

# Annual Report 2016

Civil Aviation Authority

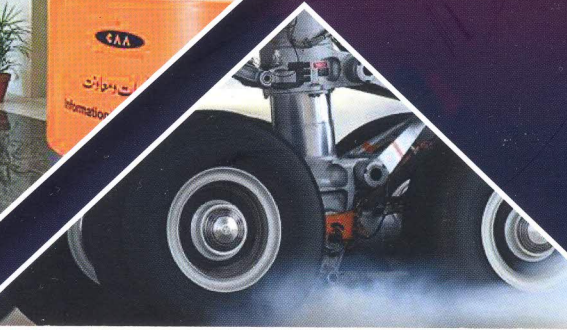
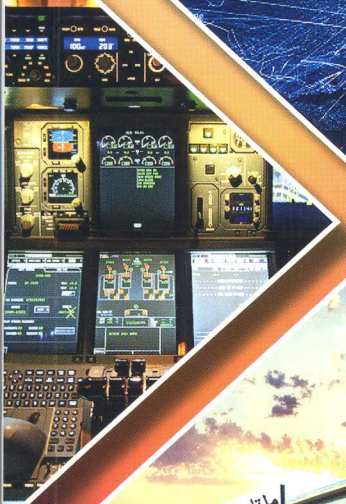




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# *Our Vision*



**“ Be a World-Class  
Service provider in the  
aviation industry”**



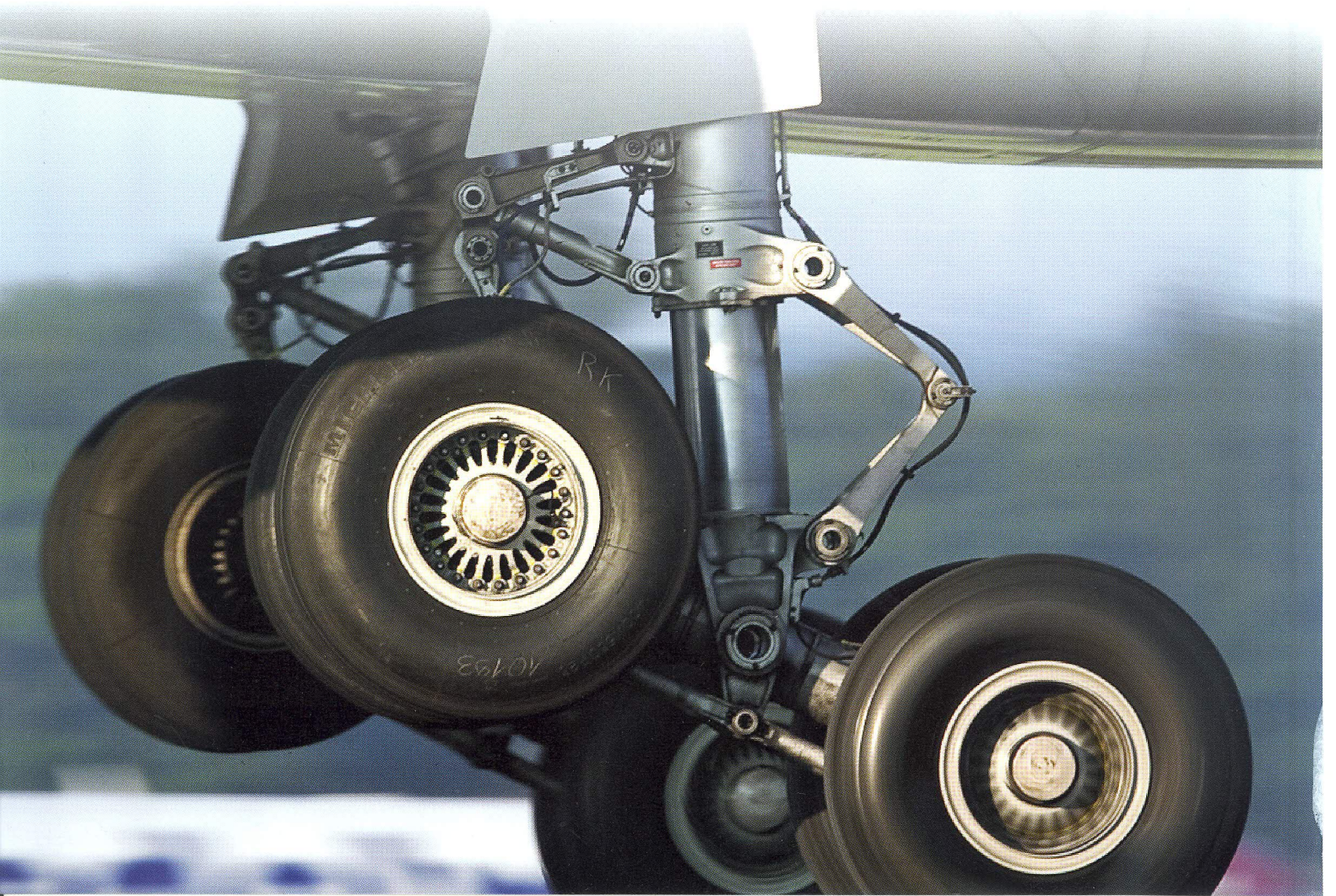
# *Our Mission*

**“Provide Safe secure and efficient best-in-class aviation services to the Stakeholder”**



# Core Values

**Commitment**  
**Professional Excellence**  
**Customer Focus Safety and Security**  
**Integrity**





## About Organization

Pakistan Civil Aviation Authority (CAA) is a public sector autonomous body working under the Federal Government of Pakistan through Aviation Division Cabinet Secretariat. CAA was established on 7th December, 1982 through Pakistan Civil Aviation Authority Ordinance 1982. Prior to creation of CAA, a Civil Aviation Department (CAD) in the Ministry of Defence (MoD) used to manage the Civil Aviation related activities. Ministry of Defence (MoD) continued to be the controlling Ministry even after creation of CAA on 7th December, 1982. However, in June, 2013, Government of Pakistan assigned this responsibility to Cabinet Secretariat (Aviation Division).

The purpose of establishing CAA is to provide for the promotion and regulations of Civil Aviation activities and to develop an infrastructure for safe, efficient, adequate, economical and properly coordinated Civil Air Transport Service in Pakistan.

The day of 7th December has significance, as it coincides with the date of creation of International Civil Aviation Organization (ICAO) in 1944 as a result of the famous Chicago Convention. Incidentally, the United Nations have declared 7th December as the International Civil Aviation day and celebrated as such every year all over the world.

CAA not only plays the role of the aviation regulator of the country but at the same time performs the service provider functions of Air Navigation Services and Airport Services. The core functions of CAA are therefore, 'Regulatory', 'Air Navigation Services' and 'Airport Services'. These core functions are fully supported by various corporate functions of the organization. The Headquarters of CAA is located at Karachi.

The restructuring process undertaken in CAA between 2006 and 2010 has enabled the Organization to meet the requirements of International Civil Aviation Organization (ICAO). During the Universal Safety Oversight Audit Program (USOAP) ICAO audited Pakistan in June, 2011 and rated Pakistan as about

83% compliant against the world average of 65%.

The general direction and administration of CAA and its affairs vest in CAA Board which exercises all powers, performs all functions and does all acts and things that need to be exercised, performed or done by the Authority. The Chairman CAA Board is the Secretary of the Division to which the affairs of the Authority are allocated. Presently, it is the Secretary Aviation. CAA Executive Committee is the highest decision making body of the Organization. It exercises such administrative, executive, financial and technical powers as delegated to it by the Authority. DGCAA is the Chairman of CAA Executive Committee. The Federal Government appoints the Director General who is the Executive head of CAA and exercises such powers and performs such functions as may be specified in CAA ordinance or delegated to him by the CAA Board from time to time. The CAA Board is assisted by CAA HR Committee and CAA Audit Committee. CAA Quality Council headed by DGCAA and comprising of Dy. DGCAA, all Principal Directors and Directors sets the macro level objectives and tasks/targets of the organization and oversees the organizational drive in pursuit of its vision and mission, adherence to the core values and CAA's to achieve the International Management System Standards.

Pakistan Civil Aviation Authority would continue to ensure distinct separation of regulatory functions from the service provider functions, strengthen all the three core functions and achieve, comply and exceed the requirements/standards set by ICAO and International Management System Standards through continued focus on the change process to enable achievement of the transformation as envisaged.



## Corporate Information

### CAA Board Members

**Sqn Ldr.(R) Muhammad Irfan Elahi**

Secretary Aviation/  
Chairman, CAA Board

**Air Marshal Asad Lodhi**

Vice Chief of Air Staff/  
Member, CAA Board

**Mr. Shoaib Ahmed Siddiqui**

Secretary, Planning & Development Division/  
Member, CAA Board

**Mr. Haque Nawaz**

Additional Secretary (Exp), Finance Division/  
Member, CAA Board

**Mr. Muhammad Zahid**

Member (Customs), FBR/  
Member, CAA Board

**Air Marshal (Retd) Asim Suleiman**

Director General CAA/  
Member, CAA Board

**Qazi Azmat Isa**

CEO Pakistan Poverty Alleviation Fund/  
Member, CAA Board

**Air Marshal (Retd) Najib Akhtar**

Member, CAA Board

**Mr. M.Bashir Janmohammad**

Chairman Westbury Group of Companies/  
Member CAA Board

**Mr. Alqera Atiq**

Secretary, CAA Board

### CAA Audit Committee

**Mr. M.Bashir Janmohammad**

Chairman, Westbury Group of Companies/  
Chairman, Audit Committee

**Mr. Shoaib Ahmed Siddiqui**

Secretary, Planning & Development Division/  
Member, CAA Audit Committee

**Mr. Muhammad Zahid**

Member (Customs), FBR/  
Member, CAA Audit Committee

**Mr. Haque Nawaz**

Additional Secretary (Exp), Finance Division/  
Member, CAA Audit Committee

**Mr. Alqera Atiq**

Secretary, CAA Audit Committee

### CAA Executive Committee

**Air Marshal (Retd) Asim Suleiman**

Director General CAA/  
Chairman, CAA Executive Committee

**Air Vice Marshal Usaid-ur-Rehman Usmani**

Additional Director General CAA/  
Member, CAA Executive Committee

**Mr. Aamer Habib Sikendar**

Director Finance/  
Member, CAA Executive Committee

**Mr. Sumair Saeed**

Director Human Resource/  
Member, CAA Executive Committee



## Corporate Information

### **Mr. Danish Qaseem**

Director CNS/  
Member, CAA Executive Committee

### **Mr. Javaid Iqbal**

PSO to DGCAA/  
Secretary, Executive Committee

### **CAA's Auditor**

M/s Deloitte Yousuf Adil, Chartered Accountants



## CAA Board Members Profiles



### Sqn Ldr (R) Muhammad Irfan Elahi

Secretary Aviation & Chairman, CAA Board

Sqn. Ldr (Retd) Muhammad Irfan Elahi was commissioned in Pakistan Air Force as GD Pilot in 1978. Later he joined the Government Service (DMG Group) in 1991 and served in the provinces of Balochistan and Punjab. He has served as Assistant Commissioner Chaman & Quetta, Political Agent Chagai & Killa Saifullah, DCO & EDO, Lahore, DCO, Rawalpindi, DG Relief, Punjab, Director Food, DG Parks and Horticulture Authority, Secretary Food, Secretary Livestock and Dairy Development and Secretary Irrigation Department Punjab. His last appointment was Chairman Planning and Development Board, Punjab. He has done his graduation, Masters in Public Administration and LLB from Punjab University. He has taken over charge as Additional Secretary (Incharge), Aviation Division on 24th November, 2015. He has extensive experience of administration, change management, human resource management and development planning.



### Air Marshal Asad Lodhi, HI(M)

Vice Chief of the Air Staff / Member, CAA Board

Air Marshal Asad Lodhi was commissioned as General Duty Pilot in Pakistan Air Force in March, 1982. He is an accomplished fighter pilot and has flown various fighter aircraft held on inventory of PAF. During his service career spanned over 35 years, he has held various command & staff appointments. He has the honour of commanding a fighter squadron, an operational PAF Base and Regional Air Command. Amongst prominent staff appointments, he has been Director Operations at Air Force Strategic Command, Assistant Chief of the Air Staff (Ops Req & Dev), Director General Projects and Deputy Chief of the Air Staff (Support) at Air Headquarters. At tri-services level, he has served as DG, Defence Purchase at Ministry of Defence Production, thereby managing the defence procurement for armed forces of Pakistan. His foreign assignments include an exchange posting at Turkey and Pakistan's Defence Attaché, Japan for three years. Air Officer is a qualified flying instructor and graduate of prestigious Combat Commanders' School. He holds masters degree in Defence and Strategic Studies from National Defence University, Pakistan. For his meritorious services, he has been awarded Tamgha-i-Imtiaz (Military), Sitara-i-Imtiaz (Military), Hilal-i-Imtiaz (Military) and Professional Excellence Badge. He has been appointed Vice Chief of the Air Staff, Pakistan Air Force wef 04 July, 2016.



### Mr. Shoaib Ahmed Siddiqui

Secretary, Planning & Development Division/Member, CAA Board

Pakistan Administrative Services BS-22 Officer Shoaib Ahmed Siddiqui has been transferred and posted as Planning, Development and Reforms Secretary. According to a notification issued on Thursday, Shoaib Ahmed Siddiqui was currently working as National Security Division, Secretary.



### Mr. Haque Nawaz

Additional Secretary (Exp), Finance Division/Member, CAA Board

Mr. Haque Nawaz is currently posted as Additional Finance Secretary (HRM/Expenditure/Development) Finance Division, Islamabad. He is from 1982 batch of Pakistan Audit and Accounts Service. He has a vast experience in the Public Financial Management. He did his masters in Chemistry. In addition, he also holds MBA degree with major in Finance. During his service, he has travelled extensively and attended several training programs, seminars and professional courses at local as well as international institutions. He served in Pakistan Military Accounts Department from 1984 to 1992 in different capacities. He also served in Ministry of Foreign Affairs for about four years and Director, Foreign Audit for around three & half years. The Officer has the honour to served in UN on secondment from September, 1999 to November, 2008 in UN Peacekeeping Mission at Kosovo. He is also on the Boards of Pak Libya Holding Company Ltd., Pakistan National Shipping Corporation and Pakistan State Oil Company Limited.



## CAA Board Member's Profile



### Mr. Muhammad Zahid

Member (Customs), FBR/Member, CAA Board

Mr. Mohammad Zahid Khokhar is one of the most outstanding and illustrious officers of Pakistan Customs Service. He started his laudable service career on 22nd Oct. 1985 and has, so far, given more than 32 years of his life to Pakistan Customs Service. He belongs to the 13th batch of Common Training Program (CTP). He is widely known and praised for his higher caliber, tireless professionalism and unbending integrity. He joined civil service after completing masters in Political Science from the University of Punjab. He attended a number of national as well as international training courses/workshops and has been to countries like China, UK, Switzerland, Philippines, Thailand and Japan. He has a varied service experience by virtue of serving at various key positions throughout the country. As Collector of Customs he served at Lahore, Sialkot, Quetta, and Faisalabad, and also served as Director Intelligence & Investigation at Karachi and Lahore. Before his current assignment, he served as Chief Collector (Enforcement), Karachi.



### Air Marshal (Retd) Asim Suleiman

Director General, CAA/Member, CAA Board



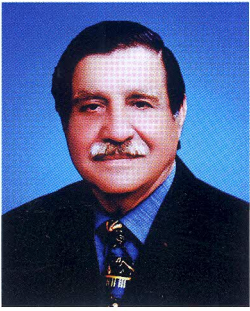
### Qazi Azmat Isa

CEO/MD, Pakistan Poverty Alleviation Fund / Member, CAA Board

Qazi Azmat Isa has been appointed as Member Pakistan Civil Aviation Authority Board, on 1st January, 2014. He has 25 years of experience in development. He is currently the CEO of the Pakistan Poverty Alleviation Fund which is a multipurpose autonomous development institution with interventions in Energy, Infrastructure, Disaster Management, Institutional Development, Livelihood Enhancement and Protection, Health, Education and Disability. Prior to this he was with the World Bank working in the rural and social sectors for the last 12 years. His last posting with the bank was in Kabul where he managed the largest community driven development program in the Bank's portfolio as well as initiated a nationwide rural enterprise development program. Before that he was head of an NGO in his province of Balochistan. He has a passionate commitment to improve the lives of poor and marginalized people: He has serviced on many Boards in a voluntary capacity, including as Chairman of the Society for the Projection of Child Rights (SPAR), Board Member with the World Wide Fund for Nature (WWF), LEAD and President of Aurat Foundation. He is presently Member of Economic Advisory Council.



## CAA Board Members Profiles



### Air Marshal (Retd) Najib Akhtar

Member, CAA Board

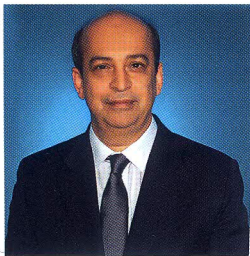
Air Marshal (Retd) Najib Akhtar has been appointed as Member Pakistan Civil Aviation Authority Board on 1st January, 2014. He joined Pakistan Air Force in the flying branch in 1964 and was commissioned in 1966 as a pilot. He flew all major combat aircrafts (F-86, F-6, Mirage and F-16) over a flying career of over 32 years. He participated in the 1971 Indo-Pak war as a Mirage Pilot from Sargodha. During his flying career he held the appointments of a fighter Squadron Commander, Command of a Fighter Base, Assistant Chief of Air Staff Operation, Air Officer Commanding of Central air command and Air Officer Commanding of Air Defence Command during Kargil operation. He retired in the rank of Air Marshal in 2000 after 34 years of service. He conceived and oversaw the setting up of a major defence production facility at the Air Weapon Complex. He was decorated with HI (M), SI (M), SBT and TI (M) for meritorious contribution to the PAF. He was deputed abroad as a flying instructor to Libya for 2 years. He participated in the 1973 Arab-Israeli war from a forward air base in Egypt as operation advisor and coordinator. He was deputed a second time to Saudi Air force as an operations and plans advisor for 3 years from 1985-88. After retirement from the service in 2000 he was selected as the ambassador to Brazil.



### Mr. M. Bashir Janmohammed

Chairman, Westbury Group of Companies / Member, CAA Board

Mr. Muhammad Bashir Janmohammed has been appointed as Member, Pakistan Civil Aviation Authority Board, on 1st January, 2014. He is B. Com, L.L.B., and FCA (Chartered Accountant). He is Chairman / Director Pak – Malaysia Business Council of the Federation of Pakistan Chambers of Commerce & Industry, Westbury Group of Companies, Dalda Foods Pvt. Ltd, Bulk Management (Pakistan) Pvt. Ltd., Mapak Edible Oils Pvt. Ltd. (Joint Venture of Pakistan / Malaysia), FWQ Enterprises Pvt. Ltd. (Joint Venture of Pakistan / Malaysia), Mapak Qasim Bulkers Pvt. Ltd. (Joint Venture of Pakistan / Malaysia) and Wazir Ali Industries Ltd. He is past Chairman / Director, Karachi Stock Exchange (Guarantee) Ltd (1980 for 6 years), Pakistan Industrial Credit & Investment Company (PICIC), Muslim Commercial Bank Limited and Central Depository Company (2008). He has been Official Member of various Trade Delegations, entourage with Prime Minister and President of Pakistan. He is a Life Member of Federation of Pakistan Chambers of Commerce & Industry (FPCCI) and Council Member of International Seed Crushers Association (ISCA) UK. He leaded delegation of NASDAQ & PORTAL to USA & UK in 2007 and Exporters of Pakistan to Malaysia in the year 2013. His Social Contribution includes Janmohammed Dawood Trust, Kharadar General Hospital (running a 200 bedded full-fledged hospital in poor locality of Kharadar, Mithadar and Lyari).



### Mr. Alqera Atiq

Secretary, CAA Board

Mr. Alqera Atiq has been serving the Pakistan Civil Aviation Authority since 1985. During his tenure, he has held various positions and his experience spans the Planning, Airport Management, Air Transport, Commercial, HR and other Directorates of CAA. He has also served as Principal Staff Officer to Director General. He holds a Masters degree in Aviation Management from Embry-Riddle Aeronautical University, USA and took charge of Secretary, CAA Board in September, 2016.



## Director General's Review

It is my honor to present the 33rd Annual Audited Financial Statements along with the Auditor's Report thereon for the year ended June 30, 2016. The year 2015-16 was yet another year of sustained progress across key business areas.

### Overview:

Pakistan's economy continues to maintain its growth momentum for the year in a row with real GDP growth at 4.71% in FY 2016. The current account deficit was higher than last year. The stable exchange rate alongwith the decline in oil prices helped push CPI inflation down to 2.9% in FY16. SBP slashed the interest rate to 5.75%, which is lowest since early 1970s. Fiscal consolidation remained on track and the budget deficit reduced further to 4.6% of GDP.

GDP posted a reasonable growth over last year despite a major setback in agriculture growth. However, the loss to some extent is compensated by remarkable growth in industrial sector Services sector maintained its target growth, while other key macroeconomic indicators like inflation, fiscal improvement and provision of infrastructure and financial facilities etc are the main contributors.

The capital market reaching historical levels is another sign of investor's interest in Pakistan's economy. Pakistan stock exchange is taking a quantum leap and its market fundamentals are strong and all set to join MSCI Emerging Market Index. The reclassification will change the dynamics of the Pakistan equity market. Many companies of the world are interested for investment in Pakistan, particularly in power, energy, oil and gas, automobiles and textile sector.

The fiscal sector of the economy has witnessed a notable improvement on account of contained expenditures and increased revenues. The budget deficit has witnessed a substantial decline from 5.3% of GDP in FY 2015 to 4.6% in FY 2016 in response to the efforts taken by the Government to reduce power subsidies together with raising tax revenues. Remittances from Pakistanis living abroad has also played significant role in supporting the current

economic condition of Pakistan.

The new CPEC (China Pakistan Economic Corridor) will play a significant role in further developing the nation's economy. The USD 46 billion investment would play a crucial role in developing the country's infrastructure. It involves the construction of a connection from Pakistan's newly built Gwadar port to China and Central Asia. Furthermore it will serve as a catalyst in enhancing mutual trade with the regional countries. Experts say that once the project is completed, Gwadar International Airport will emerge as the biggest and busiest airport in the country. Along with the construction of Gwadar airport, small airports are being built and being given international status. Experts at Brookfield Aviation International Ltd have realised the potential in the Pakistani market and in particular with the aviation industry.

We believe that under the current circumstances there will be a high demand in the aviation sector in Pakistan with not just more aircrafts being needed but also it will become a major airline transit hub in the region. Aviation Sector contributes significantly to the overall economic growth of the nation and Pakistan Civil Aviation Revenue increased by 27% over previous year.

### 2016 key financial highlights:

- ✓ The Authority Revenue grew by 27% to Rs 66 billion (the highest ever in the history of Pakistan civil aviation authority) during the current year as compared to Rs. 52 billion in the last year.
- ✓ The Surplus before taxation Rs. 22.3 billion.
- ✓ Receivable against PIAC 39.1 billion due to non-payment by PIAC from 2009.
- ✓ PCAA Assets increased by 20.3% mainly due to revaluation.
- ✓ Cash reserves of the Authority stood at Rs. 20.6 billion including deposits/Investments.



## Liquidity Position:

The Authority has been enjoying good liquidity position over the year. As of the Balance sheet date, the Authority has Rs 20.6 billion of liquid assets.

## Summary of Major Projects:

### Ongoing Projects

- Construction of New State of the Art Islamabad International Airport.
- Construction of New Gwadar International Airport.
- Expansion of Lahore, Peshawar, Quetta, Skardu, Gilgit and Faisalabad Airports.
- Replacement of Passenger Boarding Bridges, Aircraft docking system & Aircraft Power Supply at IIAP, Karachi.
- Monopulse Secondary Surveillance Radars (MSSR) at Pasni, Lakpass & Rojhan for en-route surveillance.
- Construction & Commissioning of new EVHF station at Karimabad Hunza.

### Future Major Projects

- Radars at Karachi & Lahore Area Control Centers (ACCs).
- New Radar & Establishment of Air Traffic Management (ATM) system at Islamabad Airport.
- Expansion of Allama Iqbal International Airport Lahore.
- Up-gradation of runway at Quetta, Faisalabad, Karachi & Lahore Airports.
- ILS/TDME & DVORs/DMEs at various Location/ Airports.
- Extension of VHF station at Karimabad for coverage of northern areas.
- Automatic Dependent Surveillance-B for Karachi, Lahore, Dalbandin, Laramtop & Karimabad, Hunza.

- Up-Gradation of Jinnah International Airport Karachi.

## Public Sector Development Programmed (PSDP)

- Ramma Dam & Kasana Dam at Islamabad International Airport (IIAP)
- Mansehra Airport
- ASF Barracks at Islamabad International Airport (IIAP)

Strict measures taken for the safety, security of airports, passenger comforts and unprecedented measures for infrastructure improvement the Authority expects that the passenger and aircraft movement will increase in future resulting in the corresponding increase in Revenues.

The achievements of the Authority are significant and impressive and will form the basis for stronger and more prosperous future. The financial position will surely get better year after year. Thus enabling the Authority to play an important role in the strengthening of Pakistan economy.

Director General

Pakistan Civil Aviation Authority



AUTHORITY’S PERFORMANCE REVIEW

Overview:

Pakistan’s economy continues to maintain its growth momentum for the 3rd year in a row with real GDP growing at 4.71 percent in FY 2016 which is the highest in eight years. GDP posted a reasonable growth over last year despite a major setback in agriculture growth on account of massive decline in cotton production. However, the loss to some extent is compensated by remarkable growth in industrial and services sector as both these sectors crossed their targets growth, while other key macroeconomic indicators like inflation, fiscal and current account balance recorded improvement.

The financial health of Pakistan Civil Aviation Authority is continuously improving. The Passengers movement increased by 9.9% from last year and the aircrafts movement increased by 15.5%. The revenue increased by 27.6% as compared to 2015.

2016 key financial highlights:

- ✓ The Authority Revenue grew by 27.6% to Rs 66.0 billion during the current year as compared to Rs 51.8 billion in the last year.
- ✓ The Surplus before taxation 2015-2016 is Rs. 22.3 billion as compared to Rs 18.9 billion in 2014-15.
- ✓ The provision of bad debts is Rs 14.5 billion in 2015-16 against PIAC, the main defaulter of CAA for last few years.
- ✓ Cash reserves of the Authority are Rs. 20.6 billion.

Summary of financial results for the year:

	2016	2015	Change	%
Amount in Rs million				
Aeronautical revenue	57,830	43,826	14,004	32.0
Non-aeronautical revenue	5,370	4,949	421	8.5
Inspection and services	307	387	(80)	(20.7)
Revaluation gain on Investment property	1,012	958	54	5.6
Other income	1,568	1,657	(89)	(5.4)
Total income	66,087	51,777	14,310	27.6
General & administration expenses	43,684	32,869	10,815	32.9
Exchange loss	26	26	-	-
Finance	3	8	(5)	(62.5)
	43,713	32,903	10,810	32.9
Surplus before taxation	22,374	18,874	3,500	18.5
Taxation	5,428	6,005	877	14.6
Surplus after taxation	16,946	12,869	2,623	20.4

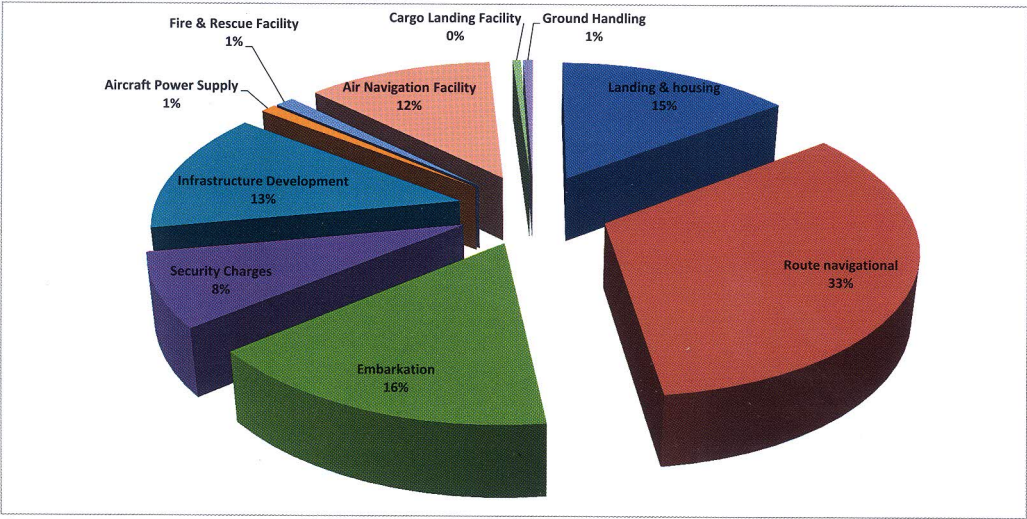
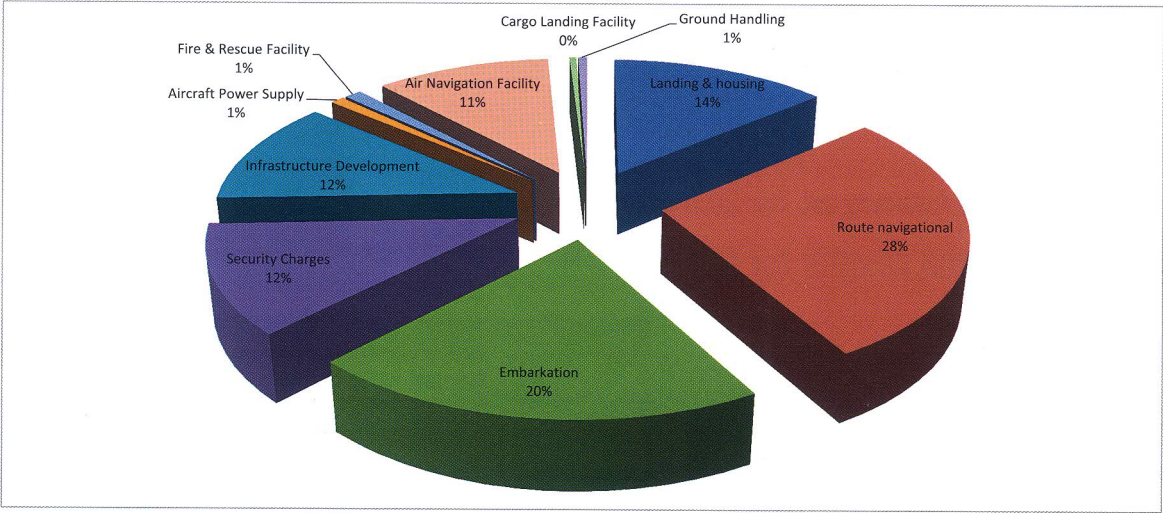


### Aeronautical Revenue:

Aeronautical revenue for the year ended June 30, 2016 is Rs 66,087 billion as compared to Rs 51,777 billion last year. As compared with last year Aeronautical Revenue increase by 14.3 billion.

Source of Aeronautical Revenue

	2016	2015	Increase / (Decrease)	
	Amount in million		%	
Landing and housing fee	7,935	6,404	1,531	23.9
Route navigational fee	16,232	14,610	1,622	11.1
Embarkation fee	11,798	6,980	4,818	69.0
Security Charges Fee	6,975	3,522	3,453	98.0
Infrastructure Development Charges Fee	6,831	5,869	962	16.4
Aircraft Power Supply	497	401	96	23.9
Fire And Rescue Facility charges	617	498	119	23.9
Air Navigation Facility charges	6,375	5,049	1,326	26.3
Cargo Landing Facility Cahrges	244	227	17	7.5
Ground Handling Charges	326	266	60	22.6
	57,830	43,826	14,004	32.0

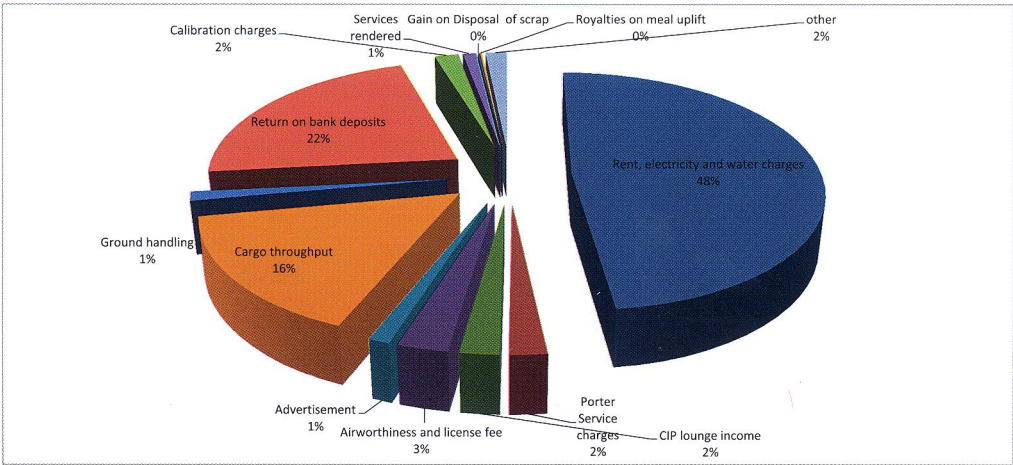
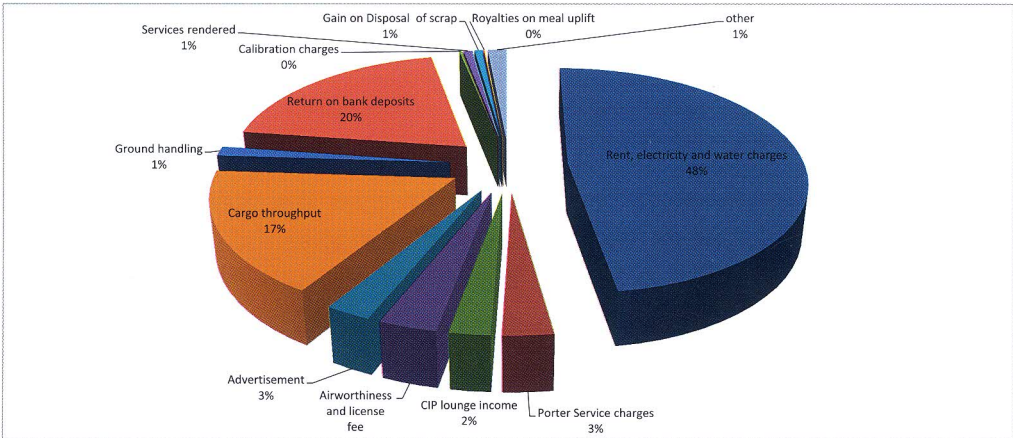




Non-Aeronautical Revenue:

The authority also achieved the Non-aeronautical revenue i.e. Rs 7,244 billion. As compared to the last year, non-aeronautical revenue increased by Rs 0.251 billion.

Source of Revenue	2016	2015	Increase / (Decrease)	
	-----Rs in Million-----		%age	
Rent, electricity and water charges	3,456	3,370	86	2.6
Porter Service charges	207	140	67	47.9
CIP lounge income	167	146	21	14.4
Airworthiness and license fee	238	189	49	25.9
Advertisement	187	79	108	136.7
Cargo throughput	1,249	1,114	135	12.1
Ground handling	94	85	9	10.6
Return on bank deposits	1,414	1,539	125	(8.1)
Calibration charges	16	127	111	(87.4)
Services rendered	51	70	-19	(27.1)
Gain on Disposal of scrap	47	8	39	487.5
Royalties on meal uplift	9	14	-5	(35.7)
other	109	112	-3	(2.7)
	7,244	6,993	251	3.6





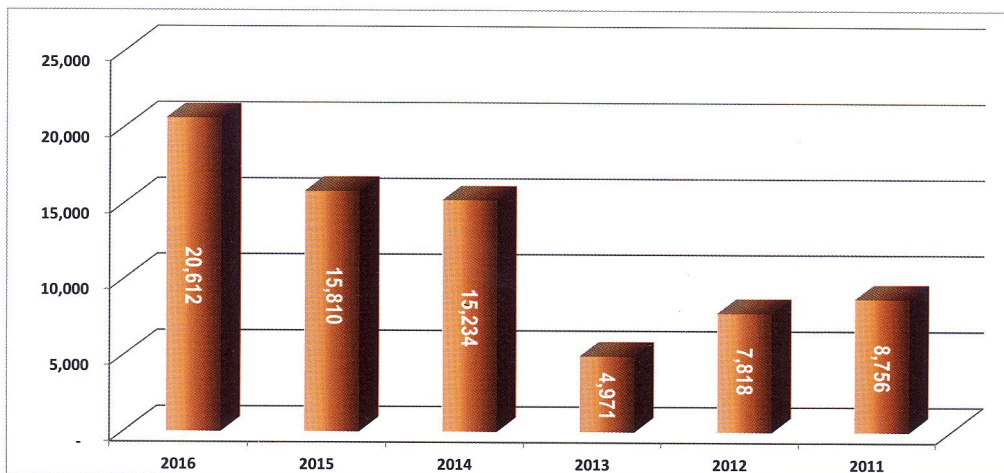
## Expenditures:

The expenditures of the Authority also increased to Rs 43,714 billion as compared to Rs 32,908 billion due to Non-payment of Pakistan International Airline

Expenditures	2016	2015	Increase / (Decrease)	
	Amounts in million		%age	
Salaries, Wages and Other benefits	18,361	18,013	(348)	(2)
Utilities	2,135	2,185	50	2
Repairs and maintenance	659	745	86	12
Other operating expense	26	26	-	-
Financial cost	3	8	5	63
Provision for Doubtful Debts	16,640	7,428	(9,212)	(124)
Travelling and Conveyance	225	188	(37)	(20)
Printing, Stationary & Periodicals	41	33	(8)	(24)
Advertising and Publicity	40	51	11	22
Security guard	69	53	(16)	(30)
Insurance	58	56	(2)	(4)
Depreciation	3,960	3,894	(66)	(2)
Impairment	975	0	(975)	(100)
Others	522	228	(294)	(129)
Total	43,714	32,908	(10,806)	(33)

## Liquidity Position:

The Authority has been enjoying good liquidity position over the year. As of the Balance sheet date, the Authority has Rs 20.6 billion of liquid assets. Despite the availability of the sufficient liquid assets, it is expected that the Authority would require external borrowing to finance the several mega projects vital for its growth in the years to come.





## Business Risks And Future Outlook

The aeronautical revenue is wholly dependent upon the level of activities of the airlines using the services of the Authority. Also, the financial and liquidity position of Pakistan International Airlines is getting worse day by day. Since PIA is the largest airline in Pakistan so the discontinuance of its operation will significantly effect the future revenues and the recoverability of the existing receivable.

However, keeping in view the improving situation of the security and strict measures taken for the safety and security of airports, the Authority expects the passenger and aircraft movement will increase in the future resulting in the corresponding increase in Revenues.

The achievements of the Authority are impressive and will form the basis for an even stronger and more prosperous future. The financial will surely get better, year after year. The Authority has an important role to play in strengthening the economy of Pakistan.



The World's Top 10 Airports 2016

- |    |                       |
|----|-----------------------|
| 1  | Singapore Changi      |
| 2  | Incheon International |
| 3  | Munich Airport        |
| 4  | Tokyo Haneda          |
| 5  | Hong Kong             |
| 6  | Centrair Nagoya       |
| 7  | Zurich                |
| 8  | London Heathrow       |
| 9  | Kansai                |
| 10 | Doha Hamad            |



The World's Top 10 Airlines - 2016

- |   |                    |    |                  |
|---|--------------------|----|------------------|
| 1 | Emirates           | 6  | Etihad Airways   |
| 2 | Qatar Airways      | 7  | Turkish Airlines |
| 3 | Singapore Airlines | 8  | EVA Air          |
| 4 | Cathay Pacific     | 9  | Qantas Airways   |
| 5 | ANAs               | 10 | Lufthansa        |



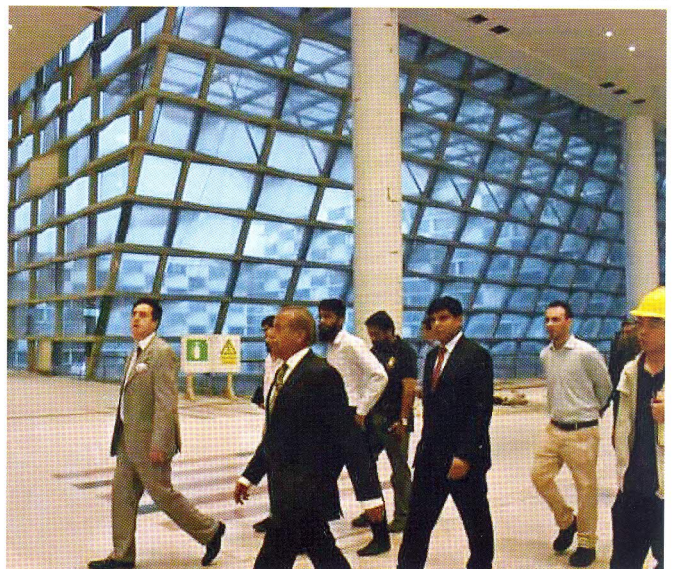














VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

	2016	2015	2014	2013	2012
	%age	%age	%age	%age	%age
Income and Expenditure summary					
Revenues					
Aeronautical revenue	87.51	84.64	86.50	87.38	81.38
Non-aeronautical revenue	8.13	9.56	10.41	9.89	13.20
Inspection and services	0.46	0.75	0.77	0.96	1.13
Revaluation gain on investment property	1.53	1.85	-		
Return on bank deposits	2.14	2.97	2.04	1.55	4.04
Other income	0.23	0.23	0.28	0.22	0.25
Total	100.00	100.00	100.00	100.00	100.00
General and administrative expenditure	66.14	63.53	50.38	62.04	56.76
Finance Cost	0.00	0.02	0.00	0.06	0.01
Total	66.14	63.55	50.38	62.10	56.77
Surplus before taxation	33.86	36.45	49.62	37.90	43.23
Taxation	8.21	11.60	7.72	14.70	18.75
Net Surplus after taxation	25.64	24.85	41.90	23.20	24.48
Balance Sheet summary					
Property, plant and equipment	69.99	65.95	66.36	92.77	92.69
Investment property	17.76	21.04			
Other non-current assets	0.08	0.12	0.10	0.16	0.03
	87.82	87.10	66.46	92.93	92.87
Cash & bank balances	5.53	5.11	5.17	1.92	3.17
Other current assets	6.71	7.88	6.70	5.29	3.97
	12.24	12.99	11.86	7.21	7.13
	100.00	100.00	100.00	100.00	100.00
Civil Aviation Authority fund	44.00	48.19	46.75	20.15	18.91
Surplus on revaluation of operating fixed assets	44.01	39.63	41.77	67.20	70.49
Non-current liabilities	9.99	9.99	9.38	10.27	8.23
Current liabilities	2.01	2.18	2.10	2.38	2.21
	100.00	100.00	100.00	100.00	99.85



## FIVE YEARS AT A GLANCE

	2016 Re-stated	2015 Re-stated	2014 Re-stated	2013	2012
	----- (Rs in million) -----				
<b>Income and Expenditure summary</b>					
<b>Revenues</b>					
Aeronautical revenue	57,830	43,826	41,247	34,712	22,117
Non-aeronautical revenue	5,370	4,949	4,966	3,930	3,587
Inspection and services	307	387	366	381	308
Revaluation gain on Investment property	1,013	958	-	-	-
Return on bank deposits	1,414	1,539	974	616	1,097
Other income	153	118	131	86	68
<b>Total</b>	<b>66,088</b>	<b>51,777</b>	<b>47,684</b>	<b>39,724</b>	<b>27,178</b>
<b>Expenditures</b>					
General and administrative expenditure	15,527	15,147	11,773	14,419	8,903
Provision for pension and gratuity	5,731	5,364	2,111	1,803	978
Provision for medical benefits	183	160	130	131	113
Provision for compensated absences	694	901	213	306	301
Provision / (reversal) for doubtful receivables	16,640	7,428	6,540	5,091	2,240
Impairment against property, plant & equipment	975	-	-	-	-
Depreciation	3,960	3,895	3,254	2,896	2,891
Finance Cost	3	9	2	22	2
<b>Total</b>	<b>43,713</b>	<b>32,903</b>	<b>24,024</b>	<b>24,669</b>	<b>15,428</b>
<b>Surplus before taxation</b>	<b>22,374</b>	<b>18,874</b>	<b>23,660</b>	<b>15,056</b>	<b>11,749</b>
Taxation	5,428	6,005	3,679	5,838	5,095
<b>Net Surplus after taxation</b>	<b>16,946</b>	<b>12,868</b>	<b>27,339</b>	<b>20,894</b>	<b>6,654</b>
<b>Balance Sheet summary</b>					
Property, plant and equipment	260,644	204,117	195,681	239,903	229,227
Investment Property	66,148	65,129	64,171	-	-
Other non-current assets	807	874	655	64	446
<b>Total non-current assets</b>	<b>327,598</b>	<b>270,119</b>	<b>260,507</b>	<b>239,967</b>	<b>229,672</b>
Cash & bank balances	20,612	15,810	15,234	4,971	7,818
Other current assets	24,217	23,590	19,144	13,673	9,819
<b>Total current assets</b>	<b>44,830</b>	<b>39,400</b>	<b>34,378</b>	<b>18,644</b>	<b>17,637</b>
	<b>372,428</b>	<b>309,520</b>	<b>294,885</b>	<b>258,610</b>	<b>247,309</b>
Civil Aviation Authority fund	163,865	149,153	137,867	52,100	46,775
Surplus on revaluation of operating fixed assets	163,895	122,677	123,184	173,792	174,337
Non-current liabilities	37,191	30,931	27,648	26,571	20,379
Current liabilities	7,477	6,759	6,186	6,149	5,457
	<b>372,428</b>	<b>309,520</b>	<b>294,885</b>	<b>258,610</b>	<b>246,947</b>



## HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

	2016	2015	2014	2013	2012
	-----(% age)-----				
Income and Expenditure summary					
Revenues					
Aeronautical revenue	662.44	502.02	472.48	397.63	253.36
Non-aeronautical revenue	209.27	192.85	189.62	159.69	139.79
Inspection and services	451.85	569.05	539.07	560.08	453.46
Revaluation gain on investment property	105.70	100.00	-	-	-
Return on bank deposits	188.48	205.14	129.76	82.05	146.19
Other income	504.10	387.39	431.23	270.84	223.12
Total	504.38	395.16	363.16	304.43	207.42
General and administrative expenditure	748.52	563.30	411.35	422.05	264.16
Finance Cost	30.65	91.87	25.52	239.33	26.12
Total	747.37	562.55	410.74	421.76	263.78
Surplus before taxation	308.45	260.19	324.80	209.82	161.97
Taxation	8,939.42	9,889.58	6,058.77	9,614.20	8,390.49
Net Surplus after taxation	235.59	178.90	276.39	130.43	92.51
Balance Sheet summary					
Property, plant and equipment	147.73	115.69	110.91	135.98	129.93
Investment property	101.56	100.00			
Other non-current assets	410.10	444.31	333.30	32.42	42.67
	135.51	111.73	107.76	99.26	94.85
Cash & bank balances	237.99	182.54	175.90	57.39	90.26
Other current assets	741.99	722.78	586.55	418.92	300.85
	375.94	330.41	288.29	156.35	147.90
	146.81	122.01	116.24	101.94	97.35
Civil Aviation Authority fund	623.77	567.77	524.81	198.32	178.06
Surplus on revaluation of operating fixed assets	103.65	77.58	77.90	109.91	110.25
Non-current liabilities	5,240.12	4,358.10	3,895.46	3,743.70	2,871.35
Current liabilities	216.79	195.96	179.36	178.28	158.21
	197.52	164.16	156.39	137.16	130.97



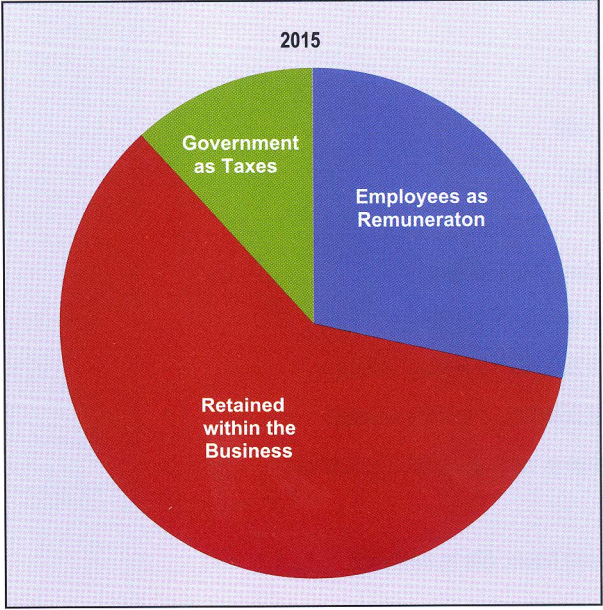
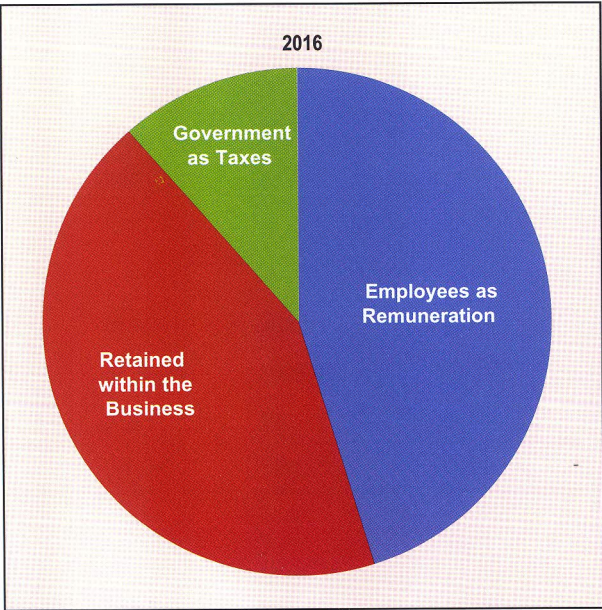
## KEY OPERATING AND FINANCIAL DATA

		2016	2015	2014	2013	2012
<b>Surplus position (Rs in million)</b>						
Revenues		66,088	51,777	47,684	39,724	27,178
Surplus before taxation		22,374	18,874	23,660	15,056	11,749
Net surplus after taxation		16,946	12,868	19,981	9,218	6,654
<b>Profitability</b>						
Surplus before taxation rate	%age	33.86	36.45	49.62	37.90	43.23
Net surplus after taxation rate	%age	26.00	25.00	41.90	23.20	24.48
<b>Performance</b>						
Fixed assets turnover (revalued amounts)	Times	0.254	0.254	0.244	0.166	0.119
Fixed assets turnover (cost)	Times	0.254	0.254	0.244	0.618	0.518
Total asset turnover (revalued amounts)	Times	0.177	0.167	0.162	0.153	0.110
Total asset turnover (cost)	Times	0.177	0.167	0.162	0.476	0.385
Debtors turnover (times)	Times	11.51	5.42	4.94	4.92	5.24
Average collection period (days)	Days	31.71	67.33	73.89	74.21	69.64
Return on equity	%age	10.34	8.63	14.49	17.69	14.23
Return on assets (revalued amount)	%age	4.55	4.16	6.78	3.56	2.69
Return on assets (cost)	%age	4.55	4.16	6.78	11.11	9.48
<b>Liquidity</b>						
Current ratio		6.00	5.83	5.56	3.03	3.23
Quick ratio		5.96	5.78	5.53	3.02	3.21
<b>Cash Flows (Rs in millions)</b>						
Net cash flow from operating activities		17,091	10,955	19,276	13,180	8,514
Net cash flow from investing activities		(15,973)	(13,605)	(6,920)	(15,005)	(9,299)
Net cash flow from financing activities		684	425	49	278	(149)
Net change in cash and cash equivalents		1,802	(2,225)	12,405	(1,547)	(934)
<b>Other Cash flows: (Rs in millions)</b>						
Capital expenditure		13,628	11,485	10,067	17,323	10,269
Contribution to the national exchequer		13,397	8,805	7,760	6,410	3,803



STATEMENT OF VALUE ADDED AND IT'S DISTRIBUTION

	2016		2015	
	----- (Rupees in thousand) -----			
VALUE ADDED				
Aeronautical revenue	57,830,227		43,285,784	
Non-aeronautical revenue	8,257,423		6,992,801	
Material and services	(21,088,996)		(10,933,934)	
	44,998,654		39,344,651	
DISTRIBUTION		%		%
EMPLOYEES AS REMUNERATION				
Salaries, wages & other staff retirement benefits	18,661,404	41	18,012,851	46
FINANCIAL CHARGES TO THE PROVIDER OF FINANCE				
Financial charges	2,852	0	8,549	0
GOVERNMENT AS TAXES				
Taxation	5,428,375	12	4,555,598	12
RETAINED WITHIN THE BUSINESS				
Depreciation	3,959,900	9	3,899,339	10
Retained Surplus	16,946,123	38	12,868,314	33
	20,906,023		16,767,653	
	44,998,654	100	39,344,651	100







# **Audited Financial Statements**

for the year ended June 30, 2016



# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

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[www.deloitte.com](http://www.deloitte.com)

## INDEPENDENT AUDITOR'S REPORT OF THE MEMBERS OF THE BOARD OF CIVIL AVIATION AUTHORITY

We have audited the accompanying financial statements of which comprise the statement of financial position as at June 30, 2016, and the related income and expenditure account, statement of comprehensive income, statement of changes in Civil Aviation Authority fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the Authority's management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as, evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of  
**Deloitte Touche Tohmatsu Limited**



# Deloitte.

## Emphasis of Matter

We draw attention to the following:

- Note 27.2 and 27.5 to the financial statements which states that the Authority is contesting appeals pending before various appellate forums in respect of certain disallowances and other matters. The ultimate outcome of the aforesaid matters cannot presently be determined;
- Note 4.3 to the financial statements which states that the Authority did not derecognize its land and building at Jinnah International Airport, Karachi from its 'Property, Plant and Equipment' in view of the reasons stated in the said note; and
- Note 4.4.1 to the financial statements which describes in detail issues related to disputes with contractors related to the capital work in progress. The disputes are at different stages of settlement in accordance with the conditions of contracts and therefore ultimate outcomes of the disputes cannot be determined at this stage.

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

## Other Matter

The financial statements of the Authority for the year ended June 30, 2015 were audited by another firm of chartered accountants who vide their report dated January 12, 2016, issued an unqualified opinion thereon. Their report contained emphasis of matter paragraphs on (a) matter of income tax appeals which were pending adjudication by appellate tribunal Inland Revenue, (b) matter relating to securitization of land at Jinnah International Airport (c) matter of significant uncertainty as to outcome of disputes pending settlements with contractors relating to capital work-in-progress and (d) matter relating to recognition of revenue on over flying flights through an air route not covered by the Authority's radar system as then identified by an investigation agency and against which revenue was recorded by the Authority based on actual receipts.

*Deloitte Yousuf Adil*  
Chartered Accountants

## Engagement Partner:

Nadeem Yousf Adil

**Date:** 13 July, 2017

**Place:** Karachi



**Statement of financial position**

As at June 30, 2016

		2016	2015 (Restated)	2014 (Restated)
		----- (Rupees in '000) -----		
<b>ASSETS</b>	<b>Note</b>			
<b>NON-CURRENT ASSETS</b>				
<b>FIXED ASSETS</b>				
Property, plant and equipment	4	260,644,060	204,116,891	195,680,592
Intangible asset	5	40,329	50,363	44,755
		260,684,389	204,167,254	195,725,347
Investment property	6	66,147,547	65,128,630	64,170,590
Long-term loans	7	756,197	814,080	607,585
Long-term deposits		10,035	9,398	3,158
<b>Total non-current assets</b>		<b>327,598,168</b>	<b>270,119,362</b>	<b>260,506,680</b>
<b>CURRENT ASSETS</b>				
Stores and spares	8	285,629	333,214	166,917
Trade debts	9	2,251,812	9,230,603	9,871,283
Loans and advances	10	1,354,266	1,344,629	246,238
Prepayments		53,876	100,666	82,082
Interest accrued		118,768	371,154	66,418
Other receivables	11	704,066	747,375	653,027
Investments	12	17,500,000	11,600,000	8,200,000
Taxation - net		19,449,033	11,462,788	8,057,927
Cash and bank balances	13	3,112,377	4,209,944	7,034,201
<b>Total current assets</b>		<b>44,829,827</b>	<b>39,400,373</b>	<b>34,378,093</b>
<b>TOTAL ASSETS</b>		<b>372,427,995</b>	<b>309,519,735</b>	<b>294,884,773</b>
<b>FUND AND LIABILITIES</b>				
<b>FUND AND RESERVES</b>				
Civil Aviation Authority Fund	14	163,864,512	149,153,101	137,867,391
Surplus on revaluation of fixed assets	15	163,895,137	122,676,766	123,183,730
<b>NON-CURRENT LIABILITIES</b>				
Deferred taxation	16	14,214,917	11,167,144	12,211,819
Other deferred liabilities	17	22,317,877	19,108,154	14,782,951
Deferred income	18	658,559	656,047	652,967
<b>Total non-current liabilities</b>		<b>37,191,353</b>	<b>30,931,345</b>	<b>27,647,737</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	19	3,202,684	2,827,878	2,794,209
Retention money and security deposits	20	4,274,309	3,930,645	3,391,706
<b>Total current liabilities</b>		<b>7,476,993</b>	<b>6,758,523</b>	<b>6,185,915</b>
<b>Total liabilities</b>		<b>44,668,346</b>	<b>37,689,868</b>	<b>33,833,652</b>
<b>TOTAL FUND AND LIABILITIES</b>		<b>372,427,995</b>	<b>309,519,735</b>	<b>294,884,773</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21			

The annexed notes 1 to 40 form an integral part of these financial statements.

S.A

M. U. A. L.

Chairman

A. S. Sulemani

Director General



## Income and expenditure account

For the year ended June 30, 2016

		2016 ----- (Rupees in '000) -----	2015 (Restated)
Note			
<b>INCOME</b>			
Aeronautical revenue	22	57,830,227	43,825,784
Non-aeronautical revenue	23	5,370,083	4,948,954
Inspection and other services	24	307,067	386,708
Revaluation gain on investment property	6	1,012,620	958,040
		<b>64,519,997</b>	<b>50,119,486</b>
<b>EXPENSES</b>			
General and administrative expenses	25	(43,683,898)	(32,868,680)
Exchange loss		(26,402)	(25,731)
Finance costs		(2,852)	(8,549)
		<b>(43,713,152)</b>	<b>(32,902,960)</b>
Other income	26	1,567,653	1,657,139
		<b>22,374,498</b>	<b>18,873,665</b>
Surplus before taxation			
Income tax expense	27	(5,428,375)	(6,005,351)
		<b>16,946,123</b>	<b>12,868,314</b>
Surplus for the year			

The annexed notes 1 to 40 form an integral part of these financial statements.

BYA

*M. U. A.*

Chairman

*Atiqi Sulaimani*

Director General



**Statement of comprehensive income**

For the year ended June 30, 2016

		2016	2015 (Restated)
	Note	----- (Rupees in '000) -----	
Surplus for the year		16,946,123	12,868,314
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to income and expenditure account</i>		-	-
<i>Items that will not be reclassified to income and expenditure account</i>			
Remeasurement of post retirement benefit obligations	32.1	(5,623,357)	(4,463,068)
Impact of tax ( 2015: restated)		1,799,474	1,472,812
Total comprehensive income for the year		<u>13,122,240</u>	<u>9,878,058</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

BY A



Chairman



Director General



## Changes in Civil Aviation Authority Fund

For the year ended June 30, 2016

	Note	Excess of assets over liabilities taken over as on December 07, 1982 (note 14)	Funds released to ADA prior to Decem- ber 07, 1982 and other dues from ADA (note 14)	Government grants and assistance	Accumulated Surplus	Civil Aviation Authority Fund
----- (Rupees in '000) -----						
Balance as at July 01, 2014, as previously stated		1,332,988	731,789	4,096,550	67,892,403	74,053,730
Effect of prior period error (note 3.25)		-	-	-	63,813,661	63,813,661
Balance as at July 01, 2014, as restated		1,332,988	731,789	4,096,550	131,706,064	137,867,391
Transferred / realization of the surplus to accumulated surplus - net of deferred tax, relating to:						
- incremental depreciation for the year (restated)	15.1	-	-	-	684,231	684,231
- surplus on revaluation of fixed assets disposed off during the year	15.1	-	-	-	13	13
Comprehensive income for the year						
- Surplus for the year, as previously stated		-	-	-	13,355,238	13,355,238
- Effect of prior period error (note 3.25)		-	-	-	(486,924)	(486,924)
- Surplus for the year, restated		-	-	-	12,868,314	12,868,314
- Other comprehensive loss (restated)		-	-	-	(2,990,256)	(2,990,256)
Total comprehensive income for the year		-	-	-	9,878,058	9,878,058
Grant from GoP for Gwadar Airport		-	-	60,000	-	60,000
Grant from Oman for Gwadar Airport		-	-	365,198	-	365,198
Grant from Malaysia, Bahrain and Japan for security equipment		-	-	298,210	-	298,210
Balance as at June 30, 2015 (restated)		1,332,988	731,789	4,819,958	142,268,366	149,153,101
Transferred / realization of the surplus to accumulated surplus - net of deferred tax, relating to:					-	-
- incremental depreciation for the year	15.1	-	-	-	840,600	840,600
- surplus on revaluation of fixed assets disposed off during the year	15.1	-	-	-	4,954	4,954
Total comprehensive income for the year						
- Surplus for the year		-	-	-	16,946,123	16,946,123
- Other comprehensive income		-	-	-	(3,823,883)	(3,823,883)
		-	-	-	13,122,240	13,122,240
Grant from Bahrain for security equipment		-	-	49,519	-	49,519
Grant from Bahrain for Aerodrome Radar		-	-	9,357	-	9,357
Grant from GoP - for Rama Dam at IIAP		-	-	684,741	-	684,741
Balance as at June 30, 2016		1,332,988	731,789	5,563,575	156,236,160	163,864,512

The annexed notes 1 to 40 form an integral part of these financial statements.

GA

*M. U. Khan*

Chairman

*Ahli Sulaimani*

Director General



**Cash flow statement**

For the year ended June 30, 2016

	Note	2016 ------(Rupees in '000) -----	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus before taxation		22,374,498	18,873,665
<b>Adjustments for:</b>			
Non-cash and other items	28	25,789,917	15,304,451
Working capital changes	29	(8,845,444)	(7,613,938)
Financial charges paid		(2,852)	(8,549)
Contribution to defined benefit plans - net	32.1	(8,885,562)	(6,582,793)
Deposits paid - net		(637)	(6,240)
Long term loans		57,883	(206,495)
Income taxes paid		(13,396,692)	(8,804,795)
		(5,283,387)	(7,918,359)
<b>Net cash generated from operations</b>		17,091,111	10,955,306
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures		(929,364)	(256,407)
Proceeds from disposal of property and equipment		34,140	26,023
Payments for capital-work-in-progress		(12,698,830)	(11,228,881)
Payments for goods in transits		(1,036,200)	(580,008)
Payments for intangibles		(3,498)	-
Payment for investment property		(6,297)	-
Return on term deposits received		1,666,630	1,234,512
Investments made during the year		(3,000,000)	(2,800,000)
<b>Net cash used in investing activities</b>		(15,973,419)	(13,604,761)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grant received from Government of Pakistan	14	684,741	60,000
Grant received from Government of Oman	14	-	365,198
<b>Net cash generated from financing activities</b>		684,741	425,198
<b>Net increase / (decrease) in cash and cash equivalents</b>		1,802,433	(2,224,257)
<b>Cash and cash equivalents at beginning of the year</b>		11,809,944	14,034,201
<b>Cash and cash equivalents at end of the year</b>	30	13,612,377	11,809,944

The annexed notes 1 to 40 form an integral part of these financial statements.

8/4



Chairman



Director General



## Notes to the Financial Statements

For the year ended June 30, 2016

### 1. LEGAL STATUS AND OPERATIONS

Pakistan Civil Aviation Authority ("the Authority") was formed as a local authority by the Government of Pakistan (GoP) on December 07, 1982 under the Pakistan Civil Aviation Authority Ordinance, 1982. The principal activities of the Authority are to provide for the promotion and regulation of civil aviation activities and development of infrastructure for civil air transport services in Pakistan. The Authority also develops, maintains and manages the aerodromes throughout Pakistan. The Authority is controlled and managed by the GoP through the Ministry of Defence and all services and facility charges are subject to the approval of the GoP.

Ministry of Defence vide letter No. 14-11/92-ADA dated August 22, 1992 addressed to the Managing Director of Airport Development Agency (ADA) had conveyed decision for the liquidation of ADA. In pursuance of this decision, ADA has gone into voluntary winding-up by passing a resolution in its extraordinary general meeting as provided in Article 59 of Memorandum of Association of ADA. Final liquidation report of ADA has been submitted to the Securities and Exchange Commission of Pakistan (SECP) by the liquidator, however, the SECP has not issued the final notice of liquidation. Pending resolution of the said matter, the assets and liabilities of ADA have not been recognized in the financial statements of the Authority being the sole beneficiary of ADA. During the year ended June 30, 2012, the Authority, on the instruction of Ministry of Defence, GoP, filed application with the Honourable High Court of Sindh for declaration of aforesaid liquidation process void on the basis of non-compliance of various provisions of the Companies Ordinance, 1984, in relation to liquidation and failure to provide certain information and supporting documents by the liquidator.

However during the year ended June 30, 2015, the GoP, through notification published in the official gazette of Pakistan dated May 06, 2015 directed that all the assets of the defunct ADA vested in or held by it either on ownership basis or otherwise, shall be deemed to have been transferred to and vested in Pakistan Civil Aviation Authority on ownership basis with absolute and exclusive title and interest therein.

Further, Aviation division of GoP, through its letter No. 12-1/2014-AT-II has constituted on April 29, 2015 a committee for affecting transfer of the title in respect of the immovable properties of Ex-ADA to the Authority's name. The assets however have not yet been transferred in the name of the Authority. The assets so to be transferred consist of bungalow No. B-6 and B-22, measuring 4,000 sq. yards at KDA Scheme at main Shahr-e-Faisal, bungalow No. 85 measuring 1,000 sq. yards at Jinnah Co-operative Housing Society and bungalow No. 15/1 measuring 528 sq. yards at Khayaban-e-Tauheed, Phase 1 DHA, Karachi.

### 2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the provisions of Pakistan Civil Aviation Authority Ordinance, 1982, and directives issued by Aviation Department. In case requirements differ, the provisions of the Pakistan Civil Aviation Authority Ordinance, 1982, directives issued by Aviation Department and provisions of and directives issued under the Companies Ordinance, 1984 shall prevail.



## Notes to the Financial Statements

For the year ended June 30, 2016

### 2.2 Basis of preparation / accounting convention

These financial statements have been prepared under the 'historical cost convention' except the revaluation of certain assets at fair value and recognition of certain retirement benefits at present value.

These financial statements have been prepared following the accrual basis of accounting except for the cash flow information and late payment surcharge on overdue balance from airlines which are recorded on receipt basis.

### 2.3 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements relate to the following:

	Note
a) Staff retirement benefits	3.5
b) Taxation	3.6
c) Useful life of depreciable and amortizable assets	3.7.2 & 3.8
d) Revaluation of assets	3.7.2
e) Estimates of recoverable amounts of stores and spares	3.11
f) Provisions	3.16
g) Impairment of financial assets and non financial assets	3.17
h) Judgement in respect of sale of Airport assets which in substance is a financing arrangement and therefore does not give rise to revenue	4.3

The determination of carrying amount of staff retirement benefits that are defined benefit plans requires actuarial assumptions and estimates about financial variables such as future salary increases, and demographic variables such as employee turnover, mortality rates, etc. The Authority employs services of professional actuaries to make such estimates and assumptions using actuarial techniques.



# Notes to the Financial Statements

For the year ended June 30, 2016

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 New accounting standards that are effective for the year ended June 30, 2016

The following standards are effective for the year ended June 30, 2016. These standards are either not relevant to the Authority’s operations or are not expected to have significant impact on the Authority’s financial statements other than certain additional disclosures.

	Effective for accounting periods beginning on or after
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015

As a result of first time application of ‘IFRS 13 - Fair Value Measurement, certain additional disclosures have been made in note 4.1.4 to the financial statements in respect of ‘Property, Plant and Equipment’ for which the Authority follows revaluation model.

Certain annual improvements have also been made to a number of IFRSs which do not have any material impact on these financial statements.

### 3.2 Amendments to accounting standards that are not yet effective

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Authority’s operations or are not expected to have significant impact on the Authority’s financial statements other than certain additional disclosures.

	Effective for accounting periods beginning on or after
Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 38 ‘Intangible Assets’ - Clarification of acceptable methods of depreciation and amortization.	January 01, 2016
Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 41 ‘Agriculture’ - Measurement of bearer plants	January 01, 2016



**Notes to the Financial Statements**

For the year ended June 30, 2016

Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements

January 01, 2016

**Effective for accounting periods beginning on or after**

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Effective date is deferred indefinitely. Earlier adoption is permitted.

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception

January 01, 2016

Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations

January 01, 2016

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative

January 01, 2016

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative

January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses

January 01, 2017

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions

January 01, 2018

Certain annual improvements have also been made to a number of IFRSs which are not expected to have any material impact on these financial statements.

Other than the aforesaid amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the SECP:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases



## Notes to the Financial Statements

For the year ended June 30, 2016

### 3.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years unless otherwise stated.

### 3.4 Loans

These are initially recognized at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognized at amortized cost using the effective interest rate method.

### 3.5 Staff retirement benefits

#### 3.5.1 Defined benefit plans

##### a) Pension Fund

The Authority operates an approved funded defined benefit pension and gratuity fund as contained in the compendium of pension issued by GoP from time to time for the permanent employees. The fund provides pension based on the employees' last drawn salaries. Pensions are payable for life to employees and thereafter to spouse and minor beneficiaries. Provision is recognized in accordance with actuarial valuations carried out every year using the projected unit credit method. Actuarial gains or losses (re-measurements) are immediately recognized in 'Other Comprehensive Income' as they occur. The amount recognized in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Past service costs are recognized immediately in the Income and Expenditure account. Current service costs and any past service costs together with net interest cost are charged to expenses.

##### b) Medical scheme (unfunded)

The Authority provides unfunded post retirement medical benefits to its permanent employees. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains or losses (re-measurements) are immediately recognized in 'Other Comprehensive Income' as they occur. The amount recognized in the balance sheet represents the present value of defined benefit obligations. Current service costs and any past service costs together with net interest cost are charged to expenses.

##### c) Compensated absences (unfunded)

The Authority provides for unavailed compensated absences to the extent of 180 days for all its permanent employees irrespective of their service period in the following event:

- Retirement; or
- Death or disability during service.



## Notes to the Financial Statements

For the year ended June 30, 2016

Provision are made to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income and expenditure account. The most recent valuation was carried out as at June 30, 2016 using the "Projected Unit Credit Method". The amount recognized in the year-end represents the present value of defined benefit obligation.

### 3.5.2 Defined contribution plan

In addition, the Authority operates a recognized provident fund scheme for its employees in accordance with the General Provident Fund Act, 1925, according to which employees' contributions are made to the Fund. Employee contribution ranges from 3% to 8% of basic salary, depending on employee grade. Equal contribution is made by the Authority.

## 3.6 Taxation

### 3.6.1 Current tax

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to 'income and expenditure account' except to the extent it relates to items recognized directly in 'Other Comprehensive Income' in which case it is also recognized in 'Statement of Comprehensive Income'.

### 3.6.2 Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are remeasured at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged or credited to the 'Income and Expenditure account' except to the extent it relates to items recognized directly in equity / other comprehensive income in which case it is also recognized in equity / other comprehensive income.

Further, the Authority also recognizes deferred tax asset / liability on deficit / surplus on revaluation of property and equipment which is adjusted against the related deficit / surplus.



## Notes to the Financial Statements

For the year ended June 30, 2016

### 3.7 Property and equipment

#### 3.7.1 Initial recognition

An item of property and equipment is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

#### 3.7.2 Measurement subsequent to initial recognition

##### a) Carried using revaluation model

Property, plant and equipment other than land are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is stated at its revalued amount. Fair value is determined by external professional valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at year-end. In estimating the fair value of an asset, the Authority engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

##### b) Depreciation

Depreciation is charged using the reducing balance method at the rates specified in note 4.1. The Authority charges full month depreciation on additions in the month of purchase and no depreciation is charged in the month of disposal.

##### c) Subsequent cost

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. Normal repairs and maintenance are charged to the Income and Expenditure account during the period in which they are incurred.

##### d) Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognized in other income/other expenses in the Income and Expenditure Account. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Civil Aviation Authority Fund.



## Notes to the Financial Statements

For the year ended June 30, 2016

### e) Surplus on revaluation of fixed assets

The surplus arising on revaluation of operating property, plant and equipment assets is credited to "Surplus on revaluation of fixed assets account" as shown below Civil Aviation Authority Fund in the statement of financial position in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Authority has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the SECP SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the income and expenditure account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through statement of changes in equity to record realization of surplus to the extent of incremental depreciation charge for the year.

### 3.7.3 Capital work in progress

Capital work-in-progress (CWIP) is stated at cost less any impairment loss. All expenditures in connection with specific assets incurred during installation and construction period are carried to CWIP. Transfers are made to relevant asset categories as and when assets are available for intended use. Further, capital items under transit on F.O.B terms are also added to capital work in progress at cost.

### 3.8 Intangible assets

An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset. Intangible assets are subsequently stated at cost less accumulated amortization and accumulated impairment losses. Gain and loss on disposal of intangible assets is included in income currently.

Intangible assets are amortized from the month when these assets are available for use using the reducing balance method whereby the cost of intangible asset is amortized over the period which takes into account the economic benefits that will be available to the Authority.

### 3.9 Investment property

Investment properties are properties held to earn rentals and / or capital appreciation (including property under construction for such purposes). Investment properties are measured initial at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Authority's property interests held under operating lease to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.



## Notes to the Financial Statements

For the year ended June 30, 2016

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceed and the carrying amount of the asset) is included in profit or loss in the period in which the property is de-recognised.

### 3.10 Investments

#### Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are measured at amortized cost using effective interest method. All investments categorized under held to maturity are subject to annual review for impairment. Provision for impairment in value, if any, is taken to Income and Expenditure account.

#### Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention (regular way) are recognized at the trade date. Trade date is the date on which the Authority commits to purchase or sell the investments.

#### De-recognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Authority has transferred substantially all risk and rewards of ownership.

### 3.11 Stores and spares

All stores and spares are charged to income when consumed and are valued at cost determined on a first-in-first-out basis and adjusted by provision for slow-moving stores and spares, if any. Items having no movement for the last five years are considered as slow moving. Provision for slow-moving stores and spares is charged to Income and Expenditure Account.

The Authority reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if required, in case there is any change in usage pattern and physical form of related stores, spares and loose tools.

### 3.12 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.



## Notes to the Financial Statements

For the year ended June 30, 2016

### 3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, and current and deposit account balances with banks. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand, cash in transit, balances with banks on current and deposit accounts and investment with maturity of less than three months and having insignificant risk of changes in value.

### 3.14 Foreign currency transactions and translation

Transactions in foreign currencies are accounted for in rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies as at the year-end are expressed in rupees at rates of exchange prevailing on that date except where forward exchange cover has been obtained for payment of liabilities, in which case the contracted rates are applied. Exchange gains and losses are included in income currently.

### 3.15 Revenue recognition

Revenue is recognized when it is probable that economic benefits will flow to the Authority and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Revenue from rendering of services is recognized when services are rendered.
- Electricity charges are recognized on the basis of meter reading and at the rates approved by revenue section.
- Return on bank deposits and investments is recognized on time proportion basis taking into account the effective rate of return.

### 3.16 Provisions

Provisions are recognized in the statement of financial position when the Authority has a legal or constructive obligation, as a result of past events, and it is probable that an economic outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

### 3.17 Impairment

#### Financial assets

The Authority assesses at each balance sheet date whether there is any objective evidence that financial asset or group of financial asset is impaired. A financial asset or group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an



## Notes to the Financial Statements

For the year ended June 30, 2016

incurred loss event) and that loss event (or events) has impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In case of quoted equity securities, impairment is assessed based on significant or prolonged decline in market prices of securities.

An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss had been recognized. An impairment loss is reversed only to the extent that the financial assets carrying value after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized. Reversal of impairment is recognized in income and expenditure account except in the case of available for sale instruments where the reversal is included in the other comprehensive income.

### Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax 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 recognized, as an expense in the income and expenditure 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 costs 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 risks 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 amortization, if no impairment loss had been recognized.

### 3.18 Financial instruments

Financial assets and financial liabilities are recognized when the Authority 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 amortized cost as the case may be. Financial assets are de-recognized at the time when the Authority loses control of the contractual rights that comprise the financial asset. Financial liabilities are de-recognized 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 financial assets and financial liabilities are taken to the income and expenditure account immediately.

### 3.19 Off-setting assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the Authority intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

### 3.20 Regular way purchase and sale transactions

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Authority commits to purchase or sell the asset.



## Notes to the Financial Statements

For the year ended June 30, 2016

### 3.21 Fund and reserves

Excess of assets over liabilities taken over as on December 07, 1982' and 'funds released to ADA prior to December 07, 1982 and other dues from ADA' represent the balances received from defunct ADA.

#### Government grants and assistance

The Civil Aviation Authority Fund consists of grants and assistance provided by the Federal Government under section 16 of Civil Aviation Authority Ordinance, 1982. It comprises of the following

- a) grants made by the Federal Government;
- b) loans obtained from Federal Government;
- c) sales proceeds of bonds issued under the authority of the Federal Government;
- d) loans obtained by the Authority with the special or general sanction of the Federal Government;
- e) foreign aid and loans obtained with the sanction of, and on such terms and conditions as may be approved by the Federal Government; and
- f) all other sums received and funds collected by the Authority.

#### Accumulated surplus

Accumulated surplus includes all current and prior period retained surplus.

### 3.22 Functional and presentation currency

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

### 3.23 Transactions with related parties

All transactions involving related parties arising in the normal course of business are conducted at commercial and agreed terms.



## Notes to the Financial Statements

For the year ended June 30, 2016

### 3.24 General

- Figures have been rounded-off to nearest thousand rupee.
- The comparative figures have been reclassified where considered necessary for the purpose of better presentation of the financial statements.

### 3.25 Retrospective restatement of error

During the year, the Authority has rectified prior period error in respect of recognition of investment property, which had been accounted for as property, plant and equipment in the previous year financial statements of the Authority. The Authority also rectified tax expense pertaining to remeasurement of post retirement benefits, which had been accounted for under Income and Expenditure account in the previous year financial statements of the Authority to Other Comprehensive Income. These prior period adjustments have been corrected retrospectively and the comparative figures have been restated in accordance with IAS-8 "Accounting Policies, Changes in the Accounting Estimates and Errors." Details of the effects for these are summarized as follows:

	Originally reported	Effect of prior period error	Restated amount
----- (Rupees in '000) -----			
<b>Effect of prior period adjustment on the financial statements for the year ended June 30, 2015</b>			
<b>Income and Expenditure Account</b>			
Revaluation gain on investment property	-	958,040	958,040
Depreciation	3,899,339	(4,789)	3,894,550
Income tax expense	4,555,598	1,449,753	6,005,351
<b>Statement of Financial Position</b>			
Property plant and equipment	254,601,798	(50,484,907)	204,116,891
Investment property	-	65,128,630	65,128,630
Civil Aviation Authority Fund - Accumulated surplus	84,356,071	64,797,030	149,153,101
Surplus on revaluation of fixed assets	172,776,063	(50,099,297)	122,676,766
Deferred taxation	11,221,154	(54,010)	11,167,144
<b>Effect of prior period adjustment on the financial statements for the year ended June 30, 2014</b>			
<b>Statement of Financial Position</b>			
Property plant and equipment	246,170,288	(50,489,696)	195,680,592
Investment property	-	64,170,590	64,170,590
Civil Aviation Authority Fund - Accumulated surplus	74,053,730	63,813,661	137,867,391
Surplus on revaluation of fixed assets	173,285,546	(50,101,816)	123,183,730
Deferred taxation	12,242,770	(30,951)	12,211,819



**Notes to the Financial Statements**

For the year ended June 30, 2016

4. PROPERTY, PLANT AND EQUIPMENT	Note	2016	2015 (Restated)
		----- (Rupees in '000) -----	
Operating assets	4.1	132,854,503	117,669,376
Assets underlying Ijarah Sukuk	4.3	91,399,215	62,977,000
Capital work-in-progress (CWIP)	4.4	35,063,598	23,112,501
Capital items in transit		1,326,744	358,014
		<u>260,644,060</u>	<u>204,116,891</u>



## Notes to the Financial Statements

For the year ended June 30, 2016

## 4.1 Operating assets

The following is a statement of operating assets:

	2016					Total operating assets		
	Land*	Buildings, runways, roads, pavements and fences	Plant, equipments and accessories	Computers	Furniture, fixtures and other equipment		Aircrafts	Motor vehicles
	----- (Rupees in '000) -----							
As at July 01, 2015								
Carrying amount - gross (restated)	51,654,505	74,277,905	20,171,598	278,948	796,384	819,427	4,980,602	
Accumulated depreciation (restated)	-	(19,433,199)	(11,698,433)	(233,429)	(420,586)	(240,498)	(3,283,849)	
Carrying amount - net (restated)	51,654,505	54,844,706	8,473,165	45,519	375,798	578,929	1,696,753	
Year ended June 30, 2016								
Opening carrying amount (restated)	51,654,505	54,844,706	8,473,165	45,519	375,798	578,929	1,696,753	
Additions	105,347	-	251,918	40,978	29,130	-	560,867	
Transfer from CWIP	16,557	475,427	114,115	-	5,059	-	300	
Transfer from capital items in transit	-	-	67,470	-	-	-	-	
Transfer of underlying assets on maturity of Ijarah Sukuk	62,977,000	-	-	-	-	-	-	
Disposals								
Cost / revalued amount			(4,526)	-	-	-	(56,277)	
Accumulated depreciation			2,604	-	-	-	39,946	
Revaluation adjustment			(1,922)	-	-	-	(16,331)	
Surplus on assets underlying Ijarah Sukuk	12,679,264	14,430,306	(1,459,775)	-	-	(38,121)	398,965	
	17,533,509	3,349,097	-	-	-	-	-	
	30,212,773	17,779,403	(1,459,775)	-	-	(38,121)	398,965	
Transfer of airport land and building underlying new Ijarah Sukuk to assets underlying Ijarah sukuk	(80,510,509)	(10,888,706)	-	-	-	-	-	
Depreciation charge for the year	-	(2,685,733)	(830,051)	(18,744)	(37,103)	(28,293)	(359,976)	
(Impairment charge) / reversal of impairment for the year	-	-	(779,359)	36,632	(151,588)	(80,602)	-	
Closing carrying amount - net	64,455,673	59,525,097	5,835,561	104,385	221,296	431,913	2,280,578	
As at June 30, 2016								
Carrying amount - gross	64,455,673	67,213,723	19,140,800	319,926	830,573	781,306	5,485,492	
Accumulated depreciation	-	(22,118,932)	(12,525,880)	(252,173)	(457,689)	(268,791)	(3,603,879)	
Revaluation adjustment		14,430,306	-	-	-	-	398,965	
Accumulated depreciation - net	-	(7,688,626)	(12,525,880)	(252,173)	(457,689)	(268,791)	(3,204,914)	
Accumulated impairment - net	-	-	(779,359)	36,632	(151,588)	(80,602)	-	
Carrying amount - net	64,455,673	59,525,097	5,835,561	104,385	221,296	431,913	2,280,578	
Annual depreciation rate (%)	-	5	10 & 33.33	30	10	5	20	

\*Land measuring 4,092 acres is not mutated in the name of the Authority.



# Notes to the Financial Statements

## For the year ended June 30, 2016

	2015 (Restated)							
	Land*	Buildings, runways, roads, pavements and fences	Plant, equipments and accessories	Computers	Furniture, fixtures and other equipment	Aircrafts	Motor vehicles	Total operating assets

\* Land measuring 4,520 acres is not mutated in the name of the Authority.



## Notes to the Financial Statements

For the year ended June 30, 2016

- 4.1.1** Land includes various pieces of land having value of Rs. 259 million (2015: Rs. 395 million) acquired from the GoP whose final consideration has not yet been agreed. The value of these pieces of land has, therefore, been determined by Executive District Officer, Revenue.
- 4.1.2** Pursuant to the section 11 of the Pakistan Civil Aviation Authority Ordinance, 1982, all the land and buildings transferred to the Authority upon its incorporation, and vested in the Federal Government, at that time, are now under possession and control of the Authority in accordance with the Federal Government Land and Buildings (Recovery of Possession) Ordinance, 1965. However, in certain cases, the ownership of the land and buildings is disputed. The ultimate decision in this respect is contingent upon the outcome of the settlements made and / or suits filed.
- 4.1.3** The Authority follows the revaluation model for operating items of 'Property, Plant and Equipment'. The fair value measurement as at June 30, 2016 was performed by Oceanic Surveyors (Private) Limited, an independent valuer not related to the Authority, in collaboration with M/s. Riaz Ahmed Saqib Gohar & Co. Chartered Accountants. The valuer is on panel of Pakistan Bankers Association. It is also on panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in fair value measurements in the relevant locations. The fair value of items of property plant and equipment was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders, recent market prices of assets keeping in view the location of the assets, their condition, size, utilization, and other relevant factors. In estimating the fair values, it was also considered that the highest and best use of assets is their current use.
- 4.1.4** The Authority has incorporated fair values of items of property, plant and equipment as of June 30, 2016 in the current year financial statements. Revaluation of property, plant and equipment resulted in further surplus of Rs. 46.893 billion. Out of the total revaluation surplus of Rs. 173.997 billion, Rs. 163.895 billion net of tax (June 2015: Rs. 122.677 billion) remains undepreciated as at June 30, 2016.

Details of the Authority's operating property, plant and equipment, and information about fair value hierarchy as given in *IFRS 7 Financial Instruments: Disclosures*, as at June 30, 2016 are as follows.

	Level 1	Level 2 ----- (Rupees in '000) -----	Level 3	Total
Operating assets	-	132,854,503	-	132,854,503
Assets underlying Ijarah Sukuk	-	91,399,215	-	91,399,215

- 4.1.5** Had revaluation not been carried out, the book values of operating assets and assets underlying ijarah sukuk would have been as follows:

	2016		
	Cost	Accumulated depreciation / Impairment	Written down value
	----- (Rupees in '000) -----		
Land	4,089,109	-	4,089,109
Buildings, runways, roads, pavements and fences	52,940,058	(15,106,836)	37,833,222
Plant, equipments and accessories	17,388,818	(11,553,257)	5,835,561
Computers	510,343	(405,959)	104,384
Furniture, fixtures and other equipment	895,957	(674,662)	221,295
Aircrafts	764,829	(332,917)	431,912
Motor vehicles	4,791,461	(3,049,819)	1,741,642
	<b>81,380,575</b>	<b>(31,123,450)</b>	<b>50,257,125</b>



## Notes to the Financial Statements

For the year ended June 30, 2016

	Cost	2015 Accumulated depreciation	Written down value
	(Rupees in '000)		
Land	3,967,205	-	3,967,205
Buildings, runways, roads, pavements and fences	52,464,630	(13,180,524)	39,284,106
Plant, equipments and accessories	16,959,770	(10,099,574)	6,860,196
Computers	469,366	(370,231)	99,135
Furniture, fixtures and other equipment	861,769	(442,006)	419,763
Aircrafts	764,830	(225,981)	538,849
Motor vehicles	4,263,655	(2,745,693)	1,517,962
	<u>79,751,225</u>	<u>(27,064,009)</u>	<u>52,687,216</u>

### 4.2

#### Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
-----Rupees in '000-----							
<b>Plant, equipment and accessories</b>							
Generator 50 KVA	327	253	74	130	56	Auction	Mr. Shahid Taj
Generator 100 KVA	402	310	92	250	158	Auction	Mr. Shahid Taj
Generator 10 KVA	239	187	52	85	33	Auction	Mr. Shahid Taj
Generator 50 KVA	241	181	60	140	80	Auction	Mr. Shahid Taj
Generator 110 KVA	445	347	98	200	102	Auction	Mr. Shahid Taj
Air-conditioner and fridge	78	5	72	67	(5)	Auction	Abdul Jabbar Air Commodore M.
Air-conditioner and fridge	78	18	59	66	7	Auction	Azam
Air-conditioner and fridge	78	-	78	63	(15)	Auction	Abdus Samad
Air-conditioner and deep freezer	123	4	119	98	(21)	Auction	Saleem Athar
Air-conditioner and fridge	78	3	75	78	3	Auction	Syed Shahzad Askari
Air-conditioner and fridge	78	27	50	50	-	Auction	Muhammad Azaf
Air-conditioner and fridge	78	8	70	69	(1)	Auction	Javed Nazir
Air-conditioner and fridge	78	18	59	64	5	Auction	Hassan Haider
Air-conditioner and fridge	78	14	63	67	4	Auction	Khalid Masood Shah
Air-conditioner and fridge	78	22	56	58	2	Auction	Kaleem Tahir Muhammad Saleem
Air-conditioner and fridge	78	22	56	56	-	Auction	Paracha
Air-conditioner and fridge	78	5	72	74	2	Auction	Shahid Raza Zadi
Air-conditioner and fridge	78	17	61	60	(1)	Auction	
Air-conditioner and fridge	78	14	63	61	(2)	Auction	Mushtaq Shah
Air-conditioner and fridge	78	9	68	61	(7)	Auction	Saleem Raza
Air-conditioner and fridge	78	27	54	55	1	Auction	Tariq Bari
Written down value of items not exceeding Rs. 50,000 each	1,586	1,113	471	613	142	Auction	Various
<b>Motor vehicles</b>							
Suzuki Cultus	1,259	1,015	244	315	71	Authority policy	Sagir Ahmed
Suzuki Baleno	480	350	130	370	240	Authority policy	Moin Ud Din & Co
Suzuki Cultus	1,193	959	234	315	81	Authority policy	Sagir Ahmed
Suzuki Jeep	849	678	171	285	114	Authority policy	Abdul Sasit Shahid
Toyota Corolla	2,737	2,243	494	616	122	Authority policy	Akhtar Muneer
Suzuki Pick Up	639	512	127	270	143	Authority policy	Azeemullah
Suzuki Pick Up	623	502	121	275	154	Authority policy	Azeemullah



## Notes to the Financial Statements

For the year ended June 30, 2016

Nissan Dumper	1,027	823	204	1,760	1,556	Authority policy	Muhammad Umer Muhammad Waqas
Suzuki Margalla	251	194	57	200	143	Authority policy	Afzal
Suzuki Jeep	1,549	1,270	279	480	201	Authority policy	Muhammad Asif
Suzuki Pick Up	576	466	110	235	125	Authority policy	Muhammad Javed
Suzuki Pick Up	576	466	110	260	150	Authority policy	Muhammad Javed
Nissan Pick Up	1,400	1,141	259	320	61	Authority policy	Muhammad Shafique
Suzuki Bolan	750	616	134	310	176	Authority policy	Muhammad Shakeel
Mazda	2,088	1,675	413	1,120	707	Authority policy	Muhammad Shakeel
Suzuki Pick Up	575	461	114	250	136	Authority policy	Shahid Khan
Suzuki Pick Up	639	512	127	335	208	Authority policy	Shahid Khan
Water Bowser	909	748	161	1,160	999	Authority policy	Muhammad Shakeel
Water Bowser	727	598	129	1,130	1,001	Authority policy	Muhammad Umer
Water Bowser	320	238	82	910	828	Authority policy	Noor Zaman Muhammad Waqas
Toyota Hilux	1,219	993	226	400	174	Authority policy	Afzal
Water Bowser	364	300	64	1,060	996	Authority policy	Abdullah
Suzuki Jeep	677	560	117	240	123	Authority policy	Adnan Hussain
Toyota Hilux Pickup	763	633	130	660	530	Authority policy	Hazrat Ali
Water Bowser	727	600	127	255	128	Authority policy	Imran Ali
Water Bowser	710	585	125	960	835	Authority policy	Khursheed Ahmed
Suzuki Pick-up	649	528	121	360	239	Authority policy	Saifullah Samiullah Khan
Tractor With Trolley Massey	90	67	23	238	215	Authority policy	Ahedkhell
Suzuki Pick Up	623	506	117	260	143	Authority policy	Fazul Muhammad
Toyota Hilux	3,310	2,757	553	612	59	Authority policy	Fazul Muhammad
Suzuki Pick Up	533	434	99	350	251	Authority policy	Fazul Muhammad
Water Bowser	619	506	113	450	337	Authority policy	Shaharyar
Water Bowser	371	307	64	1,075	1,011	Authority policy	Abdullah
Shahzore Pickup	1,110	909	201	420	219	Authority policy	Muhammad Muneer
Suzuki Cultus	1,074	881	193	375	182	Authority policy	Muhammad Hanif
Suzuki Baleno	416	313	103	425	322	Authority policy	Akhlaq Ahmed
Shahzore Pickup	1,140	931	209	600	391	Authority policy	Iftakhar Ali
Suzuki Jeep	1,462	1,219	243	280	37	Authority policy	Rustam Mehrab
Suzuki Pickup	727	598	129	255	126	Authority policy	Khalid Hussain Shah
Suzuki Pickup	621	507	114	300	186	Authority policy	Khalid Hussain Shah
Suzuki Pickup	603	491	112	205	93	Authority policy	Khalid Hussain Shah
Suzuki Pickup	410	334	76	170	94	Authority policy	Khalid Hussain Shah
Fct Metz	512	393	119	900	781	Authority policy	Muhammad Asif
Fire Crash Tender	1,712	1,434	278	361	83	Authority policy	Hafiz Haseeb Uddin
Mfct	512	393	119	420	301	Authority policy	Shah Rukh Hussain Taj Muhammad Mir
Fire Crash Tender	2,923	2,497	426	465	39	Authority policy	Alam
Suzuki Cultus	985	438	547	553	6	Auction	A Jabbar
Suzuki Cultus	608	386	222	225	3	Auction	Captain Jamal Uddin
Suzuki Cultus	985	438	547	545	(2)	Auction	A Samad
Toyota Corolla	1,658	209	1,449	1,045	(404)	Auction	M.Saleem Athar
Toyota Corolla	1,708	586	1,122	1,052	(70)	Auction	Khawar Hussain
Suzuki Cultus	1,044	285	759	771	12	Auction	Ashfaq Hussain Air Commodore Abdul
Toyota Corolla	1,538	726	812	791	(21)	Auction	Basit
Suzuki Cultus	1,034	67	963	941	(22)	Auction	M. Saleem Paracha
Suzuki Cultus	1,050	249	805	835	30	Auction	Khaleeq Rahooja
Suzuki Cultus	1,002	464	540	721	181	Auction	Saleem Raza
Suzuki Cultus	1,001	466	540	533	(7)	Auction	Tariq bari
Written down value of items not exceeding Rs. 50,000 each	613	489	124	651	527		
<b>Total 2016</b>	<b>60,803</b>	<b>42,550</b>	<b>18,253</b>	<b>34,140</b>	<b>15,887</b>		
<b>Total 2015</b>	<b>9,451</b>	<b>(3,195)</b>	<b>6,256</b>	<b>26,023</b>	<b>19,767</b>		



## Notes to the Financial Statements

For the year ended June 30, 2016

- 4.3** In December 2015, the GoP issued three year Ijarah Sukuk Bonds amounting to Rs. 314 billion through The Domestic Sukuk Company Limited (TDSCCL). For this purpose, land measuring 1,510 acres of Jinnah International Airport, Jinnah terminal level 0 to 8, runway 1 and 2, fire-fighting shed, old terminals CAA Head office, Cargo building, CAA flats, houses, clubs, medical center, general engineering depot, town ship medical center, model school, commercial center, office building, meteorological office were the underlying asset. Under the arrangement, the Authority had sold the assets to TDSCCL, an agent of Sukuk certificate holders, and the Authority is holding the assets in trust for Sukuk certificate holders. The legal documents executed by the Authority and the relevant counter parties reveal that the said assets have been leased out under an Ijarah agreement to the GoP with an undertaking to resell the assets to the Authority at the end of the Ijarah term.

Although the legal documents have contemplated the overall arrangement on the model of Ijarah Sukuk, the management of the Authority had exercised its judgment, as required under International Accounting Standard (IAS) - 1 'Presentation of financial statements', that the above transaction was, in substance, a financing arrangement and therefore did not give rise to revenue on account of disposal of the Airport Land and other assets. The management had also determined that the Authority could not derecognize the assets as the conditions laid down in IAS - 18 'Revenue' to recognize revenue on sale of assets have not been satisfied. Additionally, directive issued by the Ministry of Finance, GoP vide its letter number 4(21)EF(C-III)/2 dated 03 February 2010, stated that the said transaction neither involved any physical transfer of the underlying asset nor created any financial implications for the Authority.

In view of the above, based on substance over form and the fact that proceeds of Sukuk Bonds had been retained by the Ministry of Finance, GoP and the repayment of Ijarah Sukuk and Ijarah rentals are the responsibility of the Ministry of Finance, GoP, the Authority has not derecognized the assets in these financial statements.

	Note	2016 ------(Rupees in '000)-----	2015
<b>4.4 Capital work-in-progress</b>			
Civil works	4.4.1	32,346,845	20,563,403
Consultancy charges		845,843	839,843
Advances to suppliers / contractors		1,870,910	1,709,255
		<b>35,063,598</b>	<b>23,112,501</b>

- 4.4.1** Contractors related to capital work in progress have lodged different claims against the Authority on various grounds, amounting to Rs. 19,620 million (2015: Rs. 13,233) million out of which Rs. 4,084 million have been paid by the Authority on the basis of interim payment certificates (IPCs) certified by the engineer in accordance with the conditions to the contracts. Subsequently, the engineer through IPC number 46 and 47 dated October 5, 2013 and December 10, 2013 respectively, reversed a net amount of Rs. 700.65 million out of the earlier certifications on account of non-availability of supporting documents, detailed particulars and substantiation of the claims by the contractor and correction of certificates under clause 60.4 of the condition of the contractors. The contractor has obtained stay order against these revisions in IPCs by the engineer from the Honourable Civil Judge, Rawalpindi. The disputes are at different stages for settlement in accordance with the conditions to the contract; therefore, ultimate outcome of the disputes cannot be determined at this stage. Accordingly, no provision there against has been made in these financial statements.

## 5. INTANGIBLE ASSET

	COST			AMORTIZATION			Written down value as at June 30,	Rate
	Opening	Addi- tions	Closing	Opening	For the year	Closing		
	----- (Rupees in '000) -----							
2016	160,726	3,498	164,224	110,363	13,532	123,895	40,329	30%
2015	160,726	-	160,726	69,444	40,919	110,363	50,363	30%



## Notes to the Financial Statements

For the year ended June 30, 2016

	2016	2015 (Restated)
	----- (Rupees in '000) -----	
<b>6. INVESTMENT PROPERTY</b>		
Balance at beginning of year (2015: restated)	65,128,630	64,170,590
Additions	6,297	-
Disposals	-	-
Revaluation gain on investment property	1,012,620	958,040
Balance at end of year	<u>66,147,547</u>	<u>65,128,630</u>
<b>6.1</b> Investment property comprises of:		
Land	66,065,863	65,047,930
Building	81,684	80,700
	<u>66,147,547</u>	<u>65,128,630</u>

**6.2** The fair value of the investment property aggregating to Rs. 66,148 million was arrived at on the basis of the valuation carried out by Oceanic Surveyors (Private) Limited, an independent valuer not related to the Authority, in collaboration with M/s. Riaz Ahmed Saqib Gohar & Co. Chartered Accountants. The valuation was arrived at by reference to market values and realizable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

**6.3** The Authority has incorporated fair values of items of investment property as of June 30, 2016 in the current year financial statements. Revaluation of investment property resulted in further gain of Rs. 1,013 million (2015: 958 million).

Details of the Authority's investment property, and information about fair value hierarchy as given in *IFRS 7 Financial Instruments: Disclosures*, as at June 30, 2016 are as follows.

	Level 1	Level 2	Level 3	Total
			----- (Rupees in '000) -----	
Investment property	-	66,147,547	-	66,147,547
<b>7. LONG-TERM LOANS</b>				
<i>Considered good, secured</i>				
Long-term loans to employees	7.1	1,053,151		1,101,132
Current maturity of long term loans	10	(296,954)		(287,052)
		<u>756,197</u>		<u>814,080</u>

**7.1** This represents loans for automobiles and motor cycles to employees other than executives, as defined in note 34.2. These are secured against General Provident Fund balances of respective employees, and are repayable in equal monthly installments over a term of seven years. These carry interest at rate of 8.25% to 10% (2015: 8.25% to 10%) per annum.



## Notes to the Financial Statements

For the year ended June 30, 2016

- 7.2** The maximum aggregate amount of these loans outstanding at any time during the year was Rs. 1,089 million (2015: Rs. 959.3 million). Such maximum amount is calculated by reference to the month-end balance.

			2016 ------(Rupees in '000)-----	2015 ------(Rupees in '000)-----
<b>8.</b>	<b>STORES AND SPARES</b>	<b>Note</b>		
	Stores		1,749	21,252
	Spares		327,393	351,040
			<b>329,142</b>	372,292
	Provision for slow moving stores and spares	8.1	(43,513)	(39,078)
			<b>285,629</b>	333,214
<b>8.1</b>	Opening balance		39,078	34,740
	Charge for the year	25	4,435	4,338
	Closing balance		<b>43,513</b>	39,078
<b>9.</b>	<b>TRADE DEBTS</b>		2016 ------(Rupees in '000)-----	2015 ------(Rupees in '000)-----
	<b>Aeronautical</b>			
	Considered good		2,227,842	8,902,769
	Considered doubtful	9.1.3	30,564,697	22,995,495
	Trade debt - gross		<b>32,792,539</b>	31,898,264
	Provision for doubtful debt		(30,564,697)	(22,995,495)
	Trade debt - net		<b>2,227,842</b>	8,902,769
	<b>Non-aeronautical</b>			
	Considered good		23,970	327,834
	Considered doubtful		1,377,153	3,577,882
	Trade debt - gross		<b>1,401,123</b>	3,905,716
	Provision for doubtful debt	9.1.3	(1,377,153)	(3,577,882)
	Trade debt - net		<b>23,970</b>	327,834
			<b>2,251,812</b>	9,230,603
<b>9.1</b>	<b>Classification of trade debts by related parties:</b>			
	Due from Pakistan International Airlines Corporation (PIAC) - net	9.1.1	-	6,775,675
	Due from other parties - net	9.1.2	2,251,842	2,454,928
			<b>2,251,842</b>	9,230,603



## Notes to the Financial Statements

For the year ended June 30, 2016

9.1.1 Due from PIAC - net	Note	2016 ------(Rupees in '000)-----	2015
Considered good	9.1.3.1	-	6,775,675
Considered doubtful		39,089,193	24,627,834
Write offs		(11,271,442)	-
Provision for doubtful debt		(27,817,751)	(24,627,834)
		-	-
		-	6,775,675
9.1.2 Due from other parties - net			
Considered good		2,251,842	2,454,928
Considered doubtful		4,124,099	1,945,543
Less: provision for doubtful debt		(4,124,099)	(1,945,543)
		-	-
		2,251,842	2,454,928
9.1.3 Provision for doubtful debt	Note	2016 ------(Rupees in '000)-----	2015
Opening balance		22,995,495	15,519,729
- Aeronautical		3,577,882	3,625,694
- Non-aeronautical		26,573,377	19,145,423
Written-off against receivable from PIAC		(8,973,856)	-
- Aeronautical		(2,297,586)	-
- Non-aeronautical		(11,271,442)	-
Provision made / (reversed) during the year		16,543,058	7,475,766
- Aeronautical		96,857	(47,812)
- Non-aeronautical	25	16,639,915	7,427,954
Closing balance		30,564,697	22,995,495
- Aeronautical		1,377,153	3,577,882
- Non-aeronautical		31,941,850	26,573,377
		31,941,850	26,573,377
9.1.3.1 Age analysis of trade debts due from PIAC:			
- Not due		-	256,722
- Past due by 15 days		-	267,424
- Past due by 15 days but not more than one month		-	285,291
- Past due by more than one but less two months		-	299,133
- Past due by more than two but less six months		-	2,550,956
- Past due by more than six months but less than one year		-	3,116,149
		-	6,775,675



## Notes to the Financial Statements

For the year ended June 30, 2016

### 10. LOANS AND ADVANCES

Note	2016 ----- (Rupees in '000) -----	2015
7	296,954	287,052
10.1	1,048,444	1,048,360
10.2	8,868	9,217
	1,057,312	1,057,577
	1,354,266	1,344,629

**10.1** This includes an amount of Rs. 500 million each paid to M/s Heavy Taxila and M/s NESCOM as bridge finance for the purpose of upgrading security infrastructure at airports as per directives of the Aviation Division dated July 07, 2014. The amount is to be reimbursed by the Aviation Division to the Authority as soon as the requisite supplementary grant is received by them.

**10.2** Advances for travelling and daily allowances are secured against General Provident Fund.

### 11. OTHER RECEIVABLES

Note	2016 ----- (Rupees in '000) -----	2015
11.1	292,352	326,239
11.1	248,406	217,875
	13,665	22,007
	149,643	181,254
	704,066	747,375

**11.1** This includes Rs. 179.3 million (2015: Rs. 179.3 million) and Rs. 85.2 million (2015: Rs. 118.7 million) due from Aero Asia International (Private) Limited and Shaheen Air International Limited respectively on account of Foreign Travel and Government Travel Tax to be collected by the Authority on behalf of the Ministry of Finance.

### 12. INVESTMENTS

Note	2016 ----- (Rupees in '000) -----	2015
12.1	10,500,000	7,600,000
12.1	7,000,000	4,000,000
	17,500,000	11,600,000

**12.1** The mark-up on investments ranges from 6.55% to 7.50% (2015: 7.25% to 10.75%) per annum.



## Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 ----- (Rupees in '000) -----	2015
<b>13. CASH AND BANK BALANCES</b>			
Cash in hand		3,519	1,655
Cash in transit		4,172	73,320
		<b>7,691</b>	<b>74,975</b>
Cash at bank:			
- current accounts		156,526	492,874
- deposit accounts	13.1	2,948,160	3,642,095
		<b>3,104,686</b>	<b>4,134,969</b>
		<b>3,112,377</b>	<b>4,209,944</b>

13.1 The mark-up on deposit accounts ranges from 4.00% to 7.50% (2015: 4.00% to 7.50%) per annum.

		2016 ----- (Rupees in '000) -----	2015 (Restated)
<b>14. CIVIL AVIATION AUTHORITY FUND</b>			
Excess of assets over liabilities taken over as on December 07, 1982		1,332,988	1,332,988
Funds released to ADA prior to December 07, 1982 and other dues from ADA		731,789	731,789
Government assistance		354,625	354,625
Government / foreign grants			
- GoP - for AllAP		689,999	689,999
- GoP - for Gwadar Airport		1,682,584	1,682,584
- GoP - for Rama Dam at IIAP		684,741	-
- Government of Oman - for Gwadar Airport		643,063	643,063
- Malaysia, Bahrain & Japan for security equipment		347,729	298,210
- Bahrain for aerodrome radar		9,357	-
- Kingdom of Saudi Arabia and United Arab Emirates		43,730	43,730
- British Government		138,513	138,513
- Sogea related settlement		969,234	969,234
		<b>5,563,575</b>	<b>4,819,958</b>
Accumulated surplus:			
- at beginning of the year (restated)		142,268,366	131,706,064
- surplus for the year (2015: restated)		16,946,123	12,868,314
- other comprehensive loss (2015: restated)		(3,823,883)	(2,990,256)
- realization of surplus on revaluation of fixed assets:			
- for effects of incremental depreciation (2015: restated)		840,600	684,231
- for effects of assets disposed during the year		4,954	13
		<b>156,236,160</b>	<b>142,268,366</b>
		<b>(163,864,512)</b>	<b>(149,153,101)</b>



## Notes to the Financial Statements

For the year ended June 30, 2016

**14.1** The Civil Aviation Authority Fund has been established under Section 16 of the Pakistan Civil Aviation Authority Ordinance, 1982.

**14.2** This represents excess of the assets over liabilities taken over by the Authority from the Civil Aviation Department of Government of Pakistan as on December 7, 1982. Profits for the periods from December 7, 1982 to June 30, 1983 were also credited to this account.

**14.3** In the year 2000, the GoP negotiated and settled the long outstanding matters with the Government of France in respect of M/s. Sogea-France, the contractor of Jinnah Terminal Complex, Karachi. The aggregate claim of Rs. 4.09 billion acknowledged by the GoP includes cost escalation, related financial charges and legal fee. The amount represents the installment of Rs. 969 million paid by GoP. Remaining instalments have been paid by the Authority.

The GoP vide letter No. F6(7)-BR 1/2000-886 dated June 30, 2001 sanctioned an amount of Rs. 1.23 billion as loan to the Authority during the year 2000-2001 as book adjustment towards payment of income tax liability of M/s. Sogea. However, as this sanction did not involve any cash flow, it has not been accounted for in these accounts.

### 15. SURPLUS ON REVALUATION OF FIXED ASSETS

The Authority carries its 'operating assets' and 'land and building underlying ijarah sukuk' on revaluation model (refer note 3.7.2, 4.1.3 and 4.1.4). The surplus would be realized on disposal of revalued assets and charge of incremental depreciation.

		2016	2015 (Restated)
	Note	------(Rupees in '000)-----	
Surplus on revaluation of fixed assets (2015: restated)	15.1	<b>173,996,589</b>	128,319,968
Less: Impact of deferred tax liability on the surplus (2015: restated)	15.2	<b>(10,101,452)</b>	(5,643,202)
		<b><u>163,895,137</u></b>	<u>122,676,766</u>
<b>15.1 Surplus on revaluation of fixed assets</b>			
Surplus at the beginning of the year (restated)		<b>128,319,968</b>	129,341,282
Surplus on revaluation arising during the year		<b>46,893,245</b>	-
Less: incremental depreciation (2015: restated)		<b>(840,600)</b>	(684,231)
Less: fixed assets disposed off during the year		<b>(4,954)</b>	(13)
		<b>46,047,691</b>	(684,244)
Effect of deferred tax on incremental depreciation and disposals (2015: restated)	15.2	<b>(371,070)</b>	(337,070)
Surplus at the end of the year (2015: restated)		<b><u>173,996,589</u></b>	<u>128,319,968</u>
<b>15.2 Impact of deferred tax liability on the surplus</b>			
Balance at beginning of the year (restated)		<b>(5,643,202)</b>	(6,157,552)
Effect of:			
- surplus on revaluation arising during the year		<b>(5,093,845)</b>	-
- deferred tax on incremental depreciation and disposals (2015: restated)	15.1	<b>371,070</b>	337,070
		<b>(10,365,977)</b>	(5,820,482)
Effect of change in applicable tax rate	16.2	<b>264,525</b>	177,280
Balance at end of the year (2015: restated)		<b><u>(10,101,452)</u></b>	<u>(5,643,202)</u>



## Notes to the Financial Statements

For the year ended June 30, 2016

### 16. DEFERRED TAXATION

	Note	2016 ------(Rupees in '000)-----	2015
16.1	The net balance of deferred taxation is in respect of temporary differences in respect of credit balance arising on account of:		
	- Property, plant and equipment (2015: restated)	4,113,465	5,523,942
	- Surplus on revaluation of fixed assets (2015: restated)	10,101,452	5,643,202
		<u>14,214,917</u>	<u>11,167,144</u>
16.2	Balance at beginning of the year (restated)	11,167,144	12,211,819
	Charged to income and expenditure account (2015: restated)	(1,781,547)	(867,395)
	Arising on revaluation surplus during the year	5,093,845	-
	Effect of change in applicable tax rate	(264,525)	(177,280)
		<u>14,214,917</u>	<u>11,167,144</u>
17.	<b>OTHER DEFERRED LIABILITIES</b>		
	For land	258,856	395,131
	For defined benefit plans	22,059,021	18,713,023
		<u>22,317,877</u>	<u>19,108,154</u>

### 18. DEFERRED INCOME

This amount represents collection charges charged by the Authority for the collection of Foreign Travel Tax and Government Airport Tax on behalf of the Government. It is charged as 5% of the total amount collected by the Authority.

	Note	2016 ------(Rupees in '000)-----	2015
19.	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	723,794	544,991
	Accrued liabilities	482,932	554,429
	Advances from airline operators	312,030	342,128
	Advances from customer and concessioners	317,679	176,596
	Foreign Travel Tax payable	295,175	329,062
	Government Airport Tax payable	257,737	221,103
	Payable to Airport Security Force	112,504	191,551
	Payable to Government of Sindh against development of Thar Airport	566,059	284,104
	Payable to PIAC, related party, against royalty	13,665	22,007
	Others	121,109	161,907
		<u>3,202,684</u>	<u>2,827,878</u>
20.	<b>RETENTION MONEY AND SECURITY DEPOSITS</b>		
	Contractors' retention money	2,601,254	2,476,600
	Security deposits	1,673,055	1,454,045
		<u>4,274,309</u>	<u>3,930,645</u>



## Notes to the Financial Statements

For the year ended June 30, 2016

### 21. CONTINGENCIES AND COMMITMENTS

#### 21.1 Contingencies

**21.1.1** Various claims for damages and compensation are under litigation against the Authority, aggregating to Rs. 21,022 million (2015: Rs. 14,184 million) inclusive of Rs. 19,620 million (2015: Rs. 13,233 million) relating to contractors who worked for Islamabad Airport Project (refer note 4.4.1) have not been recorded in the financial statements. Contingencies related to taxation have been disclosed in note 27 to these financial statements.

**21.1.2** Various present and ex-employees of the Authority have lodged claims against the Authority for their dues specifically relating to their re-instatements and other service matters. However, no liability can be ascertained at this stage and accordingly no provision has been made in these financial statements.

#### 21.2 Commitments

Aggregate commitments for capital expenditure contracted for, but remaining to be executed as at June 30, 2016 amounting to Rs. 22.31 billion (2015: Rs. 29.61 billion).

### 22. AERONAUTICAL REVENUE

	Note	2016 ------(Rupees in '000)-----	2015
Air navigation facility charges		6,375,529	5,049,212
Aircraft power supply		496,817	401,086
Cargo landing facility charges		244,092	226,387
Embarkation fee		11,797,816	6,980,327
Fire and rescue facility charges		616,908	498,398
Ground handling charges		325,580	265,712
Infrastructure development charges fee		6,831,314	5,869,149
Landing and housing fee		7,934,876	6,404,122
Route navigational fee	22.1	16,231,763	14,609,835
Security charges fee		6,975,532	3,521,556
		<u>57,830,227</u>	<u>43,825,784</u>

**22.1** This includes an amount of Rs. Nil (2015: 66.872 million) pertaining to over flying flights from the Piran-Gadar route (route A-453), which was not covered by the Authority's radar system. The revenue from this route had not been recorded in some years previously. An inquiry took place regarding billing of flights from this route and consequently an amount of Rs. 200.985 million was identified by the investigation agency, which was unbilled and consequently billed during 2014.

**22.2** Included in aeronautical revenue is an amount of Rs. 9,905 million billed to PIAC and provided for during the year due to non-recovery.

### 23. NON-AERONAUTICAL REVENUE

	Note	2016 ------(Rupees in '000)-----	2015
Advertisement		186,891	79,308
Cargo throughput		1,249,294	1,114,306
CIP lounge income		166,708	146,365
Ground handling		94,495	84,995
Porter service charges		207,310	139,642
Rent, electricity and water charges		3,456,125	3,369,924
Royalties on meal uplift		8,593	13,747
Special development project		667	667
		<u>5,370,083</u>	<u>4,948,954</u>



**Notes to the Financial Statements**

For the year ended June 30, 2016

**24. INSPECTION AND OTHER SERVICES**

Note

2016

2015

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

Airworthiness and license fee	238,454	189,352
Calibration charges	16,181	126,515
Collection charges on Foreign Travel Tax	600	600
Services rendered	51,832	70,241
	<u>307,067</u>	<u>386,708</u>

2016

2015

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

**25. GENERAL AND ADMINISTRATIVE EXPENSES**

Salaries, allowances and benefits	12,053,201	11,588,049
Advertising and publicity	39,789	51,377
Provision for slow moving stores and spares	8.1 4,435	4,338
Subscriptions	18,419	24,326
Provision for pension and gratuity	32.1 5,731,326	5,363,870
Provision for medical benefits	32.1 182,611	160,154
Provision for compensated absences	32.1 694,266	900,778
Electricity, fuel and water	2,062,883	2,112,951
Provision for doubtful debts and receivables		
- related parties	14,461,359	7,307,921
- other than related parties	2,178,556	120,033
	9.1.3 16,639,915	7,427,954
Horticulture	16,067	21,585
Depreciation	4.1 3,959,900	3,894,550
Amortization of intangibles	5 13,532	40,919
Rent, rates and taxes	30,101	27,315
Printing, stationery and periodicals	40,563	33,268
Rental and hiring charges for security guards	69,302	52,842
CIP Lounge	3,527	3,616
Repairs and maintenance	25.1 659,157	744,864
Legal and professional	67,958	48,780
Auditor's remuneration	825	825
Insurance	58,241	56,255
Collection charges	14,732	8,337
Impairment against property, plant and equipment	25.2 974,917	-
Travelling and conveyance	225,319	188,465
Training	10,053	8,712
Telephone, postage and communication	72,518	72,513
Others	40,341	32,037
	<u>43,683,898</u>	<u>32,868,680</u>

2016

2015

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

**25.1 Repairs and maintenance**

Aircraft calibration	18,260	52,874
Building	178,621	215,372
Consumable stores and spares	74,213	59,419
Furniture and fixtures	18,554	14,547
Plant and equipment	227,436	252,127
Vehicles	142,073	150,525
	<u>659,157</u>	<u>744,864</u>



## Notes to the Financial Statements

For the year ended June 30, 2016

- 25.2** During the year, the valuer has carried out an exercise on the basis of which the Authority has recorded an impairment loss amounting to Rs. 974.92 million.

	Note	2016 ------(Rupees in '000)-----	2015
<b>26. OTHER INCOME</b>			
<i>Income from financial assets</i>			
Return on bank deposits		1,414,244	1,539,248
Interest on loans to employees		61,761	61,472
<i>Income from non-financial assets</i>			
Gain on sale of property, plant and equipment	4.2	15,887	19,767
Gain on disposal of scrap and salvage material		47,118	8,417
Others		28,643	28,235
		<u>1,567,653</u>	<u>1,657,139</u>
		2016	2015 (Restated)
		------(Rupees in '000)-----	

### 27. INCOME TAX EXPENSE

Current (2015: restated)		7,209,922	6,872,746
Deferred (2015: restated)	16.2	(1,781,547)	(867,395)
		<u>5,428,375</u>	<u>6,005,351</u>
<b>27.1 Reconciliation of income tax expense for the year</b>			
Accounting surplus before taxation		<u>22,374,498</u>	<u>18,873,665</u>
Enacted tax rate		<u>32%</u>	<u>33%</u>
Tax on accounting surplus at enacted rate		7,159,839	6,228,309
Tax effect of:			
- super tax on taxable surplus		463,752	-
- temporary differences		(2,075,688)	69,398
- permanent differences		(119,528)	(1,552,948)
- demand provided and raised during the year		-	1,260,592
Tax expense charged on surplus		<u>5,428,375</u>	<u>6,005,351</u>

- 27.2** The Authority had been claiming tax exemption on the basis of being a local authority up to tax year 2008. However, the taxation authorities have not accepted the claim of tax exemption. The Authority's appeals against rejection of exemption for assessment years 1990-1991 through 2002-2003 are pending before the Honourable High Court of Sindh whereas appeals for tax year 2003 to 2008 are pending before the Income Tax Appellate Tribunal (ITAT). However, the Authority, as matter of prudence, has provided the accumulated shortfall of Rs. 6.048 billion up to tax year 2008 in prior years.

- 27.3** The Additional Commissioner Inland Revenue had restarted set aside proceedings for the assessment year 2000-01 to 2002-03 and issued revised order under section 62/135 creating net demand payable of Rs. 147 million by disallowing all M/s Sogea France related issues. The matter has been decided in favor of the Authority by the Commissioner Inland Revenue (Appeals) [CIR(A)]. The appeal filed by the department is pending before Appellate Tribunal Inland Revenue.



## Notes to the Financial Statements

For the year ended June 30, 2016

- 27.4** The Authority grants licenses to use premises through public auction. The Deputy Commissioner Inland Revenue (DCIR) vide order dated August 19, 2013 held that the Authority had not collected advance tax under Section 236-A of the Ordinance. The order resulted in a tax demand of Rs. 583.868 million in respect of tax years 2010 to 2012. The Authority has filed an appeal with Commissioner (Appeals) which vide order dated October 04, 2013 confirmed the action of the DCIR in holding the Authority liable to collect tax under said sub section. However, the Commissioner (Appeals) is of the view that the provision of section 161(1B) of the Ordinance has observed that no tax is required to be recovered by the department where it is proved that the relevant parties have filed their respective income tax returns. The Authority filed second appeal before the Inland Revenue Appellate Tribunal who vide order dated 11-01-2016 maintained the finding of Commissioner (Appeals) holding that the Authority was liable to collect tax however if the tax which would have been collected is meanwhile paid by the deductee then no recovery from the Authority could be effected. While giving appeal effect, the Officer Inland Revenue again repeated the demand without giving proper opportunity of being heard and verifying that whether the tax has been paid meanwhile by the deductees. The Authority again filed appeal before the Commissioner IR (Appeal) who has remanded the case back again. The DCIR vide order dated December 01, 2014 and May18, 2015 has again demanded tax of Rs. 535.271 million in respect of tax year 2013 to 2014 on the same issue. The Authority has filed an appeal with Commissioner (Appeals) for tax year 2013 to 2014 who has remanded the case with identical finding. The Authority has filed second appeal before the Inland Revenue Appellate Tribunal for tax year 2013 and 2014, whereas Authority's reference application under section 133 of the ITO, 2001 challenging the applicability of section 236A of ITO, 2001 is pending before Honorable High Court of Sindh.
- 27.5** For tax year 2013 to 2015 the assessments have been amended by the department by making certain additions and disallowances. The Authority filed appeals with the CIR(A) where partial relief was allowed in tax year 2013 and 2014 whereas tax year 2015 appeal is in pending. The appeals of the department and the Authority for the said tax year are now pending with the In Inland Appellate Tribunal. The management of the Authority, as well as its tax consultant are pleading the case before ATIR and Commissioner (Appeals) and are confident that on the merits of the above cases, no charges on account of taxation will arise for which any provision is warranted. The accumulated short fall of tax assessed and tax provided amounts to Rs. 15.274 billion (2015: Rs 8.355 billion).
- 27.6** Moreover, taxation as presented in the statement of financial position includes an amount of Rs 1.799 billion (2015: 1.473 billion) in respect of re-measurement of post retirement benefit obligation recognized through Other Comprehensive Income. The Authority believes that this amount will be allowed as an admissible expense keeping in view that provision for post-employment benefits had been allowed as an admissible expense in previous year. Further, Rs. 2.46 billion has been paid in current year in respect of tax year 2015 on demand made under section 137 of the Income Tax Ordinance, 2001 pertaining to provision for doubtful balances.

	Note	2016 ------(Rupees in '000)-----	2015
<b>28. ADJUSTMENTS FOR NON-CASH ITEMS</b>			
Revaluation gain on investment property		(1,012,620)	(958,040)
Provisions	28.1	23,252,553	13,857,094
Depreciation	25	3,959,900	3,894,550
Amortization of intangibles	25	13,532	40,919
Finance costs		2,852	8,549
Return on bank deposits	26	(1,414,244)	(1,539,248)
Gain on disposal of property, plant and equipment	26	(15,887)	(19,767)
Gain on disposal of scrap and salvage material		-	(8,417)
Exchange loss		26,402	25,731
Impairment against property, plant and equipment	25	974,917	-
Deferred income		2,512	3,080
		<b>25,789,917</b>	<b>15,304,451</b>
<b>28.1 PROVISIONS</b>			
Provision against slow moving stores and spares	25	4,435	4,338
Provision for doubtful debts and receivables	25	16,639,915	7,427,954
Provision for compensated absences	25	694,266	900,778
Provision for medical facilities	25	182,611	160,154
Provision for pension and gratuity	25	5,731,326	5,363,870
		<b>23,252,553</b>	<b>13,857,094</b>



**Notes to the Financial Statements**

For the year ended June 30, 2016

	Note	2016 ------(Rupees in '000)-----	2015
<b>29. WORKING CAPITAL CHANGES</b>			
<i>(Increase) / decrease in current assets</i>			
Stores and spares		43,150	(162,218)
Loans and advances		(9,637)	(1,098,391)
Trade debts		(9,687,526)	(6,813,005)
Prepayments		46,790	(18,584)
Other receivables		43,309	(94,348)
		(9,563,914)	(8,186,546)
<i>Increase in current liabilities</i>			
Trade and other payables		374,806	33,669
Retention money and security deposits		343,664	538,939
		718,470	572,608
		(8,845,444)	(7,613,938)
<b>30. CASH AND CASH EQUIVALENTS</b>			
Investments having maturity of 3 months or less	12	10,500,000	7,600,000
Cash and bank balances	13	3,112,377	4,209,944
		13,612,377	11,809,944

**31. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of retirement benefit funds, state owned / controlled entities, common directorship companies, GoP and its related entities, and key management personnel. Details of transactions with the related parties during the year, other than those disclosed elsewhere in these financial statements, are as follows:

Name of related party and relationship with the Authority	Nature of transactions	2016 -----Rupees in '000-----	2015
Pakistan International Airlines Corporation (PIAC)	- Aeronautical services	9,904,948	6,973,024
	- Non-aeronautical services	428,484	324,892

Transactions with key management personnel are disclosed in the note 34 to these financial statements.

The transactions described below are collectively but not individually significant to these financial statements and therefore have been described below:

(i) The Authority deducts income tax in capacity of withholding agent on behalf of GoP on various payments. The Authority also pays various taxes and duties to different regulatory authorities including Federal Board of Revenue, Sindh and Punjab Board of Revenue and Customs authorities.

(ii) The Authority has obtained insurance cover for its inventory and fixed assets from National Insurance Company Limited.

(iii) The Authority has provided properties on rent to various government controlled entities including PIAC and Pakistan State Oil Company Limited.



## Notes to the Financial Statements

For the year ended June 30, 2016

(iv) The Authority obtains utility services from Sui Northern Gas Pipelines Limited and Sui Southern Gas Company Limited on account of utility charges.

(v) The Authority obtains electricity services from K-Electric Limited.

	Note	-----Rupees in '000-----	
<b>32. RETIREMENT AND OTHER SERVICE BENEFITS</b>			
Pension and gratuity	32.1	<b>15,454,391</b>	14,965,315
Medical benefits	32.1	<b>3,483,398</b>	1,320,742
Compensated absences	32.1	<b>3,121,232</b>	2,426,966
		<b><u>22,059,021</u></b>	<b><u>18,713,023</u></b>

### 32.1 Details of the defined benefit plans are as follows:

	2016				Total	2015				Total
	Funded	Unfunded		Funded		Unfunded				
	Post employment benefits		Other long term employment benefits	Post employment benefits		Other long term employment benefits				
	Retirement benefits	Other post-employment benefits		Retirement benefits			Other post-employment benefits			
	Pension and gratuity	Medical	Compensated absences	Pension and gratuity		Medical	Com-pensated absences			
----- (Rupees in '000) -----										
a)	Statement of financial position item									
Present value of defined										
benefit obligation	40,677,601	3,483,398	3,121,232	47,282,231	33,059,504	1,320,742	2,426,966	36,807,212		
Fair value of plan assets	(25,223,210)	-	-	(25,223,210)	(18,094,189)	-	-	(18,094,189)		
Net liability	15,454,391	3,483,398	3,121,232	22,059,021	14,965,315	1,320,742	2,426,966	18,713,023		
b)	Movement in payable to defined benefit obligation									
As at beginning of the year	14,965,315	1,320,742	2,426,966	18,713,023	11,865,313	1,016,445	1,526,188	14,407,946		
Expense for the year	5,731,326	182,611	694,266	6,608,203	5,363,870	160,154	900,778	6,424,802		
Remeasurement loss to Other Comprehensive Income	3,557,750	2,065,607	-	5,623,357	4,276,132	186,936	-	4,463,068		
Contribution made during the year	(8,800,000)	(85,562)	-	(8,885,562)	(6,540,000)	(42,793)	-	(6,582,793)		
As at end of the year	15,454,391	3,483,398	3,121,232	22,059,021	14,965,315	1,320,742	2,426,966	18,713,023		

**Notes to the Financial Statements**

For the year ended June 30, 2016

**c) Charge for defined benefit plan recognized in income and expenditure account**

	2016				2015			
Current service cost	1,449,773	54,815	126,293	1,630,881	1,033,347	28,310	47,559	1,109,216
Interest cost	4,248,135	127,796	254,832	4,630,763	1,138,879	131,844	202,220	1,472,943
Past service cost	2,881,649	-	-	2,881,649	3,191,644	-	728,090	3,919,734
Interest income on plan assets	(2,848,231)	-	-	(2,848,231)	-	-	(77,091)	(77,091)
Losses on present value of defined benefit obligation	-	-	313,141	313,141				
	<u>5,731,326</u>	<u>182,611</u>	<u>694,266</u>	<u>6,608,203</u>	<u>5,363,870</u>	<u>160,154</u>	<u>900,778</u>	<u>6,424,802</u>

**d) Remeasurement gain/ (loss) of defined benefit plan recognized in other comprehensive income**

Actuarial (gain)/loss on obligation

- Financial assumptions
- Experience assumptions

1,462,553 (427,798)	- 2,065,607	- -	1,462,553 1,637,809	- 4,417,249	- 186,936	- -	- 4,604,185
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1,034,755	2,065,607	-	3,100,362	4,417,249	186,936	-	4,604,185
Loss/ (gain) on plan assets excluding interest income	2,522,995	-	-	2,522,995	(141,117)	-	(141,117)
	<u>3,557,750</u>	<u>2,065,607</u>	<u>-</u>	<u>5,623,357</u>	<u>4,276,132</u>	<u>186,936</u>	<u>4,463,068</u>



## Notes to the Financial Statements

For the year ended June 30, 2016

		2016			2015				
		Funded	Unfunded			Funded	Unfunded		
		Post employment benefits		Other		Post employment benefits		Other	
		Retirement benefits	Other post-employment benefits	long term employment benefits	Total	Retirement benefits	Other post-employment benefits	long term employment benefits	Total
		Pension and gratuity	Medical	Compensated absences		Pension and gratuity	Medical	Compensated absences	
					----- (Rupees in '000) -----				
e)	Movement in present value of defined benefit obligation								
	As at beginning of the year	33,059,504	1,320,742	2,426,966	36,807,212	23,195,673	1,016,445	1,526,188	25,738,306
	Current service cost	1,449,773	54,815	126,293	1,630,881	1,033,347	28,310	47,559	1,109,216
	Interest cost	4,248,135	127,796	254,832	4,630,763	2,958,365	131,844	202,220	3,292,429
	Past Service cost	2,881,649	-	-	2,881,649	3,191,644	-	728,090	3,919,734
	Benefit Paid	(1,996,215)	(85,562)	-	(2,081,777)	(1,736,774)	(42,793)	-	(1,779,567)
	Actuarial (gain)/loss on obligation	1,034,755	2,065,607	313,141	3,413,503	4,417,249	186,936	(77,091)	4,527,094
	As at end of the year	40,677,601	3,483,398	3,121,232	47,282,231	33,059,504	1,320,742	2,426,966	36,807,212
f)	Movement in fair value of plan assets								
	As at beginning of the year	18,094,189	-	-	18,094,189	11,330,360	-	-	11,330,360
	Expected return on plan assets	2,848,231	-	-	2,848,231	1,819,486	-	-	1,819,486
	Contributions	8,800,000	-	-	8,800,000	6,540,000	-	-	6,540,000
	Benefits paid	(1,996,215)	-	-	(1,996,215)	(1,736,774)	-	-	(1,736,774)
	Return on plan assets	(2,522,995)	-	-	(2,522,995)	141,117	-	-	141,117
	As at end of the year	25,223,210	-	-	25,223,210	18,094,189	-	-	18,094,189
g)	Actual return on plan assets	2,522,995	-	-	2,522,995	1,022,079	-	-	1,022,079

For the year ended June 30, 2016

Defence saving certificates	-	-	-	-	-	-	-	-
Certificates of investments (TDR's)	20,806,656	-	-	20,806,656	17,003,071	-	-	17,003,071
Investment bonds	-	-	-	-	-	-	-	-
Regular income certificates	-	-	-	-	-	-	-	-
Deposit with banks	4,416,554	-	-	4,416,554	1,091,118	-	-	1,091,118
	<u>25,223,210</u>	<u>-</u>	<u>-</u>	<u>25,223,210</u>	<u>18,094,189</u>	<u>-</u>	<u>-</u>	<u>18,094,189</u>

i)	Charge to the income and expenditure account for the year ended	5,731,326	182,611	694,266	6,608,203
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**j) Significant actuarial valuation assumptions**

- Discount rate	9.00%	10.50%	7.50%	10.50%	10.50%	10.50%
- Expected rate of return on plan assets	9.00%	10.50%	-	10.50%	-	-
- Expected rate of salary increase	9.00%	-	7.50%	10.50%	-	10.50%
- Indexation in pension	4.25%	-	-	5.25%	-	-
- Exposure inflation rate	-	10.75%	-	-	7.50%	-
- Medical inflation rate	-	10.50%	-	-	3.00%	-

- Mortality rate	SLIC (2001-05) setback 1 year	SLIC (2001-05) setback 1 year
- Rate of employee turnover	Moderate	Moderate



Notes to the Financial Statements  
For the year ended June 30, 2016

k) Sensitivity analysis of assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2016	
	Change in assumption	Amount at original assumption Amount at decreased assumption
		----- (Rupees in '000) -----
<b>Discount rate</b>	1%	
Present value of obligation for all defined benefit plans		47,282,231 49,609,000
Financial impact on present value of obligation		2,326,769
<b>Expected rate of salary increase</b>	1%	
Present value of obligation for pension and gratuity and compensated absences		43,798,833 39,613,000
Financial impact on present value of obligation		(4,185,833)
<b>Indexation in pension</b>	1%	
Present value of obligation for pension and gratuity		40,677,601 37,540,000
Financial impact on present value of obligation		(3,137,601)
<b>Medical inflation rate</b>	1%	
Present value of obligation for Medical		3,483,398 6,410,000
Financial impact on present value of obligation		2,926,602
<b>Leave accumulation factor</b>	1%	
Present value of obligation for compensated absences		3,121,232 2,427,454
Financial impact on present value of obligation		(693,778)
<b>Mortality rate</b>	1%	
Present value of obligation for all defined benefit plans		47,282,231 37,132,815
Financial impact on present value of obligation		(10,149,416)

The defined benefit plans exposes the Authority to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

## Notes to the Financial Statements

For the year ended June 30, 2016

### a) Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and is denominated in Pak Rupees. A decrease in market yield on high quality corporate bonds will increase the Authority's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of the plan assets, in case of funded plans.

### b) Investment risk

This is the risk of the investment underperforming and not being sufficient to meet the liabilities. The plan assets at June 30, 2016 are predominantly equity and debt instruments. This risk is mitigated by closely monitoring the performance of the investments.

### c) Longevity risk

The Authority is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, particularly in case of pension where the pension / gratuity payments are linked to pay scales defined by the Government, will increase the defined benefit liability.

### d) Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Authority's liability. This risk is mitigated by closely monitoring the performance of the investments.

**32.2** Expected contributions to medical scheme and leave encashment scheme for the year ending June 30, 2017 are Rs. 674.419 million and Rs. 109 million respectively.

### 32.3 Defined contribution plans

The Authority operates a recognized provident fund scheme for its employees in accordance with the General Provident Fund Act, 1925, according to which employees' contributions are made to the scheme.

### 33. NUMBER OF EMPLOYEES

	2016	2015
Number of employees at year end	<b>9,396</b>	9,589

### 34. EXECUTIVE REMUNERATION

	2016		2015	
	Director General	Executives	Director General	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	1,414	63,214	2,993	130,703
Annual bonus	-	4,460	377	3,836
Perquisites				



## Notes to the Financial Statements

For the year ended June 30, 2016

2016 2015  
-----Rupees in '000-----

- Rent	806	30,035	275	25,710
- Utilities	247	9,509	35	8,822
- Telephone	-	-	-	7
- Entertainment	-	-	-	720
- Car maintenance	246	8,861	60	9,897
- Medical	214	7,612	-	-
- Other allowance	35	15,073	-	-

2,962	138,764	3,740	179,695
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Number of persons

*2	28	1	21
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34.1 In addition to the above, the Director General and Executives have been provided with free use of cars provided by the Authority. Further, medical expenses are reimbursed in accordance with the Authority's policies.

34.2 Executive includes employees ranked as Executive Grade 9 and Deputy Director General, but excludes Director General and Members of the Board of the Authority.

\*During the year, Mr. Muhammad Yousaf resigned and Mr. Asim Suleiman was appointed as Director General of the Authority.

### 35. FUND MANAGEMENT

The Authority treats government grants, assistance and funds transferred from ADA as the Authority's Fund. The Authority's objective when managing funds is to utilize them in the provision of world class aviation services for the benefit of stakeholders. The Authority has support from the government to maintain its sustainability. The Authority is not subject to externally imposed fund requirements.

### 36. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per statement of financial position

2016 2015  
-----Rupees in '000-----

#### Held to maturity

- Investments in term deposits

17,500,000 11,600,000

#### Loans and receivables at amortized cost

- Loans  
- Deposits  
- Trade debts  
- Interest accrued  
- Other receivables  
- Cash and bank balances

1,053,151	1,101,132
10,035	9,398
2,251,812	9,230,603
118,768	371,154
163,308	203,261
3,112,377	4,209,944
6,709,451	15,125,492
24,209,451	26,725,492

Notes to the Financial Statements  
For the year ended June 30, 2016

37
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1
Financial risk factors

The objective of Authority’s overall financial risk management is to minimize earnings volatility. The Board of Directors of the Authority has overall responsibility for the establishment and oversight of the Authority’s risk management frame work and policies.

The Authority has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Authority’s exposure to each of the above risks, Authority’s objectives, policies and processes for measuring and managing risk, fair value of financial instruments and the Authority’s management of capital.

37.2
Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Authority’s performance to developments affecting a particular industry.

The maximum exposure to credit risk before any credit enhancement at year end is the carrying amount of the financial assets as set out below:

	2016		2015	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	----- (Rupees in ‘000) -----			
Trade debts	2,251,812	2,251,812	9,230,603	9,230,603
Loans and advances	305,822	305,822	296,269	296,269
Investments	17,500,000	17,500,000	17,500,000	11,600,000
Cash and bank balances	3,112,377	3,104,686	4,209,944	4,134,969
Interest accrued	118,768	118,768	371,154	371,154
Other receivables	163,308	163,308	203,261	203,261
	<u>23,452,087</u>	<u>23,444,396</u>	<u>31,811,231</u>	<u>25,836,256</u>

37.2.1
Credit Quality

The Authority monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of all financial assets which are neither past due nor impaired are given in the note 37.2.2 below:

The credit quality of the Authority’s major bank accounts is assessed with reference to external credit ratings which are as follows:



## Notes to the Financial Statements

For the year ended June 30, 2016

Bank	Rating Agency	Rating	
		Short Term	Long Term
National Bank of Pakistan Limited	PACRA	A1+	AAA
Allied Bank of Pakistan Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Askari Bank Limited	PACRA	A1+	AA
Bank of Punjab Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Soneri Bank Limited	PACRA	A1+	AA-
JS Bank Limited	PACRA	A1+	A+

### 37.2.2 Past due and impaired financial assets

The aging of trade debts at year end is as follows:

	Aeronautical		Non-aeronautical	
	Gross	Impaired	Gross	Impaired
	----- (Rupees in '000) -----			
Due 1 - 365 days	12,132,388	9,904,546	285,670	261,700
Due 1 to 2 years	6,961,746	6,961,746	226,042	226,042
Due 2 to 3 years	7,296,473	7,296,473	193,616	193,616
Due more than 3 years	6,401,932	6,401,932	695,795	695,795
	<u>32,792,539</u>	<u>30,564,697</u>	<u>1,401,123</u>	<u>1,377,153</u>

The Authority believes that trade debts for aeronautical revenue due up to 1 year do not require any provision for impairment while all the balances past due more than 1 year are considered as fully impaired. While in respect of non-aeronautical revenue, balances due up to 1 year are considered impaired only in respect of PIAC and all balances due more than 1 year are considered fully impaired.

Credit risk on bank balances and investments is limited as they are maintained with banks having good credit ratings assigned by credit rating agencies. Credit risk on loans and advances is also limited as these are mainly given to employees.

#### Interest accrued

As at June 30, 2016 interest accrued is Rs. 118.768 million (2015: Rs. 371.154 million). Interest accrued is on investments made in TDR's held with various banks having good credit rating.

#### Other receivables

As at June 30, 2016 other receivable financial assets amounted to Rs. 163 million (2015: Rs. 203 million). The balance contains receivable from various airlines on account royalty receivable and others. There is a risk that the amounts may not be recovered from the respective counter parties.

## Notes to the Financial Statements

For the year ended June 30, 2016

### 37.3 Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority applies prudent liquidity risk management policy by maintaining sufficient cash and bank balances.

The Authority is not materially subject to liquidity risk since the Authority's current assets exceed its current liabilities. Further, the current assets are largely highly liquid to sufficiently cover its liabilities.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Carrying amount	Contractual cash flows	Not later than one year
	----- (Rupees in '000) -----		
<b>As at June 30, 2016</b>			
Trade and other payables	2,020,063	2,020,063	2,020,063
Retention money and security deposits	4,274,309	-	4,274,309
	<u>6,294,372</u>	<u>2,020,063</u>	<u>6,294,372</u>
<b>As at June 30, 2015</b>			
Trade and other payables	1,758,989	1,758,989	3,483,925
Retention money and security deposits	3,930,645	-	3,930,645
	<u>5,689,634</u>	<u>1,758,989</u>	<u>7,414,570</u>

### 37.4 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risks, interest rate risk and equity price risk. The Authority is exposed to currency risk and interest rate risk only.

#### 37.4.1 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. It arises where receivables and payables exist due to transactions in foreign currency. As the receivables and payables in foreign currency are not material at year end, the Authority is not materially exposed to such risk.

#### 37.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. The Authority is managing exposure to such risk in respect of investments and bank balances. Sensitivity analysis for interest rate on defined benefits obligation has been presented in note 32.1. As of the year end, the Authority is not materially exposed to such risk due to other items in the financial statements.



## Notes to the Financial Statements

For the year ended June 30, 2016

	2016 ----- (Rupees in '000) -----	2015
<b>Fixed rate instruments</b>		
Investments	17,500,000	11,600,000
Saving accounts	2,948,160	3,642,095
	<u>20,448,160</u>	<u>15,242,095</u>

### Sensitivity analysis

The Authority does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect income and expenditure of the Authority.

### 37.5 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Authority is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying values of all financial instruments reflected in the financial statements approximate their fair values as all the financial assets and liabilities are short term in nature.

### 38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and to reflect the substance of the transactions. No significant rearrangements or reclassifications were made in these financial statements except the following:

Description	Reclassified		2015 Rupees. in '000
	From	To	
Deferred income	Trade and other payable	Deferred income	656,047

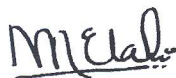
### 39. GENERAL

The figures have been rounded off to nearest thousand rupee.

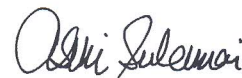
### 40. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements of the Authority have been authorized for issue by the Board of Directors of the Authority on 27th April, 2017.

Q.A



Chairman



Director General

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**Pakistan Civil Aviation Authority**  
**Headquarter Terminal No.1**  
**Jinnah International Airport**  
**Karachi.**



# Annual Report 2016

Civil Aviation Authority