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HALF YEARLY REPORT 2019

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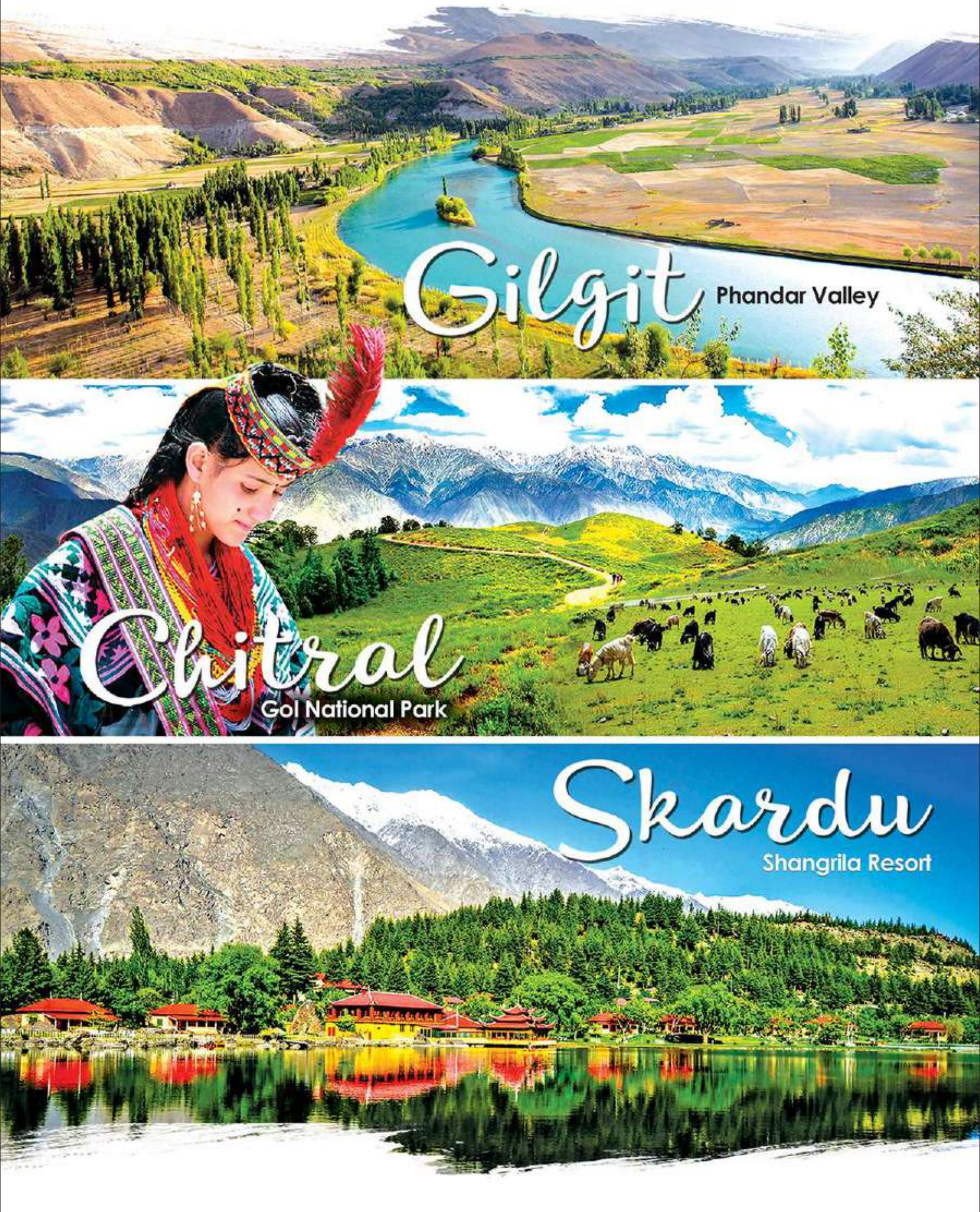

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CORPORATE PROFILE
As at February 11, 2020

BOARD OF DIRECTORS

Dr Syed Pervaiz Abbas
Secretary Economic Affairs Division

Mr Atif Aslam Bajwa

Mr Naveed Kamran Baloch
Secretary Finance Division

Mr Hasan Nasir Jamy
Secretary Aviation Division

Mr Farrukh H Khan

Mr Aslam R. Khan

Mr Tariq Kirmani

Air Marshal Arshad Malik
Chief Executive Officer

Mr Navaid H Malik

Mr Haque Nawaz

Mr Muhammad Shuaib
Company Secretary

Mr Muhammad Javed Jameel
Acting Chief Internal Auditor

EXECUTIVE MANGEMENT

Air Marshal Arshad Malik
Chief Executive Officer

Mr Aijaz Mazhar
Chief Operating Officer

AVM Noor Abbas
Advisor to CEO

AVM Soban Nazir Syed
Director- Precision Engineering Complex

Mr Nausherwan Adil
Officiating Chief Commercial Officer

Mr Khalilullah Shaikh
Chief Financial Officer

Capt Arshad Khan
Chief Flight Operations

Mr Khalid-ul-Rehman Barlas
Chief Information Officer

Mr Jawad Zafar Chaudhry
Chief Corporate Development Officer

Mr Amer Altaf
Chief Human Resource Officer

Mr Amir Ali
Chief Technical Officer

Mr Amanullah Qureshi
Chief Supply Chain Management Officer

Mr Younus M Khan
Chief Projects Officer

OTHER CORPORATE INFORMATION

EXTERNAL AUDITORS

Messrs Grant Thornton Anjum Rahman
Chartered Accountants

Messrs BDO Ebrahim & Co
Chartered Accountants

Legal Advisor
Mr Asim Rauf

SHARE REGISTRAR

CDC Shares Registrar Services Limited
(CDCSRSL)
CDC House, 99-B, Block-B, S.M.C.H.S., Main Sharah-e-Faisal
Karachi-74400-Pakistan
Ph: 0800-CDCPL (23275)
Fax: 0092-21-34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

BANKERS

Al Baraka Bank
Askari Bank Limited
Bank Islami
Bank of Punjab
Citi Bank NA
Credit Suisse AG Singapore
Emirates NBD
Faysal Bank Limited
Habib Allied International Bank, London
Habib Bank Limited
JS Bank
Mashreq Bank, Dubai
Soneri Bank Limited
National Bank of Pakistan
Standard Chartered Bank Limited,
Meezan Bank Limited
United Bank Limited

REGISTERED OFFICE

PIA Building
Jinnah International Airport Karachi- 75200
Pakistan
Tel: 0092-21-9904 0000
UNI: 111-786-786
Website: www.piac.com.pk

BOARD **COMMITTEES**

As at February 11, 2020

NAME OF COMMITTEE	MEMBER NAME	DESIGNATION
BOARD AUDIT COMMITTEE (BAC)	Mr Atif Aslam Bajwa Mr Farrukh H Khan Mr Tariq Kirmani Mr Haque Nawaz	**Chairman** Member Member Member
BOARD FINANCE COMMITTEE (BFC)	Mr Naveed Kamran Baloch *Secretary Finance Division* Mr Atif Aslam Bajwa Mr Navaid H Malik Air Marshal Arshad Malik *Chief Executive Officer* Mr Haque Nawaz	**Chairman (ex-officio)** Member Member Member Member
BOARD HR & COMPENSATION COMMITTEE (BHRCC)	Mr Tariq Kirmani Air Marshal Arshad Malik *Chief Executive Officer* Mr Farrukh H Khan Mr Navaid H Malik	**Chairman** Member Member Member
BOARD PROCUREMENT COMMITTEE (BPC)	Air Marshal Arshad Malik *Chief Executive Officer* Mr Haque Nawaz Mr Aslam R. Khan	Member Member Member
BOARD COMMERCIAL, OPERATIONS & ENGINEERING COMMITTEE (BCOEC)	Mr Navaid H Malik Air Marshal Arshad Malik *Chief Executive Officer* Mr Tariq Kirmani	**Chairman** Member Member

DIRECTOR'S REPORT – FOR THE PERIOD ENDED JUNE 30, 2019

On behalf of the Board of Directors, we are pleased to present the Company's Review Report together with the financial statements for the period of six month ended June 30, 2019. The financial results for the period are summarized below:

(Rs. In Millions)

	2019	2018
Revenue (net)	65,924	45,590
Aircraft Fuel	(22,480)	(19,490)
Operating Expense	(50,566)	(43,636)
Loss from Operations	**(7,122)**	**(17,536)**
Exchange Loss	(14,591)	(5,839)
Finance Cost	(15,850)	(8,808)
Loss before Taxation	**(37,563)**	**(32,183)**

Industry Review

In 2019, airlines continued to increase the number of city-pair routes globally and more than 22,000 city pairs were serviced in 2019. Strong improvements in connectivity and inflation adjusted costs over the last few years helped to ensure that aviation, the "business of freedom", continues to distribute its array of benefits to consumers, suppliers and economies globally.

Business Review

'Revenue' for six months ended June 2019 witnessed a significant growth of 44.6% as compared to 2018 and accordingly 'Loss from Operations' reduced by 59.4% as compared to 2018. This is a significant achievement and result of extensive hard work & new initiatives by current management. Passenger seat factor was 84.1% in 2019 as compared to 77.7% in 2018. While the operating loss improved, the Company got severe hit due to currency devaluation and rising interest rates.

Management is focusing on increasing the customer base of the Airline by enhancing the on-board passenger comfort on our flights. A number of new initiatives have been taken in this regard. Cabin refurbishment of entire fleet and improved in-flight meals are just to name few, Moreover, extensive Special trainings are being imparted to our cabin crew to augment their capacity to serve our valued customers even better. In addition to the above initiatives, Management is also focusing on route rationalization, with an aim to increasing the frequencies on route giving better yields, while curtailing not so profitable sectors.

The operating environment in the region remains challenging, however, with the current revitalization plan being implemented across the organization, we are hopeful that, with support of our customers, dedication of our employees and continued support of Government of Pakistan, we will emerge stronger for the better times ahead.

For and on behalf of the Board.

Chief Executive Officer

Director

UNCONSOLIDATED FINANCIAL STATEMENTS

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C, Lakson
Square Building No. 1,
Sarwar Shaheed Road,
Karachi - 74200

Grant Thornton Anjum Rahman
Chartered Accountants
First and Third Floor, Modern Motors,
Beaumont Road,
Karachi - 74200

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS OF PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Pakistan International Airlines Corporation Limited ("the Company") as at June 30, 2019 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of cash flows, unconsolidated condensed interim statement of changes in equity and notes to the unconsolidated condensed interim financial information for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as at and for the six-month period ended June 30, 2019 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to the following:

i. Note 1.2 to the unconsolidated condensed interim financial information which inter-alia states that in view of the financial position of Company, the Government of Pakistan has confirmed to extend necessary financial support to the Company to maintain its going concern status. Hence, the sustainability of the future operations of the Company is materially dependent on the said support.

ii. Notes 10.2 and 11 to the unconsolidated condensed interim financial information which state that an aggregate amount of Rs. 17,320.93 million was payable to the Pakistan International Airlines Corporation Provident Fund (the Provident Fund) representing Rs. 10,960.835 million on account of the Company and employees' contributions and Rs. 6,342.090 million being markup payable thereon. However, the said amount was not deposited within the stipulated time of fifteen days to the Provident Fund as required under Section 218 of the Companies Act, 2017.

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iii. Notes 18 and 19.1 to the unconsolidated condensed interim financial information which state that the Company is exposed to various tax and other contingencies aggregating to Rs. Rs. 44,747.92 million, the ultimate outcome of which cannot presently be determined and, accordingly, no provision has been made by the management in respect of these contingencies in the unconsolidated condensed interim financial information.

Our conclusion is not modified in respect of the above matters.

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BDO Ebrahim & Co.
Chartered Accountants
Engagement Partner: Raheel Shahnawaz

Grant Thornton Anjum Rahman
Chartered Accountants
Engagement Partner: Khurram Jameel

Place: Karachi
Date:

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		(Rupees in '000)		(US$ in '000)	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	4	98,536,363	78,026,605	615,652	561,649
- Intangibles		262,029	275,563	1,637	1,984
		98,798,392	78,302,168	617,289	563,633
Long-term investments		4,592,850	4,599,767	28,696	33,110
Long-term deposits and prepayments		7,450,996	8,562,836	46,554	61,637
Total non current assets		110,842,238	91,464,771	692,539	658,380
CURRENT ASSETS					
Stores and spares		3,402,348	3,981,893	21,258	28,662
Trade debts	5	15,066,336	16,377,366	94,134	117,887
Advances		5,295,104	2,591,560	33,084	18,655
Trade deposits and short term prepayments		3,238,321	2,170,964	20,233	15,627
Other receivables	6	7,484,443	8,070,202	46,763	58,091
Short-term investments		19,220	19,220	120	138
Cash and bank balances	7	5,403,804	1,734,448	33,763	12,485
Total current assets		39,909,576	34,945,653	249,355	251,545
TOTAL ASSETS		150,751,814	126,410,424	941,894	909,925
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital		52,345,110	52,345,110	327,050	376,789
Reserves		4,455,889	4,462,806	27,840	32,124
Surplus on revaluation of property, plant and equipment- net		23,611,572	24,134,932	147,524	173,727
Accumulated losses		(487,803,720)	(437,696,479)	(3,047,781)	(3,150,616)
Total Shareholders' Equity		(407,391,149)	(356,753,631)	(2,545,367)	(2,567,976)
NON CURRENT LIABILITIES					
Long-term financing	8	160,304,367	148,742,994	1,001,576	1,070,678
Term finance and sukuk certificates		-	2,054,401	-	14,788
Lease liabilities	9	19,789,681	172,771	123,645	1,244
Advance from a subsidiary		6,423,725	5,575,748	40,135	40,135
Deferred liabilities		42,871,436	38,048,236	267,859	273,878
Total non-current liabilities		229,389,209	194,594,150	1,433,215	1,400,723
CURRENT LIABILITIES					
Trade and other payables	10	182,090,809	164,570,556	1,137,701	1,184,609
Unclaimed dividend - Preference shares		3,297	3,297	21	24
Accrued interest	11	18,976,457	16,531,580	118,564	118,997
Provision for taxation - net		1,462,785	1,380,723	9,140	9,939
Short-term borrowings	12	35,259,858	34,447,358	220,302	247,958
Current maturity of non-current liabilities	13	90,960,548	71,636,391	568,318	515,651
Total current liabilities		328,753,754	288,569,905	2,054,046	2,077,178
TOTAL LIABILITIES		558,142,963	483,164,055	3,487,261	3,477,900
TOTAL EQUITY AND LIABILITIES		150,751,814	126,410,424	941,894	909,925
CONTINGENCIES AND COMMITMENTS	19				

The annexed notes 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Chief Executive Officer

Director

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

		Six months period ended		Quarter ended		Six months period ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Note	(Rupees in '000)				(USD in '000)	
REVENUE - NET	14	65,923,687	45,590,115	35,164,603	20,231,436	440,996	375,096
COST OF SERVICES							
Aircraft fuel		(22,480,492)	(19,489,666)	(12,196,156)	(9,976,469)	(150,383)	(160,353)
Others	15	(44,120,717)	(37,338,497)	(22,665,352)	(17,641,968)	(295,145)	(307,205)
		(66,601,209)	(56,828,163)	(34,861,508)	(27,618,437)	(445,528)	(467,558)
GROSS (LOSS) / PROFIT		(677,521)	(11,238,048)	303,094	(7,387,001)	(4,532)	(92,462)
Distribution costs		(3,053,689)	(2,604,690)	(1,808,347)	(1,270,558)	(20,428)	(21,430)
Administrative expenses		(3,493,136)	(3,250,224)	(1,848,588)	(1,487,567)	(23,367)	(26,741)
Other provisions and adjustments		(1,031,449)	(710,110)	(592,984)	(561,065)	(6,900)	(5,842)
Other income		1,134,228	266,779	1,143,154	249,043	7,587	2,195
		(6,444,046)	(6,298,245)	(3,106,767)	(3,070,147)	(43,108)	(51,818)
LOSS FROM OPERATIONS		(7,121,568)	(17,536,293)	(2,803,673)	(10,457,148)	(47,640)	(144,280)
Exchange loss - net	16	(14,591,353)	(5,839,395)	(13,963,066)	(3,535,398)	(97,609)	(48,044)
LOSS BEFORE INTEREST AND TAXATION		(21,712,921)	(23,375,688)	(16,766,739)	(13,992,546)	(145,249)	(192,324)
Finance costs	17	(15,849,829)	(8,807,576)	(9,061,749)	(4,626,417)	(106,027)	(72,465)
LOSS BEFORE TAXATION		(37,562,750)	(32,183,264)	(25,828,488)	(18,618,963)	(251,276)	(264,789)
Taxation	18	(329,618)	(227,951)	(175,823)	(101,172)	(2,205)	(1,875)
LOSS FOR THE PERIOD		(37,892,369)	(32,411,215)	(26,004,311)	(18,720,135)	(253,481)	(266,664)
LOSS PER SHARE - BASIC AND DILUTED		(Rupees)				(US$)	
Loss attributable to:							
'A' class ordinary shares of Rs. 10 each		(7.24)	(6.19)	(4.97)	(3.58)	(0.05)	(0.05)
'B' class ordinary shares of Rs. 5 each		(3.62)	(3.10)	(2.48)	(1.79)	(0.02)	(0.03)

The annexed notes 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

for Chief Executive Officer

Chief Financial Officer

for Chief Executive Officer

Director

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Six months period ended		Quarter ended		Six months period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Rupees in '000)				(US$ in '000)	
Loss for the period	(37,892,369)	(32,411,215)	(26,004,311)	(18,720,135)	(253,481)	(266,664)
Other comprehensive income						
Items that will not be reclassified subsequently to unconsolidated condensed interim statement of profit or loss						
Unrealised (loss) / gain on re-measurement of investment at FVOCI	(6,917)	-	20,317	-	(46)	-
Items that will be reclassified subsequently to unconsolidated condensed interim statement of profit or loss						
Unrealised gain on re-measurement of available for sale investment	-	(865)	-	-	-	(7)
Total comprehensive loss for the period	(37,899,286)	(32,412,080)	(25,983,994)	(18,720,135)	(253,527)	(266,671)

The annexed notes 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Chief Executive Officer

Director

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Note	Six months period ended June 30, 2019	Six months period ended June 30, 2018	Six months period ended June 30, 2019	Six months period ended June 30, 2018
		(Rupees in '000)		(US$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	20	14,280,014	6,063,052	95,526	49,884
Profit on bank deposits received		36,976	(9,246)	247	(76)
Finance costs paid		(14,110,862)	(7,541,121)	(94,395)	(62,045)
Taxes paid		(247,556)	(217,373)	(1,656)	(1,788)
Staff retirement benefits paid		(346,714)	(1,671,563)	(2,319)	(13,753)
Long-term deposits and prepayments - net		1,111,840	(57,083)	7,438	(470)
Net cash generated from / (used in) operating activities		723,699	(3,433,334)	4,841	(28,248)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(5,114,484)	(3,150,631)	(34,213)	(25,922)
Purchase of Intangibles		(33,037)	(16,858)	(221)	(139)
Proceeds from sale of property, plant and equipment		36	-	-	-
Net cash used in investing activities		(5,147,485)	(3,167,489)	(34,434)	(26,061)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term financing		(19,854,438)	(6,609,819)	(132,816)	(54,383)
Proceeds from long-term financing		32,339,109	14,682,938	216,333	120,805
Repayment of term finance certificates		(4,883,095)	(2,923,174)	(32,665)	(24,051)
Proceeds from short term borrowings		253,539	153,586	1,696	1,264
Repayment of lease liabilities		(320,937)	(839,424)	(2,147)	(6,906)
Net cash generated from financing activities		7,534,178	4,464,107	50,401	36,729
Increase / (decrease) in cash and cash equivalents		3,110,392	(2,136,716)	20,808	(17,580)
Cash and cash equivalents at the beginning of the period		(1,185,820)	1,090,312	(7,933)	8,971
Cash and cash equivalents at the end of the period		1,924,571	(1,046,404)	12,875	(8,609)
Cash and cash equivalents					
Cash and bank balances		5,403,804	2,453,534	36,149	20,187
Running finance under mark-up arrangements		(3,479,233)	(3,499,938)	(23,274)	(28,796)
		1,924,571	(1,046,404)	12,875	(8,609)

The annexed notes 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Chief Executive Officer

Director

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Issued, subscribed, and paid-up share capital	Capital reserves	Unrealised gain on remeasurement of investments at FVOCI	Surplus on revaluation of property, plant & equipment	Subtotal	Revenue reserves	Accumulated losses	Total
	(Rupees in '000)							
Balance as at January 01, 2018	52,345,110	2,501,038	169,991	22,008,745	24,679,774	1,779,674	(370,276,199)	(291,471,641)
Loss for the period	-	-	-	-	-	-	(32,411,215)	(32,411,215)
Other comprehensive loss for the period	-	-	(865)	-	(865)	-	-	(865)
Total comprehensive loss for the period	-	-	(865)	-	(865)	-	(32,411,215)	(32,412,080)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon-Net of Tax	-	-	-	(242,555)	(242,555)	-	242,555	-
Balance as at June 30, 2018	52,345,110	2,501,038	169,126	21,766,190	24,436,354	1,779,674	(402,444,859)	(323,883,722)
Balance as at January 01, 2019 - as previously reported	52,345,110	2,501,038	182,095	24,134,932	26,818,065	1,779,674	(437,696,479)	(356,753,631)
Effect of change in accounting policy due to adoption of IFRS -1 6 (note 3.1.3)	-	-	-	-	-	-	(11,594,541)	(11,594,541)
Effect of change in accounting policy due to adoption of IFRS-9 (note 3.1.1)	-	-	-	-	-	-	(1,143,691)	(1,143,691)
Balance as at January 01, 2019 as restated	52,345,110	2,501,038	182,095	24,134,932	26,818,065	1,779,674	(450,434,712)	(369,491,864)
Loss for the period	-	-	-	-	-	-	(37,892,369)	(37,892,369)
Other comprehensive loss for the period	-	-	(6,917)	-	(6,917)	-	-	(6,917)
Total comprehensive loss for the period	-	-	(6,917)	-	(6,917)	-	(37,892,369)	(37,899,286)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	(523,360)	(523,360)	-	523,360	-
Balance as at June 30, 2019	52,345,110	2,501,038	175,178	23,611,572	26,287,789	1,779,674	(487,803,720)	(407,391,149)

The annexed notes 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

Chief Executive Officer

Chief Executive Officer

Director

Chief Financial Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The principal activity of the Company is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Company include provision of engineering and allied services.

1.2 During the current period, the Company incurred a net loss of Rs. 37,892.369 million (June 30, 2018: Rs. 32,411.214 million) resulting in accumulated losses of Rs. 487,803.72 million as of June 30, 2019 (December 31, 2018: Rs. 437,696.479 million). Further, as of June 30, 2019, current liabilities of the Company exceeded its current assets by Rs. 288,844.179 million (December 31, 2018: Rs. 253,624.252 million).

In view of the situation described above, the management has made an assessment of the Company's ability to continue as a going concern and based on the below mitigating factors, the management believes that though the sustainability of the future operations of the Company is materially dependent on the support of the Government of Pakistan (GoP), no material uncertainty exists and going concern assumption is appropriate. Accordingly, this unconsolidated condensed interim financial information is prepared on a going concern basis.

a) GoP, being a major shareholder of the Company, through its letter dated September 02, 2008 and February 19, 2018 communicated that it would extend maximum support to maintain the Company's going concern status.

b) In a meeting with the Honorable Prime Minister of Pakistan (PM) on December 30, 2017, following decisions / steps have been taken by the GoP to support the Company:

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- approval for reimbursement of markup for five years, accordingly an amount of Rs. 16,019 million has been provided by GoP upto June 30, 2019.

- GoP guarantee limit enhanced from Rs.178,085 million to Rs 222,107 million to meet the cash deficit.

(c) Further, in a meeting with PM on April 4, 2019, the Company presented its strategic business plan 2019-23 and during that meeting PM assured GoP's full support to the Company in terms of provision of funds /equity in order to increase its potential to compete in the Aviation market. Thereafter, in Finance Act 2019, GoP has allocated Rs. 24,500 million in respect of mark-up support to the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This unconsolidated condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified by the Act; and

- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

2.2 This unconsolidated condensed interim financial information does not include all the information and disclosures required in the annual financial statements, and, therefore, should be read in conjunction with the Company's annual unconsolidated financial statements for the year ended December 31, 2018.

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2019 and June 30, 2018 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended June 30, 2019 and June 30, 2018.

Items included in the unconsolidated condensed interim financial information are measured using the currency of the primary economic environment in which the Company operates. This unconsolidated condensed interim financial information is presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.3 The US $ amounts reported in the unconsolidated condensed interim statement of financial position, unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows are stated as additional information, solely for the convenience of the users of this unconsolidated condensed interim financial information. The US $ amounts in the unconsolidated condensed interim statement of financial position, have been translated into US $ at the rate of Rs. 160.0521 = US $ 1 (December 31, 2018: Rs. 138.9241 = US $ 1). The US $ amounts in unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows have been translated into US $ at the rate of Rs. 149.4881 = US $ 1 (June 30, 2018: Rs. 121.5425 = US $ 1).

3 ACCOUNTING POLICIES

The accounting policies and the methods of computation used in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2018, except as disclosed below.

3.1 New accounting standards

The Company has adopted the following standards, amendments and interpretations to International Financial Reporting Standards (IFRSs) which became effective for the current period:

IFRS 9 - Financial Instruments

IFRS 15 - Revenue from Contracts with Customers

IFRS 16 - Leases

IAS 19 - Employee Benefits: Plan Amendment, Curtailment or Settlement (Amendment) IAS 28

IAS 28 - Investments in associates and joint ventures: Long-term interest in Associates and Joint Ventures (Amendments)

IFRIC 23 - Uncertainty over income tax treatments

The Company applied IFRS 9, IFRS 15 and IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

3.1.1 IFRS 9 - Financial instruments

Effective from January 1, 2019, the Company has adopted IFRS 9, 'Financial instruments' which has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has an impact on the assets of the Company which are exposed to credit risk.

The Company has adopted IFRS 9 from January 1, 2019 which resulted in changes in accounting policies, reclassifications and adjustments to the amounts recognised in this unconsolidated condensed interim financial information. However, in accordance with the transitional provisions specified in IFRS 9, the Company has adopted modified retrospective approach and not restated comparative figures. The impact of adoption of this standard is therefore recognised in the statement of financial position and retained earnings on January 1, 2019.

The nature and effect of the changes as a result of the adoption of IFRS 9 are as follows:

Financial assets

Classification and subsequent measurement

In accordance with IFRS-9, the Company has classified its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

a) At amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured are described below.

b) At fair value through other comprehensive income (FVOCI)

Investments in equity instruments classified at FVOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income/(loss). For investments traded in active market, fair value is determined by reference to quoted market price.

c) At fair value through profit or loss (FVPL)

Financial assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of profit or loss in the period in which it arises.

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Financial liabilities

There is no significant change in classification, measurement and recognition of financial liabilities as a result o of IFRS 9.

Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI. Expected credit losses (ECLs) are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Financial Assets - December 31, 2018	Measurement Category In accordance with IAS 39	Measurement Category In accordance with IFRS 9	IAS 39	Carrying Amount IFRS 9 (Rupees in '000)	Difference
Long-term investments	Available for Sale	Fair Value through OCI	183,228	183,228	-
Long-term deposits	Loans and receivables	Amortized Cost	8,562,836	8,523,354	39,482
Trade debts - net	Loans and receivables	Amortized Cost	16,377,366	15,277,319	1,100,047
Short-term deposits	Loans and receivables	Amortized Cost	2,170,964	2,169,426	1,538
Other receivables	Loans and receivables	Amortized Cost	8,070,202	8,070,202	-
Short-term investments	Held for trading	Fair Value through Profit and Loss	19,220	19,220	-
Cash and bank balances	Loans and receivables	Amortized Cost	1,734,448	1,731,824	2,624

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The difference has arisen due to implementation of expected credit loss model over the financial assets. The reclassification change upon implementation of IFRS 9 did not result in any adjustment to amount recognised in the statement of financial position.

The impact of transition to IFRS 9 on retained earnings and revaluation reserve as on January 01, 2019 is as follows:

Retained Earnings	**(Rupees in '000)**
Balances as at December 31, 2018	(437,696,479)
Impact of Adoption of IFRS 9 over	
- Increase in provision of trade debts	(1,100,047)
- Increase in provision of trade deposits	(1,538)
- Increase in provision of long-term deposits	(39,482)
- Increase in provision of cash and bank balances	(2,624)
- Increase in deferred tax assets	331,671
- Adjustment of deferred tax against unutilized losses	(331,671)
Opening Balance as at January 01, 2019	(438,840,170)

The adoption of IFRS 9 resulted in increase in 'Other provisions and adjustments - net' and loss before tax of Rs 76.012 million. The change in accounting Policy also resulted in increase in loss after tax by Rs. 76.012 million and decrease in EPS by Re. 0.01521.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. To measure the expected credit losses, trade debts have been grouped based on days past due. On that basis, the loss allowance as at January 1, 2019 (on adoption of IFRS 9) and as at June 30, 2019 was determined as follows for trade debts:

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. To measure the expected credit losses, trade debts have been grouped based on days past due. On that basis, the loss allowance as at January 1, 2019 (on adoption of IFRS 9) amounted to Rs. 3.991 billion and loss allowance as at June 30, 2019 amounted to Rs. 4.067 billion.

3.1.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - 'Revenue from Contracts with Customers', supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue when the control of goods or services have been transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Contract liabilities are included within trade and other payables on the face of the statement of financial position. They arise from the customers, which enter into contract that can take few years to complete, because cumulative payments received from customers at date of each statement of financial position do not necessarily equal the amount of revenue recognised on the contracts.

The Company elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the unconsolidated condensed interim financial information. Accordingly, the information presented for the corresponding period has not been restated. There were no material differences between revenue recognition under IFRS 15 and revenue recognsition under IAS 11 or IAS 18 and accordingly, the adoption of standard did not have any material impact on this unconsolidated condensed interim financial information.

3.1.3 IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions.

The Company has adopted IFRS 16 from January 1, 2019, and has adopted modified retrospective approach and not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position and retained earning on January 01, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 ranges between 3.41% - 9.88% for foreign currency based liabilities and between 12.14% - 15.17% for PKR based liabilities.

Lease liability and Right-of-use asset

The Company mainly leases aircrafts, engines, local and international sales offices, and counters at various airports. At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are in Company's determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured at the commencement date of lease based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

The impact of transition to IFRS16 on unconsolidated condensed interim financial information as on January 01, 2019 is as follows:

	June 30, 2019	January 01, 2019
	---------- Rupees in '000 ----------	
Total lease liability recognised	33,729,004	34,711,844

The right-of use assets were measured on retrospective basis from the commencement of the respective lease arrangements.

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	June 30, 2019	January 01, 2019
	---------- Rupees in '000 ----------	

The recognised right-of-use assets relate to the following types of assets:

Property	3,302,326	1,576,804
Aircraft Fleet	23,741,501	24,232,222
Engines	8,981,840	9,254,196
Total right-of-use assets	36,025,666	35,063,223

The change in accounting policy affected the following items in the statement of financial position:

Impact on the statement of financial position		
- Increase in property, plant and equipment	18,826,176	22,330,182
Increase in total assets	18,826,176	22,330,182
- Increase in liability against right-of-use asset	33,564,000	33,924,723
- Increase in deferred tax asset	(15,193,151)	(16,313,922)
- Adjustment of deferred tax against unutilized losses	15,193,151	16,313,922
Increase in total liabilities	33,564,000	33,924,723
Decrease in net assets	(14,737,824)	(11,594,541)

	June 30, 2019 Rupees in'000
Impact on statement of profit or loss	
- Increase in financial charges - interest expense on lease liability against right-of-use assets	987,871
- Increase in exchange loss	4,312,077
- Increase in administrative expenses - depreciation on right-of-use assets	3,849,192
- Decrease in administrative expenses - office rent	(6,005,856)
- Decrease in profit before taxation	3,143,283
- Tax charge @ 29%	-
- Decrease in profit after taxation	3,143,283

Earnings per share for the year ended June 30, 2019 have decreased by Re. 0.6288 due to adoption of IFRS 16.

Practical Expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

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- grandfathered the assessment of which transactions are lease on the date of initial application;
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 01, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3.2 Significant accounting estimates and judgements

Estimates and judgments made by the management in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the annual unconsolidated financial statements of the Company for the year ended December 31, 2018 except as follows:

As part of the adoption of IFRS, the Company has made a number of estimates and judgements.. These include;

- As disclosed in note 3.1.2, the Company has used modified retrospective transition approach and has measured right of use assets and lease liabilities accordingly.
- The Company has identified certain obligations associated with the maintenance condition of its aircraft on redelivery to the lessor, such as the requirement to complete a final airframe check, repaint the aircraft and reconfigure the cabin. These have been recognised as part of the ROU asset on transition. Judgement has been used to identify the appropriate obligations and estimation has been used (based on observable data) to measure them. Other maintenance obligations associated with these assets, comprising obligations that arise as the aircraft is utilised, such as engine overhauls and periodic airframe checks, will continue to be recognised as a maintenance expense over the lease term.
- For certain aircrafts, the Company has an option to purchase the aircrafts as at the end of the lease term. The management believes that it is not reasonably certain to exercise the purchase option at the end of lease term, and accordingly corresponding impacts have not been taken in the determination of Right of Use Assets and lease liabilities.

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
4 PROPERTY, PLANT AND EQUIPMENT		----------Rupees in '000----------	
Operating fixed assets			
- owned		61,532,024	61,925,043
- Right of use asset		34,466,691	13,130,399
		95,998,715	75,055,442
Capital work-in-progress		2,537,648	2,971,163
	4.1	98,536,363	78,026,605

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4.1 Included herein are the following additions / transfers / adjustments and deletions during the current period:

	Six months period ended June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
	-----------Rupees in '000-----------	
Owned		
Building	13,892	498
Aircraft fleet	1,974,452	2,172,393
Office equipment	55,237	-
Capital spares	168,231	184,339
Others	13,943	126,829
	2,225,755	2,484,059
Right of use asset	3,322,241	-
Capital work in progress	2,041,789	1,346,122
Capital work in progress transferred to owned assets	(2,475,304)	(679,551)
	5,114,481	3,150,630

		Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
			-----------Rupees in '000-----------	
5	**TRADE DEBTS**			
	Considered good			
	Due from GoP		2,220,978	2,455,722
	Due from other customers		12,845,358	13,921,644
			15,066,336	16,377,366
	Considered doubtful			
	Government related		451,053	337,109
	Other customers		3,616,405	2,554,289
	Less: Allowance for expected credit loss		(4,067,458)	(2,891,398)
			-	-
			15,066,336	16,377,366
6	**OTHER RECEIVABLES**			
	Considered good			
	- related parties			
	Claims receivable		29,322	13,719
	Excise duty		100,000	100,000
	Sales tax receivable	6.1	5,157,841	4,947,540
			5,287,163	5,061,259

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	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		-----------Rupees in '000-----------	
- other than related parties			
Lessor	**6.2**	691,994	1,512,013
Others		1,505,286	1,496,929
		7,484,443	8,070,202
Considered doubtful		337,431	334,807
Less: Allowance for expected credit loss		(337,431)	(334,807)
		-	-
		7,484,443	8,070,202

6.1 This includes sales tax refundable aggregating Rs. 4,745.637 million (December 31, 2018: Rs. 4,745.637 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Company had filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) concluded that as the Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services.

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

6.2 This represents receivable from lessor in respect of overhauling incurred by the Company on leased aircrafts.

7 CASH AND BANK BALANCES

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		--------- (Rupees in '000) ---------	
In hand		17,251	11,945
With banks			
- in current accounts	7.1	3,468,838	520,023
- in deposit accounts	7.2 & 7.3	1,917,715	1,202,480
		5,386,553	1,722,503
		5,403,804	1,734,448

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7.1 These had been adjusted by an aggregate amount of Rs. 4,538.768 million (2018: Rs. 3,290.876 million), representing book overdrafts.

7.2 These carry interest ranging from 0.1% to 7.5% (2018: 0.1% to 7.5%) per annum and have been adjusted by an aggregate amount of Rs. 1.1 million (2018: Rs. Nil), representing book overdrafts.

7.3 These include bank balance of BDT 674.685 million (Rs. 1,301.461 million) held at National Bank of Pakistan, Dhaka and Habib Bank Limited, Dhaka. The management of the Company is currently facing challenges in remittance of such balance to Pakistan due to compliance / procedural matters. However, the Company holds clean and absolute title of subject bank accounts, being free to make payments / transfers within Bangladesh territory.

8 LONG -TERM FINANCING

	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	---------- (Rupees in '000)	---------
Opening	199,173,286	143,556,479
Financing obtained during the period	32,339,109	70,968,750
Repayment during the period	(19,434,262)	(27,477,312)
Exchange loss	9,058,803	12,125,369
	221,136,936	199,173,286
Less: Current maturity	(60,832,569)	(50,430,292)
	160,304,367	148,742,994

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
						------------- (Rupees in '000)	-------------
From Banking Companies - secured							
Askari Bank Limited	8.1	Term finance	PKR 10,000	2021 - 2023	36 monthly	10,000,000	4,000,000
The Bank of Punjab	8.1	Term finance	PKR 6,000	2019 - 2024	60 Monthly	5,754,858	-
The Bank of Punjab	8.1	Term finance	PKR 5,000	2019 - 2022	36 monthly	4,205,205	-
Faysal Bank Limited	8.1	Term finance	PKR 5,000	2019 - 2024	60 Monthly	4,999,950	-
Others - unsecured							
Long-term loan - GoP		Term finance	PKR 16,768	2023 - 2038	-	16,768,181	6,016,568
						41,728,194	10,016,568

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

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	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		--------- (Rupees in '000) ---------	

9 LEASE LIABILITIES

Present value of minimum lease payments:			
- Aircraft fleet		30,560,634	2,099,119
- Properties		1,565,981	-
- Engines		1,383,744	-
		33,510,359	2,099,119
Technical ground equipments		218,644	262,399
		33,729,003	2,361,518
Less: Current maturity of lease liabilities		(13,939,322)	(2,188,747)
		19,789,681	172,771

10 TRADE AND OTHER PAYABLES

Trade creditors			
Goods		19,871,226	19,167,119
Services		13,393,216	11,895,065
Airport related charges		35,001,905	32,329,376
		68,266,348	63,391,560
Others			
Accrued liabilities	10.1	8,110,229	6,518,788
Advance against transportation (unearned revenu	10.3	15,910,839	13,150,950
Obligation for compensated absences		8,063,043	7,367,021
Unredeemed frequent flyer liabilities	10.3	649,360	649,360
Advances from customers	10.3	5,222,757	1,032,339
Payable to employees' provident fund	10.2	10,960,835	11,190,851
Collection on behalf of others		49,948,178	46,035,290
Customs, Federal excise duty and Sales tax		2,010,072	2,580,447
Federal excise duty - International travel		9,963,311	9,959,757
Income tax deducted at source		2,319,265	2,075,338
Short-term deposits		666,573	618,856
		182,090,809	164,570,556

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10.1 These include management fee amounting to Rs. 36.577 million (December 31, 2018: Rs. 68.551 million) payable to PIA Investments Limited, a subsidiary company.

10.2 This represents amount deducted from employees on account of contribution to Provident Fund, the Company's own contribution and deductions from employees on account of loan recoveries on behalf of Provident Fund which is payable to Pakistan International Airlines Corporation Provident Fund (PF), which could not be paid to PF within 15 days as required by Section 218 of the Act due to the liquidity constraints. Hence, mark-up thereon have been accrued based on the discount rate as announced by the State Bank of Pakistan upto April 19, 2016 and thereafter based on 1 month KIBOR.

10.3 Upon the adoption of IFRS - 15, these balances have been presented as contract liabilities.

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		--------- (Rupees in '000)	--------
11 ACCRUED INTEREST			
Mark-up / profit payable on:			
- Long-term financing		9,315,789	8,719,366
- Mark-up reimbursement loan from GoP		607,159	73,376
- Term finance certificates		462,952	510,513
- Sukuk certificates		174,512	156,128
- Lease liabilities		1,039	1,064
- Short-term borrowings		1,055,557	593,272
- Provident fund		6,342,090	5,714,038
- Advance from a subsidiary		1,017,359	763,823
		18,976,457	16,531,580

12 SHORT-TERM BORROWINGS

Short-term loans - secured	31,780,625	31,527,089
Running finance under mark-up arrangements	3,479,233	2,920,269
	35,259,858	34,447,358

During the period, no fresh borrowing was availed by the Company, however certain agreements were matured and renewed on their respective maturity date.

13 CURRENT MATURITY OF NON-CURRENT LIABILITIES

Long-term financing	60,832,569	50,430,292
Term finance and sukuk certificates	16,188,657	19,017,352
Lease liabilities	13,939,322	2,188,747
	90,960,548	71,636,391

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	Six months period ended		Quarter ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(Un-Audited)			
	(Rupees in '000)			
14 REVENUE - NET				
Passenger	59,131,108	41,032,826	30,734,734	18,280,992
Cargo	2,373,469	2,010,652	1,234,958	634,982
Excess baggage	451,333	321,809	359,198	185,585
Charter services	896,687	45,196	870,254	27,781
Engineering services	305,978	393,783	129,298	202,691
Handling and related services	269,465	212,101	198,698	81,863
Mail	73,971	87,346	39,983	56,067
Others	2,421,675	1,486,402	1,597,480	761,475
	65,923,687	45,590,115	35,164,603	20,231,436
15 COST OF SERVICES - OTHERS				
Salaries, wages and allowances	6,773,865	6,926,111	3,247,654	3,445,868
Welfare and social security costs	959,944	1,088,401	538,679	459,103
Retirement benefits	1,730,672	1,103,911	866,836	307,034
Compensated absences	500,087	443,180	249,719	251,803
Legal and professional charges	21,931	21,448	10,735	6,549
Stores and spares consumed	1,707,824	703,856	1,573,283	297,002
Maintenance and overhaul	7,407,978	5,066,162	3,157,838	2,327,310
Flight equipment rental	1,414,458	5,159,751	777,158	2,282,615
Landing and handling	10,061,399	7,911,284	5,356,009	3,784,263
Passenger services	1,572,615	1,112,925	708,034	308,914
Crew layover	1,805,662	1,663,333	886,037	875,171
Staff training	15,295	42,759	9,891	17,866
Utilities	17,117	20,014	9,373	7,265
Communication	1,225,093	2,073,071	574,779	1,042,839
Insurance	979,298	614,218	494,853	331,422
Rent, rates and taxes	189,060	242,624	69,809	118,087
Printing and stationery	124,074	111,400	71,774	65,857
Depreciation	7,254,994	2,409,806	3,852,606	1,293,829
Amortisation of intangibles	3,725	3,364	1,946	1,712
Others	355,624	620,879	208,340	417,460
	44,120,717	37,338,497	22,665,352	17,641,968

16 EXCHANGE LOSS - NET

During the year, the functional currency of the Company was depreciated by 15.2 % resulting in exchange loss of Rs.10.3 billion in respect of financing in foreign currencies. Further, during the period the Company has adopted IFRS 16 "Leases" and recognized lease liabilities which had previously been classified as "Operating Leases" under the IAS 17: Leases. Accordingly, the Company has recorded exchange loss of Rs 4.3 billion on above lease liabilities as on June 30, 2019. However, these effects are expected to be reversed to a certain significant extent at year end i.e. December 31, 2019 due to appreciation in functional currency in subsequent period.

hdo

		Six months period ended		Quarter ended	
		June 30,2019	June 30,2018	June 30,2019	June 30,2018
		(Un-Audited)			
		(Rupees in '000)			
17 FINANCE COSTS					
Mark-up / profit on:					
- long-term financing		10,199,624	5,594,991	4,649,182	2,910,757
- term finance certificates		624,178	677,364	283,735	334,815
- Profit on sukuk certificates		407,634	271,627	215,148	138,831
- short-term borrowings		2,039,221	1,311,476	1,093,054	663,682
- interest on loan from GoP against markup		533,782	-	266,891	-
- advance from a subsidiary		122,138	80,382	62,870	80,382
	17.1	13,926,577	7,935,841	6,570,880	4,128,468
Lease liabilities		1,017,618	84,047	1,000,531	82,358
Discounting on deposits		(30,001)	(19,234)	(30,001)	(19,234)
Interest on provident fund		619,473	373,079	317,119	159,363
Arrangement, agency and commitment fee		225,957	293,991	142,223	126,790
Amortisation of prepaid exposure fee		22,065	82,358	5,658	45,197
Bank charges, guarantee commission and other related charges		68,140	57,494	26,715	19,427
		15,849,829	8,807,576	8,033,126	4,542,369

17.1 During the six months period ended June 30, 2019, finance cost increased by 74% as compared to the corresponding period last year. Major reason for this increase is the significant hike in Monetary Policy Rate which increased from 6.5% to 12.5% during the period under review, which lead to an increase in finance cost by significant amount.

18 TAXATION				
Current	329,618	227,951	175,823	101,172

There has been no material change in the status of tax contingencies as disclosed in notes 36.1 to the unconsolidated financial statements for the year ended December 31, 2018.

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

a) The tax department had raised demand of Rs. 566.544 million (2018: Rs. 566.544 million) in December 30,1998, as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2018: Rs. 1 million) and additional duty of Rs. 2,923.005 million (2018: Rs. 2,923.005 million) on the contention that the Company had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Company has paid Rs. 100 million (note 8) against the subject demand which is considered fully recoverable from the department. Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) which was remanded back to ACIR. However, remand back proceedings are still pending. Based on consultation with legal advisor, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision has been made in this unconsolidated condensed interim financial information in this regard.

bdo

b) The tax department had also raised demands of Rs. 6.804 million (2018: Rs. 6.804 million) and Rs. 277.621 million (2018: Rs. 277.621 million) on March 11, 2008 as FED and sales tax respectively along with penalty of Rs. 14.416 million (2018: Rs. 14.416 million) and additional duty / default surcharge of Rs. 17.91 million (2018: Rs. 17.91 million) during the tax audit of the Company for the periods 2004-2005 and 2005-2006. These demands were raised on the issues of late payment of FED, collection of FED at incorrect rate, incorrect apportionment of input tax and failure to collect FED on carriage of goods / mail of Pakistan Post. The Company has paid an amount of Rs. 25 million (2018: Rs. 25 million) in this regard which is considered fully recoverable. The Company filed an appeal with the Collector of Customs, Sales Tax and Federal Excise (Appeals), which was decided partially in its favor, partially against it and partially remanded back. The Company and the department both have filed appeals at the ATIR which is remanded back however, remand back proceedings are still pending. Based on consultation with legal advisor, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision has been made in this unconsolidated condensed interim financial information in this regard.

c) As per order dated February 25, 2010, the tax department has raised demands of Rs. 2.065 million (2018: Rs. 2.065 million) and Rs. 1,319.101 million (2018: Rs. 1,319.101 million) as FED and sales tax respectively along with penalty of Rs. 66.058 million (2018: Rs. 66.058 million) and additional duty / default surcharge of Rs. 534.412 million (2018: Rs. 534.412 million) during the tax audit of the Company for the period 2007-2008. These demands were raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Company filed appeal at Commissioner Inland Revenue (Appeals) [CIR (A)], which was decided in favor of the tax department. The Company had filed appeal against this at ATIR and a rectification application with CIR (A). The Tribunal has disposed off the Company's appeal, vide appellate order STA No. 08/KB/2011 dated September 26, 2016, remanded back the issues of incorrect rates of FED charged on excess baggage and disallowance of claim of input tax. Further, tribunal has deleted the penalty. Based on consultation with tax advisor, the management believes that the case will be decided in the favor of the Company. Accordingly, no provision has been made in these unconsolidated condensed interim financial information in this regard.

d) The tax department through orders dated March 06, 2009, December 04, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (2018: Rs. 5,877.351 million), Rs. 5,679.110 million (2018: Rs. 5,679.110 million) and Rs. 7,025.270 million (2018: Rs. 7,025.270 million), respectively, on account of delayed payment of sales tax and FED for the month of November – December 2008, January – March 2010 and November 2010 – January 2011, respectively. In addition to this, the tax department levied default surcharge and 5% penalty on the unpaid FED and sales tax amounting to Rs. 38.88 million, Rs. 21.11 million and Rs. 74 million, respectively. The Company filed application for waiver of penalty for the month of November – December 2008 before Federal Board of Revenue (FBR) on which the decision is pending.

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

On April 30, 2013, the Additional Commissioner Inland Revenue (ACIR) levied penalty of Rs.4,745.852 million (2018: Rs. 4,745.852 million) in respect of short payment of sales tax and FED for the tax periods April 2012 to January 2013. In addition, the tax department levied default surcharge on unpaid sales tax and FED amounting to Rs. 400.446 million (2018: Rs. 400.446million). The Company filed an appeal against the said orders before CIR (A), which was decided in favour of the department. Subsequently, the Company has filed an appeal against this at ATIR level, Tribunal has deleted the penalty but maintained default surcharge which is challenged by the Company in Sindh High Court, the decision is pending adjudication.

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

e) On February 22, 2016, DCIR issued a show cause notice on the same grounds as involved in sales tax refund (refer note 8.2) which was contested by the Company before the Honorable High Court Sindh (SHC) and obtained stay order in favor of the Company. Subsequently on November 01, 2016, DCIR issued an order amounting to Rs. 6,747.669 million (2018: Rs. 6,747.669 million) under Section 11 of the Sales Tax Act, 1990 in respect of tax years 2010, 2011 and 2012 on the contention that the Company has adjusted excess input tax amounting to Rs. 2,603.502 million, Rs. 2,629.350 million and Rs. 1,514.818 million in the returns for tax year 2010, 2011 and 2012 respectively without considering that the matter was in court. Being aggrieved, the Company has filed appeal before CIR(A) against the said DCIR order, which was decided by CIR(A) in favor of the Company through their order dated June 29, 2017 remanded back the case to DCIR and accordingly, the Company has withdrawn the appeal filed before SHC. Later, the department has issued hearing notice in January, 2019 followed by notices on October 24, 2019 and November 07, 2019 for remand back proceedings .

bdo

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

g) During the year DCIR passed order dated September 29, 2017 and raised a demand of Rs. 257.439 million for the short payment of Federal Excise Duty for the month of January 2017 along with penalty of Rs. 1,287.197 million. The Company has filed an appeal with CIR(A) against the order since it did not take into account the payment already made on June 30, 2017 and September 15, 2017 which were before the date of order. Subsequently, CIR(A) vide order dated March 27, 2018 decided the matter in favor of the Company and deleted the penalty.

19.1.1 Other contingencies

h) Competition Commission of Pakistan (CCP) vide its order dated November 20, 2009 has imposed a token penalty of Rs. 10 million on account of unreasonable increase in Hajj fare during the year 2008 as compared to Hajj season 2007. Further, on account of discrimination between Hajj passengers and regular passengers the Company was directed to work out an amount of refund to be paid back to Hajis based on the difference of fare between regular passengers and short duration Hajis who flew during Hajj season 2008. The total amount of refund estimated by the Company is Rs. 417 million. The Company has filed appeals simultaneously in Lahore High Court and the Supreme Court of Pakistan. However, after the order of the Honourable Supreme Count in July, 2017, the appeal has been transferred to the Competition Appellate Tribunal, Islamabad. Management believes that both appeals will be decided in its favour. Accordingly, no provision has been made in this unconsolidated condensed interim financial information in this regard.

i) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As at June 30, 2019 the excessive amounts claimed by CAA which are not acknowledged by the Company aggregated to Rs. 32,618.903 million including late payment surcharge and interest thereon amounting to Rs.29,877.782 million. In view of the understanding reached through a Memorandum of Understanding (MoU) which was concluded in the meeting held on January 24, 2011 between the representatives of the Company and CAA, the management does not accept the higher amounts being claimed by CAA.

bdo

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

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

j) Various ex-employees of the Company have lodged claims against the Company for their dues specifically relating to their reinstatements aggregating to Rs. 2,132.228 million (2018: Rs. 2,132.228 million). The Company is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in this unconsolidated condensed interim financial information against these claims amounting to Rs. 629.561 million (2018: Rs. 629.561 million).

k) Contingencies relating to income tax matters are disclosed in note 18 to this unconsolidated condensed interim financial information.

19.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 193.475 million (2018: Rs. 27.371

b) Outstanding letters of credit amounted to Rs. Nil (2018: Rs. 8.637 million).

c) Outstanding letters of guarantee amounted to Rs. 196.852 million (2018: Rs. 222.891 million).

d) The Company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to US$ 1,527.904 million (2018: US$ 1,527.904 million) equivalent to Rs. 244,544.244 million (2018: Rs. 212,262.721 million) based on catalogue prices. The Company has not made certain payments on its due dates as per the terms of the agreement.

bdo

	Six months period ended	
	June 30, 2019	June 30, 2018
	(Un-Audited)	
	--------- (Rupees in '000) ---------	

20 CASH GENERATED FROM OPERATIONS

Loss before tax	(37,562,750)	(32,183,264)
Adjustments for:		
Depreciation	7,279,895	2,428,941
Gain on disposal of property, plant and equipment	(36)	(5,032)
Amortization of intangibles	46,568	42,053
Provision for slow moving stores and spares	69,303	98,308
Provision for employees' benefits	3,643,646	2,402,187
Provision for expected credit loss	76,012	150,000
Finance costs	15,849,829	8,807,576
Unrealised exchange loss	10,326,956	5,113,006
Profit on bank deposits	(36,976)	9,246
	(307,552)	(13,136,978)
Working capital changes :		
(Increase) / decrease in:		
Stores and spares	510,241	(794,394)
Trade debts	91,326	1,010,414
Advances	(2,703,544)	(498,121)
Trade deposits and prepayments	(1,067,356)	1,013,437
Other receivables	585,958	138,750
	(2,583,375)	870,087
Increase in trade and other payables	17,170,942	18,329,943
	14,587,567	19,200,030
	14,280,014	6,063,052

21 TRANSACTIONS WITH RELATED PARTIES

21.1 Following are the related parties with whom the Company entered into transactions or agreements and / or arrangements in place during the year:

Name of Related Parties	Direct Shareholding	Relationship
Government of Pakistan	92%	Major Shareholder
PIA Investments Limited (PIAIL)	100%	Subsidiary
Skyrooms (Private) Limited	100%	Subsidiary

bdo

Name of Related Parties	Direct Shareholding	Relationship
Abacus Distribution Systems Pakistan (Private) Limited	70%	Subsidiary
Post Retirement Benefits		
PIA Main Pension Fund	-	Post Retirement Benefits
PIA PALPA Fund	-	Post Retirement Benefits
PIA FENA Fund	-	Post Retirement Benefits
Profit oriented state controlled entities		
Pakistan State Oil Company Limited	-	State owned / controlled entities
Pakistan Civil Aviation Authority	-	State owned / controlled entities
National Bank of Pakistan	-	State owned / controlled entities
National Insurance Corporation Limited	-	State owned / controlled entities
Federal Board of Revenue	-	State owned / controlled entities
Amir Ali	-	Key management personnel
Younus M Khan	-	Key management personnel
Amanullah Qureshi	-	Key management personnel
Maj Khuram Mushtaq	-	Key management personnel
Nayyar Hayat	-	Key management personnel
Omer Razzaq	-	Key management personnel
Aijaz Mazhar	-	Key management personnel
AVM Soban Nazir Syed	-	Key management personnel
AVM Noor Abbas	-	Key management personnel
Mr. Muhammad Shuaib	-	Key management personnel
Kashif Rehman Rana	-	Key management personnel
Air Marshal Arshad Malik	-	Key management personnel
Air Cdre Khalid Ur Rehman	-	Key management personnel
Air Cdre Jibran Saleem Butt	-	Key management personnel
Air Cdre Jawad Zafar Chaudhry	-	Key management personnel
Air Cdre Shahid Qadir	-	Key management personnel
Mr. Khalilullah Shaikh	-	Key management personnel
Air Cdre Aamer Altaf	-	Key management personnel

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

bdo

		Six months period ended	
		June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
		------------ (Rupees in '000) ------------	
Name of Related Parties and relationship with the Company			
Skyrooms (Private) Limited – Subsidiary	Payments made against in-transit passengers	144,860	121,961
	Services hired	385,597	283,517
PIA Investments Limited - Subsidiary	Management fee expense	36,577	34,261
	Finance cost on advance	122,138	80,382
Minhal France S.A -Subsidiary	Management fee income	38,502	36,006
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary	Charges in respect of courier	48	48
Retirement funds	Contribution to provident Fund an	2,514,492	1,236,181
	Interest on Loan from pension	628,052	373,097
Profit oriented state-controlled entities - common ownership	Purchase of Fuel	12,828,611	8,601,515
	Insurance premium	968,091	617,046
	Late payment interest	887,000	634,757
	Finance costs	2,856,947	2,076,342
	Airport Related charges	6,597,358	6,150,000
GoP - Major shareholder	Finance cost charged	930,494	396,712
Key management personnel	Salaries, wages and other benefits	56,714	81,708

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

22.1 Financial risk factors

This unconsolidated condensed interim financial information does not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company annual financial statements for the year ended December 31, 2018. There have been no changes in any risk management policies since the year end.

22.2 Fair value estimation

As at June 30, 2019, the Company's all assets and liabilities are carried at cost except for those mentioned below:

a) The Company's leasehold land, buildings on leasehold land and airfleet are stated at revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and subsequent accumulated impairment losses, if any;

b) The Company classifies long-term investments in listed companies measured in the unconsolidated condensed interim statement of financial position at fair values; and

c) The carrying value of all financial and non-financial assets and liabilities measured at other than cost in these unconsolidated condensed interim financial information approximate their

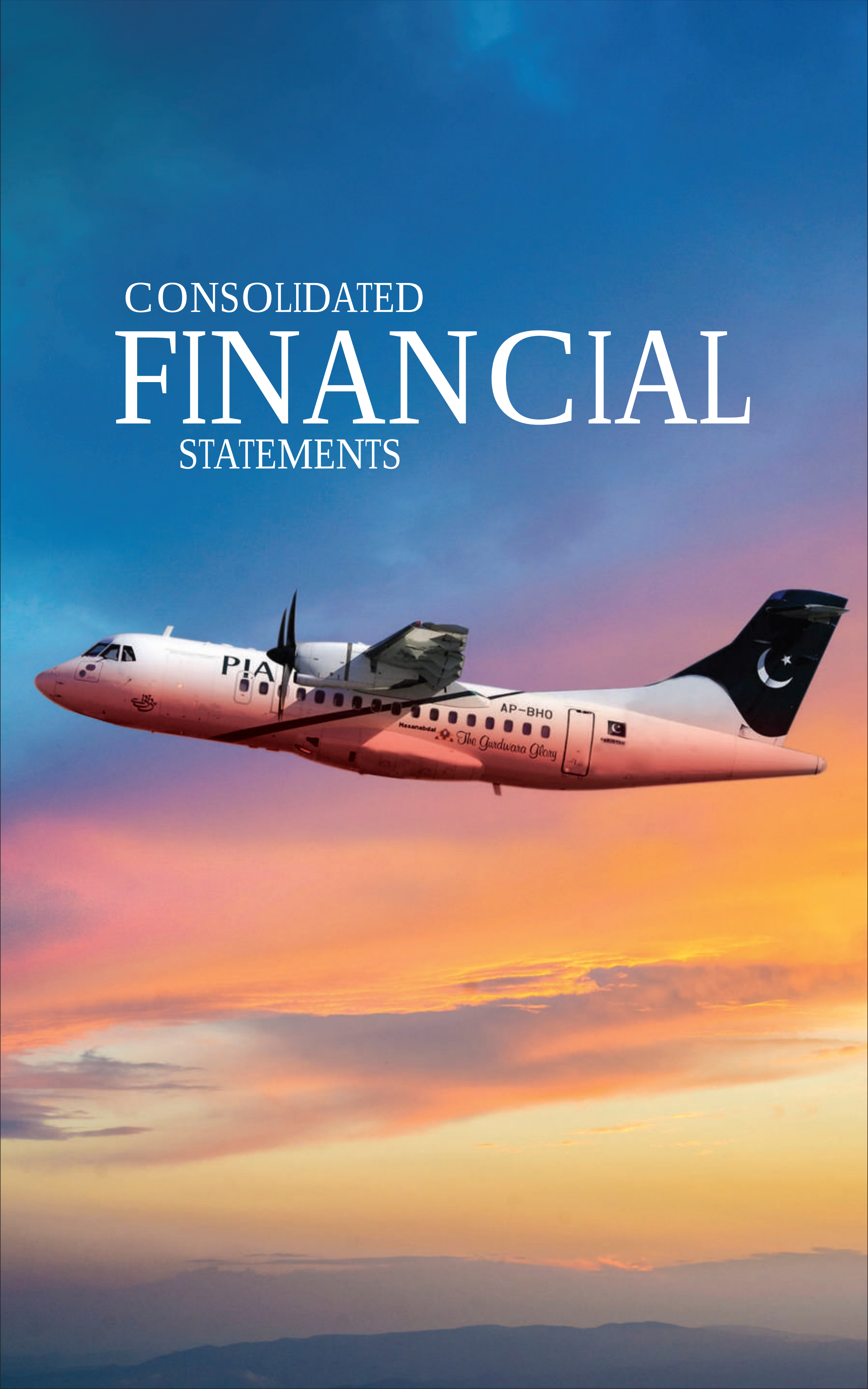
23. DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorised for issue by the Board of Director in their meeting held on **February 11th, 2020**.

Chief Executive Officer **Chief Financial Officer**

Chief Executive Officer **Director** **Chief Financial Officer**

CONSOLIDATED FINANCIAL STATEMENTS



PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		Rupees in '000		US$ in '000	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	4	**245,705,081**	205,028,522	**1,535,157**	1,475,831
- Intangibles		**5,460,520**	4,803,127	**34,117**	34,574
		251,165,601	209,831,649	**1,569,274**	1,510,405
Long-term investments		**268,930**	272,790	**1,680**	1,964
Receivable from Centre Hotel		**1,209,067**	1,049,462	**7,554**	7,554
Long-term deposits and prepayments		**7,738,153**	8,893,334	**48,348**	64,016
Total non-current assets		**260,381,751**	220,047,235	**1,626,856**	1,583,939
CURRENT ASSETS					
Stores and spares		**3,459,524**	4,030,887	**21,615**	29,015
Trade debts		**15,831,075**	17,110,912	**98,912**	123,167
Short-term loans and advances		**5,379,397**	2,592,282	**33,610**	18,660
Trade deposits and prepayments		**4,446,720**	4,143,665	**27,783**	29,827
Other receivables	5	**8,476,990**	8,482,436	**52,964**	61,058
Short-term investments		**19,220**	19,220	**120**	138
Cash and bank balances	6	**11,312,409**	6,564,972	**70,680**	47,256
Total Current assets		**48,925,334**	42,944,374	**305,684**	309,121
TOTAL ASSETS		**309,307,087**	262,991,609	**1,932,540**	1,893,060
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital		**52,345,110**	52,345,110	**327,050**	376,789
Reserves		**12,985,269**	9,437,819	**81,132**	67,935
Surplus on revaluation of property, plant and equipment - net		**105,152,029**	94,911,477	**656,986**	683,189
Accumulated losses		**(477,353,098)**	(426,576,865)	**(2,982,486)**	(3,070,575)
Attributable to the Holding Holding Company's shareholders		**(306,870,689)**	(269,882,459)	**(1,917,318)**	(1,942,662)
Non-controlling interest		**3,418,742**	3,005,439	**21,360**	21,634
TOTAL EQUITY		**(303,451,947)**	(266,877,020)	**(1,895,958)**	(1,921,028)
NON-CURRENT LIABILITIES					
Long-term financing	7	**179,858,324**	164,561,875	**1,123,749**	1,184,545
Term finance and sukuk certificates		**-**	2,054,401	**-**	14,788
Lease Liabilities	8	**19,789,682**	172,771	**123,645**	1,244
Long-term advances and deposits		**145,149**	125,990	**907**	907
Derivative		**122,530**	107,009	**766**	770
Deferred taxation		**38,957,783**	33,871,104	**243,407**	243,810
Deferred liabilities		**43,087,408**	38,250,352	**269,209**	275,333
Total Non current liabilities		**281,960,876**	239,143,502	**1,761,683**	1,721,397
CURRENT LIABILITIES					
Trade and other payables	9	**185,117,698**	167,728,555	**1,156,609**	1,207,340
Unclaimed dividend - Preference shares		**3,297**	3,297	**26**	24
Accrued interest		**18,306,245**	15,824,417	**114,377**	113,907
Provision for taxation		**1,150,508**	1,085,109	**7,182**	7,811
Short-term borrowings		**35,259,858**	34,447,358	**220,302**	247,958
Current maturities of non - current liabilities	10	**90,960,549**	71,636,392	**568,318**	515,651
Total current liabilities		**330,798,156**	290,725,128	**2,066,814**	2,092,691
TOTAL LIABILITIES		**612,759,032**	529,868,630	**3,828,497**	3,814,088
TOTAL EQUITY AND LIABILITIES		**309,307,087**	262,991,609	**1,932,540**	1,893,060
CONTINGENCIES AND COMMITMENTS	11				

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Chief Executive Officer

Director

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Note	Six months period ended		Quarter Ended		Six months period ended	
		June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018	**June 30, 2019**	June 30, 2018
		Rupees in '000				US$ in '000	
REVENUE - NET	12	**73,707,715**	52,278,885	**40,279,238**	24,356,490	**493,067**	450,544
COST OF SERVICES							
Aircraft fuel		**(22,480,492)**	(19,489,666)	**(14,347,254)**	(11,356,428)	**(150,383)**	(167,964)
Others	13	**(48,551,743)**	(40,811,735)	**(25,156,511)**	(21,597,976)	**(324,787)**	(351,719)
		(71,032,235)	(60,301,401)	**(39,503,765)**	(32,954,404)	**(475,170)**	(519,683)
GROSS PROFIT		**2,675,480**	(8,022,516)	**775,473**	(8,597,914)	**17,897**	(69,139)
Distribution costs		**(3,522,400)**	(2,961,456)	**(1,999,672)**	(1,438,728)	**(23,563)**	(25,522)
Administrative expenses		**(6,672,443)**	(5,637,083)	**(4,101,866)**	(3,066,506)	**(44,635)**	(48,581)
Other provisions and adjustments		**(1,031,449)**	(710,110)	**(412,302)**	(166,963)	**(6,900)**	(6,120)
Other income		**1,316,203**	386,982	**1,238,924**	309,703	**8,805**	3,335
		(9,910,089)	(8,921,667)	**(5,274,916)**	(4,362,495)	**(66,293)**	(76,888)
LOSS FROM OPERATIONS		**(7,234,609)**	(16,944,183)	**(4,499,442)**	(12,960,408)	**(48,396)**	(146,027)
Exhange Loss - net	15	**(14,591,353)**	(5,839,395)	(14,347,181)	(5,730,025)	(96,695)	(50,309)
LOSS BEFORE INTEREST AND TAXATION		**(21,825,962)**	(22,783,578)	**(18,846,623)**	(18,690,433)	**(145,091)**	**(196,336)**
Finance costs	14	**(16,381,090)**	(9,171,551)	**(9,161,523)**	(5,162,835)	**(109,581)**	(79,041)
Share of loss from associated Holding Company		**(572)**	(432)	**(157)**	(157)	**(4)**	(4)
LOSS BEFORE TAXATION		**(38,207,623)**	(31,955,561)	**(28,008,302)**	(23,853,425)	**(254,676)**	(275,381)
Taxation	16	**(355,032)**	(375,142)	**(200,796)**	(248,348)	**(2,375)**	(3,233)
LOSS FOR THE PERIOD		**(38,562,656)**	(32,330,703)	**(28,209,098)**	(24,101,773)	**(257,051)**	(278,629)
Attributable to:							
Equity holders of the Holding Holding Company		**(38,561,360)**	(32,381,938)	**(28,206,913)**	(24,152,119)	**(257,042)**	(279,071)
Non-controlling interest		**(1,296)**	51,235	**(2,185)**	50,346	**(9)**	442
		(38,562,656)	(32,330,703)	**(28,209,098)**	(24,101,773)	**(257,051)**	(278,629)
LOSS PER SHARE - BASIC AND DILUTED		Rupees				US$	
Loss attributable to:							
- "A' class Ordinary shares of Rs 10 each		**(7.37)**	**(6.18)**	**(5.39)**	**(4.60)**	**(0.05)**	**(0.05)**
- "B' class Ordinary shares of Rs 5 each		**(3.69)**	**(3.09)**	**(2.70)**	**(2.30)**	**(0.02)**	**(0.03)**

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Executive Officer

Director

Chief Financial Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Six months period ended		Quarter Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	---Rupees in '000---			
Loss for the period	**(38,562,656)**	(32,330,703)	**(28,209,098)**	(24,101,773)
Other comprehensive income				
Unrealised gain on re-measurement of available for sale investments	**(6,917)**	(865)	**20,317**	-
Loss on re-measurement of derivative - net of tax				
Exchange differences on translation of foreign operations	**3,979,836**	1,025,306	**1,049,896**	691,740
Total comprehensive income	**(34,589,737)**	(31,306,262)	**(27,138,885)**	(23,410,033)
Attributable to:				
Equity holders of the Holding Company	**(35,003,040)**	(31,492,706)	**(27,133,527)**	(23,404,675)
Non-controlling interest	**413,303**	186,444	**(5,358)**	(5,358)
	(34,589,737)	(31,306,262)	**(27,138,885)**	(23,410,033)

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Executive Officer

Director

Chief Financial Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Note	Six months period ended June 30, 2019	Six months period ended June 30, 2018	Six months period ended June 30, 2019	Six months period ended June 30, 2018
		Rupees in '000		US$ in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	17	**13,340,095**	9,169,117	**89,238**	79,019
Profit on bank deposits received		**36,976**	9,246	**247**	81
Finance costs paid		**(13,899,262)**	(8,002,855)	**(92,979)**	(68,969)
Taxes paid		**(289,633)**	(358,824)	**(1,938)**	(3,092)
Staff retirement benefits paid		**(346,714)**	(779,610)	**(2,319)**	(6,719)
Long-term deposits and prepayments - net		**1,174,340**	(132,374)	**7,856**	(1,141)
Net cash (used in) / generated from operating activities		**15,802**	(95,300)	**105**	(821)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(6,414,059)**	(3,966,659)	**(42,908)**	(34,186)
Purchase of Intangibles		**(703,961)**	(16,858)	**(4,709)**	(145)
Proceeds from sale of operating fixed assets		**36**	-	**-**	-
Net cash used in investing activities		**(7,117,984)**	(3,983,517)	**(47,617)**	(34,331)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term financing		**(23,512,051)**	(9,699,943)	**(157,284)**	(83,595)
Proceeds from long-term financing		**39,731,798**	14,682,938	**265,786**	126,539
Repayment of term finance certificates		**(4,883,096)**	(2,923,174)	**(32,665)**	(25,192)
Short term borrowing - net		**274,940**	-	**1,839**	-
Repayment of obligations under finance lease - net		**(320,937)**	(839,424)	**(2,147)**	(7,234)
Net cash generated from financing activities		**11,290,654**	1,220,397	**75,529**	10,518
Increase in cash and cash equivalents		**4,188,472**	(2,858,420)	**28,017**	(24,634)
Cash and cash equivalents at the beginning of the period		**3,644,704**	6,544,641	**24,383**	56,402
Currency translation		**-**	17,856	**-**	154
Cash and cash equivalents at the end of the period		**7,833,176**	3,704,077	**52,400**	31,922
Cash and Cash equivalents					
Cash and bank balances	6	**11,312,409**	7,204,015	**75,674**	62,085
Short-term borrowings		**(3,479,233)**	(3,499,938)	**(23,274)**	(30,163)
		7,833,176	3,704,077	**52,400**	31,922

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer — Chief Financial Officer

Chief Executive Officer — Director — Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Attributable to the Holding Holding Company's shareholders											
			Reserves									
	Issued, subscribed, and paid-up capital	Surplus on revaluation of property, plant and equipment-net	Capital reserves	Revenue reserves	Hedging Reserve	Unrealised gain on remeasurement of investments	Foreign currency translation reserves	Legal reserve	Sub Total	Accumulated loss	Non-controlling interest	Total
	Rupees in '000											
Balance as at January 01, 2018	**52,345,110**	**75,882,915**	**2,501,038**	**1,779,674**	**-**	**169,991**	**1,214,850**	**37,655**	**5,703,208**	**(360,529,456)**	**2,084,069**	**(224,514,154)**
Total comprehensive income for the period:												
- Loss for the period	-	-	-	-	-	-	-	-	-	(32,381,938)	51,235	(32,330,703)
- Other comprehensive income for the period:												
- Currency translation differences	-	5,369,062	-	-	-	-	890,097	3,753	893,850	-	135,206	6,398,118
- Unrealised gain on re-measurement of investments	-	-	-	-	-	(865)	-	-	(865)	-	-	(865)
Total comprehensive income for the period transferred to equity	-	5,369,062	-	-	-	(865)	890,097	3,753	892,985	(32,381,938)	186,441	(25,933,450)
Surplus on revaluation of property, plant and equipment realised during the quarter ended June 30, 2017 on account of incremental depreciation charged thereon-net of tax	-	(242,555)	-	-	-	-	-	-	-	242,555	-	-
Dividend paid to Non - controlling interest	-	-	-	-	-	-	-	-	-	-	(44,926)	(44,926)
Balance as at June 30, 2018	**52,345,110**	**81,009,422**	**2,501,038**	**1,779,674**	**-**	**169,126**	**2,104,947**	**41,408**	**6,596,193**	**(392,668,839)**	**2,225,584**	**(250,492,530)**
Balance as at December 31, 2018 as previously reported	52,345,110	94,911,477	2,501,038	1,779,674	(74,502)	182,095	5,002,184	47,330	9,437,819	(426,576,865)	3,005,439	**(266,877,020)**
Effect of restatement - Note 3.1.1	-	-	-	-	-	-	-	-	-	(12,738,233)	-	**(12,738,233)**
Balance as at December 31, 2018 as restated	**52,345,110**	**94,911,477**	**2,501,038**	**1,779,674**	**(74,502)**	**182,095**	**5,002,184**	**47,330**	**9,437,819**	**(439,315,098)**	**3,005,439**	**(279,615,253)**
Total comprehensive income for the period:												
- Loss for the period	-	-	-	-	-	-	-	-	-	(38,561,360)	(1,296)	(38,562,656)
- Currency translation differences	-	10,763,912	-	-	(17,394)	-	3,564,564	7,198	3,554,368	-	415,273	14,733,552
- Unrealised loss on re-measurement of investments	-	-	-	-	-	(6,917)	-	-	(6,917)	-	(674)	(7,591)
Total comprehensive income for the period transferred to equity	-	10,763,912	-	-	(17,394)	(6,917)	3,564,564	7,198	3,547,451	(38,561,360)	413,303	(23,836,694)
Surplus on revaluation of property, plant and equipment realised during the quarter ended June 30, 2019 on account of incremental depreciation charged thereon-net of tax	-	(523,360)	-	-	-	-	-	-	-	523,360	-	-
Balance as at June 30, 2019	**52,345,110**	**105,152,029**	**2,501,038**	**1,779,674**	**(91,896)**	**175,178**	**8,566,747**	**54,528**	**12,985,269**	**(477,353,098)**	**3,418,742**	**(303,451,947)**

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Executive Officer

Director

Chief Financial Officer

Chief Financial Officer

1. LEGAL STATUS AND NATURE OF BUSINESS

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

Pakistan International Airlines Holding Holding Company

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

The principal activity of the Holding Holding Company is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Holding Holding Company include provision of engineering and allied services.

1.2 The Business Units of the Holding Company include the following:

Business Unit	Geographical Location
Head Office	PIA Head Office, Old Terminal, Karachi

Regional sales offices are located across the country and overseas the details of which is impracticable to disclose in this Consolidated condensed interim financial information as required under Fourth Schedule to the Companies Act, 2017.

Subsidiaries

PIA Investments Limited (PIAIL) was incorporated on September 10, 1977 in Sharjah, United Arab Emirates, as a limited liability Holding Company under a decree issued by H.H. The Ruler of Sharjah and is currently registered in British Virgin Islands. During 1986 PIAIL was registered under International Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act,(2012) as a Holding Company limited by shares. The principal activities are to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. The Holding Holding Company's controlling interest in PIAIL is 100% (December 2016: 100%). The registered office of PIAIL is situated at Citco Building, Wickham Cay, Road Town, Tortola, British Virgin Islands.

Following are the details of PIAIL's subsidiaries:

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

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

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

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

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

PIAIL has been Consolidated in these Consolidated condensed financial information on the basis of its Consolidated financial statements for the period ended June 30, 2019.

Skyrooms (Private) Limited (SRL) was incorporated on May 20, 1975 in Pakistan as a private limited hodling Holding Company under the Companies Act, 1913 (now repealed Companies Ordinance, 1984). SRL owns and manages Airport Hotel, Karachi. SRL is a wholly owned subsidiary of the Holding Holding Company. SRL has been Consolidated on the basis of its management accounts for the period ended June 30, 2019 as the same is not considered to be material to these Consolidated condensed interim financial information.

Sabre Travel Network Pakistan (Private) Limited (Sabre) was incorporated in Pakistan on October 12, 2004 as a private Holding Company limited by shares, under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Sabre markets and distributes a computer reservation system to subscribers in Pakistan, under a sub-distribution agreement with Sabre Asia Pacific (Pte) Limited (Sabre TN APAC) (an associated Holding Company and joint venture partner), that incorporates a software package which performs various functions including real-time airlines seat reservations, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays..The Holding Holding Company's controlling interest in Sabre is 70%. Sabre has been Consolidated on the basis of its unaudited financial statements for the year ended December 31, 2019 as the same is not considered material to these Consolidated condensed interim financial information.

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

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

Associate

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

1.3 During the current period, the Company incurred a net loss of Rs. 38,562.656 million (June 30, 2018: Rs. 32,411.215 million) resulting in accumulated losses of Rs. 477,353.098 million as of June 30, 2019 (December 31, 2018: Rs. 437,696.479 million). Further, as of June 30, 2019, current liabilities of the Company exceeded its current assets by Rs. 281,872.822 million (December 31, 2018: Rs. 253,624.251 million).

In view of the situation described above, the management has made an assessment of the Company's ability to continue as a going concern and based on the below mitigating factors, the management believes that though the sustainability of the future operations of the Company is materially dependent on the support of the Government of Pakistan (GoP), no material uncertainty exists and going concern assumption is appropriate. Accordingly, this Consolidated condensed interim financial information is prepared on a going concern basis.

a) GoP, being the major shareholder of the Company, through its letters dated September 02, 2008 and February 19, 2018 communicated that it would extend maximum support to maintain the Company's going concern status.

b) In a meeting with the Honorable Prime Minister of Pakistan (PM) on December 30, 2017, following decisions / steps have been taken by the GoP to support the Company:

- approval for reimbursement of markup for five years, accordingly an amount of Rs. 16,019 million has been provided by GoP upto June 30, 2019.

- GoP guarantee limit enhanced from Rs.178,085 million to Rs 222,107 million to meet the cash deficit.

c) Further, in a meeting with PM on April 4, 2019, the Company presented its strategic business plan 2019-23 which was approved and during that meeting PM assured GoP's full support to the Company in terms of provision of funds /equity in order to increase its potential to compete in the Aviation market. Thereafter, in Finance Act 2019, GoP has allocated Rs. 24,500 million in respect of mark-up support to the Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This Consolidated condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified by the Act; and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

2.2 This Consolidated condensed interim financial information does not include all the information and disclosures required in the annual financial statements, and, therefore, should be read in conjunction with the Holding Company's annual Consolidated financial statements for the year ended December 31, 2018.

2.3 This Consolidated condensed interim financial information of the Holding Holding Company does not include all of the information required for annual financial statements and therefore, should be read in conjunction with the Consolidated financial statements of the Holding Company as at and for the year ended December 31, 2017.

The figures of the Consolidated condensed interim statement of profit or loss and Consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2019 and June 30, 2018 and notes forming part thereof have not been reviewed by the auditors of the Holding Company, as they have reviewed the cumulative figures for the half year ended June 30, 2019 and June 30, 2018.

Items included in the Consolidated condensed interim financial information are measured using the currency of the primary economic environment in which the Holding Company operates. This Consolidated condensed interim financial information is presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

2.4 The US $ amounts reported in the Consolidated condensed interim statement of financial position, Consolidated condensed interim statement of profit or loss, Consolidated condensed interim statement of comprehensive income and Consolidated condensed interim statement of cash flows are stated as additional information, solely for the convenience of the users of this Consolidated condensed interim financial information. The US $ amounts in the Consolidated condensed interim statement of financial position, have been translated into US $ at the rate of Rs. 160.0521 = US $ 1 (December 31, 2018: Rs. 138.9241 = US $ 1). The US $ amounts in Consolidated condensed interim statement of profit or loss, Consolidated condensed interim statement of comprehensive income and Consolidated condensed interim statement of cash flows have been translated into US $ at the rate of Rs. 149.4881 = US $ 1 (June 30, 2018: Rs. 121.5425 = US $ 1).

3 ACCOUNTING POLICIES

The accounting policies and the methods of computation used in the preparation of these Consolidated condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31,

3.1 New accounting standards

The Holding Company has adopted the following amendments and interpretations to International Financial Reporting Standards (IFRSs) which became effective for the current period:

IFRS 9 - Financial Instruments

IFRS 15 - Revenue from Contracts with Customers

IFRS 16 - Leases

IAS 19 - Employee Benefits: Plan Amendment, Curtailment or Settlement (Amendment) IAS 28

IAS 28 - Investments in associates and joint ventures: Long-term interest in Associates and Joint Ventures (Amendments)

IFRIC 23 - Uncertainty over income tax treatments

The Holding Company applied IFRS 9, IFRS 15 and IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

3.1.1 IFRS 9 - Financial Instruments

Effective from January 1, 2019, the Holding Company has adopted IFRS 9, 'Financial instruments' which has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has an impact on the assets of the Holding Company which are exposed to credit risk.

The Holding Company has adopted IFRS 9 from January 1, 2019 which resulted in changes in accounting policies, reclassifications and adjustments to the amounts recognised in this Consolidated condensed interim financial information. However, in accordance with the transitional provisions specified in IFRS 9, the Holding Company has adopted modified retrospective approach and not restated comparative figures. The impact of adoption of this standard is therefore recognised in the statement of financial position and retained earnings on January 1, 2019.

The application of IFRS 9 resulted in the follwoing changes in categories of financial instruments:

Financial assets

Classification and subsequent measurement

The Holding Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

Based on these factors, the Holding Company classifies its financial assets in one of the following three measurement categories:

a) At amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured are described below.

b) Fair value through other comprehensive income (FVOCI)

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income/(loss). For investments traded in active market, fair value is determined by reference to quoted market price.

c) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of profit or loss in the period in which it arises.

Financial liabilities

There is no significant change in classification, measurement and recognition of financial liabilities.

Impairment

The Holding Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI. Expected credit losses (ECLs) are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Holding Company expects to receive).The Holding Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Financial Assets - December 31, 2018	Measurement Category n accordance witl IAS 39	IFRS 9	Carrying Amount IAS 39	IFRS 9	Difference
Long-term investments	Available for Sale	Fair Value through OCI	4,599,767	4,599,767	-
Long-term deposits	Loans and receivables	Amortized Cost	8,562,836	8,523,354	39,482
Trade debts - net	Loans and receivables	Amortized Cost	16,377,366	15,277,319	1,100,047
Trade deposits	Loans and receivables	Amortized Cost	2,170,964	2,169,426	1,538

Other receivables	Loans and receivables	Amortized Cost	8,070,202	8,070,202	-
Short-term investments	Held for trading	Fair Value through Profit and Loss	19,220	19,220	-
Cash and bank balances	Loans and receivables	Amortized Cost	1,734,448	1,731,824	2,624

The difference has arisen due to implementation of expected credit loss model over the financial assets. The reclassification change upon implementation of IFRS 9 did not result in any adjustment to amount recognised in the statemet of financial position.

The impact of transition to IFRS 9 on retained earnings and revaluation reserve as on January 01, 2019 is as follows:

Retained Earnings	**(Rupees in '000)**
Balances as at December 31, 2018	(437,696,479)
Impact of Adoption of IFRS 9 over	
- Increase in provision of trade debts	(1,100,047)
- Increase in provision of trade deposits	(1,538)
- Increase in provision of long-term deposits	(39,482)
- Increase in provision of cash and bank balances	-
- Increase in deferred tax assets	
Opening Balance as at January 01, 2019	(438,837,547)

The adoption of IFRS 9 resulted in increase in 'Other provisions and adjustments - net' and loss before tax of Rs 76.012 million. The change in accounting Policy also resulted in increase in loss after tax by Rs. 76.012 million and decease in EPS by Rs. 0.01521.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. To measure the expected credit losses, trade debts have been grouped based on days past due. On that basis, the loss allowance as at January 1, 2019 (on adoption of IFRS 9) and as at June 30, 2019 was determined as follows for trade debts:

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. To measure the expected credit losses, trade debts have been grouped based on days past due. On that basis, the loss allowance as at January 1, 2019 (on adoption of IFRS 9) amounted to Rs. 3.991 billion and loss allowance as at June 30, 2019 amounted to Rs. 4.067 billion.

3.1.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - 'Revenue from Contracts with Customers', supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue when the control of goods or services have been transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Holding Company elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the financial statements. Accordingly, the information presented for the corresponding period has not been restated. There were no material differences between revenue recognition under IFRS 15 and revenue recognsition under IAS 11 or IAS 18 and accordingly, the adoption of standard did not have any material impact on the financial statements.

3.1.3 IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating LeasesIncentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions.

The Holding Company has adopted IFRS 16 from January 1, 2019, and has adopted modified retrospective approach and not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position and retained earning on January 01, 2019.

On adoption of IFRS 16, the Holding Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Holding Company's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 ranges between 3.41% - 9..88% for foreign currency based liabilities and between 12.14% - 15.17% for PKR based liabilities.

Lease liability and Right-of-use asset

The Holding Company mainly leases aircrafts, engines, local and international sales offices, and counters at various airports. At inception of a contract, the Holding Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Holding Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are in Holding Company's determination of lease term only when the Holding Company is reasonably

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Holding Company estimate of the amount expected to be payable under a residual value guarantee, or if the Holding Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured at the commencement date of lease based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Holding Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

The impact of transition to IFRS16 on Consolidated condensed interim financial information as on January 01, 2019 is as follows:

	June 30, 2019	January 01, 2019
	------------ Rupees in '000 ------------	
Total lease liability recognised	**33,729,004**	34,711,844

'The right-of use assets were measured on retrospective basis from the commencement of the respective lease arrangements.

The recognised right-of-use assets relate to the following types of assets:

Property	**3,302,326**	1,576,804
Aircraft Fleet	**23,741,501**	24,232,222
Engines	**8,981,840**	9,254,196
Total right-of-use assets	**36,025,666**	35,063,223

The change in accounting policy affected the following items in the statement of financial position:

Impact on the statement of financial position		
- Increase in property, plant and equipment	**18,826,176**	22,330,182
Increase in total assets	**18,826,176**	22,330,182
- Increase in lease liability against right-of-use asset	**33,564,000**	33,924,723
- Increase in deferred tax asset	**(15,193,151)**	(16,313,922)
- Adjustmet of deferred tax against unutilized losses	**15,193,151**	16,313,922
Increase in total liabilities	**33,564,000**	33,924,723
Decrease in net assets	**(14,737,824)**	(11,594,541)

	June 30, 2019 Rupees in'000
Impact on statement of profit or loss	
- Increase in financial charges - interest expense on lease liability against right-of-use assets	987,871
- Increase in exchange loss	4,312,077
- Increase in administrative expenses - depreciation on right-of-use assets	3,849,192
- Decrease in administrative expenses - office rent	(6,005,856)
- Decrease in profit before taxation	3,143,283

Earnings per share for the year ended June 30, 2019 have decreased by Rs. 0.6288 due to adoption of IFRS 16.

Practical Expedients applied

In applying IFRS 16 for the first time, the Holding Company has used the following practical expedients

In applying IFRS 16 for the first time, the Holding Company has used the following practical expedients permitted by the standard:
-.grandfathered the assessment of which transactions are lease on the date of initial application;
-. reliance on previous assessments on whether leases are onerous
-. the accounting for operating leases with a remaining lease term of less than 12 months as at January 01, 2019 as short-term leases
-. the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
-. the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3.2 Significant accounting estimates and judgements

Estimates and judgments made by the management in the preparation of this Consolidated condensed interim financial information are the same as those applied in the preparation of the annual Consolidated financial statements of the Holding Company for the year ended December 31, 2018 except as disclosed below:

As part of the adoption of IFRS, the Holding Company has made a number of estimates and judgements.. These include;

As disclosed in note 3.1.2, the Holding Company has used modified retrospective transition appraoch and has measured right of use assets and lease liabilites accordingly.

The Holding Company has identified certain obligations associated with the maintenance condition of its aircraft on redelivery to the lessor, such as the requirement to complete a final airframe check, repaint the aircraft and reconfigure the cabin. These have been recognised as part of the ROU asset on transition. Judgement has been used to identify the appropriate obligations and estimation has been used (based on observable data) to measure them. Other maintenance obligations associated with these assets, comprising obligations that arise as the aircraft is utilised, such as engine overhauls and periodic airframe checks, will continue to be recognised as a maintenance expense over the lease term.

For certain aircrafts, the Holding Company has an option to purchase the aircrafts as at the end of the lease term. The management believes that it is not resonably certain to exercise the purchase option at the end of lease term, and accordingly corresponding impacts have not been taken in the determination of Right of Use Assets and lease liabilites.

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		---------- Rupees in '000 ---------	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**240,132,637**	200,707,351
Capital work-in-progress		**5,572,444**	4,321,171
		245,705,081	205,028,522

4.1 Include herein are the following additions / transfer and deletion during current period:

	Six months period ended	
	June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
	---------- Rupees in '000 ---------	
Owned		
Building owned Renovation and improvements	**13,892**	498
Aircraft fleet	**1,974,452**	2,172,393
Office equipment	**55,237**	-
Other equipment	**13,943**	126,829
Capital spares	**168,231**	184,339
	2,225,756	2,484,059
Right of use asset	**3,322,241**	-
Capital work in progress	**2,041,789**	1,346,122
Capital work in progress transferred to owned assets	**(2,475,304)**	(679,551)
	5,114,483	3,150,630

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		----------- Rupees in '000 ----------	
5 OTHER RECEIVABLES			
Considered good			
Claims receivable	5.1	**29,322**	13,719
Excise duty		**100,000**	100,000
Sales tax receivable	5.2	**5,157,841**	4,947,540
Rental income		**279,542**	242,640
		5,566,704	5,303,899
- other than related parties			
Lessor		**1,037,476**	1,512,013
Others		**1,872,810**	1,666,524
		8,476,990	8,482,436
Considered doubtful		**337,431**	334,807
Less: provision for doubtful other receivables		**(337,431)**	(334,807)
		-	-
		8,476,990	8,482,436

5.1 This includes sales tax refundable aggregating Rs. 4,745.637 million (December 31, 2018: Rs. 4,745.637 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the ST Act). The Holding Company had filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit concluded that as the Holding Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services. However, the Holding Company in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case interalia, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(1)/2006, which is applicable to the Holding Company being registered as a Service Provider in transportation business and registered as service provider under the Act. The management has represented its view to the tax authorities and is confident that sales tax was not payable on such imports and the amounts collected from the Holding Company at the import stage shall be eventually recovered / adjusted.

5.2 This represents receivable from lessor in respect of overhauling incurred by the Holding Company on leased aircrafts.

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		----------- Rupees in '000 ----------	
6 CASH AND BANK BALANCES			
In hand		**22,454**	32,032
In transit		**57,672**	11,328
		80,126	43,360
With banks:			
Restricted cash		**1,058,467**	-
- in current accounts	6.1	**4,444,770**	1,540,598
- in savings accounts	6.2 & 6.3	**5,729,046**	4,981,014
		11,232,283	6,521,612
		11,312,409	6,564,972

6.1 These had been adjusted by an aggregate amount of Rs. 4,538.768 million (2018: Rs. 3,290.876 million), representing book overdrafts.

6.2 These carry interest ranging from 0.1% to 7.5% (2018: 0.1% to 7.5%) per annum and have been adjusted by an aggregate amount of Rs. 1.1 million (2018: Rs. Nil), representing book overdrafts.

6.3 These include a bank balance of BDT 675.572 million (Rs. 1,069.652 million) held at National Bank of Pakistan, Dhaka and Habib Bank Limited, Dhaka. The management of the Holding Company is currently facing challenges in remittance of such balance to Pakistan due to compliance / procedural matters. However, the Holding Company holds clean and absolute title of subject bank accounts, being free to make payments / transfers within Bangladesh territory.

6.4 These include provision against expected credit loss amounting to Rs. 2.624 million as stated in note 3.1.1.5.

7 LONG-TERM FINANCING	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Opening	**214,992,167**	197,736,602
Additions during the period	**39,731,798**	14,682,938
Repayment during the period	**(23,512,051)**	(9,699,943)
Exchange loss	**9,478,979**	12,272,570
	240,690,893	214,992,167
Current maturity	**(60,832,569)**	(50,430,292)
	179,858,324	164,561,875

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	June 30, 2019 (Un-Audited)
From Banking Companies - secured						
Askari Bank Limited	7.1	Term finance	PKR 10,000	2021 - 2023	36 monthly	**6,000,000**
The Bank of Punjab	7.1	Term finance	PKR 6,000	2019-2024	60 Monthly	**6,000,000**
The Bank of Punjab	7.1	Term finance	PKR 5,000	2019-2022	36 monthly	**4,587,496**
Faysal Bank Limited	7.1	Term finance	PKR 5,000	2019-2024	60 Monthly	**5,000,000**
Others - unsecured						
Long-term loan - GoP		Term finance	PKR 16,768	2023-2038	-	**10,751,613**

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

8 LEASE LIABILITIES

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
		------------ (Rupees in '000) ------------	
Present value of minimum lease payments			
- Aircraft fleet		30,560,634.18	2,099,119
- Properties		1,565,981.00	-
- Engines		1,383,744.00	-
		33,510,359	2,099,119
Technical ground equipments		218,644	262,399
		33,729,004	2,361,518
Less: Current maturity of lease liabilities		(13,939,322)	(2,188,747)
		19,789,682	172,771

9 TRADE AND OTHER PAYABLES

	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Trade creditors	------------ Rupees in '000 ------------	
Goods	20,877,275	19,167,119
Services	13,393,216	11,895,065
Airport related charges	35,001,905	32,329,376
	69,272,397	63,391,560
Other Liabilities		
Accrued liabilities	9,791,066	7,429,805
Advance against transportation (unearned revenue)	15,910,839	13,150,950
Obligation for compensated absences- Holding Company	8,063,043	7,367,021
Unredeemed frequent flyer liabilities	649,360	649,360
Advance from customers	5,222,757	1,032,339
Amount due to Associate undertaking	-	333,314
Advances and deposits	-	239,965
Earnest money	-	838
Payable to Holding Holding Company employees' provident fund	10,960,835	11,514,485
Federal excise duty - International travel	9,963,311	9,959,757
Unclaimed dividend - Preference shares	666,573	-
Collection on behalf of others	50,090,937	46,035,290
Customs and federal excise duty	2,093,754	2,580,447
Income tax deducted at source	2,319,265	2,078,018
Sales tax payable	-	1,010
Bed tax	-	1,182
Payable to EOBI/SESSI	-	650
Short-term deposits	-	618,856
Others	113,563	1,343,708
	185,117,698	167,728,555

10 CURRENT MATURITY OF NON-CURRENT LIABILITIES

	June 30 2018 (Un-Audited)	December 31 2018 (Audited)
	-----------Rupees in '000-----------	
Long-term financing	60,832,569	50,430,292
Term finance and sukuk certificates	16,188,657	19,017,352
Liabilities against assets subject to finance lease	13,939,322	2,188,748
	90,960,549	71,636,392

11 CONTINGENCIES AND COMMITMENTS

11.1 Contigencies

a) The tax department had raised demand of Rs. 566.544 million (2018: Rs. 566.544 million) in December 30,1998, as Federal Excise Duty (FED) along with penalty of Rs. 1 million (2018: Rs. 1 million) and additional duty of Rs. 2,923.005 million (2018: Rs. 2,923.005 million) on the contention that the Holding Company had not collected FED on tickets provided to its employees either free of cost or at concessional rates. The Holding Company has paid Rs. 100 million (note 8) against the subject demand which is considered fully recoverable from the department. Holding Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) which was remanded back to ACIR. However, remand back proceedings are still pending. Based on consultation with legal advisor, the management believes that the case will be decided in the favor of the Holding Company. Accordingly, no provision has been made in this Consolidated condensed interim financial information in this regard.

b) The tax department had also raised demands of Rs. 6.804 million (2018: Rs. 6.804 million) and Rs. 277.621 million (2018: Rs. 277.621 million) on March 11, 2008 as FED and sales tax respectively along with penalty of Rs. 14.416 million (2018: Rs. 14.416 million) and additional duty / default surcharge of Rs. 17.91 million (2018: Rs. 17.91 million) during the tax audit of the Holding Company for the periods 2004-2005 and 2005-2006. These demands were raised on the issues of late payment of FED, collection of FED at incorrect rate, incorrect apportionment of input tax and failure to collect FED on carriage of goods / mail of Pakistan Post. The Holding Company has paid an amount of Rs. 25 million (2018: Rs. 25 million) in this regard which is considered fully recoverable. The Holding Company filed an appeal with the Collector of Customs, Sales Tax and Federal Excise (Appeals), which was decided partially in its favor, partially against it and partially remanded back. The Holding Company and the department both have filed appeals at the ATIR which is remanded back however, remand back proceedings are still pending. Based on consultation with legal advisor, the management believes that the case will be decided in the favor of the Holding Company. Accordingly, no provision has been made in this Consolidated condensed interim financial information in this regard.

c) As per order dated Febuary 25, 2010, the tax department has raised demands of Rs. 2.065 million (2018: Rs. 2.065 million) and Rs. 1,319.101 million (2018: Rs. 1,319.101 million) as FED and sales tax respectively along with penalty of Rs. 66.058 million (2018: Rs. 66.058 million) and additional duty / default surcharge of Rs. 534.412 million (2018: Rs. 534.412 million) during the tax audit of the Holding Company for the period 2007-2008. These demands were raised mainly on the issues of collection of FED at incorrect rate and incorrect apportionment of input tax. The Holding Company filed appeal at Commissioner Inland Revenue (Appeals) [CIR (A)], which was decided in favor of the tax department. The Holding Company had filed appeal against this at ATIR and a rectification application with CIR (A). The Tribunal has disposed off the Holding Company's appeal, vide appellate order STA No. 08/KB/2011 dated September 26, 2016, remanded back the issues of incorrect rates of FED charged on excess baggage and disallowance of claim of input tax. Further, tribunal has deleted the penalty. Based on consultation with tax advisor, the management believes that the case will be decided in the favor of the Holding Company. Accordingly, no provision has been made in these Consolidated condensed interim financial information in this regard.

d) The tax department through orders dated March 06, 2009, December 04, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (2018: Rs. 5,877.351 million), Rs. 5,679.110 million (2018: Rs. 5,679.110 million) and Rs. 7,025.270 million (2018: Rs. 7,025.270 million), respectively, on account of delayed payment of sales tax and FED for the month of November – December 2008, January – March 2010 and November 2010 – January 2011, respectively. In addition to this, the tax department levied default surcharge and 5% penalty on the unpaid FED and sales tax amounting to Rs. 38.88 million, Rs. 21.11 million and Rs. 74 million, respectively. The Holding Company filed application for waiver of penalty for the month of November – December 2008 before Federal Board of Revenue (FBR) on which the decision is pending.

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

On April 30, 2013, the Additional Commissioner Inland Revenue (ACIR) levied penalty of Rs.4,745.852 million (2017: Rs. 4,745.852 million) in respect of short payment of sales tax and FED for the tax periods April 2012 to January 2013. In addition, the tax department levied default surcharge on unpaid sales tax and FED amounting to Rs. 400.446 million (2017: Rs. 400.446million). The Holding Company filed an appeal against the said orders before CIR (A), which was decided in favour of the department. Subsequently, the Holding Company has filed an appeal against this at ATIR level, Tribunal has deleted the penalty but maintained default surcharge which is challenged by the Holding Company in Sindh High Court, the decision is pending adjudication.

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

e) On February 22, 2016, DCIR issued a show cause notice on the same grounds as involved in sales tax refund (refer note 8.2) which was contested by the Holding Company before the Honorable High Court Sindh (SHC) and obtained stay order in favor of the Holding Company. Subsequently on November 01, 2016, DCIR issued an order amounting to Rs. 6,747.669 million (2018: Rs. 6,747.669 million) under Section 11 of the Sales Tax Act, 1990 in respect of tax years 2010, 2011 and 2012 on the contention that the Holding Company has adjusted excess input tax amounting to Rs. 2,603.502 million, Rs. 2,629.350 million and Rs. 1,514.818 million in the returns for tax year 2010, 2011 and 2012 respectively without considering that the matter was in court. Being aggrieved, the Holding Company has filed appeal before CIR(A) against the said DCIR order, which was decided by CIR(A) in favor of the Holding Company through their order dated June 29, 2017 remanded back the case to DCIR and accordingly, the Holding Company has withdrawn the appeal filed before SHC. Later, the department has issued hearing notice in January, 2019 followed by notices on October 24, 2019 and November 07, 2019 for remand back proceedings .

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

g) During the year DCIR passed order dated September 29, 2017 and raised a demand of Rs. 257.439 million for the short payment of Federal Excise Duty for the month of January 2017 along with penalty of Rs. 1,287.197 million. The Holding Company has filed an appeal with CIR(A) against the order since it did not take into account the payment already made on June 30, 2017 and September 15, 2017 which were before the date of order. Subsequently, CIR(A) vide order dated March 27, 2018 decided the matter in favor of the Holding Company and deleted the penalty.

11.1.1 Other contingencies

h) Competition Commission of Pakistan (CCP) vide its order dated November 20, 2009 has imposed a token penalty of Rs. 10 million on account of unreasonable increase in Hajj fare during the year 2008 as compared to Hajj season 2007. Further, on account of discrimination between Hajj passengers and regular passengers the Holding Company was directed to work out an amount of refund to be paid back to Hajis based on the difference of fare between regular passengers and short duration Hajis who flew during Hajj season 2008. The total amount of refund estimated by the Holding Company is Rs. 417 million. The Holding Company has filed appeals simultaneously in Lahore High Court and the Supreme Court of Pakistan. However, after the order of the Honourable Supreme Count in July, 2017, the appeal has been transferred to the Competition Apellete Tribunal, Islamabad. Management believes that both appeals will be decided in its favour. Accordingly, no provision has been made in this Consolidated condensed interim financial information in this regard.

i) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Holding Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As at June 30, 2019 the excessive amounts claimed by CAA which are not acknowledged by the Holding Company aggregated to Rs. 30,963.393 million including late payment surcharge and interest thereon amounting to Rs.25,825.466 million. In view of the understanding reached through a Memorandum of Understanding (MoU) which was concluded in the meeting held on January 24, 2011 between the representatives of the Holding Company and CAA, the management does not accept the higher amounts being claimed by CAA.

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

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

j) Various ex-employees of the Holding Company have lodged claims against the Holding Company for their dues specifically relating to their reinstatements aggregating to Rs. 2,132.228 million (2017: Rs. 2,235.743 million). The Holding Company is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in this Unconsolidated condensed interim financial information against these claims amounting to Rs. 629.561 million (2017: Rs. 735.877 million).

k) Contingencies relating to income tax matters are disclosed in note 21 to this Consolidated condensed interim financial information.

11.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 193.475 million (2018: Rs. 27.371 million).

b) Outstanding letters of credit amounted to Rs. Nil (2018: Rs. 8.637 million).

c) Outstanding letters of guarantee amounted to Rs. 196.852 million (2018: Rs. 202.664 million).

d) The Holding Company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to US$ 1,527.904 million (2018: US$ 1,527.904 million) equivalent to Rs. 244,544.244 million (2018: Rs. 212,262.721 million) based on catalogue prices. The Holding Company has not made certain payments on its due dates as per the terms of the agreement.

	Note	Six months period ended June 30, 2019	Six months period ended June 30, 2018	Quarter ended June 30, 2019	Quarter ended June 30, 2018
		(Un-Audited)			
		Rupees'000			

12 REVENUE - Net

Passenger	**59,131,108**	41,032,826	**30,758,489**	18,280,992
Cargo	**2,373,469**	2,010,652	**1,234,958**	634,980
Excess baggage	**451,333**	321,809	**359,198**	185,585
Charter	**896,687**	45,196	**870,254**	27,781
Engineering services	**305,978**	393,783	**129,298**	202,692
Handling and related services	**269,465**	212,101	**198,698**	81,863
Mail	**73,971**	87,346	**39,983**	56,067
Room, food and beverages sales	**6,317,218**	5,628,675	**4,245,009**	3,432,898
Others	**3,888,485**	2,546,497	**2,443,351**	1,453,632
	73,707,715	52,278,885	**40,279,238**	24,356,490

13 COST OF SERVICES - Others

Salaries, wages and allowances	**10,236,428**	9,596,931	**5,172,216**	6,116,688
Welfare and social security costs	**973,459**	1,101,916	**552,194**	472,618
Retirement benefits	**1,730,672**	1,103,911	**866,836**	307,034
Compensated Absences	**500,087**	443,180	**249,719**	251,803
Legal and professional charges	**21,931**	21,448	**10,735**	6,549
Stores and spares consumed	**1,709,486**	703,856	**1,574,945**	297,002
Repair, Maintenance and overhaul	**7,413,625**	5,083,313	**3,168,731**	2,344,461
Flight equipment rental	**1,414,458**	5,159,751	**777,158**	2,282,615
Landing and handling	**10,061,399**	7,911,284	**5,375,891**	3,784,262
Passenger services	**1,572,615**	1,112,925	**646,190**	308,914
Crew layover	**1,805,662**	1,663,333	**886,037**	875,171
Staff training	**15,295**	42,759	**9,891**	17,866
Hotel running expense	**-**	1,445	**-**	1,445
Food cost	**312,249**	276,484	**190,088**	164,784
Utilities	**41,661**	45,083	**33,917**	32,334
Communication	**1,233,426**	2,083,725	**578,940**	1,053,493
Insurance	**979,346**	614,266	**494,900**	331,470
Rent, rates and taxes	**194,422**	252,340	**75,171**	127,803
Printing and stationery	**124,290**	111,615	**71,749**	66,072
Depreciation	**7,274,376**	2,412,991	**3,852,606**	2,411,339
Amortization	**4,529**	4,169	**2,750**	4,169
Others	**932,328**	1,065,011	**565,847**	340,084
	48,551,743	40,811,735	**25,156,511**	21,597,976

	Note	Six months period ended		Quarter ended	
		June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
		..........................(Un-Audited)..........................			
		------------------------------------Rupees'000------------------------------------			
14 FINANCE COSTS					
Mark-up on:					
- long term financing		**10,853,022**	6,039,330	**5,845,821**	2,625,971
- short term borrowings		**2,039,221**	1,311,476	**860,373**	845,482
- Loan against GoP mark-up		**533,782**	-	**474,515**	-
		13,426,026	7,350,806	**7,180,708**	3,471,453
Return on term finance certificates		**624,178**	677,364	**302,741**	677,364
Profit on sukuk certificates		**407,634**	271,627	**215,148**	271,627
Lease Liabilities		**1,017,618**	84,047	**1,017,618**	84,047
Interest on pension / provident fund		**619,473**	373,097	**317,120**	373,097
Discounting Income on deposits		**(30,001)**	(19,234)	**(30,001)**	(19,234)
Arrangement, agency and commitment fee		**225,957**	376,349	**125,816**	233,864
Amortisation of prepaid exposure fee		**22,065**	-	**5,658**	61,063
Bank charges, guarantee commission and other related charges		**68,140**	57,494	**26,715**	9,553
		16,381,090	9,171,551	**9,161,523**	5,162,835

15 EXCHANGE LOSS - NET

During the year, the functional currency of the Holding Company was depreciated by 15.2 % resulting in exchange loss of Rs.10.3 billion in respect of financing in foreign currencies. Further, during the period the Holding Company has adopted IFRS 16 "Leases" and recognized lease liabilities which had previously been classified as "Operating Leases" under the IAS 17: Leases. Accordingly, the Holding Company has recorded exchange loss of Rs 4.3 billion on above lease liabilities as on June 30, 2019.

However, effects of the above-mentioned amounts are expected to be reversed to a certain significant extent at year end i.e. December 31, 2019 due to appreciation in functional currency in subsequent period.

16 TAXATION

Current - for the period	**355,032**	375,142	**200,796**	248,348

16.1 There has been no material change in the status of tax contingencies as disclosed in notes 36.1 to the Consolidated financial statements for the year ended December 31, 2018.

	Six months period ended	
	June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
	----------Rupees in '000 ----------	
17 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
Loss before taxation	**(38,207,623)**	(31,955,561)
Adjustments for non cash items:		
Depreciation	**7,729,895**	2,743,373
Gain on disposal of property, plant and equipment	**(36)**	(5,032)
Amortization	**46,568**	42,889
Provision for slow moving stores and spares	**69,303**	98,308
Provision for employees' benefits	**3,643,646**	2,402,187
Provision for doubtful debts	**76,012**	150,000
Finance costs	**16,381,090**	9,171,551
Unrealised Exchange Gain / Loss	**10,326,956**	5,113,006
Share of loss / (profit) from associates	**572**	432
Profit on bank deposits	**(36,976)**	(9,246)
Cash generated from operations before working capital changes	**29,408**	(12,248,093)
Working capital changes:		
Increase in stores and spare parts	**502,060**	(860,038)
Decrease in trade debts	**60,133**	136,581
Decrease / (Increase) in advances	**(2,787,115)**	(497,673)
Increase in trade deposits and prepayments	**(303,055)**	3,925,864
Decrease / (Increase) in other receivables	**528,122**	993,157
Increase in trade and other payables	**15,310,541**	17,719,318
	13,310,687	21,417,210
Cash generated from operations after working capital changes	**13,340,095**	9,169,117

18 TRANSACTIONS WITH RELATED PARTIES

Following are the related parties with whom the Holding Company entered into transactions or agreements and / or arrangements in place during the year:

Following are the related parties with whom the Holding Company entered into transactions or agreements and / or arrangements in place during the year:

Name of Related Parties	Direct Shareholding	Relationship
Government of Pakistan	92%	Major Shareholder
PIA Investments Limited (PIAIL)	100%	Subsidiary
Skyrooms (Private) Limited	100%	Subsidiary
Abacus Distribution Systems Pakistan (Private) Limited	92%	Major Shareholder
Post Retirement Benefits	-	Post Retirement Benefits
PIA Main Pension Fund	-	Post Retirement Benefits
PIA PALPA Fund	-	Post Retirement Benefits
PIA FENA Fund	-	Profit oriented state-controlled entities
Profit oriented state controlled entities	-	Profit oriented state-controlled entities
Pakistan State Oil Holding Company Limited	-	Profit oriented state-controlled entities
Pakistan Civil Aviation Authority	-	Profit oriented state-controlled entities
National Bank of Pakistan	-	Profit oriented state-controlled entities
National Insurance Corporation Limited	-	Key management personnel
Federal Board of Revenue	-	Key management personnel
Amir Ali	-	Key management personnel
Younus M Khan	-	Key management personnel
Amanullah Qureshi	-	Key management personnel
Maj Khuram Mushtaq	-	Key management personnel
Nayyar Hayat	-	Key management personnel
Omer Razzaq	-	Key management personnel
Aijaz Mazhar	-	Key management personnel
AVM Soban Nazir Syed	-	Key management personnel
AVM Noor Abbas	-	Key management personnel
Mr. Muhammad Shuaib	-	Key management personnel
Kashif Rehman Rana	-	Key management personnel
Air Marshal Arshad Malik	-	Key management personnel
Air Cdre Khalid Ur Rehman	-	Key management personnel
Air Cdre Jibran Saleem Butt	-	Key management personnel
Air Cdre Jawad Zafar Chaudhry	-	Key management personnel
Air Cdre Shahid Qadir	-	Key management personnel
Mr. Khalilullah Shaikh	-	Key management personnel
Air Cdre Aamer Altaf	-	Key management personnel

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

Name of Related Parties and relationship with the Holding	Nature of transactions	June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
		----------Rupees in '000 -----------	
Retirement funds			
	Contribution to provident Fund and other	**2,514,492**	1,236,181
	Interest on Loan from pension / provident func	**628,052**	373,097
Profit oriented state-controlled entities - common ownership			
	Purchase of Fuel	**12,828,611**	8,601,515
	Insurance premium	**968,091**	617,046
	Late payment interest	**887,000**	634,757
	Finance cost charged	**2,856,947**	2,076,342
	Airport Related charges	**6,597,358**	6,150,000
GoP - Major shareholder			
	Finance cost charged	**930,494**	396,712
Key management personnel			
	Salaries, wages and other benefits	**56,714**	81,708

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

19.1 Financial risk factors

This Consolidated condensed interim financial information does not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Holding Company annual financial statements for the year ended December 31, 2018. There have been no changes in any risk management policies since the year end.

19.2 Fair value estimation

As at June 30, 2019, the Holding Company's all assets and liabilities are carried at cost except for those mentioned below:

a) The Holding Company's leasehold land, buildings on leasehold land and airfleet are stated at revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and subsequent accumulated impairment losses, if any;

b) The Holding Company classifies long-term investments in listed companies measured in the Consolidated condensed interim statement of financial position at fair values; and

c) The carrying value of all financial and non-financial assets and liabilities measured at other than cost in these Consolidated condensed interim financial information approximate their fair values.

20 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial information were authorized for issue by the Board of Directors of the Holding Company in their meeting held on **February 11th, 2020**.

for Chief Executive Officer

Chief Financial Officer

for Chief Executive Officer

Director

Chief Financial Officer

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Company Secretary
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