

AEG ENTERPRISES (PRIVATE) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of AEG Enterprises (Private) Limited and its subsidiary companies, AEG Travel Services (Private) Limited and EasyWay Travel (Private) Limited as at December 31, 2015 and the related consolidated Profit and Loss account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of AEG Enterprises (Private) Limited, AEG Travel Services (Private) Limited and EasyWay Travel (Private) Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of AEG Enterprises (Private) Limited and its subsidiary companies as at December 31, 2015 and the results of their operations for the year then ended.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: April 8, 2016
Karachi

AEG ENTERPRISES (PRIVATE) LIMITED AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED BALANCE SHEET
 AS AT DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non-current assets			
Operating fixed assets	5	37,425,488	35,497,834
Intangible assets	6	135,788,001	150,085,401
Long term deposits	7	3,254,000	3,378,000
Long-term loans and advances	8	12,190,007	13,618,172
		<u>188,657,496</u>	<u>202,579,407</u>
Current assets			
Trade debts	9	827,562,392	859,069,042
Loans and advances	10	15,687,967	16,252,876
Deposits and short-term prepayments	11	39,769,159	34,177,128
Other receivables		10,340,006	9,056,049
Taxation refundable- net		22,613,331	149,465
Cash and bank balances	12	40,931,872	62,275,667
		<u>956,904,727</u>	<u>980,980,227</u>
		<u>1,145,562,223</u>	<u>1,183,559,634</u>
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations - defined benefit plan	13	54,548,116	50,690,819
Deferred taxation - net	15	22,015,253	33,686,269
		<u>76,563,369</u>	<u>84,377,088</u>
Current liabilities			
Short-term finances	16	544,157,530	544,377,719
Trade and other payables	17	254,401,170	295,493,211
		<u>798,558,700</u>	<u>839,870,930</u>
		<u>875,122,069</u>	<u>924,248,018</u>
NET ASSETS		<u>270,440,154</u>	<u>259,311,616</u>
CONTINGENCIES AND COMMITMENTS			
	18		
REPRESENTED BY :			
Equity			
Issued, subscribed and paid-up capital	19	98,762,500	98,762,500
Unappropriated profit		171,677,654	160,549,116
		<u>270,440,154</u>	<u>259,311,616</u>

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

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 Chairman & Chief Executive


 Director

AEG ENTERPRISES (PRIVATE) LIMITED AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
Net revenue	20	508,116,765	485,181,002
Operating and administrative expenses	21	440,583,256	417,468,377
		<u>67,533,509</u>	<u>67,712,625</u>
Other income	22	1,959,880	3,259,365
Other operating charges	23	8,027,736	6,471,736
Operating profit		<u>61,465,653</u>	<u>64,500,254</u>
Finance costs	24	43,913,031	48,857,544
Profit before taxation		<u>17,552,622</u>	<u>15,642,710</u>
Taxation	25	3,590,344	12,140,538
Profit after taxation		<u>13,962,278</u>	<u>3,502,172</u>
Earnings per share - basic and diluted	26	<u>1.39</u>	<u>0.01</u>

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

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 Chairman & Chief Executive


 Director

AEG ENTERPRISES (PRIVATE) LIMITED AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
Profit after taxation for the year		13,962,278	3,502,172
Other comprehensive income / (loss)			
Items that will not be reclassified to consolidated profit and loss account :			
- Remeasurement gain / (loss) of defined benefit obligation	13.1.2	906,264	(2,237,120)
- Deferred tax on re-measurement of defined benefit obligation		(290,004)	782,992
		616,260	(1,454,128)
Total comprehensive income for the year		<u>14,578,538</u>	<u>2,048,044</u>

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

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 Chairman & Chief Executive


 Director

AEG ENTERPRISES (PRIVATE) LIMITED AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Issued, subscribed and paid-up capital		Sub-total	Unappropriated profit	Total
	Ordinary shares	Preference shares			
----- Rupees -----					
Balance as at January 1, 2014 - restated	896,700	23,000,000	23,896,700	236,816,872	260,713,572
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2014	-	-	-	3,502,172	3,502,172
Other comprehensive loss for the year					
Remeasurement of defined benefit obligations - net of tax	-	-	-	(1,454,128)	(1,454,128)
7,486,580 ordinary shares of Rs. 10 each issued as fully paid bonus shares	74,865,800	-	74,865,800	(74,865,800)	-
Dividend on preference shares	-	-	-	(3,450,000)	(3,450,000)
Balance as at December 31, 2014	75,762,500	23,000,000	98,762,500	160,549,116	259,311,616
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2015	-	-	-	13,962,278	13,962,278
Other comprehensive income for the year					
Remeasurement of defined benefit obligations - net of tax	-	-	-	616,260	616,260
Dividend on preference shares	-	-	-	(3,450,000)	(3,450,000)
Balance as at December 31, 2015	75,762,500	23,000,000	98,762,500	171,677,654	270,440,154

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

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 Chairman & Chief Executive


 Director

AEG ENTERPRISES (PRIVATE) LIMITED AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	27	89,430,490	9,884,155
Income taxes paid		(38,351,596)	(25,985,791)
Contribution paid to gratuity fund		(6,500,000)	(6,802,567)
Net cash (used in) / generated from operating activities		<u>44,578,894</u>	<u>(22,904,203)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(15,050,731)	(12,594,834)
Proceeds from sale of fixed assets		3,160,837	1,250,001
Net cash used in investing activities		<u>(11,889,894)</u>	<u>(11,344,833)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(3,450,000)	(3,450,000)
Finance cost paid		(50,362,606)	(46,519,072)
Net cash used in financing activities		<u>(53,812,606)</u>	<u>(49,969,072)</u>
Net decrease in cash and cash equivalents		<u>(21,123,606)</u>	<u>(84,218,108)</u>
Cash and cash equivalents as at the beginning of the year		(482,102,052)	(397,883,944)
Cash and cash equivalents as at the end of the year	33	<u><u>(503,225,658)</u></u>	<u><u>(482,102,052)</u></u>

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

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 Chairman & Chief Executive


 Director

1 STATUS AND NATURE OF BUSINESS

1.1 The structure of the companies is as follows:

Holding Company

- AEG Enterprises (Private) Limited

AEG Enterprises (Private) Limited (the Company) is a private limited company incorporated in Pakistan on October 30, 2008 under the Companies Ordinance, 1984. The Company has been established to conduct travel and related services. The registered office of the Company is situated at Shaheen Complex, Dr. Ziauddin Ahmed Road, Karachi.

Subsidiary Companies

- AEG Travel Services (Private) Limited - 100 percent holding

A Share Purchase Agreement dated January 28, 2009 was entered into between American Express International and AEG Enterprises (Private) Limited for the transfer of shares alongwith absolute transfer of management and control of American Express Travel Related Services Pakistan (Private) Limited (now known as AEG Travel Services (Private) Limited) with effect from March 31, 2009, whereby AEG Enterprises (Private) Limited acquired 100 percent ownership of AEG Travel Services (Private) Limited.

AEG Travel Services (Private) Limited (AEG Travel) is a private limited company incorporated in Pakistan on June 2, 2005 under the Companies Ordinance, 1984. The subsidiary company is engaged in the business of air ticket selling by acting as a sale agent for both local and international airlines. The subsidiary company is also engaged in the business of various travel related services including visa facilitation and group travel etc. The registered office of the subsidiary company is situated at Shaheen Complex, Dr. Ziauddin Ahmed Road, Karachi.

- EasyWay Travel (Private) Limited - 100 percent holding

EasyWay Travel (Private) Limited (EasyWay Travel) is a private limited company incorporated in Pakistan on November 8, 2010 under the Companies Ordinance, 1984. It is a wholly owned subsidiary of AEG Enterprises (Private) Limited. EasyWay Travel has been established to provide travel related and visa application services. The registered office of the company is situated at Shaheen Complex, Dr. Ziauddin Ahmed Road, Karachi.

2 BASIS OF PRESENTATION

2.1 Statement of Compliance

In accordance with SRO 23(1)/2012 dated January 16, 2012 issued by the Securities and Exchange Commission of Pakistan (SECP) all Medium Sized Companies (MSC) as defined under the Fifth Schedule to the Companies Ordinance, 1984, amended vide SRO No. 928/ 2015 and 929/ 2015, have been directed to follow the International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) with regard to preparation and presentation of their financial statements.

The Group falls within the purview of Medium Sized Companies as per the requirements set out in the Fifth Schedule to the Companies Ordinance, 1984, amended vide SRO No. 928/ 2015 and 929/ 2015. Accordingly, these consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan for MSCs. Approved accounting standards comprise of IFRS for SMEs issued by the International Accounting Standards Board (IASB) and the provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 prevail.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of AEG Enterprises (Private) Limited - Holding Company and its subsidiary companies - the "Group".

- Subsidiary companies are consolidated from the date on which more than 50% of the voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal.

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- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements.
- Non-controlling interests are the part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.

2.3 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are carried at present value of defined benefit obligation less fair value of plan assets.

2.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting period beginning on or after January 1, 2015 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements.

2.5 New and amended standards and interpretations that are not yet effective:

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting period beginning on or after January 1, 2016 but are considered not to be relevant or will not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Business combination

Business combinations are accounted for by applying the purchase method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the company's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment. Impairment charge in respect of goodwill is recognised in the consolidated profit and loss account.

Acquisition of non-controlling interests (NCI) is measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Company. The excess of fair value of consideration transferred over the proportionate share of the NCI in the fair value of the net assets acquired is recognised in equity.

3.2 Financial instruments

3.2.1 Financial assets

3.2.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Group are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss' category.

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b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise of trade debts, loans and advances, deposits, cash and bank balances and other receivables in the consolidated balance sheet.

c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity which the Group has positive intent and ability to hold to maturity.

d) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss.

3.2.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the consolidated profit and loss account.

3.2.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial asset at fair value through profit or loss' and 'available for sale'

'Financial assets at fair value through profit or loss' are marked to market using the closing market rates and are carried on the consolidated balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the consolidated profit and loss account in the period in which these arise.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the consolidated balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in the consolidated statement of other comprehensive income.

b) 'Loans and receivables' and 'held to maturity'

Loans and receivables and held to maturity financial assets are carried at amortised cost.

3.2.1.4 Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of a financial asset below its cost / amortised cost is also an objective evidence of impairment. Provision for impairment in the value of financial assets, if any, is taken to the consolidated profit and loss account.

3.2.1.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.2.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument.

3.2.3 Derecognition

Financial assets are derecognised at the time when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the consolidated profit and loss account.

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3.3 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash and which are subject to insignificant changes in value and short term running finance. Cash and cash equivalents are carried in the consolidated balance sheet at cost.

3.4 Taxation - Current and Deferred

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets / liabilities are recognised for all deductible / taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax liability is recognised on temporary differences except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at:

- (i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date; and
- (ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the consolidated profit and loss account for the year.

3.5 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.6 Share capital

Issued, subscribed and paid-up share capital is recognised at the fair value of the consideration received by the Holding Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity.

3.7 Revenue recognition

Revenue of the Group comprises the fair value of the consideration received or receivable for rendering of services, net of goods and services tax, rebates and discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is recognised as follows:

(a) Rendering of services

Revenue from air ticketing operations and travel services is recognised in the period when the services are rendered. Override and service fee from various airlines is recognised on accrual basis. Other travel suppliers pay incentive commissions on hotels, car rentals and facilitations services which are not material in value, therefore, revenue is recognised when cash is received.

(b) Airline incentives, fee and commission income

Incentives received from airline, fee and commission income are recognised on accrual basis.

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(c) Interest income

Interest income is recognised on an accrual basis.

(d) Other income

Other income is recognised on an accrual basis.

3.8 Operating fixed assets and depreciation

Operating fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of fixed assets includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on straight line basis so as to write off the depreciable amount of the assets over their estimated useful lives at the rates specified in note 5 to these consolidated financial statements. Depreciation on additions is charged from the month the asset is available for use and on disposals upto the month of disposal.

The estimated useful lives of the Group's fixed assets are as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 to 8 years
Computer equipment	3 to 5 years
Communication equipment and office appliances	5 to 8 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

3.9 Assets used under Ijarah arrangement

The Company recognises payments made under Ijarah arrangement as expense in the consolidated profit and loss account on a straight line basis over the Ijarah term.

Assets acquired for Ijarah are recognised upon acquisition at historical cost. Historical cost of assets acquired for Ijarah includes net purchasing price plus all expenditures necessary to bring the asset to its intended use such as customs duties, taxes, freight, insurance, installation, testing etc.

3.10 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets having finite life are amortised using the straight line method from the month in which the assets are available for use, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any. Gains and losses on disposals, if any, are taken to the consolidated profit and loss account in the period in which they arise.

Expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and useful lives is recognised as a capital improvement and added to the original cost of the software.

3.11 Trade debts and other receivables

Trade debts and other receivables relate to travel and regular trade receivables due to the Group in the normal course of business.

Trade debts and other receivable balances are presented on the consolidated balance sheet net of reserves for losses, and include principal and any related accrued fees.

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3.12 Impairment of trade debts

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable balance is impaired. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated profit and loss account within the administration and marketing expense. When a trade receivable balance is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in other income in the consolidated profit and loss account.

3.13 Loans and advances

Loans and advances relate to staff loans and cash advances in the normal course of business.

3.14 Employee benefits

3.14.1 Defined contribution plan

The Group operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Group and the employees in accordance with the rules of the scheme. The Group has no further payment obligation once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

3.14.2 Defined benefit plan - approved gratuity fund

The Group also operates an approved gratuity scheme for its permanent employees. Actuarial valuation of the scheme is carried out with sufficient regularity using the Projected Unit Credit Method and the latest valuation of the scheme was carried out at December 31, 2015.

Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognized in the Consolidated Balance sheet immediately, with a charge or credit to 'Other Comprehensive income' in the periods in which they occur. The liability recognised in the consolidated balance sheet in respect of the defined gratuity scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Contributions are made to cover the obligations under the scheme on the basis of actuarial recommendations.

3.14.3 Employee insurance policy

The Group maintains a group health and life insurance policy for its permanent employees and their dependent children upto the age of 25 years.

3.14.4 Leave fare assistance

The Group recognises, in respect of its permanent employees, a leave fare assistance reserve. Under leave fare assistance, the permanent employees are given cash benefit for their entitled leaves under their employment terms.

3.15 Borrowings and their cost

Borrowing costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of that asset.

3.16 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

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3.17 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as liability in the period in which the dividends are approved by the Group's shareholders.

3.18 Functional and presentation currency

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

3.19 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or average rates of exchange where these approximate the actual rates. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the consolidated profit and loss account.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with the approved accounting standards for MSEs as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

4.1 Provision for credit losses, net of recoveries - note 3.11 and note 8

Reserves for losses relating to customer receivables represent management's estimate of the losses inherent in the Group's outstanding portfolio of receivables. Management's evaluation process requires certain estimates and judgements. Reserves for these losses are primarily based upon review of ageing of receivables.

Customer receivable balances are written off when management deems amounts to be uncollectible which is generally determined by the number of days past due.

To the extent historical credit experience is not indicative of future performance, actual loss experience could differ significantly from management's judgements and expectations, resulting in either higher or lower future provisions for losses, as applicable.

4.2 Operating fixed assets - note 3.8 and note 5

Judgement is required in assessing useful lives and residual values of items of operating fixed assets.

4.3 Intangible assets - note 3.10 and note 6

Judgement is required in assessing useful lives and amortisation method of intangible assets.

4.4 Income taxes - note 3.4 and note 25

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

4.5 Gratuity liability - note 3.14 and note 13

Significant judgement is required relating to actuarial assumptions used in the calculation of the retirement benefit obligation relating to the gratuity fund for employees and the related expense.

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5. OPERATING FIXED ASSETS

	2015					TOTAL
	Leasehold Improvements	Furniture and Fixtures	Computer Equipment	Communication Equipment and Office Appliances	Motor Vehicles	
Rupees						
At January 1, 2015						
Carrying value	17,054,002	7,476,688	36,203,964	24,727,928	29,484,500	114,947,082
Accumulated depreciation	(12,310,756)	(4,177,707)	(25,565,559)	(17,003,289)	(20,391,937)	(79,449,248)
Net book value	<u>4,743,246</u>	<u>3,298,981</u>	<u>10,638,405</u>	<u>7,724,639</u>	<u>9,092,563</u>	<u>35,497,834</u>
Year ended December 31, 2015						
Opening net book value	4,743,246	3,298,981	10,638,405	7,724,639	9,092,563	35,497,834
Additions during the year	-	-	1,946,888	1,611,761	11,492,062	15,050,731
Disposals at net book value	-	-	(157,594)	(26,656)	(1,654,474)	(1,838,724)
Depreciation charge for the year	(1,598,121)	(730,666)	(2,771,524)	(2,648,765)	(3,535,277)	(11,284,353)
Closing net book value	<u>3,145,125</u>	<u>2,568,315</u>	<u>9,656,175</u>	<u>6,660,979</u>	<u>15,394,894</u>	<u>37,425,488</u>
As at December 31, 2015						
Carrying value	17,054,002	7,476,688	29,365,892	25,456,466	23,913,082	103,266,130
Accumulated depreciation	(13,908,677)	(4,908,373)	(19,709,717)	(18,795,487)	(8,518,188)	(65,840,642)
Net book value	<u>3,145,125</u>	<u>2,568,315</u>	<u>9,656,175</u>	<u>6,660,979</u>	<u>15,394,894</u>	<u>37,425,488</u>
Depreciation rate % per annum	20	12.5 - 20	20 - 33.33	12.5 - 20	20	

	2014					TOTAL
	Leasehold Improvements	Furniture and Fixtures	Computer Equipment	Communication Equipment and Office Appliances	Motor Vehicles	
Rupees						
At January 1, 2014						
Carrying value	22,160,354	6,808,025	35,333,212	23,106,602	31,768,500	119,175,693
Accumulated depreciation	(16,230,924)	(3,433,353)	(29,494,939)	(15,939,745)	(17,616,834)	(82,715,795)
Net book value	<u>5,929,430</u>	<u>3,374,672</u>	<u>5,838,273</u>	<u>7,166,857</u>	<u>14,151,666</u>	<u>36,459,898</u>
Year ended December 31, 2014						
Opening net book value	5,929,430	3,374,672	5,838,273	7,166,857	14,151,666	36,459,898
Additions during the year	492,426	750,000	8,172,145	3,180,263	-	12,594,834
Disposals at net book value	-	-	(106,593)	-	(171,427)	(278,020)
Depreciation charge for the year	(1,678,610)	(825,691)	(3,265,420)	(2,621,481)	(4,887,676)	(13,278,878)
Closing net book value	<u>4,743,246</u>	<u>3,298,981</u>	<u>10,638,405</u>	<u>7,724,639</u>	<u>9,092,563</u>	<u>35,497,834</u>
As at December 31, 2014						
Carrying value	17,054,002	7,476,688	36,203,964	24,727,928	29,484,500	114,947,082
Accumulated depreciation	(12,310,756)	(4,177,707)	(25,565,559)	(17,003,289)	(20,391,937)	(79,449,248)
Net book value	<u>4,743,246</u>	<u>3,298,981</u>	<u>10,638,405</u>	<u>7,724,639</u>	<u>9,092,563</u>	<u>35,497,834</u>
Depreciation rate % per annum	20	12.5 - 20	20 - 33.33	12.5 - 20	20	

5.1 The cost of fully depreciated fixed assets which are still in the Group's use as at December 31, 2015 amounted to Rs 34.202 million (2014: Rs 48.909 million).

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6. INTANGIBLE ASSETS

	2015								Rate of amortization
	COST			ACCUMULATED AMORTISATION			Written down value		
	At January 1, 2015	Additions/ (disposal)	At December 31, 2015	At January 1, 2015	For the year	(On disposals)			
	Rupees							%	
Contract for American Visa Services	71,487,000	-	71,487,000	9,531,600	14,297,400	-	23,829,000	47,658,000	20.00%
Contract for Dubai Visa Services	88,130,000	-	88,130,000	-	-	-	-	88,130,000	Indefinite life 0%
Computer software	233,000	-	233,000	232,999	-	-	232,999	1	33.33%
	<u>159,850,000</u>	<u>-</u>	<u>159,850,000</u>	<u>9,764,599</u>	<u>14,297,400</u>	<u>-</u>	<u>24,061,999</u>	<u>135,788,001</u>	
	2014								
	COST			ACCUMULATED AMORTISATION			Written down value		Rate of amortization
	At January 1, 2014	Additions/ (disposal)	At December 31, 2014	At January 1, 2014	For the year	(On disposals)			
	Rupees							%	
Contract for American Visa Services	71,487,000	-	71,487,000	-	9,531,600	-	9,531,600	61,955,400	20.00%
Contract for Dubai Visa Services	88,130,000	-	88,130,000	-	-	-	-	88,130,000	Indefinite life 0%
Computer software	233,000	-	233,000	232,999	-	-	232,999	1	33.33%
	<u>159,850,000</u>	<u>-</u>	<u>159,850,000</u>	<u>232,999</u>	<u>9,531,600</u>	<u>-</u>	<u>9,764,599</u>	<u>150,085,401</u>	

- 6.1 The useful life of Contract for Dubai Visa Services is indefinite based on the fact that it does not carry any expiry date and is auto-renewed each year.
- 6.2 The useful life of Contract for American Visa Services is five years based on the tenure of the contract for American Visa Services which will expire in the year 2018. As the renewal of the contract depends on the outcome of certain factors which cannot be reliably estimated, the management considers it more prudent to amortise the contract for American Visa Services over a period of five years using an amortisation rate of 20 percent per annum.
- 6.3 The recoverable amount of the intangible asset relating to Contracts for Visa Services as at December 31, 2015, determined by the management, exceeds its carrying amount. Consequently, no impairment has been recognised in respect of intangible assets relating to Contracts for Visa Services.

	Note	2015 Rupees	2014 Rupees
7. LONG TERM DEPOSITS			
Long term deposit paid			
- to suppliers		3,140,000	3,140,000
- against rent		114,000	238,000
		<u>3,254,000</u>	<u>3,378,000</u>
8. LONG TERM LOANS AND ADVANCES			
Considered good - unsecured			
Loans and advances to			
Chief Executive		4,603,096	7,852,336
Directors		5,320,001	3,533,269
Other employees		14,948,481	15,416,837
	8.1 & 8.2	<u>24,871,578</u>	<u>26,802,442</u>
Less: Current portion of long term loans and advances	10	<u>(12,681,571)</u>	<u>(13,184,270)</u>
		<u>12,190,007</u>	<u>13,618,172</u>

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8.1 Reconciliation of carrying amount of loans to executives and other employees:

Particulars	Opening balance as at January 1, 2015	Disbursements	Repayments	Closing balance as at December 31, 2015
	Rupees			
Chief Executive	7,852,336	-	3,249,240	4,603,096
Directors	3,533,269	3,180,345	1,393,613	5,320,001
Other employees	15,416,837	8,877,691	9,346,047	14,948,481
	<u>26,802,442</u>	<u>12,058,036</u>	<u>13,988,900</u>	<u>24,871,578</u>

8.2 These represent interest free loans granted to the employees of the Group in accordance with the terms of their employment and are repayable over a period not exceeding seventy-two months. The mark-up in respect of the above loans is being borne by the Group.

9. TRADE DEBTS - Unsecured	Note	2015	2014
		Rupees	Rupees
Considered good		827,562,392	859,069,042
Considered doubtful		2,203,040	2,203,040
		829,765,432	861,272,082
Provision for doubtful debts	9.1	(2,203,040)	(2,203,040)
		<u>827,562,392</u>	<u>859,069,042</u>
9.1 Provision for doubtful debts			
Opening balance		2,203,040	3,144,218
Less: reversal of provision		-	(941,178)
Closing balance		<u>2,203,040</u>	<u>2,203,040</u>
10. LOANS AND ADVANCES			
Considered good - unsecured			
Advances to employees	10.1	2,956,396	3,068,606
Advances to directors	10.1	50,000	-
Current portion of long term loans and advances	8	12,681,571	13,184,270
		<u>15,687,967</u>	<u>16,252,876</u>
10.1 Advances to working directors and other employees are given to meet business expenses and are settled as and when the expenses are incurred. Loans and advances are carried at cost due to the short-term nature thereof.			
11. DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2015	2014
		Rupees	Rupees
Deposits		19,650,647	14,203,037
Short term prepayments		17,616,636	16,017,038
Furniture and equipment allowance to employees		2,501,876	3,957,053
		<u>39,769,159</u>	<u>34,177,128</u>
12. CASH AND BANK BALANCES			
Cash in hand		5,391,644	3,486,396
Cash margin with bank		2,667,200	2,667,200
Balances with banks			
- current accounts		16,424,590	29,850,263
- saving accounts	12.1	16,448,438	26,271,808
		<u>40,931,872</u>	<u>62,275,667</u>

12.1 This carry mark-up at the rate of 4.5% (2014: 8.00%) per annum.

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13. RETIREMENT BENEFIT OBLIGATIONS - DEFINED BENEFIT PLAN

13.1 Salient features

The Group offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, Trust Deed and Rules of the Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

The Group faces the following risks on account of gratuity fund:

Final salary risks

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

Withdrawal risks

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

Investment risks

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

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

13.1.1 Valuation results

An actuarial valuation is carried out every year to determine the liability of the Company in respect of the benefit and the latest valuation was carried out as at December 31, 2015.

The projected unit credit method, as allowed under the International Accounting Standard 19 - 'Employee Benefits', was used for actuarial valuation based on the following significant assumptions:

		2015 (Principal actuarial assumptions)	2014
Financial Assumptions			
Salary increase rate		8.0% p.a	9.50% p.a
Discount rate		9.0% p.a	10.50% p.a
Expected interest rate on plan assets of the fund		9.0% p.a	10.50% p.a
Demographic Assumptions			
Mortality rates (for death in service)		SLIC (2001-05)-1 rated down 1 year	SLIC (2001-05) rated down 1 year
Rates of employee turnover		Light	Light
		Note	
13.1.2 Amount recognised in the consolidated balance sheet		2015	2014
		Rupees	Rupees
Present value of defined benefit obligation	13.1.3	116,048,993	109,044,131
Fair value of plan assets	13.1.4	(61,500,877)	(58,353,312)
Payable to defined benefit plan		<u>54,548,116</u>	<u>50,690,819</u>
Reconciliation of liability			
Opening net liability		50,690,819	44,399,851
Charge for the year - net		11,263,561	10,856,415
Contribution paid to the fund		(6,500,000)	(6,802,567)
Net remeasurement (gain) / loss on defined benefit obligations		(906,264)	2,237,120
Closing net liability		<u>54,548,116</u>	<u>50,690,819</u>

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	Note	2015 Rupees	2014 Rupees
13.1.3 Movement in present value of defined benefit obligation			
Obligation at the beginning of the year		109,044,131	93,178,918
Current service cost		5,981,944	5,236,585
Interest cost		11,578,268	12,014,444
Benefits paid		(5,595,405)	(1,567,778)
Remeasurements:			
Gain from change in financial assumptions		(189,145)	(145,839)
Experience (gains) / losses		(4,770,800)	327,801
		(4,959,945)	181,962
Obligation at the end of the year		<u>116,048,993</u>	<u>109,044,131</u>
13.1.4 Movement in fair value of plan assets			
Fair value at the beginning of the year		58,353,312	48,779,067
Expected return on plan assets		6,296,651	6,394,614
Contribution by the employer		6,500,000	6,802,567
Benefits paid during the year		(5,595,405)	(1,567,778)
Remeasurement - return on plan assets excluding amounts included in interest income		(4,053,681)	(2,055,158)
Fair value at the end of the year		<u>61,500,877</u>	<u>58,353,312</u>
13.1.5 Components of Defined benefit cost			
13.1.5.1 Amount to be recognised in profit and loss account			
Current service cost		5,981,944	5,236,585
Net interest cost		5,281,617	5,619,830
Charge for defined benefit plan		<u>11,263,561</u>	<u>10,856,415</u>
13.1.5.2 Amounts recognised in other comprehensive income			
Actuarial gain / (loss) on obligation		4,959,945	(181,962)
Actuarial loss on plan asset		(4,053,681)	(2,055,158)
Net remeasurement gain / (loss) on defined benefit obligation		<u>906,264</u>	<u>(2,237,120)</u>
13.1.6 Components of plan assets as a percentage of total plan assets		2015	2014
Cash and Cash equivalents		3.62%	0.91%
Mutual Funds		8.34%	0.00%
Debt Instruments - Musharika Deposits		88.04%	99.09%
		<u>100.00%</u>	<u>100.00%</u>
13.1.7	The actual return on plan assets for the year was Rs 2.243 million (2014: Rs 4.339 million).		
13.1.8 Expected contributions to be paid to the fund in the next financial year			
	The Group contributes to the gratuity fund according to the actuary's advice. The management estimates that the charge in respect of their defined benefit plan for the year ending December 31, 2016 would be Rs 10.768 million (2015: Rs 11.264 million).		
13.1.9	The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.		
13.1.10	The weighted average duration of defined benefit obligation is 6.20 years.		

13.1.11 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

As at December 31, 2015	Between 0-1 year	Between 2-4 years	Between 5-10 years	Over 10 years	Total
	(Rupees)				
Gratuity	21,631,375	41,605,163	87,987,324	172,108,318	323,332,180

13.1.12 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees)		
Discount rate	1%	109,431,532	123,444,819
Expected rate of increase in salaries	1%	123,444,819	109,314,557

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

13.2 Defined Contribution Plan - Provident Fund

The Group has set up a provident fund for its permanent employees and the contributions are made by the Group to the Trust in accordance with the requirements of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended December 31, 2015 is Rs. 7.508 million (2014: Rs.7.384). The audit of the provident fund for the year ended December 31, 2011 is currently in progress. Total net assets based on the audited financial statements of the Provident Fund as at December 31, 2010 was Rs. 38.089 million out of which 93.85% was invested in different financial instruments categories as provided in Section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose. The fair value and cost of investments of the provident fund as at December 31, 2015 was Rs.106.686 million.

Break up of Investments	-- (Rupees)--	% of size of Fund's Investment
Musharika deposit certificates	34,315,000	32%
Term deposit receipts	72,370,670	68%
	<u>106,685,670</u>	<u>100%</u>

14. STAFF STRENGTH

	2015 (Number of employees)	2014
Number of employees as at December 31	94	91
Average number of employees during the year	93	92

15. DEFERRED TAXATION - NET

The balance of deferred taxation comprises:

	2015 Rupees	2014 Rupees
Taxable temporary difference on fair value adjustments related to net assets acquired upon acquisition	38,790,401	52,529,890
Taxable / (deductible) temporary differences on accelerated tax / accounting depreciation on operating fixed assets	121,592	(1,538,328)
Deductible temporary differences on provision against doubtful debts	(630,672)	(720,769)
Deductible temporary differences on provision against staff gratuity	(16,266,068)	(16,584,524)
	<u>22,015,253</u>	<u>33,686,269</u>

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16.	SHORT-TERM FINANCES - SECURED	Note	2015 Rupees	2014 Rupees
	Short-term running finance			
	- MCB Bank Limited	16.1	190,559,609	135,085,982
	- Faysal Bank Limited	16.2	353,597,921	409,291,737
			<u>544,157,530</u>	<u>544,377,719</u>
16.1	This represents running finance facility availed from MCB Bank Limited. The total facility available to the Group amounts to Rs 200 million (2014: Rs 150 million) of which the unutilised facility available as at December 31, 2015 under this financing arrangement amounted to 9.440 million. The facility carries mark-up at the rate of 1 month KIBOR plus 2.50% per annum (2014: 1 month KIBOR plus 2.50% per annum). The facility is secured against hypothecation of present and future book debts.			
16.2	This represents running finance facility availed from Faysal Bank Limited. The book balance of this running finance facility is Rs. 353.598 million due to unrepresented cheques issued on December 31, 2015 to suppliers, although, the actual facility under this financing arrangement availed by the Group as at December 31, 2015 amounted to Rs 259.217 million (2014: Rs 271.611 million) out of the total facility available to the Company of Rs. 340 million (2014: Rs 340 million). The facility carries mark-up at the rate of 1 month KIBOR plus 2.5% per annum. The facility is secured against hypothecation of book debts and present and future fixed assets of the Group amounting to Rs 594 million and Rs 49.8 million respectively.			
17.	TRADE AND OTHER PAYABLES		Rupees	Rupees
	Trade creditors		138,497,499	176,291,383
	Accrued expenses and liabilities		36,151,102	26,033,627
	Payable to customers/ Advances from customers		6,785,366	13,923,102
	Workers' Welfare Fund		2,082,234	1,296,639
	Dividend payable on preference shares		3,450,000	3,450,000
	Accrued mark up on short-term finances		6,571,577	13,021,152
	Trade deposits		17,618,546	12,495,113
	Sales tax payable on licensing fee		2,055,066	1,856,140
	Payable to Alitalia		4,039,627	9,614,851
	Licensing fee payable to GBT US II LLC	17.1	29,353,854	18,560,942
	Sales tax payable		2,469,928	89,407
	Others		5,326,371	18,860,855
			<u>254,401,170</u>	<u>295,493,211</u>
17.1	This represents licensing fee payable by the Company to GBT US II LLC in consideration of GBT US II LLC granting the Company the right to use the GBT US II LLC licensed marks in Pakistan.			
18.	CONTINGENCIES AND COMMITMENTS		2015 Rupees	2014 Rupees
18.1	Contingencies			
18.1.1	Bank guarantees		<u>70,893,950</u>	<u>121,226,000</u>
18.1.1.1	The facilities for guarantees available from Faysal Bank Limited as at December 31, 2015 amounted to Rs 130 million, (2014: Rs 130 million) out of which Rs 59.106 million (2014: Rs 8.774 million) was unutilised as at December 31, 2015. The above performance guarantees were obtained to finance working capital requirements and in accordance with the requirements of International Air Transport Association (IATA), Department of Tourism and Airline Companies.			

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18.1.1.2 The facilities for guarantees available from JS Bank Limited as at December 31, 2015 amounted to Rs 0.2 million (2014: Rs 0.2 million) all of which were utilised as at December 31, 2015 and December 31, 2014. The above guarantees were obtained in accordance with the requirement of Department of Travel and Tourism.

18.1.1.3 Facilities for guarantees available from MCB Bank Limited as at December 31, 2015 amounted to Rs 50 million (2014: Rs 50 million) all of which are unutilised as at December 31, 2015 and December 31, 2014. The above guarantees were obtained to finance receivables of the Group and in accordance with the requirement of International Air Transport Association (IATA) and Airline Companies.

	2015	2014
	----- Rupees -----	
18.2 Commitments in respect of Ijarah rentals		
Not later than one year	4,606,958	626,457
Later than one year but not later than five years	13,820,874	2,750,930
	<u>18,427,832</u>	<u>3,377,387</u>

Commitment for Ijarah rentals in respect of Ijarah transaction amounted to Rs 18.428 million (December 31, 2014: Rs 3.377 million).

18.3 There were no other contingencies and commitments as at December 31, 2015.

19. SHARE CAPITAL

19.1 Authorised capital

2015	2014		2015	2014
Number of shares			-----Rupees -----	
10,000,000	10,000,000	Ordinary shares of Rs 10 each	100,000,000	100,000,000
20,000	20,000	Preference shares of Rs 2,000 each	40,000,000	40,000,000
<u>10,020,000</u>	<u>10,020,000</u>		<u>140,000,000</u>	<u>140,000,000</u>

19.2 Issued, subscribed and paid-up capital

2015	2014		Note	2015	2014
Number of shares				-----Rupees -----	
89,670	89,670	Ordinary shares of Rs 10 each fully paid in cash		896,700	896,700
7,486,580	7,486,580	Ordinary shares of Rs 10 each issued as fully paid bonus shares		74,865,800	74,865,800
11,500	11,500	Preference shares of Rs 2,000 each fully paid in cash	19.3 & 19.4	23,000,000	23,000,000
<u>7,587,750</u>	<u>7,587,750</u>			<u>98,762,500</u>	<u>98,762,500</u>

19.3 Terms and conditions of preference shares:

Preference shareholders have three times voting rights as against ordinary shareholders. They are guaranteed a cumulative dividend of 15% per annum for the face value of the shares prior to declaring dividend to the ordinary shareholders.

These shares are redeemable, partly or fully, on the approval of the Board of Directors at their own discretion, any time after completion of three years period from the date of allotment of shares. The payment shall be for the actual amount paid at the time of allotment of each preference share.

19.4 The redeemable preference shares have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 86 to the Companies Ordinance, 1984 (the Ordinance) read with section 90 to the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

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- The financial capital of the Group and the issue of the shares were duly approved by the shareholders.
- Return of allotment of shares was filed under Section 73 (1) to the Ordinance.
- The Group is required to set up a reserve for the redemption of preference shares, under Section 85 of the Ordinance, in respect of the shares redeemed which effectively makes redeemable preference shares a part of equity.
- Dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.

20. NET REVENUE	Note	2015 Rupees	2014 Rupees
Income on air ticket sales - net of rebate expenses of Rs 16.411 million (2014: Rs 16.233 million)		200,090,572	193,779,000
Service fee			
US visa services		72,071,733	64,401,149
Dubai visa services		26,383,960	41,252,673
Other visa services		11,171,823	11,356,185
Insurance sales		8,182,234	7,020,637
Hotel and lodging services		55,709,698	47,133,167
Rail and ferry ticket sales		1,849,953	1,052,809
Group travel services		26,278,533	22,438,158
Other travel related services		63,199,765	51,365,872
		262,847,699	246,020,650
Airline incentive and others	20.1	45,178,494	45,381,352
		<u>308,026,193</u>	<u>291,402,002</u>
		<u>508,116,785</u>	<u>485,181,002</u>
20.1 Airline incentive and others			
Air ticket overrides and others		24,771,966	26,821,552
Customer Reservation System (CRS) revenue		20,406,528	18,559,800
		<u>45,178,494</u>	<u>45,381,352</u>
21. OPERATING AND ADMINISTRATIVE EXPENSES			
Personnel cost			
Salaries and benefits		241,524,021	226,943,571
Contribution to defined contribution plan	13.2	7,508,117	7,383,950
Charge for defined benefit obligation	13.1.5	11,263,561	10,856,415
		260,295,699	245,183,936
Repair and maintenance		22,861,930	27,415,141
Rent, rates and taxes		21,265,497	19,761,959
Insurance		6,224,363	5,781,382
Utilities		9,790,433	10,691,898
Communication		23,278,474	20,031,531
Travelling		1,251,680	1,906,268
Legal and professional		4,776,126	3,638,098
Consultancy fee		18,913,770	14,939,016
Printing and stationery		8,539,360	8,809,041
Advertisement		1,357,300	1,429,100
Depreciation	5	11,284,353	13,278,878
Amortisation of intangible assets	6	14,297,400	9,531,600
Ijarah rentals	21.1	3,389,020	418,203
Security service charges		4,809,635	4,506,397
Canteen expenses		5,344,934	4,539,221
Licensing fee to American Express International		17,339,796	18,560,972
Advance tax written off		336,366	-
Other expenses		5,227,120	7,045,736
		<u>440,583,256</u>	<u>417,468,377</u>

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21.1 These comprise of Ijarah rentals paid against vehicles.

	Note	2015 Rupees	2014 Rupees
22. OTHER INCOME			
Gain on sale of fixed assets		1,322,113	971,981
Interest income		637,767	1,057,984
Reversal of provision for doubtful debts		-	941,178
Others		-	288,222
		<u>1,959,880</u>	<u>3,259,365</u>
23. OTHER OPERATING CHARGES			
Workers' Welfare Fund		785,595	675,611
Auditors' remuneration	23.1	3,202,531	2,455,540
FED expense on licensing fee to GBT US II LLC		1,733,979	1,856,097
Bank charges		2,305,631	1,484,488
		<u>8,027,736</u>	<u>6,471,736</u>
23.1 Auditors' remuneration			
Audit fee		2,298,200	1,996,500
Special certifications and other services		550,200	183,975
		2,848,400	2,180,475
Out of pocket expenses		183,227	170,390
Sindh sales tax on services		170,904	104,675
		<u>3,202,531</u>	<u>2,455,540</u>
24. FINANCE COST			
Mark-up on short term running finance		40,800,117	46,096,345
Mark-up on employee loan		3,112,914	2,761,199
		<u>43,913,031</u>	<u>48,857,544</u>
25. TAXATION			
Current - for the year		17,615,331	12,811,124
- prior year		(2,063,967)	3,393,123
Deferred		(11,961,020)	(4,063,709)
		<u>3,590,344</u>	<u>12,140,538</u>
25.1 Relationship between income tax expense and accounting profit			
Accounting profit before taxation		<u>17,552,622</u>	<u>15,642,710</u>
Tax rate		<u>32%</u>	<u>33%</u>
Tax on accounting profit		5,616,839	5,162,094
Effect of tax under presumptive tax regime		4,569,979	2,802,351
Effect of prior year (excess) / short provision		(2,063,967)	3,393,123
Effect of change in tax rate		(2,887,394)	1,084,101
Permanent differences		137,333	-
Others		(1,782,446)	(301,131)
Tax expense for the current year		<u>3,590,344</u>	<u>12,140,538</u>
25.2			
The Group Companies have filed the returns of income under section 114 of the Income Tax Ordinance, 2001 till tax year 2015. Under the provisions of section 120 of the Income Tax Ordinance, 2001 the return is deemed to be an assessment order passed by the Commissioner of Income Tax for the respective tax years.			

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25.3 For tax years 2012, 2013, 2014 and 2015 the returns of AEG Enterprises (Private) Limited was filed as one fiscal unit under group taxation in terms of section 59 AA of the Income Tax Ordinance, 2001 as a Parent of the group along with its Subsidiary Company, AEG Travel Services (Private) Limited.

26. Earnings per share

	2015 Rupees	2014 Rupees
Basic		
Profit after taxation	<u>10,512,278</u>	<u>52,172</u>
	No of Shares	No of Shares
Weighted average number of shares in issue during the year	<u>7,576,250</u>	<u>7,576,250</u>
	Rupees	Rupees
Earnings per share	<u>1.39</u>	<u>0.01</u>

Diluted

A diluted earnings per share has not been presented as the Holding Company does not have any convertible instruments in issue as at December 31, 2015 and 2014 which would have any effect on the earnings per share if the option to convert is exercised.

	Note	2015 Rupees	2014 Rupees
27. CASH GENERATED FROM OPERATIONS			
Profit before taxation		17,552,622	15,642,710
Adjustment for non-cash charges and other items:			
Depreciation		11,284,353	13,278,878
Financial charges		43,913,031	48,857,544
Amortisation of intangible asset		14,297,400	9,531,600
Gain on disposal of fixed assets		(1,322,113)	(971,981)
Charge for defined benefit obligation		11,263,561	10,856,415
Working capital changes	27.1	(7,894,730)	(87,311,011)
Advance tax written off		336,366	-
		<u>89,430,490</u>	<u>9,884,155</u>
27.1 Working capital changes			
Decrease / (increase) in current assets			
Trade debts		31,506,650	(96,453,987)
Loans and advances		1,993,074	(5,551,863)
Deposits and short-term prepayments		(5,468,031)	4,632,520
Other receivables		(1,283,957)	181,385
		<u>26,747,736</u>	<u>(97,191,945)</u>
(Decrease) / increase in current liabilities			
Trade and other payables		(34,642,466)	9,880,934
		<u>(7,894,730)</u>	<u>(87,311,011)</u>
28. FINANCIAL INSTRUMENTS			
28.1 Interest rate risk management			
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Group is exposed to interest rate risk in respect of the following:			

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	2015						Total
	Interest / mark-up bearing			Non-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees)						
Financial assets							
Loans and advances	-	-	-	15,687,967	12,190,007	27,877,974	27,877,974
Deposits	-	-	-	19,650,647	3,254,000	22,904,647	22,904,647
Trade debts	-	-	-	827,562,392	-	827,562,392	827,562,392
Other receivables	-	-	-	10,340,006	-	10,340,006	10,340,006
Cash and bank balances	16,448,438	-	16,448,438	24,483,434	-	24,483,434	40,931,872
	<u>16,448,438</u>	<u>-</u>	<u>16,448,438</u>	<u>897,724,446</u>	<u>15,444,007</u>	<u>913,168,453</u>	<u>929,616,891</u>
Financial liabilities							
Retirement benefit obligations	-	-	-	-	54,548,116	54,548,116	54,548,116
Short-term finances	544,157,530	-	544,157,530	-	-	-	544,157,530
Trade and other payables	-	-	-	245,943,442	-	245,943,442	245,943,442
	<u>544,157,530</u>	<u>-</u>	<u>544,157,530</u>	<u>245,943,442</u>	<u>54,548,116</u>	<u>300,491,558</u>	<u>844,649,088</u>

	2014						Total
	Interest / mark-up bearing			Non-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees)						
Financial assets							
Loans and advances	-	-	-	16,252,876	13,616,172	29,871,048	29,871,048
Deposits	-	-	-	14,203,037	3,378,000	17,581,037	17,581,037
Trade debts	-	-	-	859,069,042	-	859,069,042	859,069,042
Other receivables	-	-	-	9,056,049	-	9,056,049	9,056,049
Cash and bank balances	26,271,808	-	26,271,808	36,003,859	-	36,003,859	62,275,667
	<u>26,271,808</u>	<u>-</u>	<u>26,271,808</u>	<u>934,584,863</u>	<u>16,996,172</u>	<u>951,581,035</u>	<u>977,852,843</u>
Financial liabilities							
Retirement benefit obligations	-	-	-	-	50,690,819	50,690,819	50,690,819
Short-term finances	544,377,719	-	544,377,719	-	-	-	544,377,719
Trade and other payables	-	-	-	292,251,025	-	292,251,025	292,251,025
	<u>544,377,719</u>	<u>-</u>	<u>544,377,719</u>	<u>292,251,025</u>	<u>50,690,819</u>	<u>342,941,844</u>	<u>887,319,563</u>

28.2 The interest rate profile of interest / mark-up bearing assets and liabilities is given in the notes relating to the respective assets / liabilities.

28.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. All the financial assets of the Group except cash in hand amounting to Rs 5,391,644 (2014: Rs 3,486,396) are subject to credit risk. The Group believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk the Group applies credit limits to its customers.

28.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

28.5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

28.6 Foreign currency risk

Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. The management believes that the Group is not materially exposed to risk from foreign currency exchange rate fluctuations.

28.7 Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities approximate their fair values in the opinion of the management.

29. CAPITAL RISK MANAGEMENT

Capital risk management is governed by the ultimate parent's capital management policy. The capital management policy objective is to maintain a consistently strong, flexible and value-creating capital position requiring the Group to:

- Maintain adequate capital levels
- Safeguard the Group's ability to continue as a going concern
- Provide capital in a cost effective manner while maintaining flexibility to meet unexpected losses or opportunities

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. The Group's overall capital management strategy remains unchanged since year 2009.

30. FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2015 Rupees	2014 Rupees
Financial assets and financial liabilities			
Financial assets			
<i>Loans and receivables - amortised cost</i>			
Loans and advances		27,877,974	29,871,048
Deposits		22,904,647	17,581,037
Trade debts		827,562,392	859,059,042
Other receivables		10,340,006	9,056,049
Cash and bank balances		40,931,872	62,275,667
		<u>929,616,891</u>	<u>977,852,843</u>
Financial Liabilities			
<i>Amortised cost</i>			
Retirement benefit obligations		54,548,116	50,690,819
Short-term finances		544,157,530	544,377,719
Trade and other payables		245,943,442	292,251,025
		<u>844,649,088</u>	<u>887,319,563</u>

31. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS OF AEG TRAVEL SERVICES (PRIVATE) LIMITED - SUBSIDIARY COMPANY

	Chief Executive Officer		Directors		Total	
	2015	2014	2015	2014	2015	2014
	(Rupees)					
Short-term employee benefits						
Managerial remuneration (including bonus and leave pay)	13,624,944	11,847,814	10,845,927	10,731,648	24,470,871	22,579,462
Housing and utilities	6,527,165	6,527,165	5,657,270	5,657,270	12,184,435	12,184,435
Medical	60,000	60,000	120,000	120,000	180,000	180,000
Post employment benefits						
Retirement benefits	2,418,403	2,072,179	2,096,091	1,647,565	4,514,494	3,719,744
	<u>22,630,512</u>	<u>20,507,158</u>	<u>18,719,288</u>	<u>18,156,483</u>	<u>41,349,800</u>	<u>38,663,641</u>
Number of persons	1	1	2	2	3	3

31.1 The Chief Executive Officer, Directors and certain other officers of AEG Travel Services (Private) Limited are also provided with free use of the subsidiary company's cars, residential equipment, reimbursement of utilities and club memberships in accordance with their entitlements.

31.2 The Chief Executive Officer and Directors of the holding company are currently not being paid any remuneration or provided any benefit in their capacities as Chief Executive Officer and Directors of the holding company.

32. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Group comprise of its staff retirement funds and key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. The Group considers the subsidiary company's Chief Executive and other Directors to be key management personnel.

The following are the transactions that were carried out with related parties during the year ended December 31:

Relationship with the company	Nature of transaction	2015 Rupees	2014 Rupees
(a) Key management personnel	Salaries and benefits	36,835,306	34,943,897
	Post employment benefits	4,514,494	3,719,744
	Air ticket sales	421,057	61,810
(b) Other related parties	Consultancy fees	18,913,770	14,939,016

Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuation / terms of contribution plan (refer note 13 to these consolidated financial statements for details of the plans).

The related party status of outstanding balances at December 31, 2015 and December 31, 2014 is included in the respective notes to the consolidated financial statements.

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise of the following balance sheet amounts:

	Note	2015 Rupees	2014 Rupees
Cash and bank balances	12	40,931,872	62,275,667
Short term finances	16	<u>(544,157,530)</u>	<u>(544,377,719)</u>
		<u>(503,225,658)</u>	<u>(482,102,052)</u>

34. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. There have been no significant reclassifications in these consolidated financial statements except as mentioned below:

Note	Reclassification from component	Note	Reclassification to component	Rupees
17	Trade and other payables	17	Trade and other payables	
	- Others		- Sales tax payable	89,407
	- Rent payable		- Accrued expenses and liabilities	28,516
	- Audit fee payable		- Accrued expenses and liabilities	378,702
20	Net revenue	20	Net revenue	
	- Other travel related services		- Hotel and lodging services	10,044,016
21	Operating and administrative expenses	21	Operating and administrative expenses	
	- Other expenses		- Salaries and benefits	478,375

35. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue by the Board of Directors of the holding company on April 8, 2016.

AVCO


Chairman & Chief Executive


Director

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company has been established to conduct travel and related services. There have been no significant changes in the nature of these activities during the year.

Final dividend on Preference Shares @ 15% i.e. PKR 300 per share of PKR 2,000 for the year ended Dec 31, 2015

Directors has been decided to redeem issued 11,500 preference shares of PKR 2,000 each. The necessary legal process and redemption will be completed by December 31, 2016 including amendments in Memorandum and articles of association of Company.


In this context Chairman & Chief Executive Officer and Company Secretary are hereby jointly authorized to take all steps necessary for the redemption of preference shares

The present auditors M/S A F Ferguson & CO. Chartered Accountants retire and being eligible, have offered themselves for reappointment. The Board of Directors has recommended their appointment as auditors of the Company for the year 2016.

The Board would like to congratulate the employees for consistent hard work and efforts

The Board is optimistic about future outlook of the Company

For and on Behalf of Board of Directors



Syed Saleemuddin Ahmad
Chairman & Chief Executive