(2,417)	-	-	(1,066)	(248)	(23)	(59,582)	(263,762)	(4,590,660)
401,234	2,426,296	77,411	5,750	178,431	12,335	-	-	3,843	1,325	31	969,223	4,144,902	83,154,191
1,920,291	8,091,178	432,093	88,597	1,694,614	823,862	15,039	11,799	12,929	5,925	2,799	1,476,934	8,446,212	141,383,519
(1,519,057)	(5,664,882)	(354,682)	(82,847)	(1,516,183)	(811,527)	(15,039)	(11,799)	(9,086)	(4,600)	(2,768)	(507,711)	(4,301,310)	(58,229,328)
401,234	2,426,296	77,411	5,750	178,431	12,335	-	-	3,843	1,325	31	969,223	4,144,902	83,154,191
10 - 20	10	25	15	10 - 20	10	20	10	10	10	20	10	5 - 100	

5.2 Operating fixed assets - leased

Aircraft fleet

	Note	2013	2012
		--------------Rupees in '000------------	
As at the beginning of the year			
Cost or revalued amount		**68,233,428**	72,779,943
Accumulated depreciation		**-**	(3,135,383)
Net book value		**68,233,428**	69,644,560
Movement during the year			
Opening net book value		**68,233,428**	69,644,560
Additions		**3,056,665**	4,592,624
Revaluation adjustment			
Cost or revalued amount		**(6,716,927)**	1,840,609
Accumulated depreciation		**-**	1,445,861
	5.4	**(6,716,927)**	3,286,470
Transfer to owned			
Cost or revalued amount		**-**	(10,979,748)
Accumulated depreciation		**-**	5,993,275
		-	(4,986,473)
Depreciation charge for the year		**(3,173,698)**	(4,303,753)
Net book value		**61,399,468**	68,233,428
As at the end of the year			
Cost or revalued amount		**64,573,166**	68,233,428
Accumulated depreciation		**(3,173,698)**	-
Net book value		**61,399,468**	68,233,428
Annual depreciation rate (%)		**4 - 41**	5 - 20

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, 2011:

- Arif Evaluators, based in Pakistan;
- Narender Consultants and Subhash Shah and Associates, based in India;
- Eastern Appraisal Co. INC, based in USA;
- Olimp – Baholash Va Ekspertiza Markazi LLC, based in Tashkent; and
- Lankhorst Vastgoed, 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 revaluation surplus of Rs 300.736 million as at December 31, 2011.

5.4 Aircraft fleet

The aircraft fleet of the Holding Company was revalued by an independent valuer, Ascend - part of Reed Business Information Limited, on the basis of professional assessment of current market values as of December 31, 2013. 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 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 value has conducted an extended desktop appraisal of the aircraft and engines. This does not include an inspection of the aircraft or engines nor their records, but does take into account the maintenance status of the airframe, engine, landing gears, auxiliary power units (APUs) and engine limited life parts (LLPs).

5.5 Hotel property

Roosevelt Hotel Corporation N. V.

The latest valuation of Roosevelt Hotel was carried as at December 31, 2013 by an independent appraiser who has determined that the market value of the combined fee simple and leased fee interest in Roosevelt Hotel (excluding any unused development air rights) is Rs 38,049.660 million (US $ 360,000,000). This valuation includes lands, buildings and improvements and furniture and equipment. However, fair value of furniture and equipment approximates its carrying value resulting in the entire revaluation surplus allocated to lands, buildings and improvements. Before revaluation the carrying value of lands, buildings and improvements at December 31, 2013 amounted to Rs 36,728.865 million (US $ 347,503,539) and accordingly during the year a surplus of Rs 236.035 million (US $ 2,233,200) has been credited to 'surplus on revaluation of operating fixed assets'. Such estimate was based primarily on arm's length market transactions in New York city.

Minhal France S.A.

The latest valuation of the Scribe Hotel was carried out as at December 31, 2013 by an independent appraiser. The appraiser determined that the market value of the freehold interest in Scribe Hotel as on December 31, 2013 amounted to Rs 27,549 million (US $ 260,649,900) using Discounted Cashflow (DCF) method with an exit cap of 5.8% and discount rate of 7.25%. 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, 2013 amounted to Rs 22,840.932 million (US $ 216,105,363) and accordingly during the year a surplus of Rs 3,209.425 million (US $ 30,365,400) has been credited to 'surplus on revaluation of operating fixed assets'.

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

	Cost	Accumulated Depreciation	Book value
	Rupees in '000		
December 31, 2013			
Leasehold land	**44,166**	**-**	**44,166**
Buildings on leasehold land	**354,450**	**184,813**	**169,637**
Hotel property	**26,147,411**	**10,124,368**	**16,023,043**
Aircraft fleet	**124,046,922**	**53,304,511**	**70,742,411**
	150,592,949	**63,613,692**	**86,979,257**
December 31, 2012			
Leasehold land	44,166	-	44,166
Buildings on leasehold land	351,558	176,287	175,271
Hotel property	23,498,339	8,117,951	15,380,388
Aircraft fleet	122,284,511	48,346,073	73,938,438
	146,178,574	56,640,311	89,538,263

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

	Note	2013	2012
		Rupees in '000	
Cost of services - others	**33**	**7,334,450**	8,690,017
Distribution costs	**34**	**61,839**	37,391
Administrative expenses	**35**	**204,008**	217,290
		7,600,297	8,944,698

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

Description	Sold to	Method of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds
Motor vehicles to employees			Rupees in '000			
Honda City	Mr. Shahab Karamat	As per Group policy	746	615	131	86
Honda City	Mr. Babar Kamal	-------do-------	764	659	105	86
Honda City	Mr. Amanullah	-------do-------	764	659	105	86
Honda City	Mr. Anjum Amin Mirza	-------do-------	746	615	131	86
Honda City	Mr. Arif Sultan	-------do-------	772	608	164	86
Honda City	Mr. Jawed Lodhi	-------do-------	746	587	159	278
Honda City	Mr. Muhammad Zubair Bhatty	-------do-------	746	587	159	91
Toyota Corolla Car	Mr. Muhammad Shoaib	-------do-------	804	633	171	93
Toyota Corolla Car	Mr. Fareed A. Mughal	-------do-------	905	645	260	111
Toyota Corolla Car	Mr. Noman Shah	-------do-------	1,094	759	335	555
Toyota Corolla Car	Mr. Ghulam Nabi Shah	-------do-------	1,094	759	335	262
Toyota Corolla Car	Mr. Mamoon Rashid	-------do-------	1,311	197	1,114	765
Toyota Corolla Car	Mr. Sher Muhammad	-------do-------	1,314	25	1,289	762
Toyota Corolla Car	Mr. Tasleem Jat	-------do-------	1,202	23	1,179	697
Toyota Corolla Car	Mr. Anisa Rehman	-------do-------	1,274	215	1,059	320
Toyota Corolla Car	Mr. Muhammad Arif	-------do-------	1,274	215	1,059	320
			15,556	7,801	7,755	4,684
Aggregate value of other items where NBV is above Rs 50,000 - Various*			94,790	72,711	22,079	26,254
Aggregate value of items where NBV is less than Rs 50,000 - Various			13,731	10,910	2,281	6,492
	Total	**2013**	**124,077**	**91,422**	**32,655**	**37,430**
		2012	162,434	69,959	92,475	94,063

* 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 fixed assets of the Holding company is made through disposal committee in accordance with the prescribed procedure.

5.9 Capital work-in-progress

	Aircraft fleet	Others	Total
Year ended December 31, 2013	Rupees in '000		
Balance as at January 1, 2013	**1,972,745**	**301,701**	**2,274,446**
Additions during the year	**3,851,426**	**324,068**	**4,175,494**
Transfer to operating fixed assets	**(3,936,094)**	**(197,415)**	**(4,133,509)**
Balance as at December 31, 2013	**1,888,077**	**428,354**	**2,316,431**
Year ended December 31, 2012			
Balance as at January 1, 2012	777,957	618,749	1,396,706
Additions during the year	1,965,070	347,936	2,313,006
Transfer to operating fixed assets	(770,282)	(664,984)	(1,435,266)
Balance as at December 31, 2012	1,972,745	301,701	2,274,446

6. INTANGIBLES

	Note	Computer software	Goodwill	Total
		----Rupees in '000----		
As at December 31, 2011				
Cost		279,015	2,921,057	3,200,072
Less: accumulated amortisation		(226,082)	-	(226,082)
Net book value		52,933	2,921,057	2,973,990
Year ended December 31, 2012				
Opening net book value		52,933	2,921,057	2,973,990
Additions during the year		53,944	-	53,944
Translation adjustment		-	236,563	236,563
Amortisation charge for the year	6.1	(26,452)	-	(26,452)
Net book value		80,425	3,157,620	3,238,045
As at December 31, 2012				
Cost		332,959	3,157,620	3,490,579
Less: accumulated amortisation		(252,534)	-	(252,534)
Net book value		80,425	3,157,620	3,238,045
Year ended December 31, 2013				
Opening net book value		**80,425**	**3,157,620**	**3,238,045**
Additions during the year		**34,830**	**-**	**34,830**
Translation adjustment		**-**	**274,859**	**274,859**
Amortisation charge for the year	6.1	**(26,259)**	**-**	**(26,259)**
Net book value		**88,996**	**3,432,479**	**3,521,475**
As at December 31, 2013				
Cost		**367,789**	**3,432,479**	**3,800,268**
Less: accumulated amortisation		**(278,793)**	**-**	**(278,793)**
Net book value		**88,996**	**3,432,479**	**3,521,475**
Useful Life		5-10 years		

	Note	2013	2012
		----Rupees in '000----	
6.1 Amortisation charge for the year has been allocated as under:			
Cost of services - others	33	**1,667**	1,667
Distribution costs	34	**50**	50
Administrative expenses	35	**24,542**	24,735
		26,259	26,452

		Note	2013	2012
7.	**LONG-TERM INVESTMENTS**		--------------Rupees in '000------------	
	Associate	7.1 & 7.2	70,737	66,013
	Other investments	7.3	49,649	28,381
			120,386	94,394

7.1 Movement in investment in Associate - unquoted

	2013	2012
As at January 1	66,013	61,744
Share of loss during the year	(1,456)	(637)
	64,557	61,107
Translation adjustment	6,180	4,906
As at December 31	70,737	66,013

7.2 Associate - unquoted

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

	Name of associate	Country of incorporation	Total assets	Total liabilities	Revenue	Loss	Interest held by the Group %
			------------------------Rupees in '000------------------------				
2013	**Minhal Incorporated**	**British Virgin**	**190,191**	**3,767**	**-**	**(3,639)**	**40%**
2012	Minhal Incorporated	British Virgin	177,129	3,365	-	(1,591)	40%

			2013	2012
			--------------Rupees in '000------------	
7.3	**Other investments**			
	Available for sale	7.3.1	49,649	28,381

7.3.1 Available for sale

	2013	2012
Quoted		
Pakistan Services Limited		
172,913 (2012: 172,913) ordinary shares of Rs 10 each having market value per ordinary share of Rs 285 (2012: Rs 162) each	49,280	28,012
Unquoted		
Pakistan Tourism Development Corporation Limited		
10,000 (2012: 10,000) ordinary shares of Rs 10 each	100	100
Duty Free Shops (Private) Limited - Pakistan		
87,512 (2012: 87,512) ordinary shares of Rs 100 each	269	269
	49,649	28,381

		Note	2013	2012
			---------------Rupees in '000-------------	
8.	**RECEIVABLE IN RESPECT OF CENTRE HOTEL**			
		8.1	**798,648**	734,496

8.1 This represents PIAIL's share of net assets of Centre Hotel, Abu Dhabi, a joint venture between PIAC, PIAIL's parent company and H. H. Sheikh Hamdan Bin Mohammed Al Nahyan. The parties entered into a Partnership Agreement on June 8, 1977 and simultaneously entered in a Joint Venture Agreement on the same day to construct and operate a hotel on a land owned by Sheikh Hamdan, to be known as Centre Hotel. Subsequently, under a Supplemental Agreement dated January 12, 1978, the rights and obligations of Shaikh Hamdan and PIAC 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.

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$ 6.356 million) along with interest at the rate of 6% from the date of the issuance of judgment.

PIAIL, in order to have the Arbitrator's aforesaid award ratified, filed a ratification claim with the Court of First Instance, Abu Dhabi. However, Sheikh Khalifa also filed a claim for nullification of Arbitrator's aforesaid Award. The Court of First Instance, Abu Dhabi adjudicated that it did not have the jurisdiction to decide in the matter and referred it to the competent court at the Abu Dhabi judicial department i.e. Abu Dhabi Commercial Court (the Court) for carrying out further proceedings. The Court conducted a hearing on May 14, 2013 and accepted PIAIL's claim for ratification of Arbitration Award of AED 23,341,905 (US$ 6.356 million), and dismissed Sheikh Khalifa's claim for nullification of award.

Sheikh Khalifa challenged the decision of the Court in Abu Dhabi Appeals Court which through its order dated July 23, 2013 decided the case in favor of PIAIL. In response to this decision, Sheikh Khalifa filed an appeal against the said decision in the Cassation Court.

On October 2, 2013, PIAIL submitted a response to the appeal filed by Sheikh Khalifa in the Cassation Court which gave its final decision through its order dated January 8, 2014 in PIAIL's favor. The judgement is currently under the execution proceedings by the Execution Court.

The amount for PIAIL's share of net assets as at April 21, 1997 has been calculated on the basis of unaudited management accounts of the joint venture.

		Note	2013	2012
9.	**LONG-TERM LOANS AND ADVANCES**		---------------Rupees in '000-------------	
	Secured, considered good			
	Employees	9.1	**14,595**	20,701
	Current maturity shown under short-term loans and advances	13	**(5,899)**	(8,692)
			8,696	12,009
	Unsecured, considered doubtful			
	Midway House (Private) Limited		**82,476**	82,476
	Provision for doubtful advances		**(82,476)**	(82,476)
			-	-
			8,696	12,009

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% (2012: 8% to 20%) per annum and is receivable within four years from the date of disbursement. The maximum aggregate balance due from employees at the end of any month during the year was Rs 14.595 million (2012: Rs 22.539 million).

		Note	2013	2012
10.	**LONG-TERM DEPOSITS AND PREPAYMENTS**		---------------Rupees in '000-------------	
	Deposits			
	Aircraft fleet lease deposits		**3,563,657**	3,342,482
	Maintenance reserve	**10.1**	**1,625,014**	1,482,576
	Engine maintenance		**2,142**	8,948
	Rent		**78,149**	79,741
	Other lease and utilities		**37,179**	42,216
	Aircraft fuel		**13,277**	12,577
	Guarantee deposit		**25,296**	23,660
	Others		**202,708**	177,900
			5,547,422	5,170,100
	Prepayments			
	Rental commission		**34,698**	23,291
	Prepayment in respect of lease	**10.2**	**74,289**	-
	Premium on acquisition of leased land	**10.4**	**50,778**	50,778
	Less: amortisation to date		**(22,005)**	(20,312)
			28,773	30,466
			137,760	53,757
	Exposure fee to support financing	**10.5**	**796,169**	1,015,924
			933,929	1,069,681
	Current portion shown under short-term prepayments	**14.1**	**(214,699)**	(219,755)
			6,266,652	6,020,026

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

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

	Note	2013	2012
		--------------Rupees in '000-------------	
Amount initially recognised on February 14	**10.3**	**75,289**	-
Less: Amortisation for the year	**35**	**1,000**	-
Balance as at December 31		**74,289**	-

10.3 Upto December 31, 2012, PIAIL was claiming an aggregate amount receivable from Pakistan Cricket Board (PCB), formerly BCCP, on account of various payments made during the calendar years from 1980 to 1988 in terms of agreement dated October 7, 1980 and Promissory Note dated December 4, 1980, signed between PIAIL and PCB. According to the agreement, PCB had agreed to pay PIAIL all sums including outstanding principal amount alongwith interest thereon. In order to settle PIAIL's aforesaid claim, PCB initially executed a sub-lease for transfer of 5 acres in the name of PIAC on September 13, 1987, and later PCB and PIAIL entered into a Joint Venture Agreement dated October 11, 2007, whereby, it was agreed that in settlement of the dues of PIAIL, PCB would transfer a parcel of land measuring 5.8 acres to a new company with ownership ratio of 62.5% and 37.5% to be held by PIAIL and PCB respectively. Accordingly, during the year 2008, a separate company was formed with the name of Avant Hotels (Private) Limited (Avant), which is owned by PIAIL and PCB in the aforesaid agreed ratio. During the year, 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 has been derecognised and correspondingly the asset received in lieu has been recognised as a long-term prepayment against Avant's right to use the land for 66 years commencing from February 14, 2013. According to the terms of aforesaid joint venture agreement, right granted over the use of land was considered settlement of all outstanding dues of PIAIL from PCB. PIAIL believes that the fair value of the aforesaid right to use the land would be sufficient to cover the principal and accrued interest thereon. However, the process of carrying out an independent exercise to ascertain the fair value of the subject right to use the land remains to be completed and pending results of the said exercise, as a matter of prudence, the amount of recognition of long term prepayment has been restricted to the extent of outstanding principal amount of US$ 712,332 only. The amount of prepayment has been classified under non-current asset in these consolidated financial statements which is being amortised over the lease term of 66 years. Further, the process of conducting the feasibility study of the project to be developed on the said parcel of land to ascertain the cash inflow in future years has been initiated. Appropriate accounting adjustments shall be made upon determination of the fair value of the subject right to use the land as set out above in these consolidated financial statements.

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

Initial lease agreement was effective from June 3, 1981 for a period of 20 years which expired on June 2, 2001. Lease arrangement for further 30 years has been finalised between SRL and Pakistan CAA in their meeting held on January 7, 2008. However, the subject agreement has not yet been registered due to disagreement between the parties over the completion of certain legal formalities. SRL is currently pursuing the subject matter with relevant government authorities and is confident that following resolution of the dispute, the lease agreement will be registered.

Amortisation charge for the year has been allocated as under:

	Note	2013	2012
		--------------Rupees in '000-------------	
Cost of services - others	33	**1,608**	1,608
Administrative expenses	35	**85**	85
		1,693	1,693

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

11. STORES AND SPARES

	Note	2013	2012
		---------------Rupees in '000-------------	
Stores		**691,133**	793,930
Spare parts		**6,181,354**	6,238,426
Inventory held for disposal - adjusted to net realisable value		**252,859**	252,859
		7,125,346	7,285,215
Provision for slow moving and obsolete spares	11.1	**(3,499,163)**	(3,262,882)
		3,626,183	4,022,333
Stores and spares-in-transit		**59,933**	74,070
		3,686,116	4,096,403

11.1 Movement in provision is as follows:

	Note	2013	2012
Balance at the beginning of the year		**3,262,882**	2,959,535
Provision for the year	36	**236,281**	303,347
Balance at the end of the year		**3,499,163**	3,262,882

12. TRADE DEBTS

	Note	2013	2012
Considered good		**9,368,145**	10,014,544
Considered doubtful		**1,370,025**	1,188,191
Less: provision for doubtful debts	12.1	**(1,370,025)**	(1,188,191)
		-	-
		9,368,145	10,014,544

The ageing analysis of these trade debts are as follows:

	2013		2012	
	Trade debts gross	Impaired	Trade debts gross	Impaired
	-------------------------------------Rupees in '000---------------------------------			
Within current year	**8,646,847**	**68,466**	9,659,581	250,192
1 year old	**654,245**	**212,273**	440,774	155,691
2 years old	**369,908**	**325,518**	327,165	199,830
Over 3 years old	**1,067,170**	**761,440**	775,215	561,818
General provision	**-**	**2,328**	-	20,660
	10,738,170	**1,370,025**	11,202,735	1,188,191

		Note	2013	2012
			---------------Rupees in '000-------------	
12.1	Movement in provision is as follows:			
	Balance at the beginning of the year		**1,188,191**	961,301
	Written off during the year		**(25,155)**	(55,666)
	Provision for the year - net	**36**	**206,765**	279,082
	Exchange translation		**224**	3,474
	Balance at the end of the year		**1,370,025**	1,188,191

12.2 Certain portion of trade debts of the Holding company is secured by cash and bank guarantees received from agents, however, due to very large number of agents all over the network, the amount of secured trade debts is not determinable.

		Note	2013	2012
			---------------Rupees in '000------------	
13.	**SHORT-TERM LOANS AND ADVANCES**			
	Loans - unsecured			
	Current maturity of long-term loans - employees	**9**	**5,899**	8,692
	Others			
	Employees		**145,041**	178,544
	Fuel suppliers		**293,321**	1,397,157
	Other suppliers		**666,511**	464,047
	Others		**5,746**	5,713
			1,110,619	2,045,461
	Considered doubtful			
	Suppliers		**55,339**	55,339
	Provision for doubtful advances	**13.1**	**(55,339)**	(55,339)
			-	-
			1,116,518	2,054,153
13.1	Movement in provision is as follows:			
	Balance at the beginning of the year		**55,339**	55,339
	Provision for the year		**-**	-
	Balance at the end of the year		**55,339**	55,339
14.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Trade deposits		**2,131,602**	52,152
	Prepayments	**14.1**	**1,033,348**	1,152,482
			3,164,950	1,204,634
14.1	Prepayments			
	Current portion of long-term prepayments	**10**	**214,699**	219,755
	Real estate taxes		**427,167**	383,344
	Commission		**6,297**	184,854
	Interest on leased aircraft		**108,802**	125,287
	Insurance		**99,084**	88,976
	Rent		**100,285**	17,428
	Others		**77,014**	132,838
			1,033,348	1,152,482

15. OTHER RECEIVABLES

	Note	2013	2012
		---------------Rupees in '000-------------	
Considered good			
Claims receivable		**183,907**	92,968
Excise duty	**31.1 (a)**	**100,000**	100,000
Sales tax receivable	**15.1**	**4,902,346**	3,404,720
Receivables from PCB	**10.2**	**-**	71,297
Rental income	**15.2**	**136,687**	96,246
Receivables from GoP	**15.3**	**460,035**	332,809
Others	**15.4**	**528,314**	202,325
		6,311,289	4,300,365
Considered doubtful		**177,077**	177,077
Provision for doubtful other receivables		**(177,077)**	(177,077)
		-	-
		6,311,289	4,300,365

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

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

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

	2013	2012
	---------------Rupees in '000-------------	
Not later than 1 year	**421,352**	330,321
Later than 1 year but not later than 5 years	**1,523,234**	1,131,555
Later than 5 years	**1,541,300**	814,938
	3,485,886	2,276,814

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

15.4 These include taxes recoverable, credits on value added tax, supplier rebates and deposit on CVAE in respect of MFSA.

		Note	2013	2012
			---------------Rupees in '000-------------	
16.	**SHORT-TERM INVESTMENTS**			
	At fair value through profit or loss			
	Bred Institution 49 (2012: 58) Ordinary shares	16.1	285,799	297,327
	Available for sale - unquoted			
	SITA Inc., N.V., 325,491 (2011: 325,491) ordinary shares	16.2	19,220	19,220
	Loans and receivables			
	Certificate of deposits	16.3	-	201,220
			305,019	517,767

16.1 This represents 49 (2012: 58) Bred Institution Shares held by MFSA. The cost of these securities was US $ 2,702,069 (2012: US $ 3,049,407).

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.

16.3 These represented certificates of deposit at cost which approximated their fair value. These carried mark-up rate of 0.37% per annum and matured on July 1, 2013.

			2013	2012
17.	**CASH AND BANK BALANCES**		---------------Rupees in '000-------------	
	In hand		22,426	20,814
	In transit		288,566	97,146
			310,992	117,960
	With banks:			
	· in current accounts	17.2	6,424,421	5,383,184
	· in deposit accounts	17.1 & 17.2	1,574,484	802,733
			7,998,905	6,185,917
			8,309,897	6,303,877

17.1 These carry interest ranging from 0.1% to 7.5% (2012: 0.1% to 7%) per annum.

17.2 These include restricted balances aggregating Rs 1,058.396 million (2012: Rs 706.460 million) maintained in escrow accounts by RHC against the loans of RHC.

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2013	2012		2013	2012
No. of shares			Rupees in '000	
		Authorised capital		
		Ordinary share capital		
2,949,250,000	2,949,250,000	'A' class shares of Rs 10 each	**29,492,500**	29,492,500
1,500,000	1,500,000	'B' class shares of Rs 5 each	**7,500**	7,500
2,950,750,000	2,950,750,000		**29,500,000**	29,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs 10 each	**500,000**	500,000
3,000,750,000	3,000,750,000		**30,000,000**	30,000,000
		Issued, subscribed and paid-up share capital		
		Ordinary share capital		
		'A' class shares of Rs 10 each		
2,642,351,957	2,642,351,957	Issued for consideration in cash	**26,423,519**	26,423,519
		Issued for consideration other than cash		
931,028	931,028	- for acquisition of shares	**9,310**	9,310
233,934,482	233,934,482	Issued as bonus shares	**2,339,345**	2,339,345
2,877,217,467	2,877,217,467		**28,772,174**	28,772,174
		'B' class shares of Rs 5 each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash		
2,625	2,625	- for acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
1,499,999	1,499,999		**7,500**	7,500
			28,779,674	28,779,674

18.1 At December 31, 2013, the GoP held 2,435,208,439 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2012: 2,435,208,439 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively).

19. RESERVES

	Note	2013	2012
		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		**48,086**	26,818
Foreign exchange translation reserve		**5,708,338**	3,930,083
Other reserves		**12,340**	11,352
		5,768,764	3,968,253
		10,049,476	8,248,965

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

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

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

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

	2013	2012
	--------------Rupees in '000-------------	
As at January 1	**42,590,099**	36,802,201
(Deficit) / surplus arising on property, plant and equipment during the year	**(1,450,846)**	4,742,304
Deficit released to profit and loss on write off of aircraft during the year	**555,601**	-
	41,694,854	41,544,505
Less: transferred to accumulated loss:		
- Surplus on revaluation of property, plant and equipment realised during the year on account of reduced / (incremental) depreciation charged thereon - net of tax	**397,851**	(657,996)
- Related deferred tax	**190,291**	(377,718)
	588,142	(1,035,714)
Translation and other adjustments	**2,791,734**	2,081,308
	45,074,730	42,590,099
Less: related deferred tax liability on:		
- Revaluation as at January 1	**16,376,813**	13,947,612
- (Deficit) / surplus arising on property, plant and equipment during the year	**(535,512)**	1,784,997
- Reduced / (incremental) depreciation chaged during the year on related assets transferred to profit and loss	**190,291**	(377,718)
- Deficit released to profit and loss on aircraft written off	**194,460**	-
- Translation and other adjustments	**1,360,120**	1,021,922
	17,586,172	16,376,813
As at December 31	**27,488,558**	26,213,286

22. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installments/ mode	Mark-up	2013	2012
							-----------Rupees in '000---------	
Secured								
Hoding Company								
Citibank, N.A.	22.1	Demand Finance	82 USD	2006 - 2017	20 Half-yearly	5.28% fixed	**2,396,256**	3,309,941
Citibank, N.A.	22.2	Islamic Finance	75 USD & 91.825 AED	2011 - 2014	30 Monthly	3 month LIBOR + 4.25% & 3 month EIBOR + 3.75%	**4,231,216**	7,779,413
Citibank, N.A.	22.3	Islamic Finance	120 USD & 36.73 AED	2014 - 2016	33 Monthly	1 month LIBOR + 4% & 1 month EIBOR + 4%	**13,740,155**	-
Faysal Bank Limited	22.4	Term Finance	2,000 PKR	2013 - 2016	36 Monthly	6 month KIBOR + 1.75%	**1,665,338**	2,000,000
Faysal Bank Limited	22.5	Term Finance	2,000 PKR	2013 - 2018	12 Quarterly	3 month KIBOR + 1.5%	**2,000,000**	-
KASB Bank Limited	22.6	Demand Finance	194 PKR	2012 - 2013	36 Fortnightly	3 month KIBOR +2.5%	**-**	186,851
National Bank of Pakistan - Bahrain	22.7	Syndicate Finance	120 USD	2013 - 2023	40 Quartely	Note 22.7	**12,683,220**	11,667,600
National Bank of Pakistan - Bahrain	22.8	Demand Finance	40 USD & 75 SAR	2011 - 2013	24 Monthly	1 month LIBOR + 5.25% & 1 month SIBOR + 5.25%	**-**	259,273
Royal Bank of Scotland - Netherlands	22.9	Demand Finance	59.5 USD	2009 - 2013	19 Quarterly	3 month LIBOR +1.60%	**-**	1,120,405
PIAIL								
Hong Kong Shanghai Banking Corporation	22.13 to 22.14	Loan	28.867 Euro	2004-2017	Variable	3 months EURIBOR + 1.15%	**1,754,526**	1,952,783
JP Morgan Chase	22.10 to 22.12	Loan	75 USD	2011-2014	Variable	1 month LIBOR + 5.85%	**7,880,019**	7,197,107
JP Morgan Chase	22.10 to 22.12	Mezzanine Finance	56.5 USD	2011-2014	Variable	1 month LIBOR + 5.85%	**5,936,280**	5,421,821
Abacus								
Abacus International (Pte) Ltd (AIPL)	22.15	Loan	0.75 USD	2006 - 2013	Monthly	-	**-**	8,589
Unsecured- Holding Company								
Long-term loan - GoP	22.16	Term Finance	8,000 PKR	2011 - 2020	16 Half -yearly	10% fixed	**8,000,000**	8,000,000
							60,287,010	48,903,783
Current maturity shown under current liabilities							**(27,615,121)**	(20,783,496)
							32,671,889	28,120,287

22.1 The finance is secured by way of:

- Mortgage over each of the six (2012: seven) ATR aircraft purchased; and
- European Credit Agencies / GoP Guarantee.

22.2 The finance is secured against all the present and future receivables of the Holding company generated through sale of tickets in United Arab Emirates and United States of America.

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

22.4 The finance is secured by way of unconditional and irrevocable GoP guarantee. Principal amounting to Rs. 54.227 million due on December 16, 2013 was paid by the Holding company subsequent to the year end on January 21, 2014.

22.5 The finance is secured by way of GoP guarantee. Interest amounting to Rs. 52.106 million due on December 12, 2013 was paid by the Holding company subsequent to the year end on January 23, 2014.

22.6 The finance was secured by way of first Pari Passu charge over the Holding company's receivables amounting to Rs. 666.660 million (with 25% margin).

22.7 On July 1, 2013, GoP has accorded approval for rollover of this facility for an extended period of 10 years at revised interest rate of 3 month LIBOR + 3.75%. The following are the participating banks:

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

Principal and mark up aggregating Rs. 126.832 million and Rs. 101.149 million due on July 1, 2013 and October 1, 2013 have not been paid.

22.8 The finance was secured against all the present and future receivables generated from the sale of tickets in United Kingdom and Kingdom of Saudi Arabia.

22.9 The Holding company had entered into an arrangement with the bank to finance 15% of the purchase price of two B 777-300 aircraft acquired from Boeing Company. The finance was secured by GoP Guarantee.

22.10 On September 8, 2006, RHC had entered into a loan agreement and three mezzanine loan agreements amounting to US $ 96,640,641 and US $ 60,000,000 respectively. The loan agreements were originally due to mature on November 9, 2008 with an option for three separate one year extensions. RHC had exercised all three options thereby finally extending the maturity date to November 9, 2011. The security on these loans include RHC's property and equipment and require annual interest at 1 month LIBOR plus a spread as defined in the agreement (1.65% for 2011). During the year ended December 31, 2012, these loans have been settled.

22.11 On November 9, 2011, RHC entered into a loan agreement and two mezzanine loan agreements amounting to US $ 75,000,000 and US $ 56,500,000 respectively, aggregating to US $ 131,500,000. The proceeds of these loans were primarily used to settle the then outstanding loans (note 22.10). All loans shall mature on November 9, 2014. Due to the fact that the long term loans are approaching maturity within twelve months from the balance sheet date and a firm commitment for refinancing is not available, the said loans have been classified under current liabilities. The management is confident that the Group would be able to meet all its commitments atleast upto December 31, 2014. These loans are secured by, amongst other things, RHC's property and equipment and require payments of interest at the annual rate of 1 month LIBOR plus a spread as defined in the agreement (5.85% for 2013 and 2012).

22.12 On the same date, 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$ 131,500,000, expires on November 15, 2014, which caps the variable rate debt at a rate of 4.40% per annum. The cost of the interest rate cap was US$ 186,120.

22.13 This includes original loan amounts of Euro 12,000,000 and Euro 16,267,353. The loan amount of Euro 12,000,000 was obtained on March 8, 2004 for renovation works whereas loan amount of Euro 16,267,353 was refinanced on March 20, 2008 with an additional loan of Euro 600,000 obtained at that time. The refinanced loan was initially obtained to partially finance the acquisition of Scribe Gestion and Canadian National France. The above loans shall mature on May 13, 2017 and carry interest at a variable rate of three month EURIBOR plus 1.15% per annum.

The above loans are secured by mortgage on the building located at 1 Rue Scribe amounting to Euro 16,867,353 plus 10% for associated costs and Euro 12,000,000 plus 10% for associated costs. There is a first ranking pledge of MFSA's goodwill 'Fonds de Commerce' for a total amount of Euro 12,000,000 plus 10% related to associated costs and a third ranking pledge of MFSA's goodwill 'Fonds de Commerce' for a total amount of Euro 16,867,353 plus 10% related to associated costs. The Banks also hold a pledge on MFSA's cash account. Further, pooled-receivables bank-factoring guarantees for rental of all or part of the building and general insurance policies (in relation to loss of earnings and damage to properties) have also been granted.

22.14 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 16,267,353 respectively with the intent of managing its exposure to interest rate risk. These interest rate cap agreements, with the same notional amounts covered by the loan shall expire on May 13, 2017 and effectively caps the variable rate debt at a maximum rate of 5% per annum. The costs of interest rate cap were Euro 160,072 and Euro 151,806 respectively. MFSA entered into these contract with a large financial institution and considers the risk of non-performance to be remote.

22.15 This represented interest free loan amounting to US Dollars 750,000 given by AIPL. The loan was repayable in monthly installments commencing from October 2006. Abacus could not declare any dividend, until the loan has been fully repaid.

22.16 The Holding company has not paid any installment since the due date of first installment, i.e., October 23, 2011. The overdue principal and markup as at December 31, 2013 is Rs. 2,062.500 million and Rs. 3,254.246 million respectively. The overdue principal amount is included in current maturity.

23. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period period	Number of installments	Mark-up	2013	2012
						-------------Rupees in '000-----------	
Term finance certificates	23.1	GoP Guarantee	2009- 2014	10 half yearly	6 month KIBOR +0.85%	**12,789,760**	12,789,760
Sukuk certificates	23.2	GoP Guarantee	October 20, 2014	Bullet	6 month KIBOR +1.75%	**6,800,000**	6,800,000
						19,589,760	19,589,760
Less: current maturity	23.3					**(19,589,760)**	(15,195,733)
						-	4,394,027

23.1 The Holding company has not made payments of principal redemptions aggregating Rs 12,789.760 million (including Rs 2,127.360 million that became due subsequent to December 31, 2013) due on various dates as per repayment schedule. Management applied for restructuring of these term finance certificates (TFCs) prior to the due date of first redemption and the Trustee on behalf of the TFC investors has not notified any event of default to the Holding company. On July 3, 2012, the Economic Coordination Committee (ECC) decided / approved the restructuring of these TFCs from various banks alongwith restructuring of certain short-term borrowings (refer note 30.1.2) into new TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by Ministry of Finance. Presently, finalisation of the restructuring process with a consortium of TFC investors is at an advanced stage. The overdue principal amount as at December 31, 2013 is included in current maturity.

23.2 The Holding company had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31, 2009. The principal amount was payable after two years in six equal half yearly instalments, however, the Holding company has not made any principal payments that were due until December 30, 2013. The Sukuk investors were requested to re-profile the principal repayment schedule alongwith other terms of Sukuk Certificates with the assistance of Ministry of Finance. On December 30, 2013, the Sukuk agreement with Sukuk investors has been rescheduled by virtue of which the Holding company is required to pay the entire principal on October 20, 2014. The markup rate and security have remained unchanged.

23.3 This includes current maturity of the TFC and Sukuk certificates related to the principal redemption including overdue installments of TFCs as disclosed in note 23.1.

24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2013	2012
		--------------Rupees in '000-------------	
Present value of minimum lease payments - aircraft fleet			
B-777 -200 ER	24.2	**6,911,210**	9,327,546
B-777 -200 LR	24.3	**10,613,933**	12,153,040
B-777 -300 ER	24.4	**24,114,766**	26,097,922
		41,639,909	47,578,508
Present value of minimum lease payments on equipment		**-**	2,244
		41,639,909	47,580,752
Less: current maturity		**(10,282,019)**	(9,275,195)
		31,357,890	38,305,557

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

	2013			2012		
	Minimum lease payments	Finance Cost	Present value of minimum lease payments	Minimum lease payments	Finance Cost	Present value of minimum lease payments
	------------------Rupes in '000------------------					
Not later than one year	**11,527,334**	**1,245,315**	**10,282,019**	10,741,937	1,466,742	9,275,195
Later than one year and not later than five years	**31,559,961**	**1,799,082**	**29,760,879**	35,787,131	2,726,527	33,060,604
Later than five years	**1,608,451**	**11,441**	**1,597,011**	5,320,497	75,544	5,244,953
	44,695,746	**3,055,838**	**41,639,909**	51,849,565	4,268,813	47,580,752

24.2 In 2004, the Holding company arranged an Ex-Im Bank guaranteed financing of US$ 345 million to acquire three Boeing 777-200 ER aircraft, one spare engine and one propulsor, from Taxila Limited, a special purpose entity incorporated in Cayman Islands. The guaranteed lender is Citibank N.A. The lease term of spare engine and propulsor expired in the year 2012. The salient features of the lease of aircraft are as follows:

	2013	2012
Discount rate - two aircraft	**4.65%**	4.65%
Discount rate - one aircraft	**Three month LIBOR**	Three month LIBOR
Lease period - aircraft	**144 months**	144 months
Security deposits (Rupees in '000)	**889,521**	818,292
Contingent rent (Rupees in '000)	**(24,508)**	(23,924)

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

	2013	2012
Discount rate - aircraft and propulsor	**Three month LIBOR - 0.02%**	Three month LIBOR - 0.02%
Lease period - aircrafts	**144 months**	144 months
Lease period - propulsor	**96 months**	96 months
Security deposits (Rupees in '000)	**809,170**	744,375
Contingent rent (Rupees in '000)	**(599,289)**	(638,335)

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

	2013	2012
Discount rate - one aircraft	**5.25%**	5.25%
Discount rate - two aircraft and spare engine	**Three month LIBOR - 0.04%**	Three month LIBOR - 0.04%
Lease period - aircraft	**144 months**	144 months
Lease period - spare engine	**96 months**	96 months
Security deposits (Rupees in '000)	**1,626,221**	1,496,000
Contingent rent (Rupees in '000)	**(165,112)**	(138,775)

24.5 The Holding company has an option to aquire the ownership of the aircraft and engines mentioned in notes 24.2 to 24.4, at the end of lease term.

25. LONG-TERM DEPOSITS

	Note	2013	2012
		Rupees in '000	
Deposits from agents		**177,338**	185,740
Retention money		**251,616**	348,772
Others		**6,576**	255
		435,530	534,767

26. DEFERRED TAXATION

	Note	2013	2012
Roosevelt Hotel Corporation N.V.	26.1	**11,989,858**	10,959,008
Minhal France S.A.	26.2	**8,863,010**	7,358,189
Skyrooms (Private) Limited	26.3	**-**	(2,584)
Abacus Distribution Systems Pakistan (Private) Limited - accelerated depreciation		**93**	93
The Holding company	26.4	**-**	-
		20,852,961	18,314,706

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

26.1 Roosevelt Hotel Corporation N.V.

	2013	2012
Deferred tax credit:		
Revaluation of hotel property	**12,116,939**	11,185,908
Excess of tax over book depreciation	**21,759**	-
	12,138,698	11,185,908
Deferred tax debits:		
Excess of book over tax depreciation	**-**	(100,111)
Allowance for doubtful debts	**(1,023)**	(9,121)
Accrued vacation	**(147,817)**	(117,668
	(148,840)	(226,900)
Net deferred tax liability	**11,989,858**	10,959,008

	Note	2013	2012
		---------------Rupees in '000-------------	
26.2 Minhal France S.A.			
Deferred tax credits:			
Excess of book value over tax depreciation		**2,751,614**	2,561,486
Revaluation of hotel property		**6,106,738**	4,791,455
Provision for major repairs		**24,530**	21,588
		8,882,882	7,374,529
Deferred tax debit:			
Employees pension plan		**(19,872)**	(16,340)
Net deferred tax liability		**8,863,010**	7,358,189
26.3 Skyrooms (Private) Limited			
Deferred tax credits:			
Accelerated tax depreciation		**-**	12,142
Lease land acquisition premium		**-**	7,109
		-	19,251
Deferred tax debits:			
Provision against trade debts		**-**	(848)
Provision for gratuity		**-**	(20,987)
		-	(21,835)
		-	(2,584)

26.4 Holding company

	2013	2012
	---------------Rupees in '000-------------	
Deferred tax credits:		
Accelerated tax depreciation	**21,864,537**	22,913,491
Surplus on revaluation of property, plant and equipment	**67,377**	998,663
	21,931,914	23,912,154
Deferred tax debits:		
Unused tax losses	**(15,320,250)**	(17,678,665)
Provisions for liabilities and to write down other assets	**(6,611,664)**	(6,233,489)
	(21,931,914)	(23,912,154)
	-	-

26.4.1 In accordance with the accounting policy of the Holding company (note 4.10), deferred tax asset of Rs. 57,777.480 million (2012: Rs. 43,659.839 million) has not been recognised in these consolidated financial statements due to uncertainty in availability of sufficient future taxable profits.

26.5 Movement in temporary differences during the year - Restated

	Balance as at January 1, 2012	Recognised in profit and loss	Translation and other adjustments	Recognised in equity	Balance as at December 31, 2012	Recognised in profit and loss	Translation and other adjustments	Recognised in equity	Balance as at December 31, 2013
Deferred tax credits:	----------	----------	----------	----------	--Rupees in '000--	----------	----------	----------	----------
Accelerated tax depreciation	25,458,337	(283,692)	212,455	-	25,387,100	(1,053,024)	303,834	-	**24,637,910**
Surplus on revaluation of operating fixed assets	14,419,344	(391,116)	1,049,589	1,898,208	16,976,025	190,291	1,465,790	(341,052)	**18,291,054**
Amortisation of leasehold land acquisition premium	11,256	(4,146)	-	-	7,110	(7,110)	-	-	**-**
Provision for major repairs	19,585	-	2,003	-	21,588	-	2,942	-	**24,530**
	39,908,522	(678,954)	1,264,047	1,898,208	42,391,823	(869,843)	1,772,566	(341,052)	**42,953,494**
Deferred tax debits:									
Unused tax losses	(19,491,009)	1,812,344	-	-	(17,678,665)	2,358,415	-	-	**(15,320,250)**
Provisions for liabilities and to write down other assets	(5,227,942)	(807,178)	(10,991)	(352,341)	(6,398,452)	(259,389)	20,160	(142,695)	**(6,780,376)**
	(24,718,951)	1,005,166	(10,991)	(352,341)	(24,077,117)	2,099,026	20,160	(142,695)	**(22,100,626)**
	15,189,571	326,212	1,253,056	1,545,867	18,314,706	1,229,183	1,792,726	(483,747)	**20,852,868**

		Note	2013	2012
			---------------Rupees in '000-------------	
27.	**DEFERRED LIABILITIES**			
	Post retirement medical benefits - Holding company	27.2	6,405,308	5,777,883
	Pension obligation - Holding company	27.3	8,785,552	7,368,315
	Unfunded staff retirement gratuity - SRL	27.12	58,043	59,961
			15,248,903	13,206,159

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

		2013	2012 (Restated)
27.2	**Post retirement medical benefits - Holding company**	---------------Rupees in '000-------------	
	Liability recognised in the consolidated balance sheet		
	Present value of defined benefit obligation	6,405,308	5,777,883
	Movement in liability during the year		
	Balance at the beginning of the year	5,777,883	4,648,297
	Expense recognised	737,289	636,983
	Total remeasurements recognised in other comprehensive income	407,700	1,006,688
	Payments made during the year	(517,564)	(514,085)
	Balance at the end of the year	6,405,308	5,777,883
	Expense recognised in the consolidated profit and loss account		
	Current service cost	102,592	88,076
	Interest cost	634,697	548,907
		737,289	636,983
	Total remeasurements recognised in other comprehensive income		
	Actuarial loss / (gain) on liability arising on		
	- financial assumptions	25,700	14,164
	- demographic assumptions	372,000	-
	- experience adjustments	10,000	992,524
		407,700	1,006,688

27.3 Pension obligation - Holding company

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
	Rupees in '000							
Liability / (Asset) recognised								
Present value of defined benefit obligation	**2,085,322**	2,162,483	**469,893**	629,686	**19,025,835**	17,789,529	**21,581,050**	20,581,698
Fair value of plan assets	**(1,830,612)**	(1,904,687)	**(1,052,508)**	(1,064,367)	**(9,912,378)**	(10,244,329)	**(12,795,498)**	(13,213,383)
	254,710	257,796	**(582,615)**	(434,681)	**9,113,457**	7,545,200	**8,785,552**	7,368,315
Movement in liability / (asset) during the year								
Opening liability / (asset)	**257,796**	125,388	**(434,681)**	(449,064)	**7,545,200**	4,849,568	**7,368,315**	4,525,892
Expense recognised in profit or loss	**68,916**	55,777	**(46,956)**	(51,476)	**1,289,097**	995,244	**1,311,057**	999,545
Total remeasurements recognised in other comprehensive income	**(57,803)**	90,830	**(96,983)**	69,854	**358,946**	1,780,174	**204,160**	1,940,858
Employer contributions	**(14,199)**	(14,199)	**(3,995)**	(3,995)	**(79,786)**	(79,786)	**(97,980)**	(97,980)
Closing liability / (asset)	**254,710**	257,796	**(582,615)**	(434,681)	**9,113,457**	7,545,200	**8,785,552**	7,368,315
Movement in the defined benefit obligation								
Obligation as at January 1	**2,162,483**	1,986,809	**629,686**	569,000	**17,789,529**	14,923,556	**20,581,698**	17,479,365
Current service cost	**40,086**	40,991	**3,262**	4,907	**425,986**	394,034	**469,334**	439,932
Interest cost	**236,134**	238,076	**68,053**	67,105	**1,963,196**	1,787,272	**2,267,383**	2,092,453
Benefits paid	**(218,289)**	(164,402)	**(75,842)**	(64,315)	**(1,436,527)**	(1,250,768)	**(1,730,658)**	(1,479,485)
Remeasurement	**(135,092)**	61,009	**(155,266)**	52,989	**283,651**	1,935,435	**(6,707)**	2,049,433
Obligation as at December 31	**2,085,322**	2,162,483	**469,893**	629,686	**19,025,835**	17,789,529	**21,581,050**	20,581,698
Movement in fair value of plan assets								
Fair value as at January 1	**1,904,687**	1,861,421	**1,064,367**	1,018,064	**10,244,329**	10,073,988	**13,213,383**	12,953,473
Interest income	**207,304**	223,290	**118,271**	123,488	**1,100,085**	1,186,062	**1,425,660**	1,532,840
Employer contributions	**14,199**	14,199	**3,995**	3,995	**79,786**	79,786	**97,980**	97,980
Benefits paid	**(218,289)**	(164,402)	**(75,842)**	(64,315)	**(1,436,527)**	(1,250,768)	**(1,730,658)**	(1,479,485)
Return on plan assets excluding amount included in interest income	**(77,289)**	(29,821)	**(58,283)**	(16,865)	**(75,295)**	155,261	**(210,867)**	108,575
Fair value as at December 31	**1,830,612**	1,904,687	**1,052,508**	1,064,367	**9,912,378**	10,244,329	**12,795,498**	13,213,383
Expense recognised in profit or loss								
Current service cost	**40,086**	40,991	**3,262**	4,907	**425,986**	394,034	**469,334**	439,932
Net interest expense / (income)	**28,830**	14,786	**(50,218)**	(56,383)	**863,111**	601,210	**841,723**	559,613
	68,916	55,777	**(46,956)**	(51,476)	**1,289,097**	995,244	**1,311,057**	999,545
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on								
- financial assumptions	**(97,550)**	148,066	**(12,563)**	37,813	298,352	1,456,182	188,239	1,642,061
- demographic assumptions	**(62,372)**	-	**(19,004)**	-	437,504	-	356,128	-
- experience adjustments	**24,830**	(87,057)	**(123,699)**	15,176	(452,205)	479,253	(551,074)	407,372
	(135,092)	61,009	**(155,266)**	52,989	283,651	1,935,435	(6,707)	2,049,433
Return on plan assets excluding amount included in interest income	**77,289**	29,821	**58,283**	16,865	75,295	(155,261)	210,867	(108,575)
	(57,803)	90,830	**(96,983)**	69,854	358,946	1,780,174	204,160	1,940,858
The plan assets comprise of:								
Debt instruments	**13.07%**	38.81%	21.75%	37.58%	30.10%	39.83%	26.98%	9.50%
Others including cash and cash equivalents	**86.93%**	61.19%	78.25%	62.42%	69.90%	60.17%	73.02%	60.50%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Actual return on plan assets	**130,015**	193,469	59,988	106,623	1,024,790	1,341,323	1,214,793	1,641,415

27.4 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 28.1) were carried out at December 31, 2013. The valuations have been carried out using Projected Unit Credit method and the following significant financial assumptions have been used:

	2013	2012
Valuation discount rate	**13.00%**	11.50%
Salary increase rate	**12.00%**	10.50%
Pension indexation rate	**4.00%**	3.00%
Medical inflation rate	**11.50%**	10.00%
Mortality table	**Adjusted SLIC 2001-2005 with one year age set back**	Adjusted EFU 61-66

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

	2013	2012
	-------------- Number ------------	
Pension scheme		
Active employees	**12,819**	13,799
Beneficiaries	**16,901**	14,388
Post retirement medical benefit scheme	**15,409**	16,226

27.6 Sensitivity analysis

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

		Increase / (decrease) in defined benefit obligation of					
		PALPA Fund		FENA Fund		Main Pension Fund	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		---Rupees in '000---					
Valuation discount rate	1%	(135,582)	138,285	(26,543)	29,102	(1,578,476)	1,612,131
Salary increase rate		Not Applicable	Not Applicable	Not Applicable	Not Applicable	385,711	(251,212)
Pension indexation rate	1%	134,899	(103,990)	31,133	(27,807)	966,622	(855,750)
Life expectancy	one year	160,236	111,395	86,986	64,560	127,107	(54,203)

		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%	(788,925)	918,692	(147,225)	163,873
Salary increase rate	1%	Not Applicable	Not Applicable	163,873	(149,740)
Medical inflation rate	1%	467,293	(642,951)	Not Applicable	Not Applicable
Life expectancy	one year	449,823	(20,656)	4,061	(4,052)

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

27.7 The employee benefit plans exposes the Holding company to the following risks:

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

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

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

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

27.8 The fair value of plan assets of pension funds includes investment in the Holding company's shares, amounting to Rs. 4.755 million (2012: Rs. 2.287 million).

27.9 The weighted average duration of the benefit obligations as at December 31, 2013 is as follows:

	Year
Post retirement medical benefits	
PALPA fund	0.87
FENA fund	6.57
Main Pension fund	5.92
Compensated absences	8.38
	0.40

27.10 The expected pension and medical expense for the next one year from January 1, 2014 amounts to Rs. 1,698.593 million and Rs. 888.110 million respectively. The expected amount of Pension fund is the amount which the Holding company has to contribute for the next one year.

27.11 The total expense relating to deferred liabilities of the Holding company has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 1,354.127 million (2012: Rs. 992.678 million), Rs. 312.028 million (2012: Rs. 204.202 million) and Rs. 382.19 million (2012: Rs. 439.648 million) respectively.

27.12 The scheme provides for post employee benefits for all permanent employees who complete qualifying period of five years of service with the company and are entitled to one months' 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 amounts to Rs 10.350 million (2012: Rs 11.770 million).

28. TRADE AND OTHER PAYABLES

	Note	2013	2012
		---------------Rupees in '000-------------	
Trade creditors			
Goods		**9,898,067**	1,738,390
Services		**4,890,819**	5,118,125
Airport related charges		**11,109,426**	7,944,902
Others		**403,895**	332,177
		26,302,207	15,133,594
Other liabilities			
Accrued liabilities		**8,180,434**	7,643,541
Advance against transportation (unearned revenue)		**7,906,619**	6,665,289
Obligation for compensated absences - Holding company	**28.1**	**4,330,387**	4,010,535
Unredeemed frequent flyer liabilities	**28.2**	**1,518,577**	1,683,665
Advance from customers		**890,455**	713,650
Amount due to associated undertaking	**28.3**	**480,868**	384,677
Advances and deposits		**263,016**	45,547
Earnest money		**1,795**	2,094
Payable to Holding company's employees' provident fund	**28.4**	**7,210,729**	5,412,964
Unclaimed dividend - preference shares		**8,493**	8,493
Collection on behalf of others		**14,207,067**	8,565,331
Customs and Federal excise duty		**7,071**	177,937
Capital value tax		**6,428,488**	4,307,929
Income tax deducted at source		**349,340**	156,516
Sales tax payable		**6,393**	7,394
Bed tax		**3,000**	3,740
Payable to EOBI/SESSI		**183**	468
Short-term deposits		**417,063**	326,961
Others		**82,723**	62,981
		78,594,908	55,313,306

		2013	2012
		--------------Rupees in '000------------	
28.1	**Obligation for compensated absence - Holding company**		
	Liability recognised in the balance sheet		
	Balance at the beginning of the year	**4,010,535**	3,506,407
	Expense recognised during the year	**327,774**	515,075
	Benefits paid during the year	**(7,922)**	(10,947)
	Balance at the end of the year	**4,330,387**	4,010,535

28.1.1 Number of employees covered by the compensated absences are 15,409 (2012: 16,226). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 27.4, 27.6 and 27.9 respectively.

28.1.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 216.686 million (2012: Rs. 334.470 million), Rs. 49.930 million (2012: Rs. 81.417 million) and Rs. 61.158 million (2012: Rs. 99.188 million) respectively.

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

- ticket inflation at the rate of 11% (2012: 11.5%);
- discount rate at the rate of 12.5 % (2012: 11.5%);
- expiry of unavailed points after three years; and
- accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.

28.3 This represents amount payable to Minhal Incorporated by PIAIL.

28.4 The amount is payable to Pakistan International Airlines Corporation Provident Fund and carries mark-up based on the discount rate announced by the State Bank of Pakistan.

		Note	2013	2012
29.	**ACCRUED INTEREST**		---------------Rupees in '000-------------	
	Mark-up / profit payable on:			
	- Long-term financing		**4,017,973**	3,062,508
	- Term finance certificates		**2,669,678**	1,349,835
	- Sukuk certificates		**539,955**	625,317
	- Short-term borrowings		**3,537,986**	314,953
	- Provident fund		**2,022,809**	1,431,743
			12,788,401	6,784,356
30.	**SHORT-TERM BORROWINGS**			
	Short-term loans - secured	**30.1**	**52,059,739**	56,557,824
	Running finance under mark-up arrangements	**30.2**	**4,687,799**	4,796,706
			56,747,538	61,354,530

30.1 Short-term loans - secured

Financier	Note	Security	Facility amount (million)	Expiry date	2013	2012
					----------Rupees in '000---------	
From Banking Companies						
Askari Bank Limited	**30.1.2 & 30.1.4**	GoP Guarantee; charge over all present and future assets including without limitation fixed (excluding land and building) movable and current assets of the customer; irrevocable and unconditional assignment of all present and future receivables in favour of the Bank.	1,500 PKR	26-Aug-14	**1,500,000**	1,500,000
Habib Bank Limited	**30.1.2**	GoP Guarantee	2,000 PKR	8-Sep-14	**2,000,000**	2,000,000
Habib Bank Limited	**30.1.2**	GoP Guarantee	2,000 PKR	31-Dec-14	**2,000,000**	2,000,000
Habib Bank Limited	**30.1.2**	GoP Guarantee	1,600 PKR	12-Dec-14	**1,600,000**	1,600,000
Habib Bank Limited	**30.1.2**	GoP Guarantee	1,000 PKR	16-Aug-14	**1,000,000**	1,000,000
Habib Allied International Bank Limited - London	**30.1.5**	EURO receivables	4 USD 5 USD	30-Mar-14 21-Apr-14	**951,242**	875,070
KASB Bank Limited	**30.1.5**	GoP Guarantee	1,000 PKR	30-Sep-13	**1,000,000**	1,000,000
KASB Bank Limited	**30.1.2 & 30.1.5**	GoP Guarantee	500 PKR	30-Sep-13	**500,000**	500,000
National Bank of Pakistan	**30.1.2, 30.1.4 & 30.1.5**	GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	15-Jun-14 30-Sep-13 28-Oct-13	**5,000,000**	5,000,000
National Bank of Pakistan	**30.1.4 & 30.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	20-Dec-13	**5,000,000**	5,000,000
National Bank of Pakistan	**30.1.4 & 30.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	13-Nov-13	**5,000,000**	5,000,000
National Bank of Pakistan	**30.1.4 & 30.1.5**	GoP Guarantee; ranking charge over movable current and fixed assets amounting to PKR 6,667 million with 25% margin; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	25-Mar-14	**5,000,000**	-
National Bank of Pakistan	**30.1.4**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	4,360 PKR	24-May-14	**4,360,000**	4,360,000
National Bank of Pakistan	**30.1.2, 30.1.4 & 30.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,600 PKR	30-Dec-13	**3,600,000**	3,600,000
National Bank of Pakistan	**30.1.4 & 30.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	3-Oct-13	**3,500,000**	3,500,000
National Bank of Pakistan	**30.1.4**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	29-Jun-14	**3,000,000**	3,000,000
Carried forward					**45,011,242**	39,935,070

Financier	Note	Security	Facility amount (million)	Expiry date	2013	2012
					----------Rupees in '000--------	
Brought forward					**45,011,242**	39,935,070
National Bank of Pakistan	**30.1.4**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	29-Jun-14	**2,000,000**	2,000,000
National Bank of Pakistan	**30.1.4 & 30.1.5**	Unconditional irrevocable continuing GoP Guarantee; lien and specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	16-Mar-14	**2,000,000**	2,000,000
National Bank of Pakistan	**30.1.2, 30.1.4 & 30.1.5**	GoP Guarantee	1,500 PKR	19-Aug-13	**1,500,000**	1,500,000
National Bank of Pakistan	**30.1.2, 30.1.3, 30.1.4 & 30.1.5**	Hypothecation of entire receivables, book debts, stocks and spares amounting to PKR 2,667 million with 25% margin and lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	13-Mar-14	**1,067,592**	1,372,746
National Bank of Pakistan - Bahrain		Lien over all present and future receivables generated from sales of tickets (through IATA agent and PIA counter) and cargo services within the frontier of Kingdom of Saudi Arabia, Sultanate of Oman and Bangladesh.	5 USD	28-Feb-14	**480,905**	-
National Bank of Pakistan - Bahrain	**30.1.6**	Lien over collection proceeds from Kingdom of Saudi Arabia, Sultanate of Oman and Bangladesh.	65 USD		**-**	6,319,950
National Bank of Pakistan - Bahrain		Lien over Saudi Arabia and UK collection and receivables.	25 USD		**-**	405,125
Standard Chartered Bank		First prior security over collection and facility service reserve account; assignments of ticket sales collection for UK sector through IATA; charge over assets to the extent of facility amount with 25% margin.	25 USD		**-**	3,024,933
					52,059,739	56,557,824

30.1.1 The borrowings in PKR carry mark-up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (2012: spread of 0.85% to 2.0% over 1 month and 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% to 5.75% over 1 month and 3 months LIBOR (2012: a spread of 2.25% to 5.75% over 1 month and 3 months LIBOR).

30.1.2 On July 3, 2012, the ECC has approved the conversion of short-term loans amounting to Rs. 20,700 million into TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by the Ministry of Finance. At present, the finalisation of the restructuring process is at advanced stage (refer note 23.1).

30.1.3 The Holding company has not paid the balance of the short-term loan became due during the year. As at December 31, 2013, the overdue balance of principal amount of the short-term loan aggregate Rs. 764.616 million.

30.1.4 During the year, the Holding company has not paid mark-up on these borrowings on due dates aggregating Rs. 3,281.188 million as at December 31, 2013. Subsequent to the year end such mark up has been paid.

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

30.1.6 During the year, entire amount of this facility has been adjusted from the proceeds of new syndicated Islamic facility obtained from consortium of financial institutions (refer note 22.3).

30.2 Running finance under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit (million)	Expiry date	2013	2012
						----------Rupees in '000--------	
Secured							
Habib Bank Limited		Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables.	350 PKR	35 PKR	9-Feb-15	315,073	460,991
Habib Allied International Bank Limited - London		EURO receivables	3 USD	-	On Demand	306,286	292,659
KASB Bank Limited		First pari passu charge on certain specific receivables amounting to PKR 533.33 million	Nil (2012: 155 PKR)	-	30-Jun-13	-	146,168
National Bank of Pakistan		First pari passu hypothecation charge of PKR 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	575 PKR	-	31-Jul-14	555,542	449,761
The Bank of Punjab	30.2.3	Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 1,000 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BoP counter.	550 PKR	6 PKR	1-Jan-14	544,574	543,666
United Bank Limited - Karachi		Hypothecation charge of PKR 3,427 million on all present and future stocks and spares; assignment of receivables from Karachi and Lahore.	2,570 PKR	1 PKR	8-Aug-14	2,568,263	2,545,036
Un-secured Habib American Bank		-	1.5 USD	0.7 USD	On Demand	80,980	66,735
Citibank N.A.		-	3 USD	-	On Demand	317,081	291,690
						4,687,799	4,796,706

30.2.1 The borrowings in PKR carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (2012: 2.0% to 2.5% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% (2012: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 1 month LIBOR and 4% over USD Prime Rate (2012: spread of 3.5% over 1 month LIBOR and 4% over USD Prime Rate).

30.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at December 31, 2013.

30.2.3 The agreement of this facility has expired subsequent to the year end and the Holding company is currently in the process of renewal of the facility with the bank.

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

a) The tax department had raised demand of Rs. 566.544 million (2012: Rs. 566.544 million) on December 30, 1998 as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2012: Rs. 1 million) and additional duty of Rs. 2,923.005 million (2012: Rs. 2,923.005 million) on the contention that the Holding company had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Holding company has paid Rs. 100 million (note 14) against the subject demand which is considered fully recoverable from the department. This case is currently under adjudication before Appellate Tribunal Inland Revenue (ATIR). Management believes that the case will be decided in favour of the Holding company. Accordingly, no provision has been made in these consolidated financial statements in this regard.

b) The tax department has also raised demands of Rs. 6.804 million (2012: Rs. 6.804 million) and Rs. 277.621 million (2012: Rs. 277.621 million) on March 11, 2008 as FED and sales tax respectively along with penalty of Rs. 1.205 million (2012: Rs. 1.205 million) and additional duty / default surcharge of Rs. 17.91 million (2012: Rs. 17.91 million) during the 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 (2012: Rs. 25 million) in this regard which is considered fully recoverable. The Holding company filed an appeal with the Collector of Customs, Sales Tax and Federal Excise (Appeals), which has been decided partially in its favour, partially against it and partially remanded back. The Holding company and the department both have filed appeals at the ATIR level which are pending adjudication. Management believes that the case will be decided in the favour of the Holding company. Accordingly, no provision has been made in these consolidated financial statements in this regard.

c) The tax department has also raised demands of Rs 2.065 million (2012: Rs 2.065 million) and Rs 1,319.101 million (2012: Rs 1,319.101 million) on February 25, 2010 as FED and Sales Tax respectively along with penalty of Rs 66.058 million (2012: Rs 66.058 million) and additional duty / default surcharge of Rs 534.412 million (2012: Rs 534.412 million) during the audit of the Holding company for the period 2007-2008. These demands have been raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Holding company filed appeal at Commissioner Inland Revenue (Appeals) level, which was decided in favour of the department. Currently, the Holding company has filed appeal against this at ATIR level and a rectification application with CIR (A) both of which are pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements in this regard.

d) The tax department has through orders dated March 6, 2009, December 4, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (2012: Rs. 5,877.351 million), Rs. 5,679.110 million (2012: Rs. 5,679.110 million) and Rs. 7,025.270 million (2012: 7,025.270 million) on account of delayed payment of sales tax and FED for the months of November - December 2008, January - March 2010 and November 2010 - January 2011 respectively. In addition to this, the tax department has levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs. 38.88 million, Rs. 79.969 million and Rs. 74 million respectively. The Holding company has filed application for waiver of penalty for the months of November - December 2008 before Federal Board of Revenue (FBR) on which the decision is pending. For the months of January - March 2010 and November 2010 - January 2011, the Commissioner Inland Revenue (Appeals) - CIR (A) has deleted the penalties of Rs. 5,679.110 million and Rs. 7,025.270 million respectively through its orders dated September 19, 2011, however, default surcharge and 5% penalty on the unpaid sales tax and FED were maintained. The Holding company and the department have filed appeal with the Tribunal, which has been decided in favour of the Holding company. Further, for the months of January - March 2010, the Holding company has filed an application for rectification, which is still pending before Additional Commissioner Inland Revenue (ACIR).

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

Management is confident that all the above appeals will be decided in favour of the Holding company, therefore, no provision has been made in these consolidated financial statements in respect of the subject orders / show cause notices.

e) A show cause notice was issued to the Holding company by the Collector of Customs demanding payment of Rs. 87.926 million (2012: Rs. 87.926 million) in respect of custom duties and other taxes levied on the import of simulator. The Holding company has filed an appeal before the Appellate Tribunal which is pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements.

f) The custom authorities raised demands aggregating Rs. 274.120 million (2012: Rs. 274.120 million) in total of 44 cases of identical nature by imposing custom duty, sales tax and income tax and penalty of Rs. 54.824 million (2012: Rs. 54.824 million) on re-import of aircraft engines after repair. The Holding company filed an application to the FBR at Alternate Dispute Resolution Committee (ADRC) for review of the demands. The total demand raised by the custom authorities was reduced to Rs. 226.172 million (2012: Rs. 226.172 million) as a result of the decision of ADRC. Against the amount of Rs. 226.172 million, the Holding company has paid an amount of Rs. 95.245 million and filed a petition in the High Court of Sindh, which is pending adjudication. Management believes that the case will be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements in this regard.

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

h) 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 license fee. In view of the understanding reached in the past between the Holding company and CAA, management does not accept the higher amounts being claimed by CAA. As at December 31, 2013 the amount claimed by CAA which is not acknowledged by the Holding company aggregates Rs. 4,061 million. The Holding company will take up this matter again with the Aviation Division of Government of Pakistan for resolution in the light of the previous understanding reached with CAA. Accordingly, management of the Holding company believes that no excessive amount will eventually become payable to CAA and therefore, no provision for the excessive amount has been made in these consolidated financial statements.

i) Various ex-employees of the Holding company have lodged claims against the Holding company for their dues specifically relating to their reinstatements. Management believes the claims to be frivolous, therefore, no provision has been made in these consolidated financial statements.

j) 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. 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. 5,938.243 million (2012: Rs. 5,690.326 million).

k) Claims against the Holding company not acknowledged as debt amount to Rs 455 million (2012: Rs 1,259 million).

l) Contingencies relating to income tax matters are disclosed in note 39.1.

m) Certain lawsuits which arose in the normal course of business are pending against RHC. 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.

31.2 Commitments

a) Commitments for capital expenditure amounted to Rs 63.009 million (2012: Rs. 130.473 million).

b) Outstanding letters of credit amounted to Rs 113.930 million (2012: Rs. 63.095 million).

c) Outstanding letters of guarantee amounted to Rs 583.403 million (2012: Rs. 508.372 million).

d) Financial guarantee - Minhal France S.A amounted to Rs 1,457.619 million (2012: Rs 1,282.852 million).

e) The Holding company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to USD 1,527.904 million (2012: USD 1,527.904 million) equivalent to Rs 161,489.521 million (2012: Rs 148,558.129 million) based on catalogue prices. The Holding company has not made certain payments on its due dates as per the terms of the agreement.

f) The amount of future payments in operating lease arrangement relating to various aircraft and the period in which these payments will become due is as follows:

	2013	2012
	---------------Rupees in '000-------------	
Not later than one year	**1,481,774**	1,218,359
Later than one year but not later than five years	**2,869,560**	3,858,136
	4,351,334	5,076,495

g) The amount of future payments in lease arrangement relating to leasehold land of SRL and the period in which these payments will become due is as follows:

	2013	2012
	---------------Rupees in '000-------------	
Not later than one year	**11,155**	20,311
Later than one year but not later than five years	**71,089**	81,245
Later than five years	**423,654**	507,782
	505,898	609,338

	2013	2012
32. REVENUE - NET	---------------Rupees in '000-------------	
Passenger	**84,956,590**	100,805,806
Cargo	**5,888,887**	6,295,562
Excess baggage	**1,109,804**	983,063
Charter services	**503,333**	710,067
Engineering services	**635,839**	738,609
Handling and related services	**635,584**	667,519
Mail	**438,033**	415,142
Room, food and beverages sales	**12,722,350**	11,483,962
Others	**2,920,820**	2,677,815
	109,811,240	124,777,545

		2013	2012 (Restated)
33. COST OF SERVICES - OTHERS		---------------Rupees in '000-------------	
Salaries, wages and allowances		**15,433,381**	14,474,441
Welfare and social security costs		**94,002**	87,951
Retirement benefits		**1,640,861**	1,275,991
Compensated absences		**216,686**	334,470
Legal and professional charges		**22,788**	17,352
Stores and spares consumed		**1,932,352**	2,497,104
Maintenance and overhaul		**3,530,334**	5,662,623
Flight equipment rental		**1,919,881**	1,497,186
Landing and handling		**14,656,406**	12,296,804
Passenger services		**3,135,909**	3,441,576
Crew layover		**2,976,811**	2,960,301
Food and beverages		**588,496**	515,074
Staff training		**104,809**	143,345
Food cost		**7,516**	36,213
Utilities		**65,396**	68,795
Communication		**150,524**	121,886
Insurance		**1,211,633**	1,312,731
Rent, rates and taxes		**596,184**	647,334
Printing and stationery		**171,961**	215,724
Depreciation	**5.7**	**7,334,450**	8,690,017
Amortisation of intangibles and prepayment	**6.1 & 10.4**	**3,275**	3,275
Others		**984,580**	947,190
		56,778,235	57,247,383

33.1 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 (2012: unaudited) financial statements of the provident fund as at December 31, 2013 and 2012.

	2013	2012
The information related to provident fund established by the Holding company is as follows:	---------------Rupees in '000-------------	
Size of provident fund	**23,583,817**	24,310,931
Cost of investments made	**19,804,004**	21,231,774
Percentage of investments made	**88%**	92%
Fair value of investment	**20,829,608**	22,260,053

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

	2013	2012	2013	2012
Term finance certificates	------------Percentage-----------		------------Rupees in '000--------------	
Pakistan Investment Bonds	**19%**	18%	**4,404,292**	4,285,592
Treasury Bills	**2%**	2%	**517,040**	513,549
Islamic bonds	**1%**	4%	**247,855**	920,174
Term deposit receipts	**9%**	9%	**2,088,726**	2,112,939
Bank deposits	**56%**	56%	**13,235,673**	13,685,586
PIAC shares	**1%**	3%	**323,089**	739,677
	0.05%	0.01%	**12,933**	2,536
			20,829,608	22,260,053

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

	Note	2013	2012
		------------------Number----------------	
33.1.2 Number of employees of the Corporation:			
Average number of employees during the year		**16,478**	17,405
Number of employees as at year end		**15,957**	16,998

	Note	2013	2012 (Restated)
		--------------Rupees in '000------------	
34. DISTRIBUTION COSTS			
Salaries, wages and allowances		**2,131,850**	1,958,653
Welfare and social security costs		**105,477**	118,454
Retirement benefits		**378,100**	249,981
Compensated absences		**49,930**	81,417
Distribution and advertising expenses		**2,150,978**	3,337,799
Legal and professional charges		**32,806**	33,697
Repairs and maintenance		**61,327**	63,812
Insurance		**23,754**	26,065
Printing and stationery		**33,472**	38,215
Communication		**513,513**	493,752
Staff training		**39,193**	70,564
Rent, rates and taxes		**340,315**	311,468
Utilities		**36,809**	22,662
Amortisation of intangibles	6.1	**50**	50
Depreciation	5.7	**61,839**	37,391
Others		**383,877**	403,788
		6,343,290	7,247,768

	Note	2013	2012 (Restated)
35. ADMINISTRATIVE EXPENSES			
Salaries, wages and allowances		**3,712,025**	3,223,595
Welfare and social security costs		**2,612,062**	2,136,873
Retirement benefits		**463,118**	516,863
Compensated absences		**61,158**	99,188
Legal and professional charges		**356,489**	307,383
Repairs and maintenance		**405,705**	356,359
Insurance		**45,990**	28,260
Printing and stationery		**95,045**	71,217
Management fee	35.1	**266,911**	260,735
Staff training		**100,136**	107,314
Municipal taxes		**807,322**	731,221
Rent, rates and taxes		**742,282**	662,245
Utilities		**759,185**	721,623
Remuneration of subsidiaries' auditors		**1,478**	824
Auditors' remuneration	35.2	**16,535**	24,517
Communication		**1,222,859**	1,077,879
Amortisation of intangibles and prepayment	6.1 & 10.4	**24,627**	24,820
Depreciation	5.7	**204,008**	217,290
Amortization in respect of long term lease - PIAL	10.2	**1,000**	-
Donations	35.3	**3,080**	8,243
Others		**869,482**	955,357
		12,770,497	11,531,806

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

	Note	2013	2012
		-----------Rupees in '000------------	
(i) Interstate Hotels and Resorts Corporation (IHC)	**35.1.1**	**116,798**	109,971
(ii) ACCOR	**35.1.2**	**150,113**	150,764
		266,911	260,735

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

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

35.2 Auditors' remuneration

	2013			2012		
	---------- Rupees in '000 ----------					
	M. Yousuf Adil Saleem & Co.	A.F. Ferguson & Co.	Total	M. Yousuf Adil Saleem & Co.	A.F. Ferguson & Co.	Total
Audit fee	**4,680**	**4,680**	**9,360**	4,254	4,254	8,508
Fee for review of condensed interim financial statements	**1,403**	**1,403**	**2,806**	1,275	1,275	2,550
Consolidated financial statements	**696**	**696**	**1,392**	633	633	1,266
Code of Corporate Governance	**240**	**240**	**480**	218	218	436
Tax and other services	**-**	**1,605**	**1,605**	-	10,023	10,023
Out of pocket expenses	**431**	**461**	**892**	392	1,342	1,734
	7,450	**9,085**	**16,535**	6,772	17,745	24,517

35.3 Donations include payments aggregating Rs. 1.5 million (2012: Rs. 4.529 million) to Al-Shifa Trust, situated at Terminal-2, Road, Karachi Airport, Pakistan in which the Managing Director of the Holding company acts as a Trustee, and Rs. 1.5 million (2012: Rs. 3.197 million) to Pakistan Airline Pilots' Association (PALPA) which is an association of and run by Holding company's pilots. Besides this, none of the directors or their spouse have any interest in the donees.

36. OTHER PROVISIONS AND ADJUSTMENTS

	Note	2013	2012
		--------------Rupees in '000--------------	
Property, plant and equipment written off		**45,926**	36,411
Provision for slow moving and obsolete spares	**11.1**	**236,281**	303,347
Provision for doubtful debts	**12.1**	**206,765**	279,082
Derivative expense		**-**	15,948
Loss on exchange of property, plant and equipment		**-**	14,556
Deficit realised on aircraft written off	**5.1.3**	**555,601**	-
Late payment surcharge on fuel		**1,236,951**	-
Others		**-**	48,966
		2,281,524	698,310

		Note	2013	2012
			-------------Rupees in '000--------------	
37.	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank deposits		**32,314**	51,399
	Interest on maintenance reserve		**13,095**	6,752
			45,409	58,151
	Income from assets other than financial assets			
	Gain on disposal of operating fixed assets		**4,775**	1,588
	Income on settlement of fleet management program liability	**37.1**	**-**	1,848,931
	Insurance claims	**37.2**	**1,450,176**	523
	Gain on termination of lease		**-**	1,307,524
	Others		**86,473**	110,902
			1,586,833	3,327,619

37.1 During the previous year on August 23, 2012, the Holding company and a vendor mutually agreed to terminate a contract which was entered in the year 2003 for a period of ten years, unless earlier terminated, to obtain repairs and maintenance services for certain aircrafts according to the Fleet Management Program (FMP) offered by the vendor. The Holding company was required to make monthly payments in accordance with the FMP rate mutually agreed with the vendor. On termination of the contract, a reconciliation of FMP services vis-à-vis FMP billings to the Holding company was made, which resulted in a net gain of USD 19.528 million.

37.2 This represents insurance claims in respect of two aircrafts.

		2013	2012
		-------------Rupees in '000--------------	
38.	**FINANCE COSTS**		
	Mark-up on long-term financing	**3,017,170**	3,318,987
	Mark-up on term finance certificates	**1,319,844**	1,598,972
	Profit on sukuk certificates	**773,687**	906,688
	Interest on liabilities against assets subject to finance lease	**772,700**	986,550
	Mark-up on short-term borrowings	**6,285,517**	4,553,219
	Interest on provident fund	**591,066**	477,071
	Arrangement, agency and commitment fee	**352,281**	67,107
	Amortisation of prepaid exposure fee	**219,755**	211,907
	Bank charges, guarantee commission and other related charges	**82,831**	49,433
		13,414,851	12,169,934

			2013	2012 (Restated)
			-------------Rupees in '000--------------	
39.	**TAXATION**			
	Current	**39.1**	**712,035**	794,946
	Deferred	**26.5**	**1,229,183**	326,212
			1,941,218	1,121,158

39.1 Current

39.1.1 In view of gross loss for the year as defined in the Income Tax Ordinance, 2001, provision for minimum taxation in the books of Holding company has not been made in accordance with section 113 of the Income Tax Ordinance, 2001. The provision for the previous year is based on Section 113 and S.R.O. 57 (I)/ 2012 dated January 24, 2012 issued by the Federal Board of Revenue (FBR) in which the rate of minimum tax for the Holding company was reduced by 50% of the applicable minimum tax rate.

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

39.1.2 As at year end, the Holding company has filed tax returns for tax years up to tax year 2012 whereas tax return for tax year 2013 has been filed subsequent to year end. The tax returns from tax years 2003 to 2013 have been filed under self assessment scheme. All assessments for tax years 1991 to 2002 have been finalized by the department. The minimum tax liability under section 80D of the repealed ordinance had been levied by the department from assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover on estimated basis. The Holding company had filed appeals against the above demands which have been decided in favour of the Holding company at Appellate Tribunal Inland Revenue (ATIR) level. The department has now filed appeal at the Sindh High Court in respect of assessment year 2000-01. After decision by the Sindh High Court on a few grounds in favour of the Holding company, the department has filed appeal in the Supreme Court. Management believes that this issue will be decided in favour of the Holding company without any additional tax liability.

39.1.3 A demand of Rs. 898.177 million (2012: Rs. 898.177 million) was raised by the Deputy Commissioner Inland Revenue (DCIR) by issuing an amended order in relation to the tax year 2005. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Holding company claimed the depreciation on the contention that those aircraft were obtained under hire purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48.235 million was also recovered by FBR in this respect. The Holding company filed appeal at CIT (A) level which was decided partially in favour of the Holding company. Being further aggrieved, the Holding company has filed appeal at ITAT level which is pending adjudication. The Holding company is confident that this issue will ultimately be decided in its favour and the amount will be recovered.

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

The Holding company has also received show cause notices in respect of tax years 2008 and 2009 on account of disallowance of depreciation on leased aircraft and other provisions. The Holding company has filed its reply in response to these notices however, the matter is still pending for adjudication.

In addition to above, the tax department has also issued orders under section 161 / 205 (related to 'assessee-in-default') of the Income Tax Ordinance, 2001 pertaining to tax years 2011 and 2012 and raised a demand of Rs. 324.319 million and Rs. 1,834.103 million respectively. The Holding company has filed an application for revision of order of tax year 2012 and appeals against the orders before CIR(A). The return of income for tax year 2011 has been selected for audit under section 214C of the Income Tax Ordinance, 2001 and the proceedings of audit are in process.

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.

40. EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of earnings per share at December 31 is based on loss attributed to owners of ordinary shares of the Holding company.

	2013	2012 (Restated)
	--------------Rupees in '000	---------------
Loss for the year (Rupees in '000)	**(43,699,015)**	(29,806,208)
Weighted average number of ordinary shares outstanding	**3,543,738,776**	3,017,179,751
Earnings per share		
'A' class Ordinary share (Rupees)	**(12.33)**	(9.88)
'B' class Ordinary share (Rupees)	**(6.17)**	(4.94)

40.1 Earnings per share has no dilution effect.

41. CASH GENERATED FROM OPERATIONS	2013	2012 (Restated)
	-------------Rupees in '000-------------	
Loss before tax	**(41,714,630)**	(28,651,910)
Adjustments for:		
Depreciation	**7,600,297**	8,944,698
Fair value change through profit and loss	**-**	(139,897)
Gain on disposal of operating fixed assets	**(4,775)**	-
Loss on disposal of fixed assets written off	**45,926**	36,411
Loss on disposal of fixed assets - net	**-**	13,116
Unrealised exchange loss	**4,452,255**	4,376,938
Amortisation of intangibles	**28,952**	28,145
Provision for slow moving stores and obsolete spares	**236,281**	303,347
Provision for doubtful debts	**206,765**	279,082
Provision for staff retirement benefits	**2,386,470**	2,557,910
Currency translation difference	**(3,547,957)**	(540,397)
Finance cost	**13,414,851**	12,169,934
Share of loss from associates	**1,456**	637
Profit on bank deposits	**(32,314)**	(51,399)
Gain on termination of lease liability	**-**	(1,307,524)
Income on settlement of fleet management liability	**-**	(1,848,931)
Deficit released on write off of aircraft	**555,601**	-
	(16,370,822)	(3,829,840)
Working capital changes		
Decrease / (increase) in stores and spares	**174,006**	(319,101)
Decrease / (increase) in trade debts	**439,634**	(1,360,410)
Decrease / (increase) in short-term loans and advances	**937,635**	(1,724,720)
(Increase) / decrease in trade deposits and prepayments	**(1,960,316)**	100,643
Increase in other receivables	**(2,010,924)**	(1,876,903)
Increase in trade and other payables	**22,961,750**	9,915,072
	20,541,785	4,734,581
Cash generated from operations	**4,170,963**	904,742

42. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	Key management personnel					
	Managing Director		Head of Department		Executives	
	2013	2012	2013	2012	2013	2012
	----------Rupees in '000----------					
Managerial remuneration	**13,031**	6,723	**67,584**	67,622	**3,409,616**	2,358,520
Contribution to provident fund	**269**	70	**926**	1,251	**171,561**	117,090
Other perquisites	**1,049**	447	**10,470**	9,864	**2,464,757**	2,132,575
	14,349	7,240	**78,980**	78,737	**6,045,935**	4,608,184
Number	**1**	1	**16**	16	**3,001**	2,040

Aggregate amount charged in the consolidated financial statements for fee to directors was Rs Nil (2012: Rs Nil). Managing Director and certain executives are also provided with the Holding company's maintained cars and facilities as per the Holding company's rules.

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

43. SEGMENT INFORMATION

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

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

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

Transaction between business segments are set on arm's length basis at price determined under permissible method as allowed under Companies Ordinance, 1984. Segment revenue, segment expenses and segment results include transaction between business segments.

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

43.1 Revenue Analysis

	Airlines operations		Hotel operations		Others		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Rupees in '000									
Revenue										
External sales	**95,771,125**	112,130,066	**14,021,842**	12,608,800	**324,974**	316,106	**-**	-	**110,117,941**	125,054,972
Intersegment sales	**-**	-	**-**	-	**-**	-	**(306,701)**	(277,427)	**(306,701)**	(277,427)
Total Revenue	**95,771,125**	112,130,066	**14,021,842**	12,608,800	**324,974**	316,106	**(306,701)**	(277,427)	**109,811,240**	124,777,545
Results										
Segment results	**(30,393,202)**	(1,839,531)	**1,185,187**	1,805,927	**90,770**	93,997	**(818,922)**	(14,088)	**(28,298,323)**	(16,481,339)
Interest expense	**(12,588,077)**	(11,380,757)	**(851,397)**	(809,865)	**-**	(7)	**24,623**	20,695	**(13,414,851)**	(12,169,934)
Interest income	**32,314**	51,399	**-**	-	**-**	-	**-**	-	**32,314**	51,399
Share of associate's loss	**(1,456)**	(637)	**-**	-	**-**	-	**-**	-	**(1,456)**	(637)
Income taxes	**(1,549,612)**	(810,227)	**(375,321)**	(278,056)	**(16,285)**	(32,875)	**-**	-	**(1,941,218)**	(1,121,158)
Depreciation	**(5,781,031)**	(7,397,143)	**(1,809,047)**	(1,486,484)	**(10,219)**	(10,788)	**-**	-	**(7,600,297)**	(8,894,415)
Amortisation	**(25,933)**	(26,403)	**(1,000)**	-	**(2,019)**	(49)	**-**	-	**(28,952)**	(26,452)

	Airlines operations		Hotel operations		Others		Eliminations / adjustments		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Rupees in '000									
Assets and Liabilities										
Segment assets	**124,656,975**	128,673,943	**74,409,583**	66,127,498	**290,318**	263,337	**(929,453)**	(2,709,898)	**198,427,423**	192,354,880
Investment in Associates	**396**	396	**-**	-	**-**	-	**70,341**	65,617	**70,737**	66,013
Capital expenditure	**6,626,035**	7,214,596	**825,064**	897,291	**9,453**	11,121	**-**	-	**7,460,552**	8,123,008
Segment liabilities	**268,934,147**	238,352,556	**39,037,905**	35,561,826	**30,496**	34,841	**(1,533,407)**	(1,683,129)	**306,469,141**	272,266,094

43.2 Geographical segments - by area of original sale

	2013					2012				
	Pakistan	United States	Europe	Others	Total	Pakistan	United States	Europe	Others	Total
Segment revenue	**43,851,547**	**16,971,534**	**24,772,713**	**23,112,580**	**108,708,375**	53,578,003	17,810,797	24,966,763	28,421,982	124,777,545
Carrying amount of assets	**179,054,105**	**424,050**	**269,355**	**26,638**	**179,774,148**	115,682,180	40,821,917	21,879,398	1,390,653	179,774,148

The major revenue earning assets comprise the aircraft fleet, all of which are registered in Pakistan. Since the fleet of the Holding company is deployed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

44. 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.

44.1 Market risk

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

a) Fuel price risk

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

b) Currency risk

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

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

	2013	2012	2013	2012
	--------------Rupees in '000-----------		---------------Rupees in '000-----------	
Change in USD rate	---------------------+5%--------------------		----------------------(5%)-------------------	
(Increase) / decrease in loss before tax	**(5,078,019)**	(4,426,617)	**5,078,019**	4,426,617
Change in GBP rate	---------------------+5%--------------------		----------------------(5%)-------------------	
(Increase) / decrease in loss before tax	**(44,100)**	(100,352)	**44,100**	100,352
Change in SAR rate	---------------------+5%--------------------		----------------------(5%)-------------------	
(Increase) / decrease in loss before tax	**(65,899)**	(62,459)	**65,899**	62,459
Change in AED rate	---------------------+5%--------------------		----------------------(5%)-------------------	
(Increase) / decrease in loss before tax	**(39,428)**	(140,263)	**39,428**	140,263
Change in Euro rate	---------------------+5%--------------------		----------------------(5%)-------------------	
(Increase) / decrease in loss before tax	**(1,548)**	(1,363)	**1,548**	1,363

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:

	2013	2012 (Restated)
Variable rate instruments at carrying amount:	---------------Rupees in '000	-------------
Long-term financing	**49,890,754**	37,585,253
Term finance and sukuk certificates	**19,589,760**	19,589,760
Liabilities against assets subject to finance lease	**29,664,422**	38,305,557
Short-term borrowings	**56,666,558**	61,287,795
Provision for payable to employees' provident fund	**7,210,729**	5,404,673
Long term deposits and prepayments	**(1,625,014)**	(1,482,576)
	161,397,209	160,690,462
Fixed rate instruments at carrying amount		
Long-term financing	**10,396,256**	11,318,530
Liabilities against assets subject to finance lease	**11,975,487**	9,275,195
Short-term borrowings	**80,980**	66,735
Bank balances	**(1,574,484)**	(802,733)
Short-term investments	**-**	(201,220)
Long term loans	**(14,595)**	(20,701)
Bank deposits	**(932,516)**	(150,396)
	19,931,128	19,485,410

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 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	
	2013	2012	2013	2012
	-- Rupees in '000			----------------------------------
Change in interest rate	---------------------+1%	--------------------	---------------------+0.25%	----------------
Increase in loss before tax	**(850,769)**	(718,550)	**(169,513)**	(3,312,112)
Change in interest rate	---------------------(1%)	--------------------	-----------------------(0.25%)	--------------
Decrease in loss before tax	**850,769**	718,550	**169,513**	3,312,112

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.

44.2 Liquidity risk

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

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

	Less than 1 year	1 - 5 years	More than 5 years	Total
	----------------------------Rupees in '000			-----------------------------
2013				
Long-term financing	**28,543,676**	**25,262,907**	**10,500,707**	**64,307,290**
Term finance and sukuk certificates	**22,799,393**	**-**	**-**	**22,799,393**
Liabilities against assets subject to finance lease	**11,527,334**	**31,559,961**	**1,608,451**	**44,695,746**
Trade and other payables	**36,194,754**	**-**	**-**	**36,194,754**
Accrued interest / mark-up / profit	**12,799,646**	**-**	**-**	**12,799,646**
Short-term borrowings	**60,276,102**	**-**	**-**	**60,276,102**
	172,140,905	**56,822,868**	**12,109,158**	**241,072,931**
2012				
Long-term financing	15,944,356	46,044,499	2,178,219	64,167,074
Term finance and sukuk certificates	16,388,469	12,614,374	-	29,002,843
Liabilities against assets subject to finance lease	10,741,937	35,787,131	5,320,497	51,849,565
Trade and other payables	23,605,794	-	-	23,605,794
Accrued interest / mark-up / profit	6,784,356	-	-	6,784,356
Short-term borrowings	61,354,530	-	-	61,354,530
	134,819,442	94,446,004	7,498,716	236,764,162

44.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2013 represents the maximum credit exposure, which is as follows:

	2013	2012
	------------Rupees in '000	-----------
Long-term investments	**49,649**	28,381
Receivable in respect of Centre Hotel	**798,648**	734,496
Long-term loans	**8,696**	12,009
Long-term deposits	**5,547,422**	5,170,100
Trade debts	**9,368,145**	10,014,544
Short-term loans	**150,940**	187,236
Trade deposits	**2,131,602**	52,152
Other receivables	**1,308,943**	795,645
Short-term investments	**305,019**	517,767
Bank balances	**8,287,471**	6,283,063
	27,956,535	23,795,394

Trade debts

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

Ageing of past due and impaired trade debts is disclosed in note 12 to the consolidated financial statements.

Other financial assets

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

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

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

44.4 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair value.

44.5 Capital management

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

45. TRANSACTIONS WITH RELATED PARTY

The related parties of the Group comprises associates, profit oriented state-controlled entities, employee retirement benefit plans, directors and key management personnel. Transactions with related parties essentially entail sale and purchase of goods and services and expenses charged between these companies. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Transactions with related parties are as follows:

	2013	2012
Retirement funds	---------------Rupees in '000-------------	
Contribution to Provident Fund and others	**448,868**	511,053
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	**20,403,298**	20,360,973
Insurance premium	**1,191,133**	1,291,956
Mark-up paid	**7,354,043**	3,897,380
GoP - Major shareholder		
Finance cost	**800,000**	802,192
Hajj revenue	**4,417,322**	4,410,495
Advance against equity from GoP	**12,993,077**	1,928,167

45.1 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.

45.2 Transactions with the directors, chief executives and key management personnel have been disclosed in note 42 to these consolidated financial statements.

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

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

46. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

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

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

Had the exemption not been granted, the accumulated losses as at December 31, 2013 would have been higher by Rs. 659.022 million (2012: Rs. 542.477 million), staff costs and loss after taxation of the Holding company for the year then ended would have been higher by Rs. 116.545 million (2012: Rs. 130.202 million) while earnings per share would have been lower by Rs. 0.03 and Rs. 0.02 per share (2012: Rs. 0.04 and Rs. 0.02 per share) for class 'A' and 'B' shareholders respectively.

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 April 29, 2014.

Syed Muhammad Ali Gardezi
Chairman

Atif Aslam Bajwa
Director

FORM OF **PROXY**

57TH AGM OF PIA

I / We ______________________ of ______________ being Shareholder(s) of Pakistan International Airlines Corporation holding the following Shares:

Folio No Participant ID No / Account No	"A" Class Shares	"B" Class Shares

hereby appoint Mr / Mrs / Miss ______________________ of ______________________ or failing him / her ______________________ of ______________________ who is / are also a Shareholder(s) of the Corporation vide Registered Folio / Participant ID No. ____________ Account No. ____________ as my / our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 57th Annual General Meeting of the Corporation to be held on Wednesday, May 28, 2014 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of May 2014.

Signed by the said ______________________________ in the presence of

WITNESSES

1.
Name: ______________________________
CNIC No. ______________________________
Address ______________________________

Signature

(Affix Revenue Stamp of Appropriate Value)

2.
Name: ______________________________
CNIC No. ______________________________
Address ______________________________

____

NOTES

(1) This Proxy Form, duly executed, must be lodged at the office of Secretary-PIA, PIA Head Office, Karachi, not less than 48 hours before the time fixed for holding the Meeting i.e. upto 10:00 A.M. Monday, May 26, 2014.

(2) No person shall act as Proxy unless he himself / she herself is a Shareholder of the Corporation except that a corporate entity may appoint a person who is not a Shareholder.

(3) Proxies without Folio / Participant ID Number and Account / Sub-Account number will not be entertained.

(4) Signature of the appointer Shareholder should agree with his / her specimen signature registered with the Corporation.

(5) If a Shareholder appoints more than one proxy and more than one instruments of proxy are deposited by a Shareholder with the Corporation, all such instruments shall be rendered invalid.

(6) In addition to the above the following requirements have to be met by CDC Account Holders / Corporate Entities:
   (i) Attested copies of CNIC or Passport of the Beneficial Owner and the Proxy holder shall be furnished with the Proxy Form whereas the Proxy holder shall also show his / her original CNIC or Passport at the Meeting.
   (ii) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature of the Nominee / Attorney shall be produced at the Meeting unless these documents have already been provided.


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