PAKISTAN
International Airlines
Great People to Fly With

ANNUAL REPORT 2019

CONTENTS

VISION

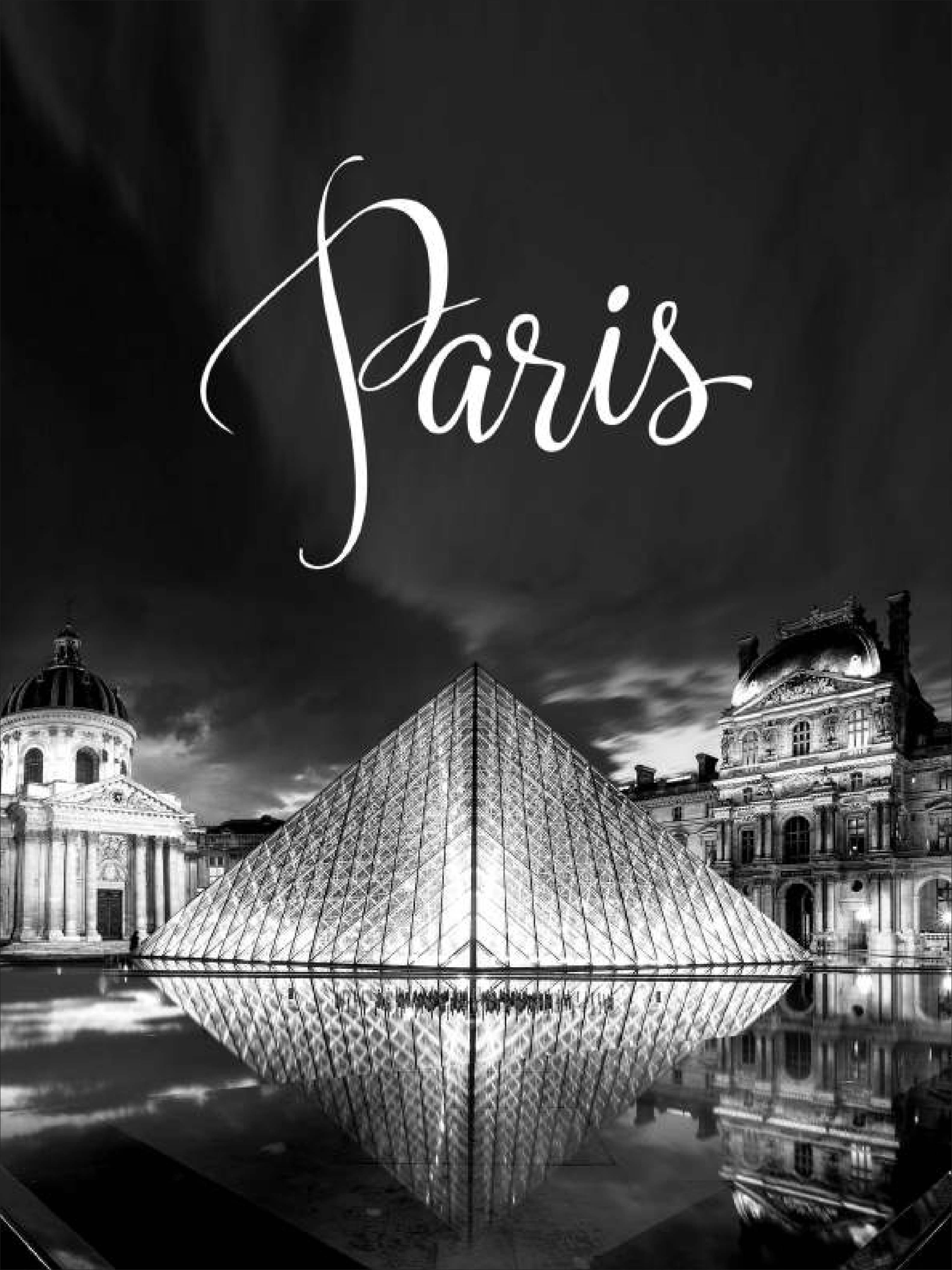
PIA's vision is to be a world class profitable airline meeting customer expectations through excellent services, on-time performance, innovative products and absolute safety.

MISSION

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

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


London


Paris

CORE VALUES

Customer Expectations
(Convenience, Care, Affordability)

Service
(Personalized, Courteous, Passionate)

Innovation
(New Ideas, Products, Value Added Services)

Cohesiveness
(Respect for Individuals, Teamwork, and Effective Communication)

Integrity
(Business Ethics, Accountability, and Transparency)

Reliability
(Loyalty and Consistency)

Safety
(Passengers, Employees, Environment)

Social Responsibility
(Welfare, Health, Education)

NOTICE OF FOURTH ANNUAL **GENERAL MEETING**

Notice is hereby given that Fourth Annual General Meeting of the Shareholders of Pakistan International Airlines Corporation Limited (PIACL) will be held at 10:00 a.m. on Saturday, June 20, 2020, at Karachi, to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2019 together with the Auditors' and Directors' Reports.
2. To elect One Director in accordance with Sections 165 and 159 of the Companies Act, 2017.
3. To appoint External Auditors for FY 2020 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board

Karachi
May 29, 2020

Muhammad SHUAIB
Company Secretary

NOTES:

1. The Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to Shares Registrar / Transfer Agent, are once again reminded to send the same at the earliest directly to CDC Share Registrar Services Limited (CDCSR), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number / CDC Account Number with the copy of CNIC /NTN details. Reference is also made to the SECP Notification which mandate that the dividend warrants should bear CNIC number of registered Shareholder or authorized person, except in case of minor(s) and Corporate Shareholders.
2. In case of nomination for a candidate of Directorship, a written notification of such nomination will be required to be given to PIACL and lodged with Company Secretary at the Registered Office, PIA Building, Jinnah International Airport, Karachi-75200, by Saturday June 06, 2020 duly signed by the Shareholder(s) making the nomination or by their duly authorized representatives. The said nomination is required to be filed with the Company Secretary through courier or through email on the email address secretary@piac.aero .
3. Every nomination of a candidate for election as Director must be accompanied with the following documents:
   a) Consent of the candidate to act as Director in Form 28, duly completed and signed by the candidate, as required under Section 167 of the Companies Act, 2017;
   b) Declaration of the Candidate of being compliant with the requirements of the PSC (Corporate Governance) Rules 2013 as amended till July 01,2019 as well as Rule Book of PSX and the eligibility criteria as set out in the Companies Act, 2017 to act as director of the listed Companies; and
   c) Confirmation of the Candidate that he/she is not serving as Director in more than seven listed companies simultaneously, provided that his/her limit shall not include the directorship in the listed subsidiaries of a listed holding company.
4. A detailed profile of every candidate for election along with address shall be delivered to the Company at its Registered Office (to the Company Secretary) by Saturday June 06, 2020, for placement on to the PIACL website seven (7) days prior to the Election Day as required by SRO 634(1)/2014 of 10th July 2014, except in the case of non-holders of 10% block of 'A' Class and 'B' Class, where the profile will accompany the nomination required to be given to the Company not less than forty-eight (48) hours before the Election Day.
5. Share Transfer Books will be closed from Friday, June 12, 2020 to Saturday, June 20,2020 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of PIACL's Share Registrar / Transfer Agent viz CDC Share Registrar Services Limited (CDCSR), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi up to 05:30 P.M. on Thursday, June 11, 2020, will be treated in time for the purpose of exercising the right to vote.
6. Shareholder may appoint another Shareholder as proxy to attend and vote in respect of him/her. Duly completed instrument of proxy must be lodged with the Company Secretary at the Registered Office PIA Building, Jinnah International Airport, Karachi-75200,Pakistan, through courier or through email on the address secretary@piac.aero, at least forty eight (48) working hours before the time of the meeting.
7. In pursuance of Section 242 of Companies Act, 2017, all Shareholders are notified that details of bank accounts for transmission of any dividend should be registered with our Share Registrar / Transfer Agent, CDC Share Registrar Services Limited (CDCSR). Subsequently no dividend payment through other means, except electronic mode directly into bank account designated by the Shareholders, shall be made.
8. Any change of address of Shareholders should be immediately notified to the Share Registrar / Transfer Agent viz CDC Share Registrar Services Limited (CDCSR), CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi.

9. **Election of Directors, Postal Ballot and E-Voting**

A. For the convenience of Shareholders, a polling booth will be established at PIA's Karachi Booking Office, situated at Sidco Center, First Floor, Deen Muhammad Wafai Road, Karachi. Members can exercise their right to vote by visiting the said polling booth on the AGM day i.e. June 20, 2020, from 10:15 am till 10:45 a.m. only for physical voting. Shareholders would come one by one, cast their votes and leave the polling booth immediately without any gathering.

B. Pursuant to the Companies (Postal Ballot) Regulations, 2018 for the purpose of Election of Directors and for any other agenda item subject to the requirements of Sections 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

C. If the number of persons who offer themselves to be elected is more than the number of Directors fixed under Section 159(1) of the Companies Act, 2017 then the Company shall provide its Members with the option of e-voting or voting by postal ballot in accordance with the provisions of the Companies (Postal Ballot) Regulations, 2018.

Procedure for voting through postal ballot:

i) The members shall ensure that duly filled and signed ballot paper along with copy of Computerized National Identity Card (CNIC) should reach the chairman of the meeting through post or email (secretary@piac.aero) one day before the day of poll, during working hours. The signature on the ballot paper shall match with the signature on CNIC.

ii) In case of foreign members and representatives of a body corporate, corporation and Federal Government, acceptability of other identification documents in lieu of CNIC shall be approved by the board of the company.

Procedure for e-Voting

i) Voting lines for Elections of Directors will be open for the Shareholders from June 17, 2020, till June 19, 2020 at 5:00 p.m.

ii) Identity of the members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.

iii) Members shall cast vote online during the time specified in sub regulation (1), provided that once the vote on a resolution is casted by a member, he shall not be allowed to change it subsequently.

iv) The e-voting service provider shall be regulated to keep the result of e-voting confidential and provide access to the chairman of the General Meeting in which poll was demanded to unblock result of e-voting on the day of poll.

10. **Participation of Shareholders through Electronic means:**

In wake of the prevalent COVID-19 pandemic situation and in light of the relevant guidelines issued by Securities & Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange Limited, vide Circular No 5 of 2020 dated March 17, 2020 and Circular No PSX/N-372 dated March 19, 2020 respectively. The Shareholders are encouraged to participate in the AGM through electronic facility organized by PIACL. In order to attend the AGM through electronic facility, the shareholders are requested to get themselves registered with the Company Secretary at least 24 hours before the time of AGM at secretary@piac.aero.

The shareholders are requested to provide the information as per below format:

Sr. No	Name of the shareholder	CNIC Number	Folio Number / CDC Account Number	Cell Number	Email address

The details of the electronic facility will be sent to the Shareholders on the email address provided by them. The login facility will be opened at 09:00 a.m. on June 20, 2020 enabling the participants to join the proceedings which will start at 10:00 a.m. sharp.

Attending meeting through Proxies:

I. In case of individual, the account holder or sub-account holder, their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.

II. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

III. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

IV. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

V. In case of corporate entity, the Board of Directors' Resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company.

۸۔ حصص یافتگان کے پتہ میں اگرکسی بھی قسم کی کوئی تبدیلی ہوتو فوراً شیئرز رجسٹرار/ٹرانسفرایجنٹ یعنی سی ڈی سی شیئررجسٹرارسروسزلمیٹڈ (سی ڈی سی ایس آر) سی ڈی سی ہاؤس B-99، بلاک۔B ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی کومطلع کریں۔

۹۔ **ڈائریکٹرز کا انتخاب، پوسٹل بیلٹ اورای ووٹنگ:**

(i) حصص یافتگان کی سہولت کیلئے پی آئی اے کراچی بکنگ آفس بمقام سِڈکوسینٹر، پہلی منزل، دین محمد وفائی روڈ، کراچی پر ایک پولنگ بوتھ قائم کیا گیا ہے۔ تمام ممبران سالانہ اجلاس والے دن جو 20 جون 2020 ہے، صبح 10:15 سے 10:45 تک وہاں جا کر اپنے ووٹ کا حق استعمال کرسکتے ہیں۔ حصص یافتگان باری باری آ کر، اپنے ووٹ کا اندراج کرنے کے بعد بلا تاخیر پولنگ بوتھ سے باہر تشریف لے جائیں۔

(ii) کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کی تعمیل کرتے ہوئے ڈائریکٹرز کے انتخاب یا کسی دیگر لائحہ عمل کی تکمیل کیلئے بمطابق کمپنیز ایکٹ 2017 سیکشن 143 اور 144، ممبران پوسٹل بیلٹ یا کسی بھی الیکٹرانک ووٹنگ کے ذریعے اپنے ووٹ کا حق استعمال کرسکتے ہیں جو مندرجہ بالا قواعد وضوابط میں وضع کردہ طریقہ ء کار کے مطابق ہو۔

(iii) امیدواروں کی تعداد اگر کمپنیز ایکٹ، 2017 سیکشن (1)159 میں مذکور ڈائریکٹرز کی مقررہ تعداد سے زیادہ ہوتو کمپنی اپنے ممبران کو کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے دفعات کے تحت ای ووٹنگ اور پوسٹل بیلٹ کی سہولت فراہم کرسکتی ہے۔

پوسٹل بیلٹ کے ذریعے ووٹنگ میں حصہ لینے کا طریقہ ء کار:

(i) ممبران اس بات کو یقینی بنائیں کہ انتخاب سے ایک دن قبل تک مکمل پُر شدہ اور دستخط شدہ بیلٹ پیپر بمع کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) کی کاپی اجلاس کے چیئرمین کو بذریعہ ڈاک یا ای میل secretary@piac.aero پر اوقات کار کے دوران موصول ہوجائیں۔ بیلٹ پیپر پر ثبت شدہ دستخط سی این آئی سی پر کیئے گئے دستخط کے مشابہ ہو۔

(ii) بیرونی ممالک سے تعلق رکھنے والے ممبران یا کارپوریٹ باڈی، کارپوریشن اور وفاقی حکومت کے نمائندوں کی صورت میں سی این آئی سی کے بدلے دیگر شناختی دستاویزات کی منظوری کیلئے ضروری ہے کہ وہ کمپنی کے بورڈ سے تصدیق شدہ ہوں۔

ای ووٹنگ کا طریقہ ء کار:

(i) ڈائریکٹرز کے انتخاب کے سلسلے میں حصص یافتگان کیلئے ووٹنگ لائنز 17 جون 2020 سے 19 جون 2020 تک شام 5:00 بجے کھولی جائیں گی۔

(ii) ای ووٹنگ کے ذریعے ووٹ ڈالنے کے خواہشمند ممبران کی شناخت کی تصدیق الیکٹرانک دستخط یا لاگ-اِن کی جانچ سے کی جائیگی۔

(iii) ممبران سب ریگولیشن (i) میں درج شدہ اوقات کے دوران بذریعہ آن لائن اپنے ووٹ کا اندراج کریں اور ایک بار ووٹ ڈالنے کی صورت میں دوبارہ اس ووٹ کو تبدیل نہیں کیا جاسکتا۔

(iv) ای ووٹنگ کیلئے سروس فراہم کرنے والے ذرائع ووٹنگ کے نتائج مخفی رکھنے کے پابند ہوں گے اور صرف چیئرمین کو ہی پولنگ والے دن ان نتائج کا اعلان کرنے کیلئے ڈیٹا بیس تک رسائی مہیا کی جائیگی۔

۱۰۔ **الیکٹرانک ذرائع سے حصص یافتگان کی شرکت:**

کورونا وائرس سے پیدا ہونے والی وبائی صورتحال کے پیش نظر سیکیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور پاکستان اسٹاک ایکسچینج لمیٹڈ کی جاری کردہ ہدایات کی روشنی میں بالترتیب بذریعہ سرکلر نمبر 5 of 2020 بتاریخ 17 مارچ 2020 اور سرکلر نمبر PSX/N-372 بتاریخ 19 مارچ 2020 حصص یافتگان کو پی آئی اے سی ایل کے منعقدہ سالانہ اجلاس عام میں الیکٹرانک ذرائع سے شرکت کی ترغیب دی گئی ہے۔ لہٰذا سالانہ اجلاس عام میں الیکٹرانک ذرائع سے شرکت کرنے کیلئے حصص یافتگان سے درخواست ہے کہ وہ اجلاس سے 24 گھنٹے قبل کمپنی سیکریٹری کے پاس بذریعہ ای میل secretary@piac.aero پر رجسٹر ہوجائیں۔

حصص یافتگان سے درخواست ہے کہ مندرجہ ذیل فارمیٹ کے مطابق اپنی معلومات فراہم کریں:

شمار نمبر	حصص یافتہ کا نام	سی این آئی سی نمبر	فولیو نمبر/سی ڈی سی آکاؤنٹ نمبر	موبائل نمبر	ای میل ایڈریس

الیکٹرانک فیسیلٹی کی تفصیلات حصص یافتگان کو ان کے فراہم کردہ ای میل ایڈریسز پر بھیج دی جائیں گی۔ لاگ اِن کی سہولت مورخہ 20 جون 2020 کو صبح 9:00 بجے دی جائیگی تاکہ شرکاء صبح 10:00 بجے اجلاس کی کارروائی میں شرکت کرسکیں۔

پراکسی منتخب کرنے کیلئے:

i) انفرادی، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر ان کی رجسٹریشن کی تفصیلات ضابطے کے مطابق اپلوڈ ہوں وہ اسی مناسبت سے پراکسی فارم جمع کرائیں۔

ii) پراکسی فارم دو گواہوں سے مستند ہو جن کا نام، پتہ اور قومی شناختی کارڈ نمبر پراکسی فارم پر درج ہوں

iii) مالک انتفاعی (بینیفشل اونر) اور پراکسی کے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ کاپی پراکسی فارم کے ساتھ منسلک ہو۔

iv) میٹنگ میں شرکت کے وقت پراکسی کو اپنا اصل قومی شناختی کارڈ یا پاسپورٹ دکھانا ہوگا۔

v) کارپوریٹ ادارہ ہونے کی صورت میں پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد، پاور آف اٹارنی، امیدوار (جو کارپوریٹ ادارہ کی نمائندگی کرنے اور حق رائے دہی دینے کا مجاز ہو) کے دستخط کے ساتھ کمپنی کو جمع کرانا ہوگی۔

نوٹس برائے چوتھا سالانہ اجلاس عام

مطلع کیا جاتا ہے کہ پاکستان انٹرنیشنل ایرلائنز کارپوریشن لمیٹڈ کے حصص یافتگان کا چوتھا سالانہ اجلاس عام 20 جون 2020 بروز ہفتہ صبح 10:00 بجے کراچی میں منعقد ہوگا جس میں درج ذیل امور زیر غور لائے جائیں گے:

۱۔ 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے آڈٹ شدہ گوشوارے بمعہ آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ کو وصول کرنا اور اختیار کرنا۔

۲۔ کمپنیز ایکٹ 2017 کے سیکشن 165 اور 159 کے مطابق ایک ڈائریکٹر کا انتخاب۔

۳۔ مالی سال 2020 کیلئے ایکسٹرنل آڈیٹرز کی تقرری اور ان کا مشاہرہ طے کرنا۔

۴۔ کرسی صدارت کی اجازت سے دیگر امور طے کرنا۔

بحکم بورڈ

محمد شعیب | **کراچی**

کمپنی سیکریٹری | **29 مئی، 2020**

نوٹ:

۱۔ وہ حصص یافتگان جنہوں نے ابھی تک اپنے کارآمد کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) کی فوٹو کاپی شیئر رجسٹرار/ٹرانسفر ایجنٹ کو جمع نہیں کرائی ان کو ایک مرتبہ پھر یاد دہانی کرائی جاتی ہے کہ وہ اپنے کارآمد کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) براہ راست سی ڈی سی شئیر رجسٹرار سروسز لمیٹڈ (سی ڈی سی ایس آر)، سی ڈی سی ہاؤس، B-99، بلاک۔B ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی کو ارسال کریں۔ کارپوریٹ اداروں سے درخواست ہے کہ اپنا قومی ٹیکس نمبر (NTN) مہیا کریں۔ براہ مہربانی سی این آئی سی اور این ٹی این تفصیلات کی کاپی کے ساتھ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر مہیا کریں۔ ایس ای سی پی نوٹیفکیشن کے حوالے سے اس بات کو لازم قرار دیا گیا ہے کہ کم عمر یا کارپوریٹ حصص یافتگان کے علاوہ دیگر رجسٹرڈ حصص یافتہ یا مجاز شخص کے ڈیویڈنڈ وارنٹس سی این آئی سی نمبر کے ساتھ ہوں۔

۲۔ امیدوار کی بطور ڈائریکٹر نامزدگی کیلئے تحریری نوٹیفکیشن جو نامزدگی مرتب کرنے والے حصص یافتگان یا ان کے مجاز نمائندوں کی جانب سے باضابطہ طور پر دستخط شدہ ہو، کمپنی سیکریٹری، پی آئی اے سی ایل کے پاس ان کے رجسٹرڈ آفس، پی آئی اے بلڈنگ، جناح انٹرنیشنل ایئر پورٹ، کراچی -75200 میں مورخہ 6 جون 2020 بروز ہفتہ تک جمع کروادی جائے۔ کمپنی سیکریٹری کے پاس مذکورہ نامزدگی فائل کروانے کیلئے بذریعہ کوریئر یا ای میل ایڈریس secretary@piac.aero پر ارسال کریں۔

۳۔ ہر نامزد امیدوار کی بطور ڈائریکٹر انتخاب کیلئے مندرجہ ذیل دستاویزات کا منسلک ہونا لازمی ہے:

ا) کمپنیز ایکٹ 2017 کے سیکشن 167 کے تحت فارم 28 کو امیدوار مکمل کرنے کے بعد اس پر دستخط کریں جو اُن کی بطور ڈائریکٹر اپنی ذمہ داریاں سرانجام دینے کیلئے رضامندی تصور کی جائیگی

ب) امیدوار کا بیان جس میں وہ پی ایس سی (کارپوریٹ گورننس) رُولز 2013 ترمیم شدہ یکم جولائی 2019 بمع پی ایس ایکس کے رُول بُک سے مطابقت اور کمپنیز ایکٹ 2017 میں وضع کردہ مطلوبات جو کسی بھی لسٹڈ کمپنی میں بطور ڈائریکٹر کام کرنے کیلئے اہلیت کے معیار پر پورا اترنے کی توثیق کرتا ہو؛ اور

ج) امیدوار کی تصدیق کہ وہ بیک وقت سات سے زیادہ لسٹڈ کمپنیوں میں بطور ڈائریکٹر کام نہیں کر رہا/ کر رہی بشرطیکہ امیدوار کے عہدوں کی حد میں لسٹڈ ہولڈنگ کمپنی کی لسٹڈ ذیلی کمپنی میں ڈائریکٹر ہونا شامل نہ ہو۔

۴۔ انتخاب کیلئے ہر امیدوار کے تفصیلی کوائف بمع پتہ کمپنی کو (کمپنی سیکریٹری) کے رجسٹرڈ پتہ پر مورخہ 6 جون 2020 بروز ہفتہ تک پہنچا دیئے جائیں تا کہ 10 جولائی 2014 کے ایس آر او 2014/(1)634 کی رُو سے انتخابات سے سات (7) روز قبل یہ کوائف پی آئی اے سی ایل کی ویب سائیٹ پر لگا دیئے جائیں ماسوائے وہ امیدوار جو A کلاس اور B کلاس کے 10% بلاک کے حامل نہ ہوں اور ان کے کوائف نامزدگی کے ساتھ کمپنی کو انتخابات سے اڑتالیس (48) گھنٹے قبل تک مل جائیں۔

۵۔ شیئر ٹرانسفر بکس 12 جون 2020 بروز جمعہ سے 20 جون 2020 بروز ہفتہ (بشمول دونوں دن) بند رہیں گی۔ اس دوران حصص کی منتقلی کے لئے اندراج قبول نہیں کیا جائے گا۔ ووٹ دینے کے عمل کی تکمیل کے لئے منتقلی مورخہ 11 جون 2020 بوقت شام 05:30 بجے تک پی آئی اے سی ایل کے شیئر رجسٹرار/ٹرانسفر ایجنٹ یعنی سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ (سی ڈی سی ایس آر) سی ڈی سی ہاؤس، B-99، بلاک۔B ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی کے دفتر میں وصول کی جائیں گی۔

۶۔ حصص یافتہ کسی دوسرے حصص یافتہ کو اجلاس میں شریک ہونے اور ووٹ دینے کیلئے اپنا پراکسی (نمائندہ) نامزد کرسکتا/ کرسکتی ہے۔ اس سلسلے میں پراکسی (نمائندہ) کے باضابطہ مکمل کوائف یا نوٹری تصدیق شدہ کاپی اجلاس ہٰذا سے کم ازکم 48 گھنٹے قبل کمپنی سیکریٹری بمقام رجسٹرڈ آفس پی آئی اے بلڈنگ، جناح انٹرنیشنل ائرپورٹ کراچی 75200 پاکستان کو جمع کرائیں۔

۷۔ کمپنیز ایکٹ، 2017 کے سیکشن 242 کے مطابق تمام حصص یافتگان کو مطلع کیا جاتا ہے کہ کسی بھی ڈیویڈنڈ کی منتقلی کے لئے حصص یافتگان کے بینک اکاؤنٹ کی تفصیلات ہمارے شیئرز رجسٹرار/ٹرانسفر ایجنٹ، سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ (سی ڈی سی ایس آر) کے پاس رجسٹرڈ ہو، ڈیویڈنڈ کی ادائیگی بذریعہ الیکٹرانک طریقہ کار حصص یافتگان کے مہیا کردہ بینک اکاؤنٹ میں براہ راست منتقل کردی جائیگی اس کے علاوہ کوئی اور طریقہ استعمال نہیں کیا جائیگا۔

CORPORATE PROFILE
As at May 15, 2020

BOARD OF DIRECTORS

Mr Aslam R Khan
Chairman

Mr Noor Ahmed
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 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 Qamar Shamim
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 Choudhry
Chief Corporate Development Officer

Mr Aamer 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 & Co
Chartered Accountants

Messrs BDO Ebrahim & Co
Chartered Accountants

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

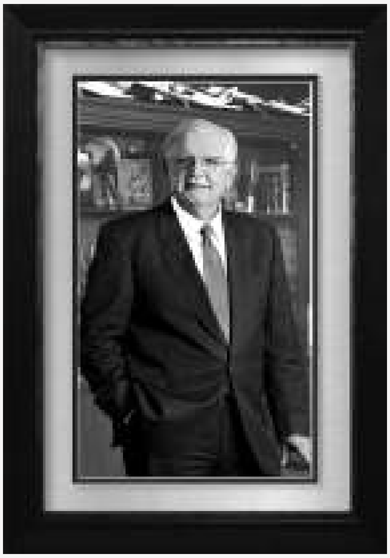
BANKERS

Al Baraka Bank
Askari Bank Limited
Bank Islami
Bank of Punjab
Citi Bank N.A.
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
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

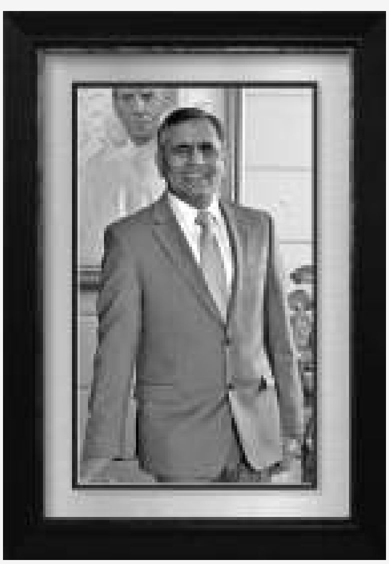
BOARD OF **DIRECTORS**



Mr Aslam R Khan
Chairman

Mr Aslam R Khan is a nominated Director since February 04, 2020, and Chairman PIACL Board since March 09, 2020. He is a corporate aviation veteran with over three decades of multi-faceted airline experience.He started his career with Lufthansa and then moved to PIACL. In the National Carrier he held senior positions both in Pakistan and abroad. He held the important position of Managing Director of PIA. He was also the Managing Director of PIA Investments Limited for fourteen years, with achievement of 700 million dollars successful turnaround of the Roosevelt Hotel in New York City, transforming it into a highly profitable asset.

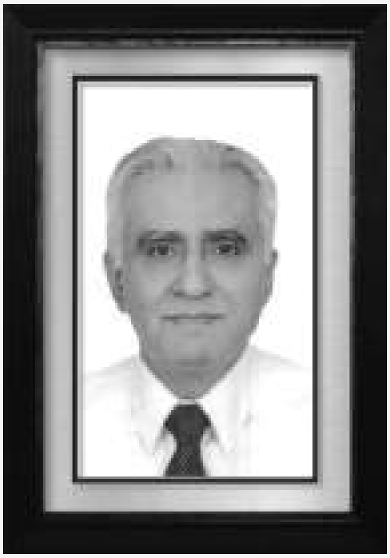
A keen sportsman and an avid golfer, he was the President of Sindh Golf Association and Vice President of Pakistan Golf Federation. Mr. Aslam R Khan is also the recipient of the Italian civil award "CAVALIERE".



Air Marshal Arshad Malik
Chief Executive Officer

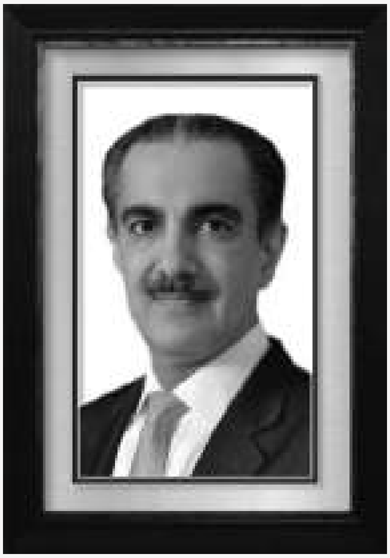
Air Marshal Arshad Malik is a nominated Director since October 17, 2018. He was elected as acting CEO on October 26, 2018 and was appointed regular CEO w.e.f. April 26, 2019 as per PSC Guidelines 2015. Before joining PIA, Air Marshal Malik was Vice Chief of the Air Staff (VCAS), of Pakistan Air Force (PAF). During his career in PAF, he has flown various trainer and fighter aircraftand commanded a fighter squadron, a flying wing, an operational Air Base and a regional air command. He has also overseen and coordinated the development and manufacturing of JF-17 Thunder fighter aircraft, induction of transport aircraft like IL-78 and C-130. He has led sale of JF-17 aircraft and Super Mashak aircraft. Air Marshal Malik has served as Board Chairman of Pakistan Aeronautical Complex, Kamra. His staff appointments include Personal Staff Officer to Chief of the Air Staff, Director Operations Project, Director Operational Requirement and Development, Assistant Chief of Air Staff (OR&D), Chief Project Director JF-17 and Deputy Chief of the Air Staff (Personnel) at Air Headquarters. He is a graduate of Combat Commanders' School, Air War College, National Defence University and Air Command and Staff College, United States of America. In recognition of his meritorious services, he had been awarded Hilal-i-Imtiaz (Military), Sitara-i-Imtiaz (Military) and Tamgha-i-Imtiaz (Military). Air Marshal Malik is ex-officio Chairman of PIA subsidiaries viz PIA Investments Ltd and Skyrooms (Pvt.) Ltd. He is Member of Board Finance Committee, Board HR & Compensation Committee, Board Procurement Committee as well as Board COEC Committee. Air Marshal Malik is Member CAA Board. He is also Chairman Al-Shifa Trust - the flagship CSR setup of PIACL.

BOARD OF **DIRECTORS**



Mr Noor Ahmed
Secretary Economic Affairs Division

Mr Noor Ahmed, Secretary, Ministry of Economic Affairs (Economic Affairs Division), is a nominated Director since April 28, 2020. He holds Masters degree in Development Studies with a specialization in Public Policy from Institute of Social Studies, Netherlands, Prior to his current assignment, he has served as Special Secretary Finance focusing on fiscal, monetary and treasury management and Additional Secretary External Finance managing external account of the government and arranging fiscal resources to bridge the balance of payment gao. Mr Noor Ahmed has also served as Additional Secretary of External Finance; Regulations, and Inter Governmental Finance (IGF) as well as Corporate Finance in Finance Division. He remained Director General at Privatization Commission, Chief FBR, Joint Secretary to the Prime Minister. Mr Noor Ahmed has worked at Khushhali Bank and has also served as Vice President, SME Bank (formerly SBFC).

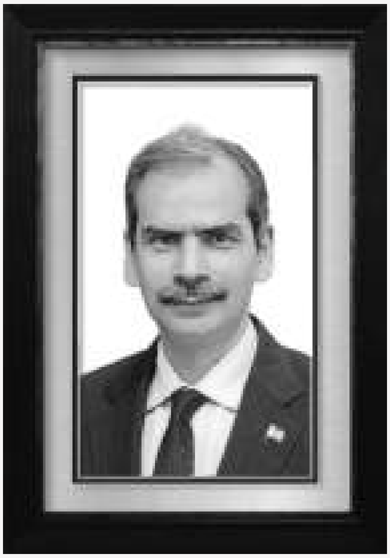


Mr Atif Bajwa

Mr Atif Bajwa is a nominated Director since June 7, 2017. Mr Bajwa received his education at Columbia University, New York. He has an extensive international career spanning 37 years of executive leadership roles in banking and of multiple Board and public interest positions. Having started his professional journey by joining Citibank in 1982, he has since held numerous senior positions in large local and multinational banks, which include President/CEO of Bank Alfalah, President/CEO of MCB Bank and Soneri Bank, Regional Head for Citigroup for Central and Eastern Europe, Head of Consumer Banking for ABN AMRO's Asia Pacific regionand Country Manager for ABN AMRO Pakistan.

Mr Bajwa has been active in business, social and public interest areas and has led key advocacy institutions to impact economic and social sectors. In this regard, he has served as the Chairman of the Pakistan Business Council (PBC) and the President of the Overseas Investors Chamber of Commerce and Industry (OICCI). He has also served as Director on the Boards of various private and public sector companies. Mr Bajwa also serves on the Board of PIA Investments Limited. He is Chairman of PIACL's Board Audit Committee andMember of Board Finance Committee.

BOARD OF **DIRECTORS**



Mr Naveed Kamran Baloch
Secretary Finance Division

Mr Naveed Kamran Baloch, Secretary Finance Division, is a nominated Director on PIACL Board since May 24, 2019. He holds MSc. Degree in Social Policy and Planning in Developing Countries from London School of Economics, UK. He is a Certified Director from Pakistan Institute of Corporate Governance. Mr Naveed Kamran Baloch joined Civil Service of Pakistan in 1985. He has vast professional experience in senior management positions in diversified fields such as public sector management, administration, financial, judicial, health, insurance and planning etc. Prior to his current assignment, Mr Naveed Kamran Baloch has served as Secretary Cabinet Division and Chief Secretary Khyber Pakhtunkhwa. He remained Federal Secretary Ministry of National Health Services, Regulation & Coordination. He has also served as Chairman of Country Coordinating Mechanism (CCM) Pakistan. He also held the position of Chairman State Life Insurance Corporation of Pakistan. Mr Naveed Kamran Baloch has extensively attended local and international professional training courses, workshops, seminars and conferences. He is Ex-officio Chairman of PIACL Board Finance Committee.

Mr Hassan Nasir Jamy
Secretary Aviation Division

Mr Hassan Nasir Jamy is a member of Pakistan's Civil Services and a nominated Director of PIACL Board since December 2, 2019. He holds an MBA from Quaid-i-Azam University, Islamabad (1986-87). Later on, he also completed his MA in Rural Development from University of Sussex, UK (1995-96) and the Hubert H. Humphrey Fellowship Program (in Public Policy) from the University of North Carolina, USA (2003-04). He has more than 30 years of work experience in Public Administration and Project Management in a variety of core disciplines. Exposure in policy planning and implementation, local governance structures and reforms, service delivery mechanisms and establishment of performance evaluation systems are some of his areas of strength. Before joining the Aviation Division in December, 2019, he worked as the Secretary, Climate Change Division and in the Petroleum and Water & Power Divisions in various capacities. He has also served Government of the Punjab as Secretary, Local Government and Directing Staff in the National School of Public Policy, Lahore.

BOARD OF **DIRECTORS**

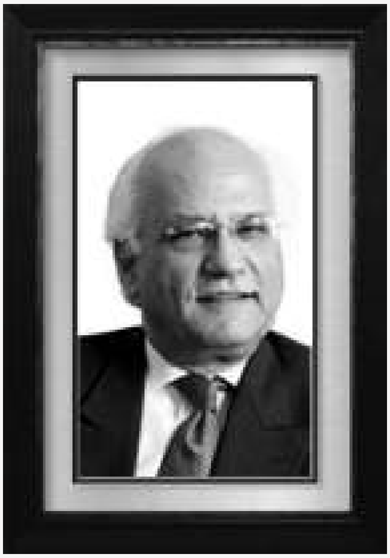
Mr Farrukh H Khan

Mr Farrukh H Khan is a nominated Director since June 7, 2017, Mr Farrukh Khan is currently the Chief Executive Officer (CEO) of Pakistan Stock Exchange Limited. He qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales, United Kingdom (UK) and also holds a BA (Hons.) in Economics and Finance from the University of Manchester.

With over 30 years of senior management and board level experience, Farrukh is an experienced entrepreneur, and a leading business and financial advisor who has advised on many landmark transactions. Previously he has held senior positions at Acumen in Pakistan and the UK. Mr. Khan was the founding partner and CEO of BMA Capital Management Limited. Under his stewardship, BMA established itself as the leading investment banking group in Pakistan and received several international awards, including the 2010 Euromoney award for the best investment bank in Pakistan. He has also worked with American Express Bank in Pakistan and Deloitte in London.

MrKhan has an excellent network and deep knowledge of global business and investments. He has previously served as President of Overseas Investors Chamber of Commerce & Industry (OICCI), Chairman of the Young Presidents' Organization, Pakistan Chapter and on the Boards of prominent public and private sector organizations. He was also associated with the Securities and Exchange Commission of Pakistan as a member of its Policy Board from 2018 to 2019.Mr. Khan was selected by Euromoney as one of the top 50 global financial leaders, below age of 40 years. His philanthropic interests include children's health and education.He is Member of PIACL Board Audit Committee and the HR & Compensation Committee.

BOARD OF **DIRECTORS**



Mr Tariq Kirmani

Mr Tariq Kirmani is a nominated Director since June 7, 2017, Mr Kirmani has more than 50 years of multifaceted experience in the Corporate Sector, both domestic and international.

After completing his Master's degree in Business Administration, he started his career with a multinational oil company (Caltex- later Chevron Pakistan) in 1969 and worked for 7 years in the United States (US), United Arab Emirates (UAE) and Australia in different senior management positions in Marketing, Operations and Finance. In 1991, he became the first Pakistani to be elected as a Director of this Company. In 1999, he joined Pakistan State Oil (PSO) as Dy. Managing Director and in 2001 was appointed as the Managing Director & CEO. He turned around this Public Sector Organization and converted it into a customer focused entity by giving it a new brand image and making it profitable while aggressively competing with multinational companies like Shell, Chevron and TOTAL. In 2005, the Government of Pakistan (GoP) appointed Mr Tariq Kirmani as the Chairman & CEO, Pakistan International Airlines (PIA). He served the Airlines for 2 years during which he introduced customer focus, identified and initiated implementation of major programs in three key areas for improvement (a) Aircraft Fleet Renewal (b) Employee Rationalization (c) Systems and Processes through implementation of IT and Enterprise Resource Planning (ERP). Due to his personal efforts, PSO and PIA became members of the World Economic Forum, Davos, Switzerland and the World Business Council for Sustainable Development, Geneva, Switzerland.

Currently, Mr Kirmani is serving as the Chairman of the National Academy of Performing Arts (NAPA) and Punjab Energy Holding Company (Pvt.) Ltd. (PEHCL). He is also serving as a Director on the Boards of Pakistan International Airlines Corporation Limited (PIA), Professional Education Foundation (PEF), Family Educational Services Foundation (FESF) and Gas & Oil Pakistan Ltd. (GO). He also served as the Chairman of United Bank Limited Fund Managers, Greenstar Social Marketing (GSM) and Oil Companies Advisory Council (OCAC).He has previously served on a number of Boards of Multinational and Public Sector Companies such as Pakistan Refinery Limited (PRL), Pak-Arab Pipeline Company Limited (PAPCO), Pakistan State Cement Corporation (PSCC), Pakistan Telecommunication Limited (PTCL), Pakistan Private Infrastructure Board (PPIB), Board of Governance in LUMS and National Bank of Pakistan (NBP). Mr Kirmani is also serving as the Chairman of Pakistan International Airlines (PIA) Board HR & Compensation Committee (HRCC) and Member of Board Audit Committee (BAC) as well as Commercial Operations & Engineering Committee (COEC).

BOARD OF **DIRECTORS**

Mr Navaid H Malik

Mr Navaid H Malik is a nominated Director since June 7, 2017. He obtained his Bachelor's Degree from FC College, Lahore and did varied courses in Hotel Management and Aviation Management from USA. Mr Malik has extensive Senior Management experience in Airline Catering and in the Hospitality industry. He remained President of the renowned Maxim's de Paris of France. He has vast experience in Airline industry and has done stints with Pan-Am, Air Malta, Caledonian Airlines, Emirates Airlines and Singapore International Airlines where he has also served on the Boards of its Joint Ventures. He was a Principal Advisor to one of the largest investment and asset Management Company in the Middle East. Mr Malik has been Advisor for Tourism to Government of Pakistan. He was on the Advisory Committee of International Hotel Association (IHA) as well as an International Associate of American Hotel and Motel Association (AH&MA). He has served as a Council Member of World Tourism Organization (WTO); Committee Member of International Hospitality and Leisure Association (IHLA). He keenly takes part in communal and philanthropic activities. He is Chairman of PIACL Board's COE Committee and Member of the Board's Finance Committee and serves on the HR& Compensation Committee.

Mr Haque Nawaz

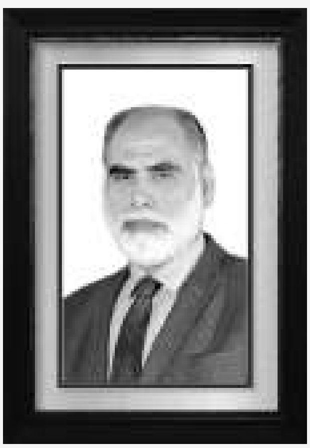
Mr Haque Nawaz is a nominated Director since November 20, 2017. He holds Masters Degrees in Business Administration and Organic Chemistry. He is a retired civil servant and has held various positions in Pakistan Audit Department, Finance Division as well as in the international organizations. His last assignment was Acting Auditor General of Pakistan. Before that, he served as Joint Secretary and Additional Finance Secretary in the Finance Division. Mr. Nawaz also served in Pakistan Military Accounts Department and in Ministry of Foreign Affairs as Deputy Chief Accounts Officer and Director Foreign Audit. He served the United Nations on secondment in UN Peacekeeping Mission at Kosovo. As UN staff member, he worked as Regional Finance Officer, Municipal Administrator and Program Management Officer.

Mr Nawaz is a certified director from PICG and has represented the Federal Government / Finance Division on the Boards of Pakistan National Shipping Corporation, Civil Aviation Authority, Overseas Pakistanis Foundation, Pak-Libya Holding Company, Benazir Income Support Program, Earthquake Rehabilitation & Reconstruction Authority and Pakistan State Oil Company Limited. Currently, he is also Chairman Real Estate Committee, Board of Trustees, Federal Employees Benevolent and Group Insurance Fund since December, 2019. He has travelled extensively and has attended several training programs, seminars and professional courses locally as well as overseas besides conducting audit of Pakistan's Missions abroad. He is Member of the PIACL Board Audit Committee, Finance Committee as well as Procurement Committee.

REGULATORY **APPOINTMENTS**

Mr Khalilullah Shaikh
Chief Financial Officer

Mr Khalilullah Shaikh is a Fellow Chartered Account. Prior to joining PIA as Chief Financial Officer in June 2019, he remained associated with K-Electric Limited, a vertically integrated power utility for 12 years in various roles- as Director Finance, Head of Supply Chain and as Chief Internal Auditor. He was part of the K-Electric turn-around team which transformed the utility into a successful, customer-centric and profitable entity. Mr Shaikh started his career with A.F. Ferguson & Co, a member firm of PwC. He also worked for a Shell group refinery in Pakistan as Head of Treasury & MIS. Mr Shaikh has been serving as on elected Council member of the institute of Chartered Accountants of Pakistan (ICAP) for last six years. He has served as Vice President of ICAP and chaired various Committees and Task Forces of the Institute. Mr Shaikh is also a member of global Professional Accountants in Business (PAIB) Committee of International Federation of Accountants (IFAC). He is ex-officio Director of PIA subsidiaries viz Skyrooms (Pvt) Ltd and Sabre TN Pakistan (Pvt) Ltd. He is also ex-officio Trustee of Alshifa Trust.



Mr Muhammad Shuaib
Company Secretary

Mr Muhammad Shuaib is Company Secretary of PIACL since January 2017. Besides first class first MBA, he holds an LLB degree. He is a Certified Director from Pakistan Institute of Corporate Governance. He participated in various conferences, and workshops held in Pakistan and abroad. During 2008 to 2012, Mr Shuaib had served as Corporate Secretary of PIAC- the erstwhile statutory corporation under PIAC Act. As General Manager, he has headed various Divisions in PIA including Industrial Relations, HR Management, Economic Planning, Food Services, and HR Projects. Mr Shuaib has voluntarily served as President PIA Cricket Academy, elected International Commissioner Pakistan Boy Scouts Association and Provincial Commissioner of PIA Boy Scouts Association of which, he is currently the Patron. Mr Shuaib is President of Al-Shifa Trust - and for the second stint, the Chairman of Institute of PIA Planetaria. He is Secretary of Board Audit Committee; Finance Committee; Procurement Committee as well as COE Committee. He is also ex-officio Member CSR Committee and ex-officio Secretary Council of Chiefs.

Mr Muhammad Javed Jameel
Acting Chief Internal Auditor

Mr Muhammad Javed Jameel is Acting Internal Auditor of PIACL since July 2019. He is an MBA (Finance) and Certified Internal Control Auditor (CICA) from the Institute of Internal Control, USA. He has been associated with PIA since 2003. His prior experience including working in Banking as well as Ports & Shipping Sectors. He has more than 17 years of Aviation experience in the areas of Finance, Internal Audit, Supply Chain Management and Human Resources Department. He also worked as Deputy General Manager (Coordination) to President & Chief Executive Officer PIACL and later as General Manager HR Governance. Mr Jameel is also a Certified Forensic & Audit Analyst (CFrA) from Certified Forensic Practitioners Institute, USA.

BOARD **COMMITTEES**

As at May 15, 2020

BOARD AUDIT COMMITTEE (BAC)

Mr Atif Aslam Bajwa	**Chairman**
Mr Farrukh H Khan	Member
Mr Tariq Kirmani	Member
Mr Haque Nawaz	Member

BOARD FINANCE COMMITTEE (BFC)

Mr Naveed Kamran Baloch *Secretary Finance Division*	**Chairman** (ex-officio)
Mr Atif Aslam Bajwa	Member
Mr Navaid H Malik	Member
Air Marshal Arshad Malik *Chief Executive Officer*	Member
Mr Haque Nawaz	Member

BOARD HR & COMPENSATION COMMITTEE (BHRCC)

Mr Tariq Kirmani	**Chairman**
Air Marshal Arshad Malik *Chief Executive Officer*	Member
Mr Farrukh H Khan	Member
Mr Navaid H Malik	Member

BOARD PROCUREMENT COMMITTEE (BPC)

Air Marshal Arshad Malik *Chief Executive Officer*	Member
Mr Aslam R Khan	Member
Mr Haque Nawaz	Member

BOARD COMMERCIAL, OPERATIONS & ENGINEERING COMMITTEE (BCOEC)

Mr Navaid H Malik	**Chairman**
Air Marshal Arshad Malik *Chief Executive Officer*	Member
Mr Tariq Kirmani	Member

DIRECTORS' REPORT
For the Year Ended December 31, 2019

Dear Shareholders
The Directors of Pakistan International Airlines Corporation Limited (PIACL) are pleased to present the Annual Report 2019 of PIACL along-with Financial Statements for the Year ended December 31, 2019.

INDUSTRY REVIEW

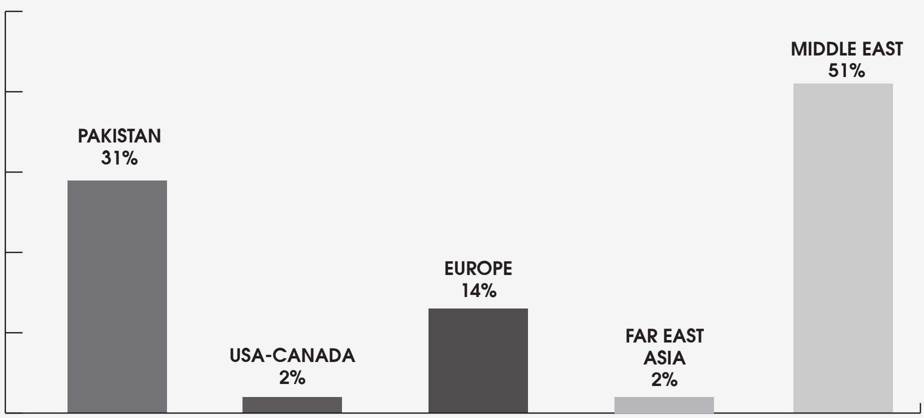
2019 proved to be a good year for the airlines industry which saw robust growth and increase in their networks. More than 22,000 city pairs were expectedly serviced by airlines in 2019. This was an increase of around 1,000 over the number of connections in 2018.

However, since the start of 2020 situation changed drastically with COVID19 outbreak, whereby world economy has come at a standstill with all the businesses feeling the heat. Airline Industry is one of the worst hit sectors, with global lockdowns and closure of borders resulting in grounding of whole/partial fleet of almost all airlines. IATA has revised estimated airline revenue losses to be USD 314 billion during 2020, depicting 50% decline in revenue as compared to 2019.

BUSINESS REVIEW

During 2019, Management focused on increasing revenue and rationalizing cost. The airline generated total revenue of PKR147.5 billion during 2019 recording stellar growth of 43% over 2018. Moreover, after eight years, PIA has been able to achieve gross profit of Rs. 7.8 billion during 2019. Operating loss improved by 75% as compared to 2018.

Business in terms of geographical segments (PAX) during 2019 is shown in following chart:



PIA in 2019 launched several new flights on additional routes and consolidated on existing routes by increasing the frequencies based on demand prospects and commercial viability. Grounded fleet was made fly worthy again while managing a steady supply chain for the spares and other inventory for the maintenance and upkeep of the aircraft was also a hallmark of 2019 performance.

IT SOLUTIONS

NEW PASSENGER SERVICES SYSTEM (PSS)

PIA had been using SABRESONIC system for passenger services for last 19 years which was a command based blue screen system with limited functionality not meeting modern day customer expectations. During 2019, PIA fully migrated to new and state of the art Crane Passenger Services System (PSS) acquired from a Turkish Company HITIT Computer Services. Crane PSS is a suite of over 12 applications for Scheduling, Flight Operations, Fare Filing, Disruptions, Departure Control, Weight & Balance, Central Reservation Control etc complementing the business processes of PIA. Similarly, with this migration, few other business tools such as Revenue Management System by Accelya and Flight Plan Manager of SITA were also migrated to the new software. With this step, PIA has tremendously reduced its annual reservation processing cost, achieving considerable savings and having its impact recorded in the financial statements of 2019, not to mention the greater flexibility and security achieved through these acquisitions as this system is based on modern architecture with the capability to add new product lines for enhanced revenue streams.

WEBSITE REVAMP & MOBILE APP LAUNCH

PIA has revamped its website by offering advanced features to provide better user experience and providing direct connectivity to the customer with PIA. Additionally, mobile app has also been launched for both Android and Apple IOS user platforms since November 2019.This would help PIA in increasing direct sales, reducing distribution costs and providing personalized On-the-Go experience to its valued customers.

FINANCIAL SNAPSHOT

Revenue in 2019 was Rs.147.5 billion Vs. Rs. 103.5 billion in 2018 resulting in 42.5% improvement. Moreover, after eight consecutive years, PIA has been able to achieve gross profit of Rs. 7.8 billion during the year 2019 vs gross loss of Rs. 19.7 billion in 2018. Operating Loss in 2019 had been only Rs. 7.7 billion Vs Rs. 32.1 billion in 2018 recording 75.9% improvement. Major reasons for improvement included better seat factor (i.e. 81.3% in 2019 vs 77.3% in 2018), routes rationalization, significant increase in charter and ancillary revenue.

Profit & Loss Statement	Year Ended December 31st	
	2019	2018
	(PKR in Millions)	
Revenue	147,500	103,490
Cost of Service		
Fuel & Oil	(50,059)	(43,552)
Others	(89,619)	(79,671)
Gross Profit / (loss)	**7,822**	**(19,733)**
Other Operating Expenses	(17,648)	(14,071)
Other Income	2,102	1,723
Loss from Operations	**(7,723)**	**(32,080)**
Exchange Loss	(11,694)	(14,953)
Finance Cost	(35,537)	(20,385)
Loss before Taxation	**(54,954)**	**(67,418)**

FINANCIAL STATEMENTS

As discussed in Note 1.3 to the Financial Statements, the Financial Statements have been prepared based on going concern assumption in line with persistent support of the Government of Pakistan. Through a letter dated March 04, 2020, GoP has re-iterated its maximum support to maintain the Company's going concern status in the foreseeable future, and extended its support through letter dated April 24, 2020 for the situation arising due to COVID-19.

CHANGE IN BOARD OF DIRECTORS

Since the publication of Annual Report 2018, Dr. Syed Pervaiz Abbas, Secretary Economic Affairs Division, Mr. Hassan Nasir Jamy, Secretary Aviation Division, and Mr. Aslam R Khan have joined whereas Mr. Shahrukh Nusrat, Secretary Aviation Division, Mr. Noor Ahmed, Secretary Economic Affairs Division, and Mr. Muhammad Ali Tabba, have relinquished PIACL Board as Directors. Board extends its warm welcome to the incoming Directors and wishes to record its appreciation for the valuable services rendered by the outgoing Directors.

FINANCIAL ANALYSIS OF SUBSIDIARIES

PIA Investments Ltd:

Particulars	Year Ended December 31st	
	2019	2018
	(USD in Thousands)	
Revenue	115,466	122,580
Costs and Expenses	(115,539)	(117,539)
Operating (Loss) / Profit	**(73)**	**5,040**
Interest	(7,408)	(7,273)
Taxation	3,891	6,944
(Loss) / Profit After Tax	**(3,590)**	**4,712**

Skyrooms Pvt Ltd

Particulars	Year Ended December 31st	
	2019	2018
	(PKR in Million)	
Revenues & Other Income	214	329
Costs and Expenses	(200)	(255)
Net Profit before Tax	**14**	**74**
Taxation	(4)	(14)
Net Profit after Tax	**10**	**60**

PRINCIPAL RISKS & UNCERTAINTIES

Aviation Industry has always been exposed to various risks, both internal and external. These risks are due to the complexities inherent in airlines business and the high level of regulations prevalent in different countries. We believe that our survival depends on how effectively and efficiently we are able to manage our risks. Our objective is to set in place a robust system of risk management that ensures continuity of airline operations in the long term. The Company has adopted a pro-active approach towards managing key business, strategic, operational and financial risks.

FINANCIAL RISK MANAGEMENT

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Besides proper insurance coverage of Assets, PIA evaluates financial risks and carries out risk management accordingly. The Company's activities expose it to following financial risks.

Credit Risk - The Company's counterparty risk is sufficiently diversified with established limits which are defined in the credit policy. Credit reviews are conducted periodically to align the exposure within the defined limits.

Liquidity Risk- The Company manages its liquidity risk by ensuring optimum utilization of cash generated from operations, available financing facilities and obtaining financing from lenders against GoP guarantees and securitization of assets.

Fuel Price Risk- Being part of aviation industry, PIA like other airlines, is exposed to volatility in the Jet fuel prices. Accordingly, it evaluates Fuel Hedging option from time to time.

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

ENGINEERING AND MAINTENANCE

PIA Engineering & Maintenance has strived to uncap new avenues of business opportunities for the generation of revenue streams for PIA. The core function is ultimately to maximize Revenue from the sale of MRO services to other airlines/third parties. Due to rapid enhancement in Aviation market, an aggressive strategy was adopted and implemented to increase the revenue generated from sale of Engineering services.PIA's existing Line Maintenance capability was enhanced as PIA Engineers are being continuously trained on state-of-the-art fleet from time to time and this time on A320 NEO from foreign operator. This results in securing new business from foreign operators in addition to capability enhancement.

Newly inducted A-320 aircraft

Islamabad station is the largest station with regards to international and SAFA bound flights in the entire PIA network. Significant number of flights (including third party) are being handled from Islamabad station. PIA performed 16 major checks on Boeing 777, 10 on A320 and 07 on ATR in 2019. Long grounded Aircraft AP-BHV was returned to service after completion of major checks. Engine overhaul shop built in house capability for the maintenance of A320 engine pneumatic starters. QEC buildup of GE90, CFM56 and PW127 engines at EOH completed for installation on aircrafts, further 04 Boeing 777 APUs were repaired and tested to support fleet. PIA Engineering has built in-house capability of parts at AVOH which resulted in improvement in availability of Galley Ovens / Boilers of A320 fleet. MRO IT project was initiated in 2019 which provides solution for Compliance Management to Aircraft Maintenance Program, which is mandatory requirement for PCAA Part-145 approval.

TRAINING & DEVELOPMENT

PIA Training Centre (PTC) is imparting training in all disciplines of aviation industry. It has approvals of Pakistan Civil Aviation Authority (PCAA), for all regulatory trainings. PIA Training Centre is also IATA authorized Training & Examination Centre. Besides it carries ISO 9001:2015 certification. PTC is imparting training in following disciplines:

1. Engineering (B1 & B2 Basic & Type Trainings / Mandatory Trainings)
2. Flight Operations
3. Flight Service
4. Passenger Services
5. Marketing
6. Management Soft Skills Trainings
7. Computer Based Trainings

Currently PTC is operating with around 85 faculty members. PIA Training Centre (PTC) is not only imparting training to its valuable internal customers with capacity of above 10,000 trainees per annum but also making its best efforts to earn cash flow through self-financed training programs. During 2019, PTC infrastructure got remarkable change through complete overhauling of Management unit and mandatory maintenance of overall infrastructure.

CO-BRANDING STRATEGY

In modern times, it has become an industry wide phenomenon to engage in alliances. PIA is growing its skylines by moving towards brand coalitions for resource sharing and for bringing value addition for customers. PIA signed up with Careem Pakistan for assistance to PIA passengers to / from their airport journey. Passengers could avail first free ride to and from airport on sign up and then 50% discount on subsequent rides. Further, PIA signed a co-branding agreement with Majestic Lounges which will renovate & construct state of the art PIA lounges at Karachi, Lahore & Islamabad Airports, and meeting international best standards with world class amenities. M/s Majestic Lounges will not only upgrade lounges but also provide Five Star services to PIA passengers including sumptuous menu on top of Meet & Assist Service will also be provided to PIA Passengers.

PIA partnered with Karachi Kings to support the Cricketing Fever of PSL by becoming official Airline Partner. The Karachi Kings team wears national carrier prime logo on their kits and for the first time in Pakistan history, in support of Cricket Karachi Kings Logo Decal was also pasted on PIA Aircraft. The prime cellular company of Pakistan Jazz also came into understanding with PIA whereby both will develop products to facilitate passengers specially Hajj & Umrah passengers powered by Jazz & Jazz Cash. PIA is making its co-brand journey more and more popular through its brand partners and in future many other brand partners will join us to facilitate PIA passengers and other brand customers.

PIA & Etihad Airways Code Share

Sialkot & Karachi Chamber of Commerce & Industry appreciate PIA performance

PIA lounges MoU signing ceremony

PIA official airline for Karachi Kings

CORPORATE SOCIAL RESPONSIBILITY

PIA is driven by high standards of Corporate Social Responsibility (CSR). As a Public Sector, Public Interest Company, it believes in building strong relationships with customers, partners, employees and the communities in which it operates. It aims to include public interest into corporate decision making by pursuing triple bottom line objective: People, Profit and Plant. As a responsible corporate citizen, the airline extends support during natural calamities by making donations, operating additional flights and carrying relief material free of charge etc. PIA has established a CSR Committee which formulates, reviews and implements best practices of CSR governance. Al-Shifa is the flagship CSR activity of PIA existing since 1967. Besides, PIA Scouts Association, PIA Cricket Academy, PIA Planetaria as well as HSE reflect PIA's belief in contributing to a better tomorrow.

In Continuation of Prime Minister's Clean & Green Pakistan initiatives, PIA has taken up the initiatives in its premises of PIA Township and Head Office Karachi where hundreds of fruit plants have been planted. During the year 2019, PIA renovated Jamia Mosque - PIA Township and Head Office Karachi and designed various green lawns in the Jamia Mosque. PIA signed an MOU with National Forum for Environmental Health (NFEH) where NFEH provided 3000 different plants including fruit and other plants & planted in all Mosques, Madaris and PIA Model Secondary School and other installations of PIA.

Rotary Club Karachi Platinim celebrated
International Day for Persons with Disabilities at Al-Shifa Trust

PIA crew, all geared up for the call of duty

PIA Boy Scouts at nation's service

Kashmir Solidarity Day observed in PIA

Mr.Hizaifa Ibrahim Squash player of PIA has won US junior squash champoinship 2020. CEO PIA Air Marshal Arshad Malik presenting him sheild during his visit of PIA Head Office.

PATTERN OF SHAREHOLDING

A statement showing the Pattern of Shareholding in PIACL and additional information as at December 31, 2019 appears on page 46. The highest and lowest market prices for Ordinary 'A' Class Shares of PKR 10 each were PKR 7.80 and PKR 3.01 per share, respectively during 2019. The highest and lowest market prices for Ordinary 'B' Class Shares of PKR 5 each was not recorded as the shares were not traded during the year. Government of Pakistan through Ministry of Defense and Aviation Division holds 91.56 % of shares, PIA Employee Empowerment Trust holds 4.43 %, Public Sector Companies and Corporations hold 0.10 %, other individuals hold 3.83% whereas Financial Institutions hold 0.08 % of shares in PIACL.

The 3rd Annual General Meeting of PIACL Shareholders was held on Saturday, December 21, 2019 at the Airport Hotel Karachi. The meeting was attended by PIA's key shareholders, PIA employees and chaired by Director / CEO PIA, Air Marshal Arshad Malik.

Corporate and Financial Reporting Framework

To comply with Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations 2019, the Directors to the best of their knowledge and belief state that:

a) Board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non- compliance;

b) Financial Statements, prepared by the management, present fairly its state of affairs of PIACL, the result of its operations, cash flows and changes in equity;

c) Proper books of account of PIACL have been maintained.

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

e) Directors recognized their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored;

f) Appointment of Chairman and other Directors and the terms of their appointment along with the remuneration policy adopted are in the best interests of PIACL as well as in line with the best practices;

g) International Financial Reporting Standard, as applicable in Pakistan, have been followed in preparation of financial statements;

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

i) Key operating and financial data of last six years in summarized form is annexed to this report;

j) There are no significant doubts upon PIACL as a going concern other than those, along with the corresponding mitigating factor, as discussed in note 1.3 to the consolidated financial statements;

k) There has been no material departure from the best practices of corporate governance, as detailed in the Rule Book of Pakistan Stock Exchange;

l) Reason for non-declaration of dividend/non-issuance of bonus shares is net loss during the year;

m) Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor and their spouses and minor children have not traded in PIACL shares during the year;

n) Presently, three Directors and Company Secretary are Certified Directors whereas plans are afoot to get all Directors Certified, as required by the Code of Corporate Governance;

o) During the year, Board of Directors held 12 Meetings. Attendance record of Directors is annexed to this Report;

p) Pattern of Shareholding as required under Section 227 of Companies Act 2017 and Rule 17 of PSC Rules, 2013 is annexed to this Report;

q) There is no statutory payment outstanding against PIACL except those disclosed in note to the consolidated financial statements;

r) As disclosed in note 21.14 to the consolidated financial statements, repayment of principle and interest to GOP has been put on hold, keeping in view the financial situation of the Holding Company.

s) Board of Directors had recommended and shareholders had approved appointment of Messrs. Grant Thornton & Co and Messrs. BDO Ebrahim & Co as External Auditors; and

t) During the period loss-basic and diluted of Rs. (10.59) per 'A' Class shares and Rs.(5.30) per 'B' Class share was registered.

COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

A statement showing the status of compliance with the best practices of the Corporate Governance set out in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 read with Listed Companies (Code of Corporate Governance) Regulation 2017 is being published and circulated along-with this Report.

STATEMENT OF INTERNAL CONTROL

Board is responsible for establishing effective internal control system in PIACL to achieve its objectives in the following categories;

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

Board has established an Audit Committee comprising four Non-Executive Directors, Terms of Reference of Audit Committee are in line with the requirement of Public Sector Companies (Corporate Governance) Rules, 2013. Audit Committee is responsible for oversight of Internal Audit Function as well as external Financial Reporting.

PIACL's Internal Audit Function was headed by a qualified MBA (Finance), Certified Internal Controls Auditor, Certified Forensic Audit Analyst. Further, as assigned by the Board Audit Committee, the Internal Audit Function has transformed its audit approach from traditional to risk based for all auditable assignments in line with guidelines of Committee of Sponsoring Organizations of Trade way Commission (COSO) and standards by Institute of Internal Auditors (IIA). To further strengthen the overall Internal Audit Function, PIACL has entered into a co-sourcing agreement with M/s Deloitte.

FUTURE OUTLOOK

Management of PIA under the leadership of CEO Air Marshal Arshad Malik is working on the revival of the airline in a phased manner, based on a five years business plan developed and submitted to the Government of Pakistan. The plan envisioned three phased turn around; Year-1: Improving Governance & Efficiency, Year-2: Turning Around & Consolidation, and Year-3 Onwards: Growth. The plan is on track in terms of Year 1 & 2 with all the steps taken to ensure discipline (from employees to cost side), improving governance of the organization, focus on aggressive sales & marketing fully complimented by ancillary revenues and increased product line, conducting route diagnostic labs to evaluate costs in a low margin business to the minutest levels, closure of loss making routes and expansion of productive routes, schedule optimization and developing engineering base in Islamabad to remove cost intensive dead legs consequent to aircraft positioning etc. The results are evident that operational losses have been arrested and journey to recovery has commenced.

The gravest challenge is coming out of the situation arising from the COVID-19 pandemic. World economies are now entering into economic recession, with devastating impacts casting a dark shadow on self-sustainability of many businesses. Airline Industry is one of the worst hit sectors with global lockdowns and closure of borders resulting in grounding of whole/partial fleet of almost all airlines. PIACL is also no exception and with seizure of domestic and major international operations, National Flag Carrier is facing severe challenges. With the help of Government of Pakistan, PIA operated several flights to bring back Stranded Pakistanis across the Globe. These include first ever direct flight to Australia, various destinations in Africa & South East Asia and now flights to USA. However, conducting special flights will not be sufficient to help PIA move ahead as it does not even constitute 15% of PIA's regular operation. PIA looks forward to gradual resumption of domestic and international flights.

Governments world over, are stepping in with huge economic stimuli and bailout packages to help sustain their economies and national institutions. GoP has issued support letters to PIA reiterating its maximum support to maintain the Company's going concern in the foreseeable future.

ACKNOWLEDGEMENT

We would like to thank the customers, the shareholders and the Government of Pakistan for their valuable support. We are grateful to the aircraft lessors, banks, MROs, fuel suppliers and vendors for their loyalty and support in meeting the challenges posed before the organization. We would like to thank shareholders and our colleagues on the Board for their valuable guidance. We are confident that with the dedication of our people and commitment of our Management, we shall bring the organization out of the difficult situation.

For and on behalf of the Board

Aslam R. Khan
Chairman

Air Marshal Arshad Malik
Chief Executive Officer

تسلیمات:

ہم اپنے صارفین، حصص یافتگان اور حکومت پاکستان کی بھرپور حمایت کا شکریہ ادا کرتے ہیں۔ ہم شکرگزار ہیں ان ائیر کرافٹ لیز کمپنیز، بینکوں، ایم آر اوز، ایندھن فراہم کرنے والی کمپنیز کے تعاون کے۔ ہم اپنی انتظامیہ کے ہر فرد اور ملازمین کے بھی شکرگزار ہیں جنہوں نے پی آئی اے کو درپیش مسائل اور چیلنجز کا ایمانداری اور انتھک کوششوں سے مقابلہ کیا۔ ہم حصص یافتگان اور بورڈ کے اپنے ساتھیوں اور ان کی قابل قدر رہنمائی کا بھی شکریہ ادا کرتے ہیں۔ ہمارا عزم ہے اور اس بات کا پختہ یقین ہے کہ ہم اپنی لگن اور انتھک محنت سے ادارے کو مشکل دور سے نکال دیں گے۔

منجانبِ بورڈ

ائیر مارشل ارشد ملک چیف ایگزیکٹو آفیسر	اسلم آر خان چیئرمین

(ڑ) حالیہ تین ڈائریکٹرز اور کمپنی سیکریٹری پی آئی اے سی ایل سرٹیفائیڈ ڈائریکٹرز ہیں۔ پی آئی اے سی ایل کا مصمم ارادہ ہے کہ تمام ڈائریکٹرز سرٹیفائیڈ ڈائریکٹرز بنیں جیسا کہ کوڈ آف گورننس کے لیے ضروری ہے۔

(ز) سال 2019 کے دوران بورڈ آف ڈائریکٹرز کے 12 اجلاس منعقد ہوئے، جس کا ریکارڈ اس رپورٹ کے ساتھ منسلک ہے۔

(ژ) حصص یافتگان کی تفصیل سیکشن 227 کمپنیز ایکٹ مجریہ 2017 اور رول PSC,17 رولز مجریہ 2013 کے مطابق اس رپورٹ کے ساتھ منسلک ہیں۔

(س) پی آئی اے سی ایل پر کسی قسم کی کوئی قانونی ادائیگی واجب الادا نہیں ہے سوائے ان کے جن کا ذکر مجموعی مالیاتی گوشواروں کے نوٹ میں کیا گیا ہے۔

(ش) جیسا کہ مالی گوشوارہ کے نوٹ نمبر 21.14 میں دکھایا گیا ہے کہ حکومت پاکستان کو واجب الادا اصل زر اور سود کی ادائیگی روک دی گئی ہے جس کی وجہ ہولڈنگ کمپنی کے مالیاتی عوامل ہیں

(ص) بورڈ آف ڈائریکٹرز کی سفارش پر حصص یافتگان نے منظوری دی تھی کہ Messrs Grant Thornton Anjum Rehman اور Messrs BDO Ebrahim & Co ایکسٹرنل آڈیٹر ہوں گے

(ض) سال رواں کے دوران بنیادی نقصان 10.59 روپے فی اے کلاس شیئر اور 5.30 روپے فی بی کلاس شیئر ریکارڈ کیا گیا۔

کارپوریٹ گورننس کے بہترین اطوار پر عمل درآمد:

ایک بیان جس میں پی آئی اے سی ایل کی کارپوریٹ گورننس کے بہترین اطوار پر عمل درآمد کرنے کا ذکر کیا گیا ہے اور پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز مجریہ 2013 کے تحت شائع کیا گیا۔ اس رپورٹ کے ساتھ منسلک ہے۔

اندرونی کنٹرولز:

پی آئی اے بورڈ کی ذمہ داری ہے کہ وہ اندرونی کارکردگی کو موثر بنائے تاکہ کمپنی اپنے اہداف حاصل کر سکے جن کی تفصیل درج ذیل ہے۔

الف) آپریشن کی مد میں موثر اقدامات اور صلاحیتوں کا استعمال

(ب) قوانین وضوابط کی پابندی

(پ) مالیاتی گوشوارے کی درستگی

پی آئی اے سی ایل بورڈ نے ایک آڈٹ کمیٹی تشکیل دی ہے جس میں چار نان ایگزیکٹیو ڈائریکٹرز کی تقرری کی گئی ہے اور ان کی شرائط وضوابط پبلک سیکٹر کمپنی کے رولز 2013 کے مطابق ہیں۔ کمیٹی کی ذمہ داریوں میں اندرونی آڈٹ اور فائنانشل رپورٹنگ پر نگاہ رکھنا شامل ہے۔ پی آئی اے سی ایل کے اندرونی آڈٹ کا کام ایک سند یافتہ MBA انٹرنل کنٹرول آڈیٹر اور فرانزک آڈٹ اینالسٹ کے ذریعے کیا جاتا ہے۔ اور جب بھی آڈٹ کمیٹی کی جانب سے کوئی آڈٹ کا کام سونپا گیا تو اس کی بجا آوری، آڈٹ کے وضع کردہ اصولوں کے مطابق کی گئی ہے۔ جو ایک پبلک سیکٹر لمیٹڈ کمپنی پر قانون کے تحت لاگو ہوتا ہے اس کا معیار COSO اور آڈٹ کے ادارے انسٹیٹیوٹ برائے انٹرنیشنل آڈیٹرز امریکہ (IIA) کے مطابق ہے۔ آڈٹ کی مد میں مزید بہتری کے لئے پی آئی اے نے Deloitte Yousuf Adil کے ساتھ ایک معاہدہ بھی کیا ہے۔

دوراندیشی:

ائیر مارشل ارشد ملک کی سربراہی میں پی آئی اے کی انتظامیہ ائیرلائن کی بحالی کے لیے مرحلہ وار کام کررہی ہے۔ اپریل 2019 میں معزز وزیراعظم پاکستان کو پی آئی اے کی بحالی کے لیے پانچ سالہ کاروباری منصوبہ پیش کیا گیا جسے متفقہ طور پر منظور کرلیا گیا۔ اس منصوبہ کے مطابق تین مراحل میں بحالی کا تصور پیش کیا گیا تھا۔ سال اول۔ گورننس اور استعداد میں بہتری، سال دوم۔ استحکام، سال سوئم کے بعد۔ نمو

اس منصوبہ پر عمل درآمد جاری ہے جس میں (ملازمین سے لے کر لاگت تک) نظم وضبط کو یقینی بنانے، ادارہ کی گورننس کو بہتر بنانے، فروخت کی جارحانہ حکمت عملی اور مارکیٹنگ پر مکمل توجہ مرکوز ہے جس سے آمدنی میں اضافہ، کم مارجن کاروبار میں لاگت کا تخمینہ لگانے کے لیے روٹس کی تشخیص لیز کا انعقاد، نقصانات کو کم کرنے والے راستوں میں توسیع، اسلام آباد میں انجینیرنگ کا شعبہ تیار کرنا اور نظام الاوقات کی اصلاح تاکہ ائیرکرافٹ کی پوزیشننگ پر لگنے والی غیرضروری لاگت کو کم کیا جاسکے۔ ان اقدامات سے حاصل ہونے والے نتائج واضح کرتے ہیں کہ آپریشنل نقصانات کی وجوہات کی نشاندھی کرلی گئی ہے اور اب اس بہتری کا سفر شروع ہو چکا ہے

عالمی وباء COVID-19 سے پیدا ہونے والی صورتحال سے ایک اور بڑے چیلنج کا سامنا در پیش ہے۔ عالمی معیشتیں کساد بازاری کی طرف گامزن ہیں۔ معیشتوں کے تباہ کن اثرات کی وجہ سے بہت سارے کاروباروں کی خود استحکامی پر سیاہ بادل منڈلا رہے ہیں۔ ائیرلائن کی صنعت بھی عالمی سطح پر لاک ڈاؤن اور سرحدوں کی بندش کے ساتھ بدترین متاثرہ شعبوں میں سے ایک ہے جس کے نتیجے میں تقریباً تمام فضائی کمپنیوں کے مکمل / جزوی بیڑے کو گراؤنڈ کیا جاسکتا ہے۔ پی آئی اے سی ایل بھی اس سے مستثنیٰ نہیں ہے۔ اندرون اور بیرون ملک آپریشن کو روکنے کے بعد، قومی ائیرلائن کو سخت چیلنجز کا سامنا ہے۔ حکومت پاکستان کی مدد سے پی آئی اے نے پوری دنیا میں پھنسے ہوئے پاکستانیوں کو واپس لانے کے لیے متعدد پروازیں چلائیں اور چلا رہی ہیں۔ اس میں آسٹریلیا کے لیے ہماری پہلی براہ راست پرواز بھی شامل ہے، افریقہ اور جنوب مشرق ایشیا اور اب امریکہ کے لیے بھی پروازیں چلائی جارہی ہیں۔ تاہم ان خصوصی پراوزوں کا چلنا پی آئی اے کے استحکام کے لیے کافی نہیں ہوگا کیونکہ یہ پی آئی اے کے باقاعدہ آپریشن کا 15% بھی نہیں۔ توقع ہے کہ اندرون ملک اور بیرون ملک باقاعدہ پروازیں جلد بحال ہو جائیں گی۔ پوری دنیا کی حکومتیں اپنی معیشتوں اور قومی اداروں کو برقرار رکھنے میں مدد کے لیے بڑے بڑے معاشی محرکات اور بیل آؤٹ پیکجز دے رہی ہیں۔ حکومت پاکستان نے بھی ایک مراسلہ کے ذریعے پی آئی اے کو زیادہ سے زیادہ مدد دینے کا اعادہ کیا ہے۔

کارپوریٹ کی سماجی ذمہ داریاں (CSR):

پی آئی اے سی ایل اپنی ذمہ داریوں کی ادائیگی انتہائی اعلیٰ معیار اور سماجی اصولوں کے مطابق کرتی ہے۔ بحیثیت ایک پبلک سیکٹر اور عوامی دلچسپی کمپنی پی آئی اے اپنے صارفین، شراکت داروں، ملازمین اور پورے معاشرے کے ساتھ مضبوط رشتہ پر یقین رکھتی ہے اس کا مقصد یہ بھی ہے کہ عوام الناس بھی ان کے فیصلوں میں دلچسپی ظاہر کرے جو یہ اپنے صارفین، ایئر لائن کے فائدے اور جہازوں کی بہتری کے لیے کر رہے ہیں۔ ایک ذمہ دار عوامی ادارہ ہونے کی حیثیت سے نہ صرف قدرتی آفات کے مواقع پر متاثرین کی مالی امداد کرتی ہے بلکہ ان کی آمدورفت اور امدادی سامان کی ترسیل کے لیے بھی بلا معاوضہ سہولیات فراہم کرتی ہے۔ پی آئی اے نے ایک CSR کمیٹی بھی تشکیل دی ہے جو کہ ایئر لائن کی کارکردگی کا جائزہ لیتی ہے۔ معاشرے کے پسماندہ افراد اور ملازمین کی بہتری کے لیے بھی پی آئی اے حصہ لیتی ہے جس کے لیے کئی ادارے تشکیل دیئے ہیں جن میں الشفاء ٹرسٹ جو کہ 1967 میں معرض وجود میں آیا۔ اس کے علاوہ پی آئی اے اسکاؤٹس ایسوسی ایشن، پی آئی اے کرکٹ اکیڈمی، پی آئی اے پلانیٹیر یانیز HSE بھی پی آئی اے کے اس عزم کی عکاسی کرتی ہے کہ پی آئی اے ایک بہترین مستقبل کے تعمیر کے لیے کوشاں ہے۔ وزیر اعظم پاکستان کی Clean & Green پاکستان کی مہم کے تسلسل میں پی آئی اے نے پی آئی اے ٹاؤن شپ اور اپنے مرکزی دفتر کے احاطے میں سینکڑوں پودے لگا کر وزیر اعظم پاکستان کے صاف ستھرا اور گرین پاکستان اقدام کی حمایت کی ہے۔ سال 2019 کے دوران پی آئی اے نے جامع مسجد پی آئی اے ٹاؤن شپ اور جامع مسجد پی آئی اے ہیڈ آفس کی تزئین و آرائش کی اور مسجد میں مختلف سبز لان ڈیزائن کیے۔ نیشنل فورم برائے ماحولیاتی صحت (NFEH) کے ساتھ ایک مفاہمت نامہ پر دستخط کیے جس کے تحت NFEH نے پی آئی اے کو پھلوں اور دیگر پودوں سمیت 3000 مختلف پودے فراہم کیے جو پی آئی اے کی تمام مساجد، مدارس اور پی آئی اے ماڈل سیکنڈری اسکول اور دیگر تنصیبات پر لگائے گئے۔

حصص کا گوشوارہ:

ایک گوشوارہ جس میں کمپنی کے حصص یافتگان اور اضافی معلومات دکھائی گئی ہے جو مورخہ 31-12-2019 کے مطابق ہے، صفحہ 46 پر تفصیلاً درج ہے۔ سال 2019 کے دوران Ordinary اے کلاس حصص جو کہ 10 روپے فی حصص ہے، کی بلند ترین مارکیٹ قیمت 7.80 روپے اور کم از کم قیمت 3.01 روپے فی حصص رہی Ordinary (بی کلاس) حصص کی قیمت جو کہ 5 روپے فی حصص ہے، گوشوارے میں شامل نہیں کیا گیا ہے کیونکہ ان کا کاروبار سال 2019 میں نہیں ہوا تھا۔ وزارت دفاع حکومتِ پاکستان اور ایوی ایشن ڈویژن کے پاس 91.56% فیصد حصص ہیں، اس کے علاوہ PIA ملازمین PEET کے نام 4.43% فیصد، پبلک سیکٹر کمپنیوں اور کارپوریشنوں کے نام 0.10% فیصد، انفرادی و دیگر لوگوں کے نام 3.83% فیصد حصص جبکہ مالیاتی اداروں کے پاس 0.08% فیصد حصص موجود ہے۔

کارپوریٹ اور مالیاتی گوشوارے کی رپورٹ کا دائرہ کار:

پبلک سیکٹر کمپنی (کارپوریٹ گورننس) رولز مجریہ 2013 اور لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز مجریہ 2017 کے تحت ڈائریکٹرز بیان کرتے ہیں کہ:

(ا) بورڈ آف ڈائریکٹرز نے کمپنی کے وضع کردہ اصولوں کے تحت کام سرانجام دیئے اور ان باتوں کی نشاندہی کی جو اصولوں کے تحت نہیں کیئے گئے۔ اس عرصہ کے دوران جن اصولوں کے تحت عمل ہونا تھا اور نہ ہو سکا، ان کی وجوہات بتائی گئیں۔

(ب) بورڈ کے وضع کردہ اصولوں کے تحت مالیاتی گوشوارے جو کہ پی آئی اے انتظامیہ نے تیار کیے، صاف اور شفاف ہیں۔

(پ) اکاؤنٹس کی کتابوں کی مناسب دیکھ بھال کی گئی ہے۔

(ت) مالیاتی گوشوارے کی تیاری کے دوران اکاؤنٹس کے رہنما اصولوں کی پابندی کی جاتی ہے اور لاگت کا تخمینہ ایک مناسب انداز اور بہتر فیصلوں کے طریقۂ کار پر کیا جاتا ہے۔

(ٹ) ڈائریکٹرز نے اپنی ذمہ داری تسلیم کرتے ہوئے اندرونی کنٹرول کے نظام کو قائم کرنے اور برقرار رکھنے میں اپنی ذمہ داری نبھائی اور اس کا باقاعدگی سے جائزہ لیا جاتا ہے اور نگرانی بھی کی جاتی ہے۔

(ث) پی آئی اے کے چیئرمین اور ڈائریکٹرز کی تقرری اور مراعات کا تعین کارپوریٹ سیکٹر کے بہترین اصولوں کے مطابق اور پی آئی اے کے بہترین مفاد میں کیا گیا۔

(ج) چیئرمین اور دیگر ڈائریکٹرز کی تقرری اور مراعات کا تعین کارپوریٹ سیکٹر کے بہترین اصولوں کے مطابق طے ہوتا ہے۔

(چ) مالیاتی گوشوارے کی تیاری میں ان بین الاقوامی معیارات کا خاص خیال رکھا گیا جو پاکستان میں بھی رائج ہیں۔

(ح) ڈائریکٹرز اپنی ذمہ داریوں کو اچھے طور پر سمجھتے ہیں اور موثر حکمتِ عملی اور اندرونی کنٹرول کے طریقے کو بروئے کار لاتے ہیں اور بہتر نتائج کے لئے کوشاں رہتے ہیں تا کہ کام میں مزید ترقی ہو اور موجودہ نظام میں مزید بہتری لائی جا سکے۔

(خ) کارکردگی کے پچھلے 6 سالوں کے گوشواروں کا خلاصہ اس رپورٹ کے ساتھ منسلک ہے۔

(د) پی آئی اے سی ایل کے کام کرنے کے طریقہ کار اور صلاحیت کی وجہ سے کسی قسم کے بڑے شبہات نہیں ہیں۔ تصور زیست پر جن شبہات کا اثر پڑنے کی تشویش ہے وہ نوٹ 1.3 میں درج ہیں۔

(ڈ) پاکستان اسٹاک ایکسچینج کے اصولوں کی پابندی اور ان پر عملدر آمد کر دیا گیا کوئی قابل ذکر انحراف نہیں کیا گیا۔

(ذ) Dividend کا اعلان نہ ہونے اور بونس حصص جاری نہ کرنے کی وجہ خالص سالانہ نقصان کا ہوتا ہے۔

(ر) ڈائریکٹرز، چیف ایگزیکٹیو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، چیف انٹرنل آڈیٹر، ان کی ازواج اور زیرِ کفالت بچوں نے زیرِ جائزہ مالی سال کے دوران پی آئی اے کے حصص کا کوئی کاروبار نہیں کیا۔

اسلام آباد اسٹیشن پورے پی آئی اے نیٹ ورک میں بین الاقوامی اور SAFA کی پابند پروازوں کے حوالے سے ایک بڑا اسٹیشن ہے۔ اسلام آباد اسٹیشن سے قابل ذکر تعداد میں پروازیں (تیسری پارٹی سمیت) سنبھال لی جارہی ہیں۔ پی آئی اے نے 2019 میں بوئنگ 777 پر 16 , A 320 پر 10 اور ATR پر 07 طیاروں کی جانچ پڑتال کی۔ لمبے عرصے سے گراؤنڈ AP-BHV کو مکمل جانچ کے بعد سروس میں واپس بحال کیا گیا۔ موجودہ ذرائع کو بروئے کار لاتے ہوئے A 320 انجن نیومیٹک اسٹارٹرز کی دیکھ بھال کے لیے انجن اوور ہال شاپ بنایا گیا۔ طیاروں میں انسٹالیشن کے لیے EOH میں GE90, CFM56, اور PW127 انجن کے لیے QEC بنایا گیا۔ مزید 04 بوئنگ 777 اے پی یو کی مرمت اور جانچ کی گئی۔ پی آئی اے انجینیئر نگ نے AVOH میں پرزہ جات کی مرمت کی صلاحیت حاصل کی جس کے نتیجے میں A 320 بیڑے کے گیلی اوون/بوائکرز کی دستیابی میں بہتری آئی ہے۔ MRO IT پروجیکٹ کا آغاز 2019 میں کیا گیا تھا جو ائر کرافٹ مینٹیننس پروگرام کی تعمیل کے انتظام کے لیے حل فراہم کرتا ہے اور PCAA Part-145 کے لیے لازمی شرط ہے۔

تعلیم وتربیت:

پی آئی اے ٹریننگ سینٹر (PTC) ہوابازی کی صنعت سے متعلقہ تمام شعبوں میں تربیت فراہم کررہا ہے۔ پی آئی اے ٹریننگ سینٹر کے تمام کورسز پاکستان سول ایوی ایشن اتھارٹی (PCAA) اور IATA سے منظور شدہ ہیں.۔ پی آئی اے ٹریننگ سینٹر ISO 9001:2015 سند یافتہ ہے جہاں مندرجہ ذیل مضامین میں تربیت فراہم کی جاتی ہے۔

۱۔ انجینئرنگ (B1-Aerospace/B-2-Avionics/Basic Apprentice Trainings)

۲۔ فلائٹ آپریشن

۳۔ پرواز خدمات

۴۔ مسافر خدمات

۵۔ مارکیٹنگ

٦۔ کمپیوٹر پر مبنی تربیت

۷۔ مینجمنٹ/ہنر کی تعلیم

فی الحال پی ٹی سی کے پاس تقریبا 85 قابل اور تجربہ کار انسٹرکٹرز ہیں۔ پی ٹی سی ہر سال تقریبا 10,000 سے زائد افراد کو تربیت فراہم کرتا ہے۔ پی ٹی سی سیلف فنانس کی بنیاد پر بھی طالب علموں کو کورس آفر کرتا ہے۔ سال 2019 کے دوران پی ٹی سی کے بنیادی ڈھانچے کو تبدیل کیا گیا جس میں انتظامیہ کی تبدیلی اور مجموعی انفراسٹرکچر کی لازمی دیکھ بھال شامل تھی۔

برانڈنگ کی حکمت عملی:

پی آئی اے نے اپنی خدمات کے دائرہ کار کو توسیع دینے اور اپنے قابل قدر صارفین کو مزید سہولیات دینے کی غرض سے برانڈ اتحاد کی طرف قدم بڑھایا ہے۔ پی آئی اے نے کریم پاکستان کے ساتھ پی آئی اے کے مسافروں کو لانے لیجانے کی سہولت فراہم کرنے کے لیے ایک معاہدہ پر دستخط کیے۔ اس معاہدے کے تحت مسافر کریم کے ساتھ اپنا پہلا سفر مفت کر سکتے تھے اور اس کے بعد 50% رعایت دی گئی تھی۔ مزید برآں پی آئی اے نے میجسٹک لاؤنجز کے ساتھ باہمی تعاون کے معاہدے پر دستخط کیے جو کراچی، لاہور اور اسلام آباد ائیر پورٹ پر PIA کے لاؤنجز کی تزئین و آرائش کی خدمات عالمی معیار کو مدنظر رکھتے ہوئے انجام دے گا۔ میجسٹک لاؤنجز نہ صرف لاؤنجز کو اپ گریڈ کریں گے بلکہ PIA کے مسافروں کے فائیو اسٹار خدمات مہیا کریں گے جس میں Meet & Assist سروس کے علاوہ اعلیٰ ترین مینو بھی شامل ہیں۔ پی آئی اے نے کرکٹ جنون پی ایس ایل کا باضابطہ ائیر لائن شراکت دار بن کر کراچی کنگز کے ساتھ شراکت کی۔ کراچی کنگز کی اسپورٹس کٹس پر قومی ائیر لائن پرائم لوگو پہنتی ہے۔ پاکستان کی تاریخ میں پہلی بار کراچی کنگز کی حمایت میں ائر کرافٹ پر ٹیم کا لوگو چسپاں کیا گیا۔ پاکستان کی بہترین سیلولر کمپنی جاز پاکستان نے بھی پی آئی اے کے ساتھ معاہدہ کیا جس کے تحت دونوں کمپنیاں مسافروں کی سہولت کے لیے مصنوعات تیار کریں گی بالخصوص حج اور عمرہ کے مسافروں کو جاز اور جاز کیش سے فائدہ پہنچایا جائے گا۔ پی آئی اے برانڈ شراکت داری کا سفر مقبولیت حاصل کر رہا ہے اور مستقبل میں پی آئی اے اپنے مسافروں اور دوسرے برانڈ صارفین کو سہولت فراہم کرنے کے لیے مزید برانڈ شراکت دار بھی اس سفر میں شامل کیے جائیں گے۔

اسکائی رومز پرائیوٹ لمیٹڈ:

تفصیلات	مختتم سال 31 دسمبر 2019 (روپے ملین میں)	مختتم سال 31 دسمبر 2018 (روپے ملین میں)
آمدن اور دیگر آمدنی	214	329
اخراجات کی لاگت	(200)	(255)
خالص منافع محصولات سے پہلے	14	74
محصولات	(4)	(14)
خالص منافع محصولات کے بعد	10	60

قابلِ ذکر خطرات اور غیر یقینیاں:

ہوابازی کی صنعت ہمیشہ اندرونی و بیرونی خطرات کا سامنا کرتی رہی ہے جس کی وجہ کاروبار میں مقابلہ بازی کے رجحانات اور قوانین ہیں جو مختلف مما لک میں رکاوٹ کا سبب بنتے ہیں۔ ہمیں یقین ہے کہ ہماری بقاء اس بات پر منحصر ہے کہ ہم اپنے خطرات کو کس حد تک مئوثر انداز میں سنبھالنے کے اہل ہیں۔ ہمارا مقصد رسک مینجمنٹ کا ایک مضبوط نظام تشکیل دینا ہے جو موجودہ اور مستقبل میں ہمارے کام کے اعتبار سے سودمند ہو اور تواتر کے ساتھ چلتا رہے۔ کمپنی اس بارے میں پیش بندی کے اصول پر کاربند ہے۔

مالی خدشات سے نمٹنے کا انتظام:

کمپنی کا خدشات سے نمٹنے کا نظام مالی منڈیوں کی غیر یقینی صورتحال پر مرکوز ہے اور کمپنی کی مالی کارکردگی پر پائے جانے والے ممکنہ منفی اثرات کو کم کرنے کی کوشش کرنا ہے۔ علاوہ ازیں اثاثوں جیسے طیاروں کی باقاعدہ بیمہ کوریج وغیرہ، مالی خطرات کا جائزہ لینا اور اسکے آگے بند باندھنا ہے۔ کمپنی کی سرگرمیوں کو مندرجہ ذیل مالیاتی خطرات کا سامنا پڑسکتا ہے۔

قرضوں کے خدشات:

پی آئی اے سی ایل کی قرضہ پالیسی اور جوابی فریق کے مابین ہونے والے لین دین کا دارومدار کمپنی کے قرضہ پالیسی سے منسلک ہے۔ جس کا باقاعدگی سے جائزہ لیا جاتا ہے اور لاگو قوانین کے مطابق اس پر عمل کیا جاتا ہے۔

سیالیاتی خدشات:

پی آئی اے سی ایل اپنے سیالیاتی خدشات کے ازالہ کے لئے زیادہ سے زیادہ اس کاروبار پر توجہ دیتی ہے جس سے نقد آمدنی متوقع ہو اور دستیاب مالیاتی سہولیات کے ذریعے اور ضرورت کے مطابق مزید مالی سہولیات کو حکومتِ پاکستان کی ضمانت پر اور اثاثوں کی جانچ پڑتال کے بعد مالیاتی اداروں سے حاصل کرتی ہے۔

ایندھن کے نرخ کے خدشات:

ہوابازی کی صنعت میں ہونے کے ناطے، دوسری ہوائی کمپنیوں کی طرح پی آئی اے کو بھی جیٹ ایندھن کے نرخ کے اتار چڑھاؤ کا شدید سامنا کرنا پڑتا ہے اسی کے مطابق وقتاً فوقتاً ایندھن کو محفوظ رکھنے، اس کے استعمال اور ترسیل کے بارے میں جائزہ لیا جاتا ہے۔

شرح سود کے خدشات:

پی آئی اے نے متعدد قرضے اثاثوں اور حکومتی ضمانت پر حاصل کئے ہیں۔ ان میں ملکی اور غیر ملکی کرنسیوں والے قرضے شامل ہیں۔ پی آئی اے انتظامیہ سود کے نرخ کی شرح میں تبدیلی سے نمٹنے کی ایک متوازن حکمتِ عملی پر کام کرتی ہے۔

انجینئرنگ اور جہازوں کی دیکھ بھال:

پی آئی اے کے شعبہ انجینئرنگ مختلف ذرائع آمدن تلاش کرنے کے لیے کوشاں ہے۔ اس کا بنیادی مقصد کسی دوسری فضائی کمپنی/ تیسری پارٹی کو MRO کی فروخت کے ذریعے آمدنی میں کسی قدر اضافہ ہے۔ ائرلائن کی منڈی میں اضافہ کی وجہ سے، انجینئرنگ خدمات کی فروخت سے حاصل ہونے والی آمدنی میں اضافہ کے لیے ایک جارحانہ حکمت عملی اپنائی گئی اور اس پر عمل درآمد بھی کیا گیا۔ مزید یہ کہ پی آئی اے کی موجودہ لائن مینٹیننس کی اہلیت میں بھی اضافہ کیا گیا کیونکہ پی آئی اے کے انجینیر زکو وقتاً فوقتاً جدید ترین بیڑے پر مستقل تربیت دی جارہی ہے اور اس بار غیر ملکی آپریٹر A 320 NEO پر تربیت فراہم کر رہے ہیں۔ اس کے نتیجے میں نہ صرف انجینیر زکی قابلیت میں اضافہ ہوگا بلکہ غیر ملکی آپریٹرز سے نیا کاروبار حاصل کرنا بھی ممکن ہو سکے گا۔

ویب سائٹ ری ویمپ اور موبائل ایپ لانچ

قابل قدر صارفین کی سہولت کے لئے پی آئی اے کی ویب سائٹ کو جدید خطوط پر استوار کیا گیا ہے۔مزید برآں نومبر 2019 سے ایک موبائل ایپ بھی متعارف کی گئی ہے جو Android اور Apple آپریٹنگ سسٹم پر قابل عمل ہے جس سے نہ صرف پی آئی اے کی براہ راست آمدنی میں اضافہ ہوگا بلکہ تقسیمی لاگت کو کم کرنے اور صارفین کو اچھا تجربہ کرانے میں بھی مدد ملے گی۔

مالی جائزہ:

سال 2019 کے دوران کمپنی کی آمدنی 147.5 بلین روپے رہی جو کہ سال 2018 میں 103.5 بلین روپے تھی یعنی 42.5% اضافہ۔مزید برآں مسلسل آٹھ سال کے بعد پی آئی اے نے سال 2019 کے دوران 7.8 بلین کا خالص منافع حاصل کیا۔سال 2018 میں 19.7 بلین روپے کا نقصان تھا یعنی 139% بہتری۔سال 2019 میں آپریٹنگ نقصان 7.7 بلین روپے رہا جو سال 2018 میں 32.1 بلین روپے تھا یعنی 75.9% بہتری۔اس بہتری کی بڑی وجوہات میں بہترین سیٹ عنصر (یعنی سال 2019 میں 81.3% بمقابلہ سال 2018 میں 77.3% تھا) اور روٹس کی از سر نو ترتیب، چارٹر اور دیگر آمدنی میں اضافہ تھا۔

تفصیلات	برائے سال مختتم دسمبر 2019 (روپے ملین میں)	برائے سال مختتم دسمبر 2018 (روپے ملین میں)
آمدنی خالص	147,500	103,490
بیڑے کا ایندھن	(50,059)	(43,552)
دیگر اخراجات	(89,619)	(79,671)
خالص منافع / نقصان	7,822	(19,733)
دیگر آپریٹنگ اخراجات	(17,648)	(14,071)
دیگر آمدنی	2,102	1,723
عمل میں نقصان	(7,723)	(32,080)
مبادلہ میں نقصان	(11,694)	(14,953)
مالیاتی لاگت	(35,537)	(20,385)
محصول سے قبل نقصان	(54,954)	(67.418)

مالیاتی گوشوارے

جیسا کہ مالی گوشوارہ کے نوٹ 1.3 میں بتایا گیا ہے کہ مالیاتی گوشوارہ حکومت پاکستان کے مروجہ طریقہ کے مطابق تیار کئے گئے ہیں۔حکومت پاکستان نے بذریعہ مراسلہ بتاریخ 04 مارچ 2020 دوبارہ تصور زیست کو برقرار رکھنے کے لیے اپنے بھرپور تعاون کی یقین دہانی کروائی۔اسکے علاوہ COVID-19 سے پیدا ہونے والی صورتحال کے تناظر میں بذریعہ مراسلہ بتاریخ 24 اپریل 2020 اپنی بھرپور حمایت کا اعادہ کیا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں:

پی آئی اے کی سالانہ رپورٹ برائے سال 2018 کی اشاعت کے بعد سے ڈاکٹر سید پرویز عباس، سیکریٹری معاشی امور ڈویژن، جناب حسن ناصر جامی، سیکریٹری ایوی ایشن ڈویژن اور جناب اسلم آر خان نے بطور ڈائریکٹرز شمولیت اختیار کی جبکہ جناب شاہ رخ نصرت، سیکریٹری ایوی ایشن ڈویژن اور جناب نور احمد، سیکریٹری معاشی امور ڈویژن، اور جناب محمد علی ٹبہ پی آئی اے بورڈ سے رخصت ہوئے۔پی آئی اے بورڈ نئے آنے والے ڈائریکٹرز کا پرتپاک خیر مقدم کرتا ہے اور جانے والے ڈائریکٹر حضرات کی قابل قدر خدمات کی تعریف کرتا ہے۔

ذیلی اداروں کا مالیاتی تجزیہ:

پی آئی اے انویسٹمنٹس لمیٹڈ

تفصیلات	مختتم سال 31 دسمبر 2019 (امریکی ڈالر ہزاروں میں)	مختتم سال 31 دسمبر 2018 (امریکی ڈالر ہزاروں میں)
آمدن	115,466	122,580
سروسز کی لاگت	(115,539)	(117,539)
عملی نقصان / منافع	(73)	5,040
منافع	(7,408)	(7,273)
محصولات	3,891	6,944
خالص (نقصان) / منافع (بعد از محصولات)	(3,590)	4,712

ڈائریکٹرز رپورٹ

برائے سال جس کا اختتام 31 دسمبر 2019 کو ہوا

محترم حصص یافتگان!

پاکستان انٹرنیشنل ایئرلائنز کارپوریشن لمیٹڈ (پی آئی اے سی ایل یا ہولڈنگ کمپنی) کے ڈائریکٹرز پی آئی اے سی ایل کی سالانہ رپورٹ بشمول مالیاتی گوشوارے برائے سال جس کا اختتام 31 دسمبر، 2019 کو ہوا، پیش خدمت کرتے ہیں۔

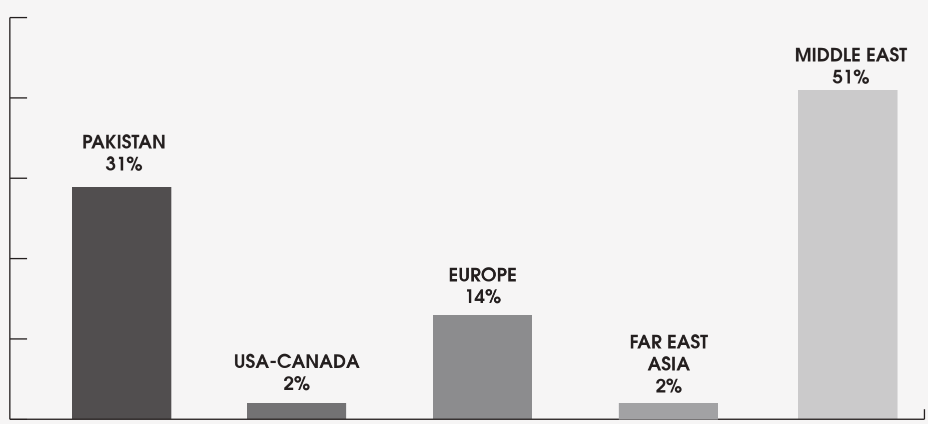
صنعتی جائزہ:

2019 ایئرلائن کی صنعت کے لیے اچھا سال ثابت ہوا جس نے مضبوط نمو دیکھی اور اپنے نیٹ ورک میں اضافہ جاری رکھا۔ 2019 میں تقریبا 22,000 شہروں میں سفری خدمات متوقع تھیں جو کہ 2018 کی نسبت 1000 رابطے زیادہ تھی۔ تاہم چونکہ 2020 کے آغاز سے COVID-19 کی وباء کے ساتھ صورتحال میں کافی حد تک تبدیلی واقع ہوئی ہے جس کے نتیجے میں عالمی معیشت پر کافی منفی اثرات مرتب ہوئے ہیں اور ایئرلائن کی صنعت سب سے زیادہ متاثرہ صنعتوں میں سے ایک ہے۔ عالمی سطح پر لاک ڈاؤن اور سرحدوں کی بندش کے نتیجے میں تقریبا تمام ایئرلائنز کے کہیں مکمل اور کہیں جزوی بیڑے کو گراؤنڈ کر دیا گیا ہے۔ آئی اے ٹی اے نے 2020 میں ائرلائن کو 314 بلین امریکی ڈالر کے Revenue Losses اور 2019 کے مقابلے میں آمدنی میں 50% کمی کا تخمینہ لگایا ہے۔

کاروباری جائزہ:

2019 کے دوران انتظامیہ نے آمدنی بڑھانے اور لاگت کو محدود رکھنے پر توجہ مرکوز کی۔ پی آئی اے کی کل آمدنی 147.5 بلین روپے رہی جو گزشتہ سال کی نسبت 43% زیادہ ہے۔ مزید برآں آٹھ سال کے بعد پی آئی اے نے سال 2019 کے دوران 7.8 بلین کا مجموعی منافع حاصل کیا۔ آپریٹنگ نقصان میں سال 2018 کی نسبت 75% بہتری ہوئی۔

جغرافیائی حدود کے لحاظ سے سال 2019 میں کاروبار درج ذیل جدول میں ظاہر کیا گیا ہے۔



پی آئی اے نے گزشتہ سال اضافی روٹس پر متعدد نئی پروازیں شروع کیں اور طلب اور کاروباری عملداری کی بنیاد پر پروازوں میں بھی اضافہ کیا۔ زمینی بیڑے کو ایک بار پھر پرواز کے قابل بنایا جبکہ طیاروں کی دیکھ بھال اور بحالی کے لیے اسپیئرز اور دیگر انوینٹری کے لیے مستحکم سپلائی چین کا انتظام کرنا بھی سال 2019 کا ایک اہم خاصہ رہا۔

انفارمیشن ٹیکنالوجی:

New Passenger Service System (PSS)

پی آئی اے میں گزشتہ اٹھارہ سال سے مسافروں کی آمدورفت کا ریکارڈ رکھنے کے لیے SABRESONIC سسٹم استعمال کیا جا رہا تھا جو کمانڈ پر مبنی نیلی اسکرین سسٹم تھا اور جدید دور کے صارفین کی توقعات پر پورا نہیں اترتا تھا۔ سال 2018 کے دوران پی آئی اے ایک نئے نظام کرین پسنجر سروس سسٹم (Crane Passenger Service System) سے منسلک ہو گیا یہ نظام ترکی کی ایک کمپنی Hitit Computer Service سے حاصل کیا گیا ہے۔ Crane PSS جو کہ بارہ مختلف ایپلیکیشنز کا مجموعہ ہے اور جو کہ پروازوں کے شیڈول مینجمنٹ، فلائٹ آپریشن، کرایہ درج کروانے، پروازوں میں خلل، روانگی، وزن اور توازن، مرکزی بکنگ وغیرہ کو کنٹرول کرنے کے لیے ایک مئوثر نظام ہے۔ اس طرح اس منتقلی کے ساتھ ساتھ دیگر ایپلیکیشنز جیسے کہ Revenue Management of Accelya اور Sita کا فلائٹ پلان مینیجر بھی اس نظام میں منتقل ہو گیا۔ Hitit سے کنٹرول سینٹر (OCC) کے آپریشن کے حصول کے لیے پہلے سے منصوبہ بنایا گیا ہے۔ ٹیکنالوجی کی اس تجدید سے پی آئی اے نے اپنے سالانہ بکنگ پروسیسنگ لاگت میں کمی کر دی ہے اور نئی پروڈکٹس کو شامل کر کے آمدنی کے ذرائع میں اضافہ کیا ہے۔

BOARD MEETINGS **ATTENDANCE**

Meetings Date / Attended by	BM 028 06/2/2019	BM 029 12/2/2019	BM 030 06/3/2019	BM 031 21/3/2019	BM 032 02/5/2019	BM 033 29/5/2019
Mr Tariq Kirmani	✓	✓	✓	✓	Leave of Absence	✓
Air Marshal Arshad Malik Chief Executive Officer (CEO)	✓	Leave of Absence	✓	✓	✓	✓
Mr Atif Aslam Bajwa	✓	✓	✓	✓	✓	✓
Mr Farrukh H Khan	✓	✓	Leave of Absence	✓	✓	✓
Mr Navaid H Malik	✓	✓	✓	✓	Leave of Absence	✓
Mr Haque Nawaz	✓	Leave of Absence	✓	✓	✓	✓
Mr Shahrukh Nusrat Secretary Economic Affairs Division	✓	✓	✓	Leave of Absence	✓	✓
Mr Noor Ahmed Secretary Economic Affairs Division	Leave of Absence	Leave of Absence	✓	✓	Leave of Absence	Leave of Absence
Mr Arif Ahmed Khan Secretary Finance Division	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Relinquished 22/3/2019	
Mr Muhammad Younus Dagha Secretary Finance Division					Nominated 22/3/2019	Relinquished 22/5/2019
Mr Muhammad Ali Tabba	Leave of Absence	Leave of Absence	✓	Leave of Absence	Leave of Absence	Leave of Absence
Mr Naveed Kamran Baloch Secretary Finance Division						✓ Nominated 24/5/2019

BOARD MEETINGS **ATTENDANCE**

Meetings Date / Attended by	BM 034 18/7/2019	BM 035 06/8/2019	BM 036 05/9/2019	BM 037 29/10/2019	BM 038 21/11/2019	BM 039 26/12/2019
Mr Tariq Kirmani	✓	✓	Leave of Absence	✓	✓	✓
Air Marshal Arshad Malik Chief Executive Officer (CEO)	✓	✓	✓	✓	✓	✓
Mr Atif Aslam Bajwa	✓	✓	Leave of Absence	Leave of Absence	✓	✓
Mr Farrukh H Khan	✓	✓	✓	Leave of Absence	✓	✓
Mr Navaid H Malik	✓	✓	✓	✓	✓	✓
Mr Haque Nawaz	✓	✓	✓	✓	✓	✓
Mr Shahrukh Nusrat Secretary Economic Affairs Division	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	✓	Relinquished 2/12/2019
Mr Noor Ahmed Secretary Economic Affairs Division	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Relinquished 2/12/2019
Mr Muhammad Ali Tabba	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	✓	Leave of Absence
Mr Naveed Kamran Baloch Secretary Finance Division	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence
Dr Syed Pervaiz Abbas Secretary Economic Affairs Division						✓ Nominated 2/12/19
Mr Hassan Nasir Jamy Secretary Aviation Division						✓ Nominated 2/12/19

ATTENDANCE OF DIRECTORS AT **AUDIT COMMITTEE MEETINGS**

Meetings Date / Attended by	15th 18/07/2019	16th 18/07/2019	17th 06/08/2019	18th 21/10/2019	19th 21/11/2019
Mr Atif Aslam Bajwa	✔	✔	✔	✔	✔
Mr Farrukh H Khan	✔	✔	✔	Leave of Absence	✔
Mr Tariq Kirmani	✔	✔	✔	Leave of Absence	✔
Mr Haque Nawaz	✔	✔	✔	✔	✔

ATTENDANCE OF DIRECTORS AT **HR & COMPENSATION COMMITTEE MEETINGS**

Meetings Date / Attended by	11th 20/12/2019	12th 26/12/2019
Mr Tariq Kirmani	✔	✔
Air Marshal Arshad Malik Chief Executive Officer	✔	✔
Mr Farrukh H Khan	✔	✔
Mr Naveed H Malik	✔	✔

BDO Ebrahim and Co.
Chartered Accountants
2nd Floor, Block C,
Sarwar Shaheed Road
Karachi - 74200

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motors
Beaumont Road
Karachi - 74200

Review Report to the members on the Statements of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Directors of Pakistan International Airlines Corporation Limited for the year ended December 31, 2019 to comply with the requirements of Regulation 36 of the Listed Companies (Code of Corporate governance) Regulations 2019 (the Regulations) and rule 24 of the Public sector companies (Corporate Governance) Rules 2013 (the Rules) respectively.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31st, 2019.

Further, we highlight below instances of non-compliance with the requirement of the Codes as reflected in note / paragraph reference where these are stated in the Statement of Compliance:

S.No.	Rule	Description
Public Sector Companies (Corporate Governance) Rules, 2013		
1	3A	Casual vacancy arising on the Board of Directors was not filled up by the Directors within 90 days from the date the vacancy occurred.
2	4(4)	The Board of Directors of PIACL have not re-elected a chairman of the board after the resignation of the chairman in the year 2018. Meetings of the board during the year 2019 were presided over by the chairman elected by the board for this purpose.
3	5(8)	The Board has not quantified the outlay of service delivered by the Company as a public service obligation.
4	9	The Board has not established a pricing mechanism for distinguishing an arm's length transaction from a non-arm's length transaction.
5	10	The Board has not approved quarterly, half yearly and annual financial statements within the specified time.
6	11	Annual orientation course for all the directors was not held during the year.

S.No.	Rule	Description
Listed Companies (Code of Corporate Governance) Regulations, 2019		
1	11(1)	As per the requirement of regulation 11 of Listed Companies (Code of Corporate Governance) Regulations, 2019, the Chairman of the Board shall set the agenda for the meeting of the Board, however, the agenda of all Board meetings was set by the Company Secretary in the absence of Chairman of the Board.
2	18	As per the requirement of regulation 18 of Listed Companies (Code of Corporate Governance) Regulations, 2019,the Company is required to carry out the orientation of the Directors to acquaint them with the aforementioned regulations, however, the Company did not arrange an orientation for the directors.
3	21	Audit committee did not recommend the removal of the head of internal audit.
4	27	The audit committee is required to meet at least once every quarter, however the audit committee did not meet in the 1st and 2nd quarter.
5	34(1)	As the quarterly financial statements have not been issued for the 1st and 3rd quarter, thus the Director's review on the quarterly financial statements was also not issued.

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Beaumont Road
Karachi - 74200

Place: Karachi

STATEMENT OF COMPLIANCE

with the Public Sector Companies (Corporate Governance) Rules 2013 and Listed Companies (Code of Corporate Governance) Regulations 2019

Name of company: **Pakistan International Airlines Corporation Limited (PIACL)**
Name of the line ministry: **Aviation Division, Cabinet Secretariat**
For the year ended: **December 31, 2019**

1. This statement is being presented to comply with Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) and Listed Companies (Code of Corporate Governance) Regulations 2019 (the Regulations) issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the Regulations, the provisions of Rules shall prevail.

   Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956. With effect from April 19, 2016, the Corporation was converted from a statutory corporation into a public limited company by shares namely Pakistan International Airlines Corporation Limited ('the Company' or 'PIACL'), through Act No.XV of 2016, Pakistan International Airlines Corporation (Conversion) Act, 2016, (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Airlines Corporation Act, 1956 and the Company is now governed under Companies Act, 2017 (the Act).

II. During the year ended December 31, 2019, the Company has complied with the provisions of Rules in following manner:

<table>
<tr><th>S.No.</th><th>Provision of Rules</th><th>Rule No.</th><th>Yes</th><th>No</th><th>N/A</th></tr>
<tr><td>1.</td><td>Independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✔</td><td></td><td></td></tr>
<tr><td>2.</td><td>Board has at least one-third of its total members as Independent Directors as at December 31, 2019, Board's composition was:
<table>
<tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr>
<tr><td>Independent Directors</td><td>Atif Aslam Bajwa
Farrukh H Khan
Tariq Kirmani
Navaid H. Malik
Muhammad Ali Tabba
Haque Nawaz</td><td>June 7, 2017
June 7, 2017
June 7, 2017
June 7, 2017
June 7, 2017
November 20, 2017</td></tr>
<tr><td>Executive Directors</td><td>Air Marshal Arshad Malik</td><td>October 17, 2018</td></tr>
<tr><td>Non-Executive Directors</td><td>Naveed Kamran Baloch
Hasan Nasir Jamay
Dr Syed Pervaiz Abbas</td><td>May 24, 2019
December 2, 2019
December 2, 2019</td></tr>
</table>
</td><td>3(2)</td><td>✔</td><td></td><td></td></tr>
<tr><td>3.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✔</td><td></td><td></td></tr>
<tr><td>4.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.

Note: Total number of directors fixed by the First Directors of the Company were eleven out of which ten Directors are nominated by the Federal Government.No election was held during the year 2019.</td><td>3(7)</td><td></td><td></td><td>✔</td></tr>
</table>

S.No.	Provision of Rules	Rule No.	Yes	No	N/A
5.	The office of the chairman of the Board is separate from the chief executive of the Company.	4(1)	✔		
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)		✔	
7.	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✔		
8.	a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (www.piac.com.pk) c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✔ ✔ ✔		
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✔		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✔		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✔		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✔		
13.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✔		
14.	The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company.	5(6)	✔		
15.	The Board has developed significant policies of the Company. A complete record of the particulars of the significant policies together with the dates on which they were approved or amended, has been maintained.	5(7)	✔		
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		✔	
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✔		

<table>
<tr><th>S.No.</th><th>Provision of Rules</th><th>Rule No.</th><th>Y</th><th>N</th><th>N/A</th></tr>
<tr><td>18.</td><td>a) The Board has met at least four times during the year.</td><td>6 (1)</td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.</td><td>6 (2)</td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>c) The Minutes of the meetings were appropriately recorded and circulated.</td><td>6 (3)</td><td>✔</td><td></td><td></td></tr>
<tr><td>19.</td><td>The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.</td><td>8 (2)</td><td>✔</td><td></td><td></td></tr>
<tr><td>20.</td><td>The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.</td><td>9</td><td></td><td>✔</td><td></td></tr>
<tr><td>21.</td><td>a) The Board has approved the Statement of Profit or Loss for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end.</td><td>10</td><td></td><td>✔</td><td></td></tr>
<tr><td></td><td>b) The Board has ensured that half yearly accounts are prepared and reviewed by the external auditors.</td><td></td><td></td><td>✔</td><td></td></tr>
<tr><td></td><td>c) The Board has placed the Annual Financial Statements on the Company's website.</td><td></td><td>✔</td><td></td><td></td></tr>
<tr><td>22.</td><td>All the Directors underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td></td><td>✔</td><td></td></tr>
<tr><td>23.</td><td>a) The Board has formed the requisite committees, as specified in the Rules.</td><td>12</td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>b) The committees were provided with written term of reference defining their duties, authority and composition.</td><td></td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>c) The Minutes of the meetings of the committees were circulated to all the Directors except for Procurement Committee, refer 23(d) below:</td><td></td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>d) The committees were chaired by the following non-executive directors:</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Board Committee | Number of Members | Name of Chair</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Audit Committee | 4 | Atif Aslam Bajwa</td><td></td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>Finance (Risk Management) Committee | 5 | Naveed Kamran Baloch</td><td></td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>HR (Nomination) Committee | 4 | Tariq Kirmani</td><td></td><td>✔</td><td></td><td></td></tr>
<tr><td></td><td>Procurement Committee | 3 | Not elected as at December 31, 2019</td><td></td><td></td><td></td><td>✔</td></tr>
<tr><td></td><td>Note: No meeting of Board Procurement Committee was held during 2019.</td><td></td><td></td><td></td><td></td></tr>
<tr><td>24.</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.</td><td>13</td><td>✔</td><td></td><td></td></tr>
<tr><td>25.</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✔</td><td></td><td></td></tr>
</table>

<table>
<tr><th>S.No.</th><th>Provision of Rules</th><th>Rule No.</th><th>Yes</th><th>No</th><th>N/A</th></tr>
<tr><td>26.</td><td>The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>✓</td><td></td><td></td></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td><td></td></tr>
<tr><td>28.</td><td>The Directors, CEO and Executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.</td><td>18</td><td>✓</td><td></td><td></td></tr>
<tr><td>29.</td><td>a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.

b) The annual report of the Company contains criteria and details of remuneration of each director.</td><td>19</td><td>✓

✓</td><td></td><td></td></tr>
<tr><td>30.</td><td>The Financial Statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before consideration and approval of the Audit Committee and the Board.</td><td>20</td><td>✓</td><td></td><td></td></tr>
<tr><td>31.</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr>
<tr><td>Atif Aslam Bajwa</td><td rowspan="4">Independent Directors</td><td>Banker</td></tr>
<tr><td>Farrukh H. Khan</td><td>Finance Professional</td></tr>
<tr><td>Tariq Kirmani</td><td>Business Manager</td></tr>
<tr><td>Haque Nawaz</td><td>Former Civil Servant</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21 (1)

21 (2)</td><td>✓

✓</td><td></td><td></td></tr>
<tr><td>32.</td><td>a) The Chief Financial Officer, the Chief Internal Auditor and a representative of the External Auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed.

b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.

c) The audit committee met the chief internal auditor and other members of the internal audit function, atleast once a year, without the presence of chief financial officer and the external auditors</td><td>21 (3)</td><td>✓

✓

✓</td><td></td><td></td></tr>
<tr><td>33.</td><td>a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Board Audit Committee.

b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.

c) The internal audit reports have been provided to the external auditors for their review.</td><td>22</td><td>✓

✓

✓</td><td></td><td></td></tr>
<tr><td>34.</td><td>The external auditors of the Company have confirmed that the firms and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>✓</td><td></td><td></td></tr>
<tr><td>35.</td><td>The Auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.</td><td>23(5)</td><td>✓</td><td></td><td></td></tr>
</table>

Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 (The Regulations)

1. The total number of directors are as follows

    a. Male: 10
    b. Female: None

The board does not have a female director.

2. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

3. The Board has approved appointment of head of internal audit, including his remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However the removal of the previous head of internal audit was made by the Board without the recommendation of the audit committee.

4. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

5. The frequency of quarterly meetings of the committee were as per following.

    - Meetings of the Audit Committee was held 5 times in the year in the 3rd and 4th quarter; no meetings were held in the 1st and 2nd quarter.
    - Meetings of the HR and Nomination Committee was held twice during the year in the 4th quarter.
    - Meetings of the Board Finance Committee was held twice during the year.

6. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

7. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for sub regulation 2 of regulation 27 which requires the audit committee to meet at least once every quarter which in the case of PIACL was held in 3rd quarter and 4th quarter only.

8. Non-compliance with the requirements other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are set out below:

    - The Company did not make appropriate arrangements to carry out orientation for its directors to acquaint them with the requirements of these Regulations.
    - The agenda for all the board meetings was set by the Company Secretary in the absence of the Chairman of the Board.
    - As the quarterly financial statements have not been issued for the 1st and 3rd quarter, thus the Director's review on the quarterly financial statements was also not issued.

EXPLANATION FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next financial year:

S. No.	Rule	Reasons for Non-Compliance	Future course of action
6	4(4)	The Federal Government vide its notification no. 4(4) 2017-1 dated October 17, 2018 has nominated a director as Chairman of the Board. Subsequently, the Board in its meeting held on October 26, 2018 has elected the same director as Chief Executive of the Company who was nominated by the Federal Government as Chairman of the Board in the aforementioned notification of the Federal Government. Accordingly, the position of the Chairman of the Board is vacant currently and the Directors elect the Chairman of the meeting of the Board in each meeting of the Board, as per Companies Act 2017.	Subsequent to the year 2019, the position of Chairman has been filled by the Federal Government.
16	5(8)	Due to non-quantification of outlay of actions in respect of any services delivered by the Company as a public service obligation	Subsequent to the year 2019, the Company has claimed compensation from the Pakistan Civil Aviation Authority on account of losses suffered by the Company for operations on Primary & Socio-Economic Routes.
20	9	Due to non-establishment of related party transactions pricing policy which could differentiate non-arm's length transactions with that which have been executed at arm's length	Noted for compliance in future.
21 (a)	10	Quarterly accounts were not approved within one month time due to non-finalization of financial statements.	Board has emphasized the timely completion of financial statements in future so that compliance of regulatory framework can be ensured.
21 (b)	10	The Board did not get the half yearly accounts reviewed by the auditors with in specified time.	
22	11	Annual orientation course forall the directors was not held during the year.	PIACL Board comprises senior civil servants, corporate leaders and business executives. However, they are provided with orientation material at the time of their joining and subsequently kept updated.
-	3A(2)	Casual vacancy arising due to resignation of Director was not filled within stipulated time of ninety days.	Noted for compliance in future.

For and on behalf of the Board

Aslam R. Khan
Chairman

Air Marshal Arshad Malik
Chief Executive Officer

PATTERN OF **SHAREHOLDINGS**
As of December 31, 2019

Shareholding From		To	Number of Shareholders	Ordinary "A" Class Total Shares Held	Ordinary "B" Class Total Shares Held
1	to	100	14025	266,993	13,077
101	to	500	30024	8,380,251	9,858
501	to	1000	4688	4,004,622	2,063
1001	to	5000	5157	12,852,519	12,486
5001	to	10000	1186	9,414,056	-
10001	to	15000	385	5,024,593	-
15001	to	20000	269	4,969,095	-
20001	to	25000	186	4,383,526	-
25001	to	30000	113	3,258,971	-
30001	to	35000	69	2,291,800	-
35001	to	40000	63	2,446,197	-
40001	to	45000	36	1,541,103	-
45001	to	50000	139	6,876,457	-
50001	to	55000	36	1,918,815	-
55001	to	60000	29	1,708,500	-
60001	to	65000	21	1,329,000	-
65001	to	70000	18	1,242,304	-
70001	to	75000	21	1,554,600	-
75001	to	80000	16	1,258,000	-
80001	to	85000	7	583,500	-
85001	to	90000	18	1,586,679	-
90001	to	95000	5	466,320	-
95001	to	100000	69	6,886,500	-
100001	to	105000	17	1,746,994	-
105001	to	110000	8	869,178	-
110001	to	115000	7	801,000	-
115001	to	120000	6	713,000	-
120001	to	125000	4	500,000	-
125001	to	130000	3	382,500	-
130001	to	135000	8	1,060,500	-
135001	to	140000	1	140,000	-
140001	to	145000	3	433,126	-
145001	to	150000	24	3,590,000	-
150001	to	155000	3	461,500	-
155001	to	160000	4	634,000	-
160001	to	165000	1	164,000	-
165001	to	170000	3	506,500	-
170001	to	175000	4	693,951	-
175001	to	180000	7	1,247,500	-
180001	to	185000	1	181,500	-
185001	to	190000	3	568,000	-
190001	to	195000	1	195,000	-
195001	to	200000	22	4,400,000	-
200001	to	205000	3	608,152	-
205001	to	210000	1	206,000	-
210001	to	215000	3	639,500	-
215001	to	220000	2	440,000	-
220001	to	225000	2	445,345	-
225001	to	230000	3	685,000	-
230001	to	235000	1	235,000	-
235001	to	240000	1	237,000	-
245001	to	250000	3	750,000	-
250001	to	255000	2	505,500	-
255001	to	260000	1	260,000	-
260001	to	265000	1	265,000	-
265001	to	270000	1	266,000	-
270001	to	275000	3	814,179	-
275001	to	280000	2	557,635	-
280001	to	285000	1	282,000	-
285001	to	290000	1	290,000	-
295001	to	300000	4	1,200,000	-
300001	to	305000	1	305,000	-
305001	to	310000	2	611,500	-
315001	to	320000	1	320,000	-
325001	to	330000	2	653,500	-
330001	to	335000	1	331,500	-
345001	to	350000	2	700,000	-

PATTERN OF **SHAREHOLDING**

As of December 31, 2019

Shareholding				Ordinary "A" Class	Ordinary "B" Class
From		To	Number of Shareholders	Total Shares Held	Total Shares Held
355001	to	360000	2	720,000	-
365001	to	370000	1	370,000	-
370001	to	375000	1	370,500	-
390001	to	395000	1	392,000	-
395001	to	400000	3	1,197,000	-
400001	to	405000	2	807,000	-
415001	to	420000	1	418,000	-
420001	to	425000	2	850,000	-
425001	to	430000	1	427,500	-
435001	to	440000	2	875,000	-
445001	to	450000	2	900,000	-
450001	to	455000	1	452,500	-
485001	to	490000	1	486,000	-
490001	to	495000	1	492,000	-
495001	to	500000	5	2,500,000	-
500001	to	505000	2	1,002,500	-
520001	to	525000	1	525,000	-
530001	to	535000	1	533,000	-
535001	to	540000	2	1,076,000	-
565001	to	570000	1	567,504	-
595001	to	600000	2	1,200,000	-
605001	to	610000	1	608,000	-
610001	to	615000	1	614,000	-
625001	to	630000	1	628,500	-
630001	to	635000	1	630,067	-
645001	to	650000	2	1,298,000	-
670001	to	675000	1	671,500	-
690001	to	695000	2	1,386,500	-
710001	to	715000	1	715,000	-
745001	to	750000	1	750,000	-
755001	to	760000	1	760,000	-
770001	to	775000	1	775,000	-
805001	to	810000	1	807,500	-
880001	to	885000	1	884,000	-
905001	to	910000	1	910,000	-
925001	to	930000	1	929,000	-
930001	to	935000	1	932,500	-
945001	to	950000	1	946,053	-
960001	to	965000	1	963,000	-
990001	to	995000	1	992,500	-
995001	to	1000000	4	4,000,000	-
1025001	to	1030000	1	1,028,500	-
1095001	to	1100000	1	1,100,000	-
1100001	to	1105000	1	1,100,500	-
1135001	to	1140000	1	1,137,500	-
1220001	to	1225000	1	1,225,000	-
1240001	to	1245000	1	1,244,278	-
1375001	to	1380000	1	1,379,500	-
1490001	to	1495000	1	1,491,100	-
1760001	to	1765000	1	1,763,500	-
1980001	to	1985000	1	1,981,500	-
2195001	to	2200000	1	2,200,000	-
2245001	to	2250000	1	2,248,500	-
2740001	to	2745000	1	2,742,000	-
2895001	to	2900000	1	2,900,000	-
2995001	to	3000000	1	3,000,000	-
3280001	to	3285000	1	3,282,500	-
3870001	to	3875000	1	3,874,500	-
4995001	to	5000000	1	5,000,000	-
5810001	to	5815000	1	5,810,500	-
5895001	to	5900000	1	5,900,000	-
8240001	to	8245000	1	8,241,075	-
231855001	to	231860000	1	231,855,493	-
4791750001	to	4792485000	1	4,791,752,087	1,462,515
		Total	**56,837**	**5,233,761,118**	**1,499,999**

CATEGORIES OF **SHAREHOLDERS**

As at December 31, 2019

Categories of Shareholders	Number of Shareholders	Number of Shares Held		Percentage
		Ordinary "A" Class	Ordinary "B" Class	
Government of Pakistan Federal Government which holds more than five percent voting rights shares held in the name of Secretary, Ministry of Defence and Secretary Aviation Division	1	4,791,752,087	1,462,515	91.56
PIA - Employees Empowerment Trust	1	231,855,493	-	4.43
Associated Companies, undertakings and related parties	-	-	-	-
Mutual Funds CDC - Trustee National Investment (unit) Trust	1	202,650	-	0.00
Directors and their spouse(s) and minor children	-	-	-	-
Executives	7	1.590	-	0.00
Public Sector Companies and Corporations	17	5,047,970	100	0.10
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	25	4,182,186	3	0.08
Individuals	56,551	172,870,725	34,454	3.30
Others	234	27,848,417	2,927	0.53
Totals	**56,837**	**5,233,761,118**	**1,499,999**	**100.00**

The above two statements include 9,200 Shareholders holding 188,784,047 Ordinary 'A' Class Shares and 2,624 Ordinary 'B' Class Shares through the Central Depository Company of Pakistan Limited.

SHARE CAPITAL

December 31, 2019

December 2019	December 2018		December 2019	December 2018
------- Number of Shares --------			---- (Rupees in '000) -----	
		Authorised capital		
		Ordinary share capital		
5,349,250,000	5,349,250,000	'A' class shares of Rs.10/- each	53,492,500	53,492,500
1,500,000	1,500,000	'B' class shares of Rs.5/- each	7,500	7,500
5,350,750,000	5,350,750,000		53,500,000	53,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of RS.10/- each	500,000	500,000
5,400,750,000	5,400,750,000		54,000,000	54,000,000
		Issued, subscribed and paid up share capital		
		Ordinary share capital		
		'A' class shares of Rs.10/- each		
4,998,895,608	4,998,895,608	Issued for consideration in cash	49,988,956	49,988,956
931,028	931,028	Issued for consideration other than cash for acquisition of shares	9,310	9,310
233,934,482	233,934,482	Issued as bonus shares	2,339,344	2,339,344
5,233,761,118	5,233,761,118		52,337,610	52,337,610
		'B' class shares of Rs.5/- each		
1,003,374	1,003,374	Issued for consideration in cash	5,017	5,017
2,625	2,625	Issued for consideration other than cash for acquisition of shares	13	13
494,000	494,000	Issued as bonus shares	2,470	2,470
1,499,999	1,499,999		7,500	7,500
			52,345,110	52,345,110

SIX-YEAR SUMMARY

	2019 (Audited)	2018 (Audited)	2017 (Audited) *(Restated)*	2016 (Audited) *(Restated)*	2015 (Audited)	2014 (Audited) *(Restated)*
OPERATION						
Route Kilometers	389,725	332,303	360,937	382,057	367,251	389,445
Revenue Kilometers Flown (000)	70,515	70,089	75,207	79,842	67,630	61,389
Revenue Hours Flown	110,640	110,050	122,081	131,838	111,455	101,556
Available Tonne Kilometers A.T.K (000)	2,609,730	2,521,208	2,658,974	2,797,976	2,435,908	2,395,855
Available Seat Kilometers A.S.K (000)	18,371,578	18,080,600	19,108,047	19,201,564	16,666,536	16,536,888
TRAFFIC						
Revenue Passengers Carried (000)	5,290	5,203	5,342	5,486	4,394	4,202
Revenue Passengers Kilometers (000)	14,938,238	13,975,424	13,988,804	13,750,669	11,711,353	11,903,317
Passenger Load Factor (%)	81.31	77.31	73.21	71.62	70.30	72.00
Revenue Freight Tonne Kilometers (000)	191,546	208,928	206,695	132,894	125,590	156,285
Kgs. of Excess Baggage & Cargo (000)	4,687	36,941	38,975	37,674	41,013	51,257
Kgs. of Mail (000)	189	205	241	225	283	378
Revenue Tonne Kilometers (000)	1,539,026	1,471,523	1,468,861	1,375,423	1,191,362	1,241,933
Revenue Load Factor (%)	59	58	55	49	49	52
Avg. Kilometer Per Passenger	2,824	2,686	2,619	2,506	2,666	2,833
FINANCIAL						
Operating Revenue (Rs. in million)	147,500.129	103,490.460	90,556.089	88,997.379	91,268.545	99,519.057
Operating Expenses (Rs. in million)	166,916.892	150,523.708	126,366.578	120,633.000	107,704.441	114,457.874
Loss before interest and taxation (Rs. in million)	(19,416.763)	(47,033.248)	(35,810.489)	(31,636.144)	(16,435.896)	(14,938.817)
Loss after tax (Rs. in million)	(55,451.831)	(67,327.605)	(51,006.922)	(44,900.315)	(32,529.560)	(31,744.564)
Fixed Assets (Rs. in million)	92,570.158	78,302.168	67,157.187	68,838.645	76,647.952	84,102.148
Current Assets (Rs. in million)	52,917.036	34,945.653	32,145.992	29,449.080	25,079.416	24,733.527
Current Liabilities (Rs. in million)	325,290.199	288,569.906	244,307.972	213,702.122	205,571.050	216,451.936
Long-Term Debts (Rs. in million)	207,050.576	150,970.165	121,096.089	105,931.398	89,692.109	55,743.617
Net Worth (Rs. in million)	(423,258.057)	(356,753.631)	(291,470.196)	(243,927.154)	(208,363.083)	(174,651.719)
RATIOS						
Loss per share (Rs.)	(10.59)	(12.86)	(9.74)	(8.58)	(6.39)	(6.90)
Current ratio	0.16	0.12	0.13	0.14	0.12	0.11
SHARE PRICES (Rs. 10 Share)						
High	7.80	8.08	10.21	13.55	12.10	10.55
Low	3.01	3.81	3.80	6.50	6.69	5.13
Closing	6.67	5.09	4.02	9.16	8.46	7.45
PERSONNEL						
Average No. of Empolyees	11,740	12,196	13,268	13,947	16,271	17,383
Revenue Per Employee(Rs. In million)	12.56	8.49	6.83	6.38	5.61	5.73

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 - 75530

INDEPENDENT AUDITORS' REPORT

To the Members of Pakistan International Airlines Corporation Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Pakistan International Airlines Corporation Limited** (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017) - the Act, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the following:

i) Note 1.3 to the unconsolidated financial statements which inter-alia states that in view of the financial position of Company and business disruption due to COVID-19, the Government of Pakistan has confirmed to extend necessary financial support to the Company for the foreseeable future to maintain its going concern status. Hence, the sustainability of the future operations of the Company is dependent on the said support.

ii) Notes 26 and 27 to the unconsolidated financial statements which state that an aggregate amount of Rs. 16,604.916 million was payable to the Pakistan International Airlines Corporation Provident Fund (the Provident Fund) representing Rs. 9,549.097 million on account of the Company and employees' contributions and Rs. 7,055.819 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 Act.

iii) Notes 30.1 and 38.1 to the unconsolidated financial statements which states that the Company is exposed to various tax and other contingencies aggregating to Rs. 73,056.592 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 financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**First time application of IFRS 9 'Financial Instruments'** (Refer note 3.1.1 to the unconsolidated financial statements) IFRS 9 'Financial Instruments' has become effective for the current year which sets out new requirements for classification, measurement and impairment of financial instruments. The application of the new standard requires management to make significant estimates and judgments such as in relation determination of impairment for certain financial assets using expected credit loss model. The Company has applied IFRS 9 using the modified retrospective approach and has recognized expected credit loss amounting to Rs. 1,143.691 million in opening retained earnings as at January 01, 2019 against the trade receivables and other financial assets other than those due from Government of Pakistan. We considered this as a key audit matter due to the significance of the accounting change and the involvement of significant management judgments in respect of the application of the new standard.	Our audit procedures included the following: - We evaluated the appropriateness of the new accounting policies for classification, measurement and impairment of financial assets adopted by the Company in accordance with the requirements of IFRS 9. - We compared the impairment model for trade receivables developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison with accepted best practice. - Reviewed the impairment model for trade receivables used by the management to calculate ECL on trade receivables of the Company for appropriateness of the assumptions used and the methodology applied. We also tested the arithmetical accuracy of the model. - We evaluated the adequacy of disclosures made regarding the application of IFRS 9 and its impact on the financial statement of the Company for the year.
2	**First time application of IFRS 16 'Leases'** (Refer note 3.1.3 to the unconsolidated financial statements) IFRS 16 'Leases' has become effective for the current financial year which introduces a new lease accounting model, where lessees are required to record a right-of-use (ROU) asset and lease liability arising from a lease on its statement of financial position. The Company has applied IFRS 16 from January 1, 2019 using the modified retrospective approach, therefore, the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019 with no restatement to comparative information. As a result, the Company has recognized an increase of Rs. 22,330.182 million in property, plant and equipment as right of use asset, an increase of Rs. 33,924.724 million in liabilities and a decrease of Rs. 11,594.542 million in retained earnings. We considered this as a key audit matter since the application of the new accounting standards has a material impact on the financial statements from recognition, measurement and disclosure perspective.	Our audit procedures included the following: - Through our discussions with the management, we understood the process in identifying lease contracts. - We read the lease contracts to assess whether leases have been appropriately identified. - We obtained the Company's quantification of ROU assets and lease liabilities. We agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discounted rate applied, and performed computation checks. - We compared the lease assessment and quantification model developed by management to that required by IFRS 16 and reviewed the reasonableness of the assessment and quantification and methodology applied. - We assessed Company's accounting for ROU asset components and lease liabilities. - We evaluated the adequacy and considered the appropriateness of disclosures made regarding the application of IFRS 16 and its impact on the financial statement of the Company.

S. No.	Key audit matters	How the matter was addressed in our audit
3	**Revenue recognition** (Refer note 5.12 to the unconsolidated financial statements) When a flight booking is made, revenue is measured based on the sales price to the customer and revenue is recognized when service is provided to the customer. Revenue is initially deferred on the unconsolidated statement of financial position and subsequently recognized in the unconsolidated statement of profit or loss when the service is provided. The determination of the amount of revenue to be recognized for each flight requires complex IT systems and involves various internal and external sources. Further, revenue is assessed as an area involving presumed risk of material misstatement, hence, significant risk for the audit. We considered this a key audit matter as a result of the complexity of the related IT systems and the level of judgment required by management in determining the timing of recognition of unused revenue documents.	Our audit procedures included the following: - We performed detailed end-to-end walkthroughs of the finance and operational processes surrounding the revenue systems. - We tested the operating effectiveness of the key controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. - We tested the key IT systems, including interfaces that impact the recognition of revenue along with the IT general controls. - We performed tests of details over revenue and substantively tested manual journal entries posted into relevant revenue accounts in the sub-ledgers and general ledger. - We obtained data in respect of unused revenue documents and tested the accuracy of historical expiry data and compared this data to that used by the Company in their calculation of the amount of revenue to recognize from unused revenue documents. - We assessed whether the related disclosures to the unconsolidated financial statements are consistent with the requirements of IFRS.
4	**Revaluation of property, plant and equipment** (Refer note 20 to the unconsolidated financial statements) During the year, the Company revalued its aircraft fleet resulting in recognition of net deficit on revaluation amounting to Rs. 6,234.726 million, out of which Rs. 1,898.535 million was charged to the statement of profit or loss. Such revaluation was carried out by an independent valuer who took into account various factors such as estimated selling price, utilization by the Company and conditions of aircraft etc. Estimated useful lives, residual values and the carrying value of aircraft are reviewed annually taking into consideration factors such as changes in fleet composition, current and forecast market values and technical factors which may affect the useful life expectancy of the assets and, therefore, could have a material impact on valuation of the aircraft fleet. Due to significant managements' judgments and estimations relating to revaluation of aircraft fleet, useful lives and residual values, we considered this area as a key audit matter.	Our audit procedures included the following: - We assessed the competence of the managements' independent valuer and reviewed the revaluation report to understand the basis and methodology used for such valuation. - We assessed the estimated useful lives and residual values of aircraft with reference to the Company's historical experience and future operating plans including future acquisitions and retirement of aircraft, policies adopted by other comparable airlines and our knowledge of the airline industry; - We challenged any changes to the estimated useful lives and residual values of aircraft by considering external information such as third party quotations, recent sales data for similar aircraft or actual sales agreements the Company entered into which might lead to an adjustment to the remaining useful lives or residual values; - We discussed indicators of possible impairment of aircraft and related equipment with management of the Company and, where such indicators were identified, assessing whether management had performed impairment testing in accordance with the requirements of the prevailing accounting standards;

S. No.	Key audit matters	How the matter was addressed in our audit
		- We challenged the assumptions and critical judgements used by management in their impairment assessments by comparing management's past estimates and plans to the current year's estimates and plans taking into account recent developments in the airline industry and market conditions. - We also assessed the adequacy of the related disclosures in the unconsolidated financial statements in accordance with applicable financial reporting standards relating to change in accounting policy.
5	**Post-retirement benefits** (Refer note 25.2 and 25.3 to the unconsolidated financial statements) The Company operates a number of defined benefit plans. The Company's obligation in respect of these plans as at December 31, 2019 amounted to Rs. 37,325.532 million. The valuation of these plans requires significant level of judgment and technical expertise to select appropriate valuation assumptions. Changes in the key assumptions (discount rate, salary increase and retirement age etc.) can have a material impact on the calculation of these obligations. We identified this area as a key audit matter because of significant management judgment relating to valuation assumptions that are inherently complex and require specialist actuarial input.	Our audit procedures included the following: - We assessed the competence and objectivity of the actuaries engaged by the Company to value the defined benefit obligations and reviewed the actuarial valuation reports to understand the basis and methodology used for such valuation. - We tested data provided by the Company to actuaries for the purpose of valuation. - We engaged our actuarial specialists to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plans. - We reviewed the adequacy of the related disclosures in the unconsolidated financial statements in accordance with applicable financial reporting standards.
6	**Long term financing** (Refer note 21 to the unconsolidated financial statements) The Company has obtained various financing facilities, the aggregate amount of which (including current portion), amounted to Rs. 253,950.790 million respectively as of December 31, 2019. The Company's key operating / performance indicators including liquidity, gearing and finance costs are directly influenced by the borrowings. Further, financing arrangements entail financial and non-financial covenants that the Company is subject to compliance. The significance of financing along with the sensitivity of the compliance with underlying loan covenants, are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.	Our audit procedures amongst other included the following: - We obtained and reviewed the financing agreements and facility letters executed during the year. We inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance. - We ensured compliance with the repayment terms of the financing agreements and facility letters relating to repayment of principal and markup. - We tested the calculation of finance costs recognized in the statement of profit or loss and checked amortization of transaction cost and accuracy of amortized cost of financing. - We circularized confirmations to the financing institutions with outstanding loan balances at the year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities. - We assessed the adequacy of the related disclosures in the unconsolidated financial statements in accordance with the applicable financial reporting standards.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated financial statements and our auditors' report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

* Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partners on the audit resulting in this independent auditors' report are **Raheel Shahnawaz** (BDO Ebrahim & Co.) and **Khurram Jameel** (Grant Thornton Anjum Rahman).

BDO Ebrahim & Co.
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Date:
Place: Karachi

UNCONSOLIDATED **STATEMENT OF FINANCIAL POSITION**
AS AT DECEMBER 31, 2019

	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		-------- (Rupees in '000) --------		----------- (US$ in '000) -----------	
ASSETS					
NON CURRENT ASSETS					
Property, plant and equipment	6	**92,179,799**	78,026,605	**594,958**	561,649
Intangibles	7	**390,359**	275,563	**2,520**	1,984
		92,570,158	78,302,168	**597,478**	563,633
Long-term investments	8	**4,589,394**	4,599,767	**29,621**	33,110
Long-term advances	9	**-**	-	**-**	-
Long-term deposits and prepayments	10	**4,632,644**	8,562,836	**29,901**	61,637
Total non-current assets		**101,792,196**	91,464,771	**657,000**	658,380
CURRENT ASSETS					
Stores and spares	11	**3,530,263**	3,981,893	**22,785**	28,662
Trade debts	12	**18,607,089**	16,377,366	**120,096**	117,887
Advances	13	**3,796,197**	2,591,560	**24,502**	18,655
Trade deposits and short-term prepayments	14	**5,286,408**	2,170,964	**34,120**	15,627
Other receivables	15	**8,623,137**	8,070,202	**55,656**	58,091
Short-term investments	16	**6,216,620**	19,220	**40,124**	138
Cash and bank balances	17	**6,857,322**	1,734,448	**44,259**	12,485
Total current assets		**52,917,036**	34,945,653	**341,542**	251,545
TOTAL ASSETS		**154,709,232**	126,410,424	**998,542**	909,925

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik **Chief Executive Officer**	**Khalilullah Shaikh** **Chief Financial Officer**	**Atif Aslam Bajwa** **Director**

UNCONSOLIDATED **STATEMENT OF FINANCIAL POSITION**
AS AT DECEMBER 31, 2019

	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		-------- (Rupees in '000) --------		----------- (US$ in '000) -----------	
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital	18	52,345,110	52,345,110	337,852	376,789
Reserves	19	4,452,432	4,462,806	28,737	32,124
Surplus on revaluation of property, plant and equipment-net	20	20,009,516	24,134,932	129,148	173,727
Accumulated losses		(500,065,115)	(437,696,479)	(3,227,579)	(3,150,616)
Total shareholder's equity		(423,258,057)	(356,753,631)	(2,731,842)	(2,567,976)
NON CURRENT LIABILITIES					
Long-term financing	21	191,517,237	148,742,994	1,236,113	1,070,678
Term finance and sukuk certificates	22	-	2,054,401	-	14,788
Lease liabilities	23	15,533,339	172,771	100,257	1,244
Advance from a subsidiary	24	6,393,348	5,575,748	41,265	40,135
Deferred liabilities	25	39,233,166	38,048,236	253,223	273,878
Total non-current liabilities		252,677,090	194,594,150	1,630,858	1,400,723
CURRENT LIABILITIES					
Trade and other payables	26	189,855,794	164,570,556	1,225,390	1,184,609
Unclaimed dividend - Preference shares		3,297	3,297	21	24
Accrued interest	27	22,255,402	16,531,580	143,643	118,997
Taxation - net		717,719	1,380,723	4,632	9,939
Short-term borrowings - secured	28	31,580,219	34,447,358	203,829	247,958
Current maturity of non-current liabilities	29	80,877,768	71,636,391	522,011	515,651
Total current liabilities		325,290,199	288,569,905	2,099,526	2,077,178
TOTAL LIABILITIES		577,967,289	483,164,055	3,730,384	3,477,900
TOTAL EQUITY AND LIABILITIES		154,709,232	126,410,424	998,542	909,925
CONTINGENCIES AND COMMITMENTS	30				

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik **Chief Executive Officer**	**Khalilullah Shaikh** **Chief Financial Officer**	**Atif Aslam Bajwa** **Director**

UNCONSOLIDATED **STATEMENT OF PROFIT OR LOSS**
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		------ (Rupees in '000) ------		--------- (US$ in '000) ---------	
Revenue - net	31	147,500,129	103,490,460	952,013	744,942
Cost of services					
Aircraft fuel		(50,059,329)	(43,552,360)	(323,099)	(313,498)
Others	32	(89,618,613)	(79,670,558)	(578,427)	(573,483)
		(139,677,942)	(123,222,918)	(901,526)	(886,981)
Gross profit / loss		7,822,187	(19,732,458)	50,487	(142,039)
Distribution costs	33	(6,220,924)	(5,410,726)	(40,152)	(38,947)
Administrative expenses	34	(6,945,667)	(6,730,797)	(44,830)	(48,449)
Other provisions and adjustments - net	35	(4,481,113)	(1,930,105)	(28,923)	(13,893)
Other income	36	2,102,303	1,723,487	13,569	12,406
		(15,545,401)	(12,348,141)	(100,336)	(88,884)
Loss from operations		(7,723,214)	(32,080,600)	(49,849)	(230,923)
Exchange loss - net		(11,693,549)	(14,952,649)	(75,474)	(107,632)
Loss before interest and taxation		(19,416,763)	(47,033,248)	(125,323)	(338,554)
Finance costs	37	(35,537,349)	(20,384,567)	(229,369)	(146,732)
Loss before taxation		(54,954,112)	(67,417,815)	(354,692)	(485,286)
Taxation	38	(497,719)	90,210	(3,212)	649
Loss for the year		(55,451,831)	(67,327,605)	(357,904)	(484,637)
Loss per share - basic and diluted					
		----------- (Rupees) -----------		------------- (US$) -------------	
Loss attributable to:					
'A' class ordinary shares of Rs. 10 each	39	(10.59)	(12.86)	(0.07)	(0.09)
'B' class ordinary shares of Rs. 5 each	39	(5.30)	(6.43)	(0.03)	(0.05)

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik **Chief Executive Officer**	**Khalilullah Shaikh** **Chief Financial Officer**	**Atif Aslam Bajwa** **Director**

UNCONSOLIDATED **STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED DECEMBER 31, 2019

	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	------ (Rupees in '000) ------		--------- (US$ in '000) ---------	
Loss for the year	**(55,451,831)**	(67,327,605)	**(357,904)**	(484,637)
Other comprehensive income:				
Items that will not be reclassified subsequently to unconsolidated statement of profit or loss				
Unrealised (loss) / gain on re-measurement at FVOCI	**(10,375)**	12,104	**(67)**	87
(Deficit) / surplus on revaluation of property, plant and equipment	**(4,336,191)**	5,087,949	**(27,987)**	36,624
Effect of deferred tax	**1,257,495**	(1,475,505)	**8,116**	(10,621)
	(3,078,696)	3,612,444	**(19,871)**	26,003
Remeasurement of post retirement defined benefits obligations	**5,548,744**	(1,896,834)	**35,813**	(13,654)
Effect of deferred tax	**(774,036)**	316,457	**(4,996)**	2,278
	4,774,708	(1,580,377)	**30,817**	(11,376)
Total comprehensive loss for the year	**(53,766,194)**	(65,283,434)	**(347,025)**	(469,923)

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik	Khalilullah Shaikh	Atif Aslam Bajwa
Chief Executive Officer	Chief Financial Officer	Director

UNCONSOLIDATED **STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		(Rupees in '000)		(US$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from / (used in) operations	40	31,628,068	(3,721,944)	204,138	(26,791)
Profit on bank deposits received		81,953	34,429	529	248
Finance costs paid		(29,813,527)	(18,439,780)	(192,426)	(132,733)
Taxes paid		(677,272)	(447,123)	(4,369)	(3,218)
Staff retirement benefits paid		(1,014,002)	(909,253)	(6,545)	(6,545)
Long-term deposits and prepayments - net		3,929,847	(551,784)	25,364	(3,972)
Net cash used in operating activities		4,135,067	(24,035,455)	26,691	(173,011)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(10,793,309)	(12,301,167)	(69,663)	(88,546)
Purchase of intangible assets		(94,842)	(33,105)	(612)	(238)
Proceeds from sale of property, plant and equipment		-	1,809,414	-	13,024
Net cash used in investing activities		(10,888,151)	(10,524,858)	(70,275)	(75,760)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term financing	40.2	(63,037,547)	(27,477,312)	(406,864)	(197,787)
Proceeds from long-term financing	40.2	110,847,997	70,968,750	715,448	510,845
Repayment of term finance certificates	40.2	(13,872,480)	(6,272,255)	(89,537)	(45,149)
Repayment of lease liabilities	40.2	(12,685,111)	(4,935,003)	(81,874)	(35,523)
Repayment of short-term borrowings		(1,979,451)	-	(12,776)	-
Net cash generated from financing activities		19,273,408	32,284,180	124,397	232,386
Increase / (decrease) in cash and cash equivalents		12,520,324	(2,276,133)	80,813	(16,385)
Cash and cash equivalents at beginning of the year		(1,185,821)	1,090,312	(7,654)	7,848
Cash and cash equivalents at end of the year		11,334,503	(1,185,821)	73,159	(8,537)
Cash and cash equivalents					
Short-term investments	16	6,197,400	-	40,001	-
Cash and bank balances	17	6,857,322	1,734,448	44,259	12,484
Running finance under mark-up arrangements	28	(1,720,219)	(2,920,269)	(11,101)	(21,021)
		11,334,503	(1,185,821)	73,159	(8,537)

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik
Chief Executive Officer

Khalilullah Shaikh
Chief Financial Officer

Atif Aslam Bajwa
Director

UNCONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED DECEMBER 31, 2019

	Issued, subscribed, and paid-up share capital	Capital Reserves				Revenue reserves	Accumulated loss	Total
		Capital reserves	Unrealised gain on remeasurement of investments at FVOCI	Surplus on revaluation of property, plant & equipment - net	Subtotal			
	(Rupees in '000)							
Balance as at January 01, 2018	52,345,110	2,501,038	169,991	22,008,745	24,679,775	1,779,674	(370,274,754)	(291,470,196)
Total comprehensive income / (loss) for the year								
ended December 31, 2018	-	-	-	-	-	-	(67,327,605)	(67,327,605)
Loss for the year	-	-	12,104	3,612,444	3,624,548	-	(1,580,377)	2,044,171
Other comprehensive income / (loss) for the year								
Total comprehensive income / (loss) for the year	-	-	12,104	3,612,444	3,624,548	-	(68,907,982)	(65,283,434)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	(818,350)	(818,350)	-	818,350	-
Surplus on revaluation of property, plant and equipment realised during the year on account of airfleet retired / written off / disposed off - net of tax	-	-	-	(667,907)	(667,907)	-	667,907	-
Balance as at December 31, 2018	52,345,110	2,501,038	182,095	24,134,932	26,818,066	1,779,674	(437,696,479)	(356,753,630)
Effect of change in accounting policy due to adpotion of IFRS-9 (note 3.1.1)	-	-	-	-	-	-	(1,143,691)	(1,143,691)
Effect of change in accounting policy due to adoption of IFRS -16 (note 3.1.3)	-	-	-	-	-	-	(11,594,542)	(11,594,542)
Balance as at December 31, 2018 as restated	52,345,110	2,501,038	182,095	24,134,932	26,818,066	1,779,674	(450,434,712)	(369,491,863)
Total comprehensive income / (loss) for the year ended December 31, 2019								
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(55,451,831)**	**(55,451,831)**
Other comprehensive income / (loss) for the year	**-**	**-**	**(10,375)**	**(3,078,696)**	**(3,089,071)**	**-**	**4,774,708**	**1,685,637**
Total comprehensive income / (loss) for the year	**-**	**-**	**(10,375)**	**(3,078,696)**	**(3,089,071)**	**-**	**(50,677,123)**	**(53,766,194)**
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	**-**	**-**	**-**	**(1,046,720)**	**(1,046,720)**	**-**	**1,046,720**	**-**
Surplus on revaluation of property, plant and equipment realised during the year on account of airfleet retired / written off / disposed off - net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at December 31, 2019	**52,345,110**	**2,501,038**	**171,720**	**20,009,516**	**22,682,275**	**1,779,674**	**(500,065,115)**	**(423,258,057)**

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Air Marshal Arshad Malik **Chief Executive Officer**	**Khalilullah Shaikh** **Chief Financial Officer**	**Atif Aslam Bajwa** **Director**

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 (the Act). 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 (previously repealed Companies Ordinance, 1984). According to the Conversion Act, all assets, rights, license, privileges and benefits of which the Corporation was entitled were transferred to the Company and the Company has assumed all liabilities and obligations of the Corporation. However, the management believes that in substance there is no change except for the legal status and application of provisions of the Companies Act, 2017 (previously repealed Companies Ordinance, 1984).

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

1.2 The Business Units of the Company include the following:

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

Regional sales offices and counters are located across the country and overseas the details of which is impracticable to disclose in these unconsolidated financial statements as required under Fourth Schedule to the Companies Act, 2017.

1.3 During the year 2019, the Company made significant progress in terms of optimising its operational footprints and tapping into new potential business opportunities, including new flight operations and reprioritising international routes in order to meet the dynamics of traffic patterns to different parts of the globe, resulting in a promising growth of 43% in Company's Net Revenue which increased by Rs. 44,009.669 million. As a result of management's firm committment to turn the Company into a profitable entity, and successful implementing the business plan and robust strategies, the Company for the first time in 8 years, has been able to achieve the gross profit of Rs. 7,822.187 million during the year 2019 as compared to a gross loss of Rs. 19,732,458 million in 2018 (an increase of 140%). Moreover, the Company has successfully managed to reduce its operational losses by 75.93% compared to 2018.

In addition, the management is actively working towards further optimizing its operations and implementing various cost cutting measures which are expected to generate positive cashflows in the long term.

However, during the year, the Company incurred a net loss of Rs. 55,451.831 million (2018: Rs. 67,327.605 million) resulting in accumulated losses of Rs. 500,065.115 million as of December 31, 2019 (2018: Rs. 437,696.479 million). Further, as of December 31, 2019, current liabilities of the Company exceeded its current assets by Rs. 272,373.163 million (2018: Rs. 253,624.254 million).

Furthermore, as detailed in note 45, the outbreak of COVID-19 since January 2020 has resulted in a challenging operational environment for Airlines around the globe.. As a result thereof, major airlines, including the Company have suspended their flight operations, resulting in significant disruption in the Company's business which may have adverse financial impact.

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 materialy dependent on the support of the Government of Pakistan, no material uncertainty exist and going concern assumption is appropriate. Accordingly, the unconsolidated financial statements are prepared on a going concern basis.

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

- long-term financing to meet working capital requirements of the Company;

- issuance / renewal of guarantees to financial institutions, both local and foreign, enabling the Company to raise / rollover funds;

- approval for extending repayment period of the term finance certificates;

- provided funds for acquisition of narrow body aircraft on dry lease;

- reimbursement of financial charges on term finance and sukuk certificates.

b) In a meeting with the Honorable Prime Minister (PM) of Pakistan on December 30, 2017, it was agreed that mark-up support would be provided for the five years starting from July 2018 and short-term loans would be converted to long-term with a possibility of grace period. Therefore, during the fiscal years 2018-19 and 2019-20, an amount of Rs. 16,019 million and Rs. 18,197 million (till March 2020) respectively has been provided by the GoP in respect of markup support.

c) Further, in a meeting with the Honorable 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.

d) Further, through a letter dated March 04, 2020, GoP has re-iterated its maximum support to maintain the Company's going concern in the forseeable future, and extended its further support through letter dated April 24, 2020 for the situation arising due to COVID-19.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

- certain items of property, plant and equipment are stated at revalued amount;

- certain financial assets are carried at fair value;

- liability on account of frequent flyer programme is recognised at fair value;

- defined benefit obligations are stated at present value; and

- provision for redelivery cost of aircrafts and engines are stated at present value;

2.3 Functional and presentation currency

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

The US Dollar amounts reported in the unconsolidated statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income and unconsolidated statement of cash flows are stated as additional information, solely for the convenience of the users of these unconsolidated financial statements. The US Dollar amounts in the unconsolidated statement of financial position, unconsolidated statement of profit or loss, unconsolidated statement of comprehensive income and unconsolidated statement of cash flows have been translated into US Dollar at the rate of Rs. 154.9350 = US$ 1 (2018: Rs. 138.9241 = US$ 1).

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards / amendments that are effective in current year and relevant to the Company

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, effective from January 01, 2019. 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 financial assets of the Company which are exposed to credit risk.

The Company has adopted IFRS 9 with effect from January 01, 2019 which resulted in changes in accounting policies, reclassifications and adjustments to the amounts recognised in these unconsolidated financial statements. However, in accordance with the transitional provisions specified in IFRS 9, the Company has adopted modified retrospective approach and has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, the impact of adoption of IFRS 9 on the financial assets are recognised in the statement of financial position and retained earnings on January 01, 2019.

Classification and remeasurement

IFRS 9 retained but simplified the measurement model and established three primary measurement categories for financial assets; namely Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVPL with the irrevocable option at inception to present changes in fair value in OCI, without recycling fair value changes to profit or loss.

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

Impairment

IFRS 9 also includes an Expected Credit losses (ECL) model that replaced the incurred loss impairment model as given in IAS 39. The ECL model involves a three-stage approach whereby financial assets move through the three stages as the credit quality changes. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade debts, deposits, other receivables, etc.).

However, the SECP through its notification dated September 2, 2019 has given exemption from the requirements contained in IFRS 9 with respect to application of ECL till June 30, 2021, in respect of companies holding financial assets due from the Government of Pakistan (GoP), provided that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. In this respect, the Company has concluded that the entities with majority stake of the GoP; and the departments of the Provincial, Federal and Local Governments fall under the definition of the GoP and hence, the requirements contained in IFRS 9 with respect to application of ECL method shall not be applicable till June 30, 2021 on receivables in respect of the Company's trade debts due from ministries, public sector entities (e.g. receivable from Civil Aviation Authority, Ministries, other government entities / agencies, etc.).

Classfications and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 01, 2019.

Financial Assets - December 31, 2018	Measurement Category in accordance with		Carrying Amount		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Difference
			(Rupees in '000)		
Long-term investments	Available for Sale	Fair Value through OCI	183,657	183,657	-
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	8,067,578	2,624
Short-term investments	Held for trading	Fair Value through Profit or Loss	19,220	19,220	-
Cash and bank balances	Loans and receivables	Amortized Cost	1,734,448	1,734,448	-

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit 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 December 31, 2019 was determined amounting to Rs. 3,991.445 milion and Rs. 4,009.757 million.

The impact of transition to IFRS 9 on retained earnings 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 for impairment against doubtful trade debts	(1,100,047)
- Increase in provision for impairment against doubtful trade deposits	(1,538)
- Increase in provision for impairment against doubtful long-term deposits	(39,482)
- Increase in provision for impairment against doubtful other receivables	(2,624)
- Increase in deferred tax assets	331,669
- Adjustment of deferred tax against unutilized losses	(331,669)
	(1,143,691)
Opening Balance as at January 01, 2019	(438,840,170)

Loss per share for the year ended December 31, 2018 and December 31, 2019 have increased by Rs. 0.22 and Rs. 0.0035 due to adoption of IFRS 9.

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 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 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 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% to 9.88% for foreign currency based liabilities and between 13.09% to 15.17% for PKR based liabilities. The weighted average rates applied for foreign currency and local currency based liabilities are 6.05% and 14.52% respectively.

The impact of transition to IFRS 16 on unconsolidated financial statements as on January 01, 2019 is as follows:

	January 01, 2019 Rupees in '000
Total lease liability recognised	34,711,845

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:

Building	1,576,805
Aircraft fleet including engines	33,486,417
Technical ground equipments	397,358
Total right-of-use assets	35,460,580

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	22,330,182
Increase in total assets	22,330,182

	January 01, 2019 Rupees in '000
- Increase in lease liability against right-of-use asset	32,350,327
- Increase in restoration liability against right-of-use asset	1,574,397
- Increase in deferred tax asset	(3,362,417)
- Adjustment of deferred tax against unutilized losses	3,362,417
Increase in total liabilities	33,924,724
Decrease in net assets	(11,594,542)

	January 01, 2019 Rupees in '000
The reconciliation between operating lease commitments as at December 31, 2018 as disclosed under IAS 17 and opening lease liability recognised under IFRS 16 is as follows:	
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the unconsolidated financial statements.	32,542,521
Discounting impact using the weighted average incremental borrowing rate at January 01, 2019	(152,001)
Finance lease liabilities recognised as at December 31, 2018	2,361,518
Recognition exemption for leases with leases with less than 12 months of lease term at transition	(40,193)
Lease liabilities recognised at January 01, 2019	34,711,845

	December 31, 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	1,902,255
- Increase in exchange loss	3,355,781
- Increase in administrative expenses - depreciation on right-of-use assets	7,783,068
- Impact of lease termination	(468,424)
- Decrease in administrative expenses - rent	(12,708,150)
- Decrease in loss before taxation	(135,470)
- Tax charge @ 29%	-
- Decrease in loss after taxation	(135,470)

Loss per share for the year ended December 31, 2018 and December 31, 2019 have increased by Rs. 2.21 and Rs. 0.03 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:

- 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 Standards / amendments that are effective in current year and not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard which are not relevant to the Company:

		Effective date (annual periods beginning on or after)
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IAS 39	Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

3.3 Standards / amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 14	Regulatory Deferral Accounts	July 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

4.1 Property, plant and equipment

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

4.2 Stores and spares

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

4.3 Trade debts

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold less provision for impairment. Provision for impairment against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

4.4 Employee benefits

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

4.5 Taxation

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

4.6 Liability on account of frequent flyer programme

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

4.7 Provision for cost of redelivery

The Company has several operating leases for the aricrafts and engines that include certain maintenance cost to be incurred at the time of redelivery of asset at the end of the lease term. The amount of maintenance cost is discounted at the incremental borrowing rate and accounted for as a deferred liability in these unconsolidated financial statements. Significant assumptions and estimates are used to determine the amont of the maintenance cost that will be incurred by the Company at the time of redelivery of the asset under these arrangements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below are consistently applied for all periods presented in these unconsolidated financial statements, unless otherwise stated.

5.1 Property, plant and equipment

Lands classified as 'others' in note 7.1 are stated at cost, whereas buildings classified as 'others' in the aforesaid note are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

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

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

Major renewals, improvements and overhauls are capitalised and depreciated over the period to the next major overhaul. All other repairs and maintenance including cost incurred under contracts are charged to the unconsolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is charged to the unconsolidated statement of profit or loss, applying the straight-line method whereby the cost or revalued amount of assets, less their residual values, is written down over their expected useful lives. The rates of depreciation are disclosed in note 7.1 to these unconsolidated financial statements.

In respect of additions and disposals of assets, depreciation is charged from the month in which the asset is available for use until it is derecognised, i.e. up to the month preceding the disposal.

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

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

When revalued assets are sold or retired from operation, the relevant remaining deficit and surplus is transferred to unconsolidated statement of profit or loss and to retained earnings, respectively.

Right of use assets

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. A contract is, or contains, a lease if 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 individual basis and contain a wide range of different terms and conditions. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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 subsequently 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. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance 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 under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.
- less any lease incentives receivable

The extension and termination options are included 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.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statements of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

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.

Capital spares

Rotable and repairable stores are stated at cost less accumulated impairment losses, if any, and treated as property, plant and equipment and are depreciated based on the average remaining useful life of the related aircraft. Capital spares which are not useable are treated as scrap and charged to unconsolidated statement of profit or loss.

Capital work-in-progress

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

5.2 Surplus on revaluation of property, plant and equipment

Surplus on revaluation of aircraft fleet, land and buildings is recognised in other comprehensive income and credited to the surplus on revaluation of property, plant and equipment which is presented as separate component within equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Cost / revalued amount at the date of the revaluation is adjusted / eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in statement of comprehensive income and accumulated in equity under the heading of revaluation surplus,. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in statement of comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss. The revaluation reserve is not available for distribution to Company's shareholders.

5.3 Intangibles

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

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 8.2 to these unconsolidated financial statements.

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

5.4 Investments in subsidiaries and associates

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

5.5 Stores and spares

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

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

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

5.6 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value (original invoice / ticket amount) plus directly attributable transaction costs (if any) and subsequently measured at amortised cost less provision for impairment. Provision for impairment against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Impairment of trade debts and other receivables is described in 4.14.

5.7 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks. Cash and cash equivalents also include running finance that are repayable on demand and form an integral part of the Company's cash management.

5.8 Trade and other payables

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

5.9 Loans and borrowings

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

5.10 Employee benefits

Provident fund

The Company operates a defined contribution provident fund scheme for all its permanent employees. Equal monthly contributions are required to be made to the fund by the Company and the employees in accordance with the fund's rules. The Company's required contribution to the fund is charged to the unconsolidated statement of profit or loss.

Pension funds

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

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

Actuarial valuation is carried out annually. Net interest expense, current service cost and any past service cost are recognised in unconsolidated statement of profit or loss whereas any actuarial gains / losses are recognised immediately in unconsolidated statement of comprehensive income.

Post-retirement medical benefits

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

Compensated absences

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

5.11 Taxation

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

Current

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

Deferred taxation

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

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

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

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

Deferred tax relating to items recognised directly in unconsolidated statement of comprehensive income is recognised in unconsolidated statement of comprehensive income and not in unconsolidated statement of profit or loss.

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

5.12 Revenue recognition

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

Passenger and cargo revenue

Passenger and cargo revenue is recognised when the transportation service is provided. The value of unused tickets and airway bills is included in current liabilities as 'advance against transportation (unearned Revenue)' until recognised as revenue. The estimates involved in revenue recognition are disclosed in note 3.7 to these unconsolidated financial statements. Passenger tickets issued 12 months ago or earlier, and are not utilized for transportation, are considered as expired tickets and unearned revenue relating to these expired tickets are recognized as revenue.

Engineering and other services

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

Frequent flyer programme revenue

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

In addition, miles are sold to a commercial partner to use in promotional activity. The fair value of the miles sold is deferred and recognised as revenue on redemption of the miles by the participants to whom the miles are issued. The cost of redemption of miles is recognised when miles are redeemed. The estimates involved in recognising revenue from frequent flyer programme are disclosed in note 4.6 to these unconsolidated financial statements.

Interest / mark-up and dividend income

The Company recognises interest income / mark-up on short-term bank deposits, interest bearing advances and FVOCI investments on time proportion basis using effective interest method.

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

5.13 Borrowing costs

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

5.14 Provisions

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

5.15 Impairment

Impairment of financial assets covered under IFRS 9

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company uses default rates based on credit rating of customers from which receivable are due, probability weighted cash flow projection for customers for which credit rating is not available and provision matrix for large portfolio of customer which have similar characteristics to calculate expected credit losses (ECL) for trade receivables and other receivables.

The default rates are benchmarked and adjusted for forward looking information and the rates in provision matrix are based on days past due for various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates which is then adjusted for forward looking information.

Loss allowances for trade debts, deposits and other receivables (including lease receivables) and contract assets are always measured applying simplified approach at an amount equal to lifetime ECLs.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment of financial assets covered under IAS 39

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

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

Non-Financial assets

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

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

5.16 Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates approximating those ruling on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates using the average spot rate on the reporting date. Gains and losses on translation are taken to the unconsolidated statement of profit or loss.

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

5.17 Financial instruments

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

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets - Classification and measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than for trading.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

5.18 Earnings per share

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

5.19 Derivative financial instruments

Derivatives that do not qualify for hedge accounting recognised at estimated fair value with corresponding effect to unconsolidated statement of profit or loss. Derivatives financial instruments are carried as assets when fair value is positive and as liability when fair value is negative.

5.20 Dividend and reserves

Dividend and appropriation to / from reserves are recorded when approved. However, if these are approved after the reporting date but before the financial statements are authorised for issue, they are disclosed in notes to these unconsolidated financial statements.

5.21 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All perating segments' results are reviewed regularly by the Comapny's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company prepares financial statement on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker of the Company.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		------ (Rupees in '000) ------	
Operating fixed assets			
- owned	6.1	70,520,169	61,925,043
- right of use asset	6.2	16,780,074	13,130,399
		87,300,243	75,055,442
Capital work-in-progress	6.7	4,879,556	2,971,163
		92,179,799	78,026,605

6.1 Operating fixed assets

	2019				
	Land		Buildings on:		Workshops and hangars
	Leasehold (notes 6.1.1, 6.3 and 6.4)	Others (note 6.1.2)	Leasehold land (notes 6.1.1, 6.3 and 6.4)	Other land	
	(Rupees in '000)				
As at December 31, 2018					
Cost or revalued amount	8,692,600	24,400	10,318,449	1,789,378	913,604
Accumulated depreciation	-	-	(8,093,616)	(1,355,469)	(839,322)
Net book value	8,692,600	24,400	2,224,833	433,909	74,282
Year ended December 31, 2019					
Opening net book value	8,692,600	24,400	2,224,833	433,909	74,282
Additions	-	-	-	20,160	-
Transfers from CWIP	-	-	-		-
	-	-	-	20,160	-
Revaluation	-	-	-	-	-
Adjustments / transfer					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	-	-	-	-
Disposals					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	-	-	-	-
Write off / retirement					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	
	-	-	-	-	-
Depreciation charge for the year	-	-	(615,373)	(37,267)	(9,967)
Closing net book value	8,692,600	24,400	1,609,460	416,802	64,315
As at December 31, 2019					
Cost or revalued amount	8,692,600	24,400	10,318,449	1,809,538	913,604
Accumulated depreciation	-	-	(8,708,989)	(1,392,736)	(849,289)
Net book value	8,692,600	24,400	1,609,460	416,802	64,315
Annual depreciation rate (%)	-	-	2 - 2.5	2 - 2.5	5

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

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

6.1.3 During the year, the Company has retired / written off / disposed off aircrafts fleet and engines having net book value of Rs. Nil (2018: Rs. 51.538 million).

6.1.4 Aircraft fleet includes four engines (2018: one engine) held by a third party for overhauling purpose as at December 31, 2019. The carrying value of these engines at year end is Rs. 3,694.665 million (2018: Rs. 1,828.850 million)

	2019							
	Aircraft fleet (note 6.1.3, 6.1.4 and 6.4) {Level 3 fair value measurement}	Equipment	Engineering equipment and tools	Vehicles	Furniture, fixtures and fittings	Computer and office automation	Capital spares	Total
	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------
	68,813,413	3,201,649	2,029,820	2,604,707	967,429	2,071,335	7,259,981	108,686,765
	(22,737,455)	(2,819,901)	(1,703,381)	(2,538,060)	(880,273)	(1,795,790)	(3,998,454)	(46,761,722)
	46,075,958	381,748	326,439	66,647	87,156	275,545	3,261,527	61,925,043
	46,075,958	381,748	326,439	66,647	87,156	275,545	3,261,527	61,925,043
	1,974,455	301,517	1,397	6,729	6,669	12,439	321,943	2,645,309
	2,704,644	39,006	517	4,957	40	596	-	2,749,760
	4,679,099	340,523	1,914	11,686	6,709	13,035	321,943	5,395,069
	(6,234,726)	-	-	-	-	-	-	(6,234,726)
	18,133,720	-	-	-	-	-	-	18,133,720
	(3,437,921)	-	-	-	-	-	-	(3,437,921)
	14,695,799	-	-	-	-	-	-	14,695,799
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	(1,041)	-	(4,845)	-	(279)	-	(6,165)
	-	1,041	-	4,845	-	279	-	6,165
	-	-	-	-	-	-	-	-
	(3,986,757)	(132,333)	(57,794)	(29,081)	(16,952)	(75,661)	(299,830)	(5,261,016)
	55,229,373	589,938	270,559	49,252	76,913	212,919	3,283,640	70,520,169
	83,216,122	3,541,130	2,031,734	2,611,548	974,138	2,084,091	7,581,924	123,799,277
	(27,986,749)	(2,951,192)	(1,761,175)	(2,562,296)	(897,225)	(1,871,172)	(4,298,284)	(53,279,108)
	55,229,373	589,938	270,559	49,252	76,913	212,919	3,283,640	70,520,169
	4 - 100	5 - 10	10 - 20	10 - 25	10	5 - 10	4 - 100	

Owned fixed assets

	2018				
	Land		Buildings on:		Workshops and hangars
	Leasehold (notes 6.1.1, 6.3 and 6.4)	Others (note 6.1.2)	Leasehold land (notes 6.1.1, 6.3 and 6.4)	Other land	
	(Rupees in '000)				
As at December 31, 2017					
Cost or revalued amount	8,692,600	24,400	7,554,336	1,787,520	913,604
Accumulated depreciation	-	-	(5,048,106)	(1,317,591)	(829,252)
Net book value	8,692,600	24,400	2,506,230	469,929	84,352
Year ended December 31, 2018					
Opening net book value	8,692,600	24,400	2,506,230	469,929	84,352
Additions	-	-	-	1,858	-
Transfers from CWIP	-	-	-	-	-
	-	-	-	1,858	-
Revaluation for the year	-	-	166,486	-	-
Adjustments / transfer					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	-	-	-	-
Disposals					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	-	-	-	-
Write off / retierment					
Cost or revalued amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	-	-	-	-
Depreciation charge for the year	-	-	(447,883)	(37,878)	(10,070)
Closing net book value	8,692,600	24,400	2,224,833	433,909	74,282
As at December 31, 2018					
Cost or revalued amount	8,692,600	24,400	10,318,449	1,789,378	913,604
Accumulated depreciation	-	-	(8,093,616)	(1,355,469)	(839,322)
Net book value	8,692,600	24,400	2,224,833	433,909	74,282
Annual depreciation rate (%)	-	-	2.5	2.5	5

2018							
Aircraft fleet (note 6.1.3, 6.1.4 and 6.4) {Level 3 fair value measurement}	Equipment	Engineering equipment and tools	Vehicles	Furniture, fixtures and fittings	Computer and office automation	Capital spares	Total
(Rupees in '000)							
36,775,088	3,181,347	1,887,580	2,574,297	951,310	1,938,163	7,296,672	73,576,917
(12,096,347)	(2,727,812)	(1,640,187)	(2,510,498)	(858,772)	(1,728,282)	(3,751,142)	(32,507,989)
24,678,742	453,535	247,393	63,799	92,538	209,881	3,545,530	41,068,930
24,678,742	453,535	247,393	63,799	92,538	209,881	3,545,530	41,068,930
1,352,560	35,822	108,475	30,410	16,119	130,514	135,458	1,811,216
1,054,074	11,877	33,765	-	-	2,658	-	1,102,374
2,406,634	47,699	142,240	30,410	16,119	133,172	135,458	2,913,591
5,659,938	-	-	-	-	-	-	5,826,424
22,441,516	-	-	-	-	-	-	22,441,516
(6,439,513)	-	-	-	-	-	-	(6,439,513)
16,002,003	-	-	-	-	-	-	16,002,002
(65,576)	(27,397)	-	-	-	-	-	(92,973)
14,040	27,395	-	-	-	-	-	41,435
(51,536)	(2)	-	-	-	-	-	(51,538)
-	-	-	-	-	-	(172,149)	(172,149)
-	-	-	-	-	-	925	925
-	-	-	-	-	-	(171,224)	(171,224)
(2,619,823)	(119,484)	(63,194)	(27,562)	(21,501)	(67,508)	(248,237)	(3,663,140)
46,075,958	381,747	326,439	66,647	87,156	275,545	3,261,527	61,925,043
68,813,413	3,201,649	2,029,820	2,604,707	967,429	2,071,335	7,259,981	108,686,765
(22,737,455)	(2,819,901)	(1,703,381)	(2,538,060)	(880,273)	(1,795,790)	(3,998,454)	(46,761,722)
46,075,958	381,747	326,439	66,647	87,156	275,545	3,261,527	61,925,043
4 - 100	5 - 10	10	10 - 25	10	5 - 10	4 - 100	

6.2 Right of use asset

	Note	Aicraft fleet including engines	Buildings	Technical Ground equipment	Total
		------- (Rupees in '000) -------			
As at January 01, 2018					
Cost or revalued amount		34,317,491	-	289,131	34,606,622
Accumulated depreciation		(10,055,777)	-	(39,948)	(10,095,725)
Net book value		24,261,714	-	249,183	24,510,897
Year ended December 31, 2018					
Opening net book value		24,261,714	-	249,183	24,510,897
Additions / transfers		7,337,633	-	184,309	7,521,942
Revaluation for the year	6.3.2	407,996	-	-	407,996
Transfer to owned fixed assets					
Cost or revalued amount		(22,441,516)	-	-	(22,441,516)
Accumulated depreciation		6,439,513	-	-	6,439,513
		(16,002,003)	-	-	(16,002,003)
Disposals					
Cost or revalued amount		(2,409,240)	-	-	(2,409,240)
Accumulated depreciation		651,364	-	-	651,364
		(1,757,876)	-	-	(1,757,876)
Depreciation charge for the year		(1,514,424)	-	(36,134)	(1,550,558)
Closing net book value		12,733,040	-	397,358	13,130,398
As at December 31, 2018					
Cost or revalued amount		17,138,019	-	473,440	17,611,459
Accumulated depreciation		(4,404,979)	-	(76,082)	(4,481,061)
Net book value		12,733,040	-	397,358	13,130,398
As at December 31, 2018					
Cost or revalued amount		17,138,019	-	473,440	17,611,459
Accumulated depreciation		(4,404,979)	-	(76,082)	(4,481,061)
Net book value		12,733,040	-	397,358	13,130,398
Year ended December 31, 2019					
Opening net book value		**12,733,040**	**-**	**397,358**	**13,130,398**
Right of use assets recognised upon adoption of IFRS 16 (note 3.1.3)		**20,753,377**	**1,576,805**	**-**	**22,330,182**
Adjusted balance as on January 01, 2019		**33,486,417**	**1,576,805**	**397,358**	**35,460,580**
Additions / transfers during the year					
Additions in Right of use asset	6.2.1	**2,575,887**	**38,090**	**-**	**2,613,977**
Transfers from CWIP		**3,322,245**	**-**	**-**	**3,322,245**
		5,898,132	**38,090**	**-**	**5,936,222**
Revaluation					
Cost or revalued amount	6.3.2	**-**	**-**	**-**	**-**
Accumulated depreciation		**-**	**-**	**-**	**-**
		-	**-**	**-**	**-**

	Note	Aicraft fleet including engines	Buildings	Technical Ground equipment	Total
		------- (Rupees in '000) -------			
Adjustment					
Lease Modification		(77,455)	-	-	(77,455)
Transfer to owned fixed assets					
Cost or revalued amount		(18,133,720)	-	-	(18,133,720)
Accumulated depreciation		3,437,922	-	-	3,437,922
		(14,695,798)	-	-	(14,695,798)
Disposals / write off					
Cost or revalued amount		(749,599)	-	-	(749,599)
Accumulated depreciation		127,051	-	-	127,051
	6.2.2 & 6.2.4	(622,548)	-	-	(622,548)
Depreciation charge for the year		(8,743,340)	(399,216)	(78,371)	(9,220,927)
Closing net book value		15,245,408	1,215,679	318,987	16,780,074
As at December 31, 2019					
Cost or revalued amount		24,828,754	1,614,895	473,440	26,917,089
Accumulated depreciation		(9,583,346)	(399,216)	(154,453)	(10,137,015)
Net book value		15,245,408	1,215,679	318,987	16,780,074
Annual depreciation rate (%)		6.25-15	4.7-33.33	10	

6.2.1 This represents Rs. 2,237.101 million and Rs. 338.786 million against an aircraft and an engine obtained, during the year, by the Company under lease arrangements.

6.2.2 During the year, one of the aircraft under lease arrangements incurred damages, and was considered a total loss. Accordingly, aircraft has been derecognised alongwith corresponding lease liability resulting in gain of Rs. 468.424 million.

6.2.3 Aircraft fleet includes three engines (2018: two engines) held by a third party for overhauling purpose as at December 31, 2019.

6.2.4 During the year, the Company has retired / written off / disposed off aircrafts fleet and engines having net book value of Rs. 622.598 million (2018: Rs. 1,757.876 million). The related surplus amounting to Rs. Nil (2018: Rs. 667.907) included in surplus on revaluation has been released to unconsolidated statement of changes in equity (see note 36).

6.3 Revaluation of property, plant and equipment

6.3.1 Leasehold land and buildings

The leasehold land and buildings on leasehold land were revalued by the following independent professional valuers, as at December 31, 2017 and December 31, 2018.

- Oceanic Services (Private) Limited, based in Pakistan
- Cosmos Devolopers (Private) Limited, based in India
- Subash Shah and Associates based In India
- Skyline Appraisals Inc, based in USA
- Colliers Interntional Valuation B.V, based in Netherland

The forced sale value of Land and Buildings which was subject to revaluation on the basis of 2018 was Rs. 6,900 million.

6.3.2 Aircraft fleet

The aircraft fleet of the Company was revalued by an independent valuer, IBA Group Limited (UK), on the basis of professional assessment of current market values as of December 31, 2019. The current market value represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of market activity and known transaction data involving the subject aircraft types, covering 'open' market and financial sales. It additionally considers the perceived demand for each type, its availability in the market and further takes into account the expressed views of informed industry sources.

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

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

6.3.3 The forced sale value (FSV) of Aircraft fleet which was subject to revaluation is Rs. 42,323.129 million (2018: Rs. 35,758 million).

6.3.4 The fair values of leasehold land and building on leasehold land were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties. The fair value of leasehold land and building on leasehold land falls under level 2 of fair value hierarchy (i.e. significant observable inputs).

6.3.5 The fair values of aircraft fleet were determined through review of market activity and known transaction data involving the subject aircraft type, covering open market and financial sales. The fair value of aircraft fleet falls under level 3 of fair value hierarchy (i.e. significant unobservable inputs). A reconciliation of the opening and closing fair value balance is provided in notes 6.1 of the unconsolidated financial statements.

6.4 Had there been no revaluation, the written down value of the revalued assets in the statement of financial position would have been as follows:

	2019			2018		
	Cost	**Accumulated Depreciation**	**Book value**	Cost	Accumulated Depreciation	Book value
	(Rupees in '000)					
Leasehold land	**44,166**	**-**	**44,166**	44,166	-	44,166
Buildings on leasehold land	**258,148**	**164,787**	**93,361**	258,148	155,604	102,544
Aircraft fleet	**117,732,281**	**55,654,486**	**62,077,795**	109,730,939	50,002,433	59,728,506
	118,034,595	**55,819,273**	**62,215,322**	110,033,253	50,158,037	59,875,216

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

	Note	**2019**	**2018**
		(Rupees in '000)	
Cost of services - others	**32**	**14,431,903**	5,175,043
Distribution costs	**33**	**19,900**	15,361
Administrative expenses	**34**	**30,141**	23,317
		14,481,944	5,213,721

6.6 Details of immovable fixed assets

(a) The details of immovable fixed assets (i.e Land & Other Land) for the year ended December 31, 2019 are as follows:

Description of Location	Addresses	Total Area of Land Sqaure Yards
PIA Booking Office Rawalpindi	5th The Mall Road, Saddar, Rawalpindi.	4,328
PIA DFSL, Warehouse Islamabad	Warehouse, Sector I-11/4, (Pir Wadhai) Islamabad.	7,200
PIA Sales Office Gawadar	Airport Road, Gawadar.	2,420
PIA Sales Office Multan	65 Ahmed Shah, Abdali Road, Multan.	6,528
PIA Sales Office Azad Kashmir	Chattar, Muzaffarabad, Azad Kashmir.	444
PIA Sales Office Peshawer	33-The Mall, Arbad Road, Peshawar.	9,931
PIA Sales Office Sawat	Faizabad, Saidu Shareef, Maingora, Sawat.	1,211
Land for PIA Staff Housing Colony Sadiu Sharif	PIA Staff Housing Colony Saidu Sharif.	1,208
PIA Sales Office Skardu	Chashma Bazar, Skardu.	1,250
Airport Office Skardu	Tehsil Gumba near old runway Skardu.	4,248
PIA Sales Office Turbat	Commissioner Road, Turbat.	18,295
PIA Sales Office Islamabad	Jinnah Avenue, 49 Blue Area, Islamabad	1,200
PIA Sales Office Lahore	Opp. Punjab Assembly Near Wapda House, Lahore.	4,600
PIA Diagnostic Center Karachi	B-33, KDA Scheme 1, Karsaz, Karachi.	1,874
PIA Air Crew Medical Center Karachi	C-I, KDA Scheme I, Karsaz, Karachi.	1,120
PIA Sales Office Faislabad	Block 16, 26/6, Civil Lines, Faisalabad.	1,974
PIA Sales Office Chitral	Polo Ground, Chitral.	3,666
PIA Sales Office Building Quetta	17 Shahra Hali, Cantonment, Quetta.	3,732
Land for Sales Officer Ormara	PIA sales office ,Ormara Baluchistan.	10,000
Land for Sales Officer Sialkot	Plot situated opposite to Chamber of Commerce Paris Road, Sialkot.	1,778
Farm house Abbotabad	Nathia Gali Road Abbottabad.	18,166
Land for Sales Office Gilgit	Plot of PIA City Road near NLI Shopping Centre, Gilgit.	525
Land for new sales office Sukkur	Minara Road near Jamia Masjid , Sukkur.	2,146
Land for Dera Ismail Khan	Survey No. 3A 195.09 Sqr. Meter D.I.Khan Cantt.	233
PIA housing colony (Water Tank) Karachi	PIA Housing Colony Water Tank Karachi.	1,667
Super Highway for Precision Engineering Complex Karachi	On Super Highway PEC Complex Karachi.	968,000
PIA hospital Karachi	Gulistan-e- Jouhar Karachi.	48,200
Land for PIA Boys Scouts Host & Training Centre Karachi	PIA Boy Scouts Training Centre Karachi.	1,226
Training Centre Nawabshah	Nawabshah training Centre Nawabshah.	1,778
PIA Sales Office Quetta	17th Sharah e Hali Cantoment Quetta.	3,731
Airport Office Skardu	Airport Skardu.	2,420
Land for TGS Section Skardu	Chishma Bazar Skardu.	1,815
Land for Head Quarter at Islamabad	Plot no 57/F-7/-7 ,blue area Islamabad.	4,608
G.D Somani Morg Cuffe Parade, Mumbai	Flat No. 32, 3rd Floor Jolly Marker-3 G.D Somani Marg, Cuffe Parade, Mumbai - 400 005	193
Narain Manzil, New Delhi	Narain Manzil, 23 Barakhamba Road, New Delhi - 110001	451
Shaykhontohur District, Tashkent	Shaykontohur District Halklar Dustligr Street, Tashkent	291
Residence No.55 New York	Saxon Woods Road Scarsdale, NY 10583-7812, New York.	492
Leidsestraat 17 Amsterdam	1017 NT Amsterdam The Netherlands, Amsterdam.	118
Van Nijenrodeweg 835 Amsterdam	1082 JM Amsterdam The Netherlands, Amsterdam.	309
Koningsvaren 109 Abcoude Amsterdam	Koningsvaren 109 Abcoude, Amsterdam.	300

(b) In addition to above, there are certain assets which are acquired on lease and classified as Right of Use (ROU) assets.

6.7 Capital work-in-progress

	Aircraft Fleet inlcuding engines	Others	Total
	-------------- (Rupees in '000)	--------------	
Year ended December 31, 2019			
Balance as at January 1, 2019	**2,432,252**	**538,911**	**2,971,163**
Additions during the year	**8,027,908**	**120,103**	**8,148,011**
Transfer to operating fixed assets / ROU asset / intangible asset	**(6,026,890)**	**(175,824)**	**(6,202,714)**
Charged to profit or loss	**-**	**(36,904)**	**(36,904)**
Balance as at December 31, 2019	**4,433,270**	**446,286**	**4,879,556**
Year ended December 31, 2018			
Balance as at January 1, 2018	1,054,074	194,617	1,248,691
Additions during the year	2,432,252	536,261	2,968,513
Transfer to operating fixed assets	(1,054,074)	(48,300)	(1,102,374)
Charged to profit or loss	-	(143,667)	(143,667)
Balance as at December 31, 2018	2,432,252	538,911	2,971,163

7. INTANGIBLES

	Note	2019	2018
		------ (Rupees in '000)	------
Computer softwares			
Cost	7.1	**1,035,130**	809,579
Accumulated amortisation	7.2	**(644,771)**	(534,016)
		390,359	275,563

7.1 Cost

		2019	2018
Opening balance		**809,579**	776,474
Additions during the year		**94,843**	33,105
Transfer from CWIP		**130,708**	-
Closing balance		**1,035,130**	809,579

7.2 Accumulated amortisation

		2019	2018
Opening balance		**534,016**	447,805
Amortisation for the year	7.2.1	**110,755**	86,211
Closing balance		**644,771**	534,016
Useful life		**5 years**	5 years

7.2.1 Amortisation charge for the year has been allocated as under:

		2019	2018
Cost of services - others	32	**8,860**	6,897
Administrative expenses	34	**101,895**	79,314
		110,755	86,211

8. LONG-TERM INVESTMENTS

		2019	2018
Investment in related parties			
Unquoted - at cost			
Subsidiaries	8.1	**4,415,714**	4,415,714
Associate	8.2	**396**	396
		4,416,110	4,416,110
Investment in other than related parties			
Other investments - FVOCI	8.3	**173,284**	183,657
		4,589,394	4,599,767

		Note	2019	2018
8.1	**Subsidiaries**		------ (Rupees in '000) ------	
	PIA Investments Limited (PIAIL) 792,000 (2018: 792,000) fully paid ordinary shares of AED 100 each. Equity held 100% (2018: 100%). Break-up value of each ordinary share is Rs. 112,837 (2018: Rs. 100,398) per ordinary share based on the audited (2018: audited) financial statements for the year ended December 31, 2019.	8.1.1	**4,415,712**	4,415,712
	Skyrooms (Private) Limited 4,000,000 (2018: 4,000,000) fully paid ordinary shares of Rs. 10 each.Equity held 100% (2018: 100%). Break-up value of each ordinary share is negative Rs. 9 (2018: negative Rs. 9) per ordinary share based on the last unaudited financial statements for the year ended December 31, 2018.	8.1.2	**40,000**	40,000
	Midway House (Private) Limited (under winding-up) 2,960,000 (2018: 2,960,000) fully paid ordinary shares of Rs. 10 each. Equity held 100% (2018: 100%). Break-up value of each ordinary share is Rs. Nil (2018: Rs. Nil) per ordinary share. Financial statements are not available.	8.1.2	**28,520**	28,520
	Abacus Distribution Systems Pakistan (Private) Limited 312,586 (2018: 312,586) fully paid ordinary shares of Rs. 100 each. Equity held 70% (2018: 70%) Break-up value of each ordinary share of Rs. 924 (2018: Rs. 1,076) per ordinary share based on the unaudited (2018: unaudited) financial statements for the year ended December 31, 2019.	8.1.2	**2**	2
			68,522	68,522
	Provision for diminution in value of investments		**(68,520)**	(68,520)
			2	2
			4,415,714	4,415,714

8.1.1 PIA Investments Limited (PIAIL), a subsidiary of PIACL, which was incorporated on September 10, 1977 in Sharjah, United Arab Emirates as a limited liability company under a decree issued by H.H., The Ruler of Sharjah. During 1986, PIAIL was registered in British Virgin Islands under International Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act 2012) as a company limited by shares. The principal activity PIAIL is to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. PIACL's controlling interest in PIAIL is 100% (2018: 100%). The registered office of PIAIL is situated at Citco building, Wickham Cay, Road Town, Tortola, British Virgin Islands. The Auditor of PIAIL expressed Qualified opinion on the financial statements of PIAIL as at December 31, 2019. Dr. Najeeb Sami is the Chief Executive Officer of PIAIL.

8.1.2 All other subsidiaries are incorporated in Pakistan.

8.2 Associate

	2019	2018
Minhal Incorporated - Sharjah 1,600 fully paid ordinary shares (2018: 1,600) of AED 100 each. Equity held 40% (2018: 40%). Break-up value of each ordinary share is Rs. 65,305.103 (2018: Rs. 58,669.944) per ordinary share based on the unaudited (2018: unaudited) financial statements for the year ended December 31, 2019.	**396**	396

8.2.1 Minhal Incorporated (Minhal), an Associate of PIACL, which was incorporated on January 1, 1977 in Sharjah, United Arab Emirates as a limited liability company and is currently registered in British Virgin Islands. The principal activities of Minhal are to carry on business as promoters of and the managers of projects related to construction, development and operation of hotels, restaurants and clubs throughout the world. The PIACL interest in Minhal is 40% (2018: 40%). Dr Najeeb Sami is the Chief Executive Officer of Minhal.

			2019	2018
8.3	**At Fair value through Other Comprehnsive Income (FVOCI)**	**Note**	------ (Rupees in '000) ------	
	Other investments	8.3.1	173,284	183,657

8.3.1	**Other investments**		
	Quoted		
	Pakistan Services Limited		
	172,913 (2018: 172,913) ordinary shares of Rs. 10 each having market value per ordinary share of Rs. 1,000 (2018: Rs. 1,060) each	172,913	183,288
	Unquoted		
	Pakistan Tourism Development Corporation Limited		
	10,000 (2018: 10,000) ordinary shares of Rs. 10 each	100	100
	Duty Free Shops (Private) Limited		
	87,512 (2018: 87,512) ordinary shares of Rs. 100 each	271	269
		173,284	183,657

9.	**LONG TERM ADVANCES**		
	Advances to related party		
	Subsidiaries - considered doubtful		
	Skyrooms (Private) Limited	37,042	37,042
	Midway House (Private) Limited	82,476	82,476
		119,518	119,518
	Provision for impairment against doubtful long-term advances	(119,518)	(119,518)
		-	-

10.	**LONG-TERM DEPOSITS AND PREPAYMENTS**			
	Deposits - other than related party			
	Considered good			
	- Aircraft fleet lease deposits		4,086,226	6,719,492
	- Maintenance reserve	10.1	337,246	1,612,071
	- Engine maintenance		141,902	141,902
	- Deposits to service providers		12,071	28,384
	- Guarantee deposits		55,199	55,199
			4,632,644	8,557,048
	Considered doubtful	10.2	357,877	318,051
	Less: Provision for impairment against doubtful deposits		(357,877)	(318,051)
			-	-
			4,632,644	8,557,048
	Prepayments - other than related party			
	Exposure fee to support financing	10.3	5,788	39,169
	Less: Current portion	14.2	(5,788)	(33,381)
			-	5,788
			4,632,644	8,562,836

10.1 This represents the remaining balance of maintenance reserve which was required to be kept by the Company with a lessor under the terms of the lease agreement that was terminated in the year 2012 which will be utilised / refunded.

		Note	2019	2018
10.2	**Movement in provision is as follows:**		------ (Rupees in '000) ------	
	Balance at the beginning of the year (under IAS 39)		318,051	318,051
	Expected credit losses recognised upon adoption of IFRS 9 (note 3.1.1)		39,482	-
	Adjusted balance as on January 01, 2019		357,533	318,051
	Provision made during the year		344	-
	Balance at the end of the year		357,877	318,051

10.3 Movement in exposure fee to support financing

	Note	2019	2018
Balance at the beginning of the year		39,169	174,775
Amortised during the year	37	(33,381)	(135,606)
Balance at the end of the year	10.3.1	5,788	39,169

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

11. STORES AND SPARES

	Note	2019	2018
Stores		1,261,424	1,329,663
Spare parts		8,263,647	7,843,577
Inventory held for disposal - adjusted to net realisable value		252,859	252,859
		9,777,930	9,426,099
Provision for slow moving and obsolete spares	11.1	(6,247,667)	(5,444,206)
		3,530,263	3,981,893

11.1 Movement in provision is as follows:

	Note	2019	2018
Balance at the beginning of the year		5,444,206	5,331,795
Provision for the year	35	803,461	112,411
Balance at the end of the year		6,247,667	5,444,206

12. TRADE DEBTS

	Note	2019	2018
Considered good			
Due from Government		5,823,711	2,455,722
Due from other customers		12,783,378	13,921,644
		18,607,089	16,377,366
Considered doubtful			
Government related	12.1	337,109	337,109
Other customers	12.1	3,698,337	2,554,289
Less: Provision for impairment against doubtful debts		(4,035,446)	(2,891,398)
		-	-
		18,607,089	16,377,366

12.1 **Upon adoption of IFRS - 9, the aging analysis of trade debts related to Government and other customers are as follows:**

	2019					
	Government			Other customers		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
	(Rupees in '000)					
Current	**584,071**	**-**	**584,071**	10,026,892	240,428	10,267,320
Overdue less than or equal to 90 days	**216,453**	**-**	**216,453**	1,910,233	162,728	2,072,961
More than 90 days past due	**1,287,394**	**-**	**1,287,394**	480,984	184,580	665,564
More than 180 days past due	**287,478**	**-**	**287,478**	365,269	217,498	582,767
More than 360 days past due	**3,448,315**	**337,109**	**3,785,424**	-	2,893,103	2,893,103
	5,823,711	**337,109**	**6,160,820**	12,783,378	3,698,337	16,481,715

Following aging of trade debts related to government and other customers has been presented under IAS-39:

	2018					
	Government			Other customers		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
	(Rupees in '000)					
Current	1,661,006	-	1,661,006	13,745,966	354,255	14,100,221
1 year old	140,181	325,457	465,638	56,306	680,506	736,812
2 years old	260,638	-	260,638	116,242	730,174	846,416
3 years old	393,897	11,652	405,549	3,130	789,354	792,484
	2,455,722	337,109	2,792,831	13,921,644	2,554,289	16,475,933

12.2 Maximum aggregate gross amount due from Government at any month end was Rs. 1,537.887 million (2018: Rs. 617.582 million).

12.3 Movement in provision is as follows:	**Note**	**2019**	**2018**
		(Rupees in '000)	
Balance at the beginning of the year (under IAS 39)		**2,891,398**	2,692,530
Expected credit losses recognised upon adoption of IFRS 9 (note 3.1.1)		**1,100,047**	-
Adjusted balance as on January 01, 2019		**3,991,445**	2,692,530
Provision made during the year	**35**	**44,001**	198,868
Balance at the end of the year		**4,035,446**	2,891,398

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

		Note	2019	2018
13.	**ADVANCES**		------ (Rupees in '000) ------	
	Considered good			
	- Employees	13.1	87,224	303,057
	- Fuel suppliers		488,743	738,244
	- Egineering related suppliers	13.2	716,041	716,041
	- Other suppliers	13.3	2,504,189	834,218
			3,796,197	2,591,560
	Considered doubtful			
	- Subsidiary - Skyrooms (Private) Limited	13.4	174,146	174,146
	- Employees		102,890	102,890
	- Others - suppliers		820,580	820,580
			1,097,616	1,097,616
	Provision for impairment against doubtful advances	13.5	(1,097,616)	(1,097,616)
			3,796,197	2,591,560

13.1 This includes advance of Rs. 3.547 million (2018: Rs. 4.263 million) paid to key management personnel.

13.2 This represents advance paid to M/s. Stelia Aerospace-France and Jamco Aero Design and Engineering PTE Ltd-US amounting EUR 5,331,600 and USD 929,000 respectively on account of seating and inflight entertainment system to be installed in Boeing 777.

13.3 This includes advances paid to different suppliers in respect of lease rentals and overhauling of engines, auxillary power units, landing gears etc.

13.4 Maximum aggregate gross amount due from the subsidiary at any month end was Rs.174.146 million (2018: Rs. 174.146 million).

13.5 Movement in provision is as follows:

	Note	2019	2018
Balance at the beginning of the year		1,097,616	1,086,304
Provision made during the year	35	-	11,312
Balance at the end of the year		1,097,616	1,097,616

14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2019	2018
Trade deposits			
Considered good		5,156,096	1,881,401
Considered doubtful		44,816	48,845
Less: Provision for impairment against doubtful deposits	14.1	(44,816)	(48,845)
		5,156,096	1,881,401
Prepayments	14.2	130,312	289,563
		5,286,408	2,170,964

14.1 Movement in provision is as follows:

	Note	2019	2018
Balance at the beginning of the year (under IAS 39)		48,845	46,462
Expected credit losses recognised upon adoption of IFRS 9 (note 3.1.1)		1,538	-
Adjusted balance as on January 01, 2019		50,383	46,462
(Reversal) / provision made during the year	35	(5,567)	2,383
Balance at the end of the year		44,816	48,845

14.2 Prepayments	Note	2019	2018
		------ (Rupees in '000) ------	
Current portion of exposure fee to support financing	10.3	5,788	33,381
Rental on leased aircraft		-	16,398
Others		124,524	239,784
		130,312	289,563

15. OTHER RECEIVABLES

	Note	2019	2018
Considered good			
- Related party			
Claims receivable		52,871	13,719
Excise duty	30.1.1.(a)	100,000	100,000
Sales tax receivable	15.1	5,033,760	4,947,540
- other than related party			
Lessor	15.2	2,440,782	1,512,013
Others	15.3	995,724	1,496,930
		8,623,137	8,070,202
Considered doubtful		337,431	334,807
Less: Provision for impairment against doubtful other receivables	15.4	(337,431)	(334,807)
		-	-
		8,623,137	8,070,202

15.1 This includes sales tax refundable aggregating Rs. 4,745.637 million (2018: Rs. 4,745.637 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Company has filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has interalia stated that as the Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of Rule 41A(14) of the Federal Excise Rules, 2005 [see note 31.1 (d)].

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. Therefore, the management 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.

15.2 This represents receivable from lessor in respect of overhauling incurred by the Company on aircrafts under lease agreement.

15.3 This also includes advance to PIAIL amounting to Rs. Nil (2018: Rs. 30.414 million).

			2019	2018
15.4	**Movement in provision is as follows:**	**Note**	**------ (Rupees in '000) ------**	
	Balance at the beginning of the year (under IAS 39)		**334,807**	272,909
	Expected credit losses recognised upon adoption of IFRS 9 (note 3.1.1)		**2,624**	-
	Adjusted balance as on January 01, 2019		**337,431**	272,909
	Provision made during the year	**35**	**-**	61,898
	Balance at the end of the year		**337,431**	334,807

16. SHORT-TERM INVESTMENTS

	Note	2019	2018
Fair value through other comprehensive income (2018: Available for sale) - unquoted SITA INC N.V.			
325,491 (2018: 325,491) ordinary shares	**16.1**	**19,220**	19,220
Amortised cost			
Term deposit receipts (TDR)	**16.2**	**6,197,400**	-
		6,216,620	19,220

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

16.2 During the year, the Company deposited USD 40 million in term deposit receipts held with Mashreq Bank for a period of one week on roll over basis.

17. CASH AND BANK BALANCES

	Note	2019	2018
Cash			
In hand		**9,823**	11,945
With banks:			
- in current accounts	**17.1**	**4,868,725**	520,023
- in deposit accounts	**17.2 & 17.3**	**1,978,774**	1,202,480
		6,847,499	1,722,503
		6,857,322	1,734,448

17.1 This has been adjusted by an aggregate amount of Rs. 930.657 million (2018: Rs. 3,290.876 million), representing book overdrafts.

17.2 These carry interest ranging from 0.1% to 7.5% (2018: 0.1% to 7.5%) per annum.

17.3 This includes a bank balance of BDT 592.450 million (2018: BDT 678.976 million) equivalent to Rs. 1,084.184 million (2018: Rs. 1,145.167) 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. However, during the year, the Company was able to successfully remit back BDT 18 million to Pakistan.

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2019	2018		2019	2018
(No. of shares)			------ (Rupees in '000) ------	
		Authorised capital		
		Ordinary share capital		
5,349,250,000	5,349,250,000	'A' class shares of Rs. 10 each	**53,492,500**	53,492,500
1,500,000	1,500,000	'B' class shares of Rs. 5 each	**7,500**	7,500
5,350,750,000	5,350,750,000		**53,500,000**	53,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs. 10 each	**500,000**	500,000
5,400,750,000	5,400,750,000		**54,000,000**	54,000,000
		Issued, subscribed and paid up share capital		
		Ordinary share capital		
		'A' class shares of Rs. 10 each		
4,998,895,608	4,998,895,608	Issued for consideration in cash	**49,988,956**	49,988,956
		Issued for consideration other than cash		
931,028	931,028	- for acquisition of shares	**9,310**	9,310
233,934,482	233,934,482	Issued as bonus shares	**2,339,344**	2,339,344
5,233,761,118	5,233,761,118		**52,337,610**	52,337,610
		'B' class shares of Rs. 5 each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash		
2,625	2,625	- for acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
1,499,999	1,499,999		**7,500**	7,500
5,235,261,117	5,235,261,117		**52,345,110**	52,345,110

18.1 At December 31, 2019, the GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2018: 4,791,752,087 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively) representing 92% and 98% holding.

19. RESERVES

	Note	2019	2018
		------ (Rupees in '000) ------	
Capital reserves			
- Reserve for replacement of fixed assets	19.1	**1,966,779**	1,966,779
- Capital redemption reserve fund		**250,000**	250,000
- General capital reserve		**284,259**	284,259
		2,501,038	2,501,038
- Unrealised gain on remeasurement of investment		**171,720**	182,093
		2,672,758	2,683,131
Revenue reserve		**1,779,674**	1,779,674
		4,452,432	4,462,806

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

	2019	2018
20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET	------ (Rupees in '000) ------	
Surplus on revaluation at beginning of the year	**30,460,405**	27,465,776
Surplus arising during the year on:		
Aircrafts	**(4,336,191)**	4,921,463
Lands	**-**	-
Buildings	**-**	166,486
	(4,336,191)	5,087,949
	26,124,214	32,553,725
Less: transferred to accumulated losses:		
- Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	**(1,046,720)**	(818,350)
- Surplus on revaluation of property, plant and equipment released during the year on account of aircraft retired / written off / disposed off - net of tax	**-**	(667,907)
Related deferred tax	**(427,534)**	(607,063)
	(1,474,254)	(2,093,320)
	24,649,960	30,460,405
Related deferred tax liability (DTL):		
- Balance at beginning of the year	**(6,325,472)**	(5,457,030)
- Tax effect of deficit / (surplus) arising on revaluation of property, plant and equipment during the year	**1,257,495**	(1,475,505)
- Tax effect of incremental depreciation charged during the year on related assets transferred to unconsolidated statement of profit or loss	**427,534**	334,256
- Tax effect of surplus released during the year on account of aircraft retired / written off / disposed off	**-**	272,807
- Balance at the end of the year	**(4,640,444)**	(6,325,472)
Surplus on revaluation at the end of the year	**20,009,516**	24,134,933

	Note	2019	2018
21. LONG-TERM FINANCING	**Note**	------ (Rupees in '000) ------	
Opening balance		**199,173,285**	143,556,478
Financing obtained during the period		**110,847,997**	70,968,750
Repayments made during the period		**(63,037,547)**	(27,477,312)
Exchange loss		**6,967,055**	12,125,369
		253,950,790	199,173,285
Less: Current maturity	29	**(62,433,553)**	(50,430,292)
		191,517,237	148,742,994

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installment/ Mode	2019	2018
						------ (Rupees in '000) ------	
From Banking Companies - secured							
- Related party							
National Bank of Pakistan	**21.3**	Term Finance	PKR 3,000	2016 - 2019	36 Monthly	**166,667**	1,000,000
National Bank of Pakistan	**21.2**	Term Finance	PKR 2,175	2018 - 2020	12 Quarterly	**906,250**	1,631,250
National Bank of Pakistan	**21.2**	Term Finance	PKR 2,825	2018 - 2021	12 Quarterly	**1,412,500**	2,354,167
National Bank of Pakistan - Bahrain	**21.2 & 21.4**	Syndicate Finance	US $ 120	2013 - 2023	40 Quarterly	**15,049,353**	14,304,551
- Other than related party							
The Bank of Punjab	**21.2**	Term Finance	PKR 5,000	2016 - 2021	60 Monthly	**1,250,000**	2,250,000
The Bank of Punjab	**21.2**	Term Finance	PKR 5,000	2016 - 2021	60 Monthly	**1,583,333**	2,583,333
The Bank of Punjab	**21.2 & 22.10**	Demand Finance	PKR 30,000	2016 - 2023	84 Monthly	**16,985,444**	21,322,152
The Bank of Punjab	**21.2**	Term finance	PKR 2,500	2017 - 2022	60 Monthly	**1,500,000**	2,000,000
The Bank of Punjab	**21.2**	Term finance	PKR 6,000	2019 - 2024	60 Monthly	**5,149,084**	-
The Bank of Punjab	**21.2**	Term finance	PKR 4,587	2019 - 2022	36 Monthly	**3,440,622**	-
The Bank of Punjab	**22.2**	Term finance	PKR 6,000	2019 - 2024	60 Monthly	**5,966,667**	-
Askari Bank Limited	**21.2**	Term Finance	PKR 3,000	2017 - 2019	36 Monthly	**-**	1,000,000
Askari Bank Limited	**21.2**	Term finance	PKR 6,000	2020 - 2022	36 Monthly	**6,000,000**	6,000,000
Askari Bank Limited	**21.2**	Term finance	PKR 10,000	2021 - 2023	36 Monthly	**10,000,000**	4,000,000
Al Baraka Bank (Pakistan) Limited	**21.2 & 21.9**	Islamic Finance	PKR 4,500	2016 - 2021	36 Monthly	**2,625,000**	4,125,000
Al Baraka Bank (Pakistan) Limited	**21.2 & 22.11**	Term finance	PKR 2,500	2020 - 2022	36 Monthly	**2,500,000**	2,500,000
Al Baraka Bank (Pakistan) Limited	**21.2 & 21.9**	Islamic Finance	PKR 1,000	2021 - 2024	36 Monthly	**1,000,000**	-
Faysal Bank Limited	**21.2**	Term Finance	PKR 2,000	2016 - 2019	12 Quarterly	**-**	166,667
Faysal Bank Limited	**21.2**	Islamic Term finance	PKR 1,000	2017 - 2019	12 Quarterly	**-**	333,333
Faysal Bank Limited	**21.2**	Term Finance	PKR 4,000	2017 - 2020	14 Quarterly	**1,142,857**	2,285,714
Faysal Bank Limited	**21.2**	Term Finance	PKR 5,000	2019 - 2024	60 Monthly	**4,999,700**	-
Faysal Bank Limited	**21.2**	Term Finance	PKR 4,000	2019 - 2022	36 Monthly	**3,555,556**	4,000,000
Faysal Bank Limited	**21.2**	Term finance	PKR 5,000	2020 - 2023	36 Monthly	**5,000,000**	5,000,000
Faysal Bank Limited	**21.2**	Term finance	PKR 5,000	2020 - 2023	36 Monthly	**5,000,000**	5,000,000
United Bank Limited	**21.2**	Term Finance	PKR 5,000	2015 - 2020	54 monthly	**370,370**	1,481,481
United Bank Limited	**21.2**	Term Finance	PKR 1,500	2016 - 2021	54 monthly	**305,556**	638,889
United Bank Limited	**21.8**	Term Finance	US$ 130	2017 - 2019	33 Monthly	**-**	6,020,044
Abu Dhabi Islamic Bank	**21.5**	Islamic Term finance	US$ 70.7	2016 - 2019	4 half yearly	**-**	529,652
Standard Chartered Bank (Pakistan) Limited	**21.6**	Syndicate Finance	US $ 150	2017 - 2021	39 Monthly	**-**	13,892,410
Standard Chartered Bank (Pakistan) Limited	**21.7**	Syndicate Finance	US $ 250	2020- 2023	36 Monthly	**38,733,750**	-
JS Bank Limited	**21.2 & 22.10**	Term Finance	PKR 15,000	2017 - 2023	66 Monthly	**8,863,636**	11,590,909
JS Bank Limited	**21.2 & 22.10**	Term finance	PKR 20,000	2020 - 2024	48 Monthly	**20,000,000**	20,000,000
Soneri Bank Limited	**21.2 & 22.10**	Term finance	PKR 5,000	2019 - 2022	36 Monthly	**4,583,333**	5,000,000
BankIslami Pakistan Limited	**21.12**	Term finance	PKR 11,500	2019 - 2023	48 Monthly	**-**	11,500,000
Bank Islami Pakistan Limited	**21.16**	Islamic Finance	PKR 30,000	2021 - 2026	60 Monthly	**16,500,000**	-
BankIslami Pakistan Limited	**21.2 & 22.17**	Islamic Finance	PKR 5,000	2021 - 2024	60 Monthly	**5,000,000**	-
Noor Bank	**21.13**	Term finance	USD 120	2019 - 2021	36 Monthly	**12,911,250**	16,670,892
Credit Suisse	**21.2**	Term finance	USD 115	2019 - 2021	24 Monthly	**15,590,334**	15,976,272
Habib Bank Limited	**21.2**	Term finance	PKR 2,000	2021- 2024	36 Monthly	**2,000,000**	-
Others - unsecured							
- Related party							
Long term loan - GoP	**21.14**	Term Finance	PKR 8,000	2011 - 2020	16 half yearly	**8,000,000**	8,000,000
Loan from GOP against Markup	**21.15**	Term Finance	PKR 6,016	2023 - 2038	-	**25,859,528**	6,016,568
						253,950,790	199,173,286
Current maturity shown under current liabilities					29	**(62,433,553)**	(50,430,292)
						191,517,237	148,742,994

21.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2018: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.25% over 1 month KIBOR to 2% over 1 month KIBOR (2018: spread of 1.45% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US$ comprise of variable rate borrowings carrying markup ranging from spread of 3.15% over 1 month LIBOR to 3.75% over 3 month LIBOR (2018: 0.7% over 3 month LIBOR to 4% over 1 month LIBOR).

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

21.3 The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Company amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with the Company's sales routed through collection account NBP Airport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP. Furthermore, principal amounting to Rs. 166.667 million due as at December 31, 2019 has been paid by the Company during the extended period on January, 2020.

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

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

Furthermore, Principal amounting to USD 0.333 million due as at December 31, 2019 has been paid by the Company during the extended period on January 19, 2020.

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

- European Credit Agencies / GoP Guarantee.

21.6 The Syndicate finance was obtained from a syndicate of international banks and the lead arrangers are:

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

The finance is secured by first priority security over the collection account and facility service account; and legally enforceable assignments of tickets sales collection for the UK sector through IATA with appropriate acknowledgments. Furthermore, the Company prepaid the facility without incurring any penalty.

21.7 The Syndicate finance was obtained from a syndicate of international banks and the lead arrangers are:

- Standard Chartered Bank - United Kingdom
- Mashreq Bank PSC - United Arab Emirates

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

21.8 The Syndicate finance was obtained from a syndicate of international banks and the lead arrangers are:

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

The finance is secured by way of:

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

21.9 The finance is secured by way of:

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

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

21.11 The finance is secured by way of hypothecation of Boeing 777-200 ER aircraft.

21.12 The finance was secured by way of lien over Musharakah Asset amounting to Rs. 11,500 million and unconditional and irrevocable GoP guarantee for the facility amount.

21.13 The finance is secured by way of collection routed through the offshore bank account maintained with Emirates NBD Bank.

21.14 The Company has not paid any installment since due date of installment, i.e. October 23, 2011. The over due principal and markup as at December 31, 2019 is Rs 7,938.50 million (Rs.7,062.50 million) and Rs. 8,300 million (Rs. 7,500 million), respectively. The over due principal amount is included in current maturity.

21.15 In a meeting with Honourable Prime Minister of Pakistan dated December 30, 2017, it was decided that markup support would be provided for the five years starting from July 2018. In this regard, GoP has started releasing markup, first disbursement was made on October 26, 2018 and subsequently on monthly basis. The loan amount represents the outstanding at any given point of time.

21.16 The finance was secured by way of lien over Musharakah Asset amounting to Rs. 35,450 million and unconditional and irrevocable GoP guarantee for the facility amount. Furthermore, the Company prepaid the facility without incurring any penalty.

21.17 The letter is secured by letter of comfort from GoP, lien on Musharka amounting to Rs, 10,800 million and on collection account held with the Bank.

22. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up (%)	2019	2018
						----- (Rupees in '000) -----	
Secured							
- other than related party							
Term finance certificates	**22.1**	GoP Guarantee	2016-2020	16 Quarterly	6 month KIBOR + 1.25%	**5,264,272**	14,271,753
Sukuk certificates	**22.2**	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR + 1.75%	**1,935,000**	6,800,000
						7,199,272	21,071,753
Less: current maturity					29	**(7,199,272)**	(19,017,352)
						-	2,054,401

22.1 The ECC on July 03, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by Ministry of Finance (the Ministry). On December 01, 2014, the Ministry approved the terms and conditions of new TFCs, amounting to Rs. 32,870 million, including the conversion of short term loan of Rs. 20,080 million on the terms, applicable from February 20, 2014. Subsequent to the year end, the Company paid markup (under markup arrangement facility) amounting to Rs. 286.5 million for the month of November 2019.

22.2 The Company had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31, 2009. The principal amount was payable after grace period of two years in six equal half yearly instalments, however, the Company had not made any principal payments that were due until December 30, 2013. The Sukuk investors were requested to re-profile the principal repayment schedule alongwith other terms of Sukuk Certificates, with the assistance of Ministry of Finance. On December 30, 2013, the Sukuk agreement with Sukuk investors was rescheduled by virtue of which the Company was required to pay the entire principal on October 20, 2014. However, on December 24, 2014, the Sukuk investors agreed to further extend the term of Sukuk Certificates for a period of further five years starting from October 20, 2014 and the Company will be required to pay the entire principal on October 20, 2019. The markup rate and security will remain unchanged. The Ministry of Finance has approved the restructuring and new agreement was signed on June 30, 2016. Accordingly the same has been classified as non-current liability. Subsequent to the year end, the Company paid markup amounting to Rs. 144.700 million for the month of October 2019.

23. LEASE LIABILITIES	Note	2019	2018
		------ (Rupees in '000) ------	
Secured			
- other than related party			
Present value of minimum lease payments			
- Aircraft fleet including engines	23.1 & 23.2	25,184,821	2,099,119
- Buildings	23.1 & 23.2	1,420,690	-
		26,605,511	2,099,119
Technical ground equipment	23.1, 23.2 & 23.3	172,771	262,399
		26,778,282	2,361,518
Less: Current maturity	29	(11,244,943)	(2,188,747)
		15,533,339	172,771

23.1 During the year, the movement in lease liabilities is as follows:

	Note	Aicraft fleet including engines	Buildings	Technical Ground equipment	Total
Opening balance as on January 01, 2019		2,099,119	-	262,399	2,361,518
Lease liabilities recognised upon adoption of IFRS 16 (note 3.1.3)		30,647,986	1,702,341	-	32,350,327
Adjusted balance as on January 01, 2019		32,747,105	1,702,341	262,399	34,711,845
Additions during the year					
Additions in lease liabilities		2,514,220	38,090	-	2,552,310
Adjustment					
Lease modification		(77,455)	-	-	(77,455)
Exchange Loss		3,143,587	27,215	-	3,170,802
		3,066,132	27,215	-	3,093,347
Lease terminated during the year	6.2.2	(1,074,579)	-	-	(1,074,579)
Repayments / adjustments made during the year		(13,723,048)	(536,177)	(89,628)	(14,348,853)
Interest charged during the year	37	1,654,990	189,222	-	1,844,212
		25,184,820	1,420,691	172,771	26,778,282

	2019			2018		
	Minimum lease payments	Finance costs	Present value of minimum lease payments	Minimum lease payments	Finance costs	Present value of minimum lease payments
	---------- (Rupees in '000) ----------					
Not later than one year	12,425,973	1,181,030	11,244,943	2,259,775	71,029	2,188,747
Later than one year but not later than five years	16,347,036	1,180,656	15,166,380	197,679	24,908	172,771
Later than five years	377,615	10,656	366,959	-	-	-
	29,150,624	2,372,342	26,778,282	2,457,454	95,937	2,361,518

23.2 During the year 2006, the Company arranged an EXIM Bank guaranteed financing of US$ 472 million to acquire three Boeing B 777-300 ER aircrafts and one engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is Royal Bank of Scotland. The lease term of spare engine has expired during the year 2014. Furthermore, in prior year, the base term of two aircrafts expired and these were transferred to the owned assets. However, the lease term of one aircraft expired in 2019, and the respective asset has been transferred to owned asset in the current year. The salient features of the lease are as under:

	2019	2018
Discount rate - one aircraft	5.25%	5.25%
Discount rate - two aircraft	Three month LIBOR - 0.04%	Three month LIBOR - 0.04%
Lease period - aircraft	144 months	144 months
Lease period - engine	96 months	96 months
Security deposits (Rupees in '000)	2,378,625	2,137,514

23.3 During the year ended December 31, 2016, the Company arranged a letter of credit (LC) limit of Rs. 500 million for the purpose of acquisition of technical ground equipments. On the maturity of LC, the amount of LC is converted into finance lease, having a limit of Rs. 500 million with lease period of 48 months. The lease arrangement is secured by GoP guarantee. The lease carries markup at the rate of 2% spread over one month KIBOR. The Company has utilised the LC balance of Rs. 372.726 million and converted it into finance lease.

24 ADVANCE FROM A SUBSIDIARY

24.1 This represents advance of US$ 10 million, US$ 1 million, US$ 3 million, US$ 10 million, US$ 10 million, US$ 2.5 million, US$ 0.675 million, US$ 0.96 million and US$ 2 million received on March 02, 2011, September 12, 2011, July 26, 2013, May 08, 2014, July 11, 2014, September 01, 2014, December 02, 2014, April 27, 2015 and May 07, 2015, respectively, from PIA Investments Limited (PIAIL), a wholly owned subsidiary of the Company which will be adjusted against future dividends, if any, distributed by PIAIL. The advance carries mark-up at the rate of 1 month LIBOR plus 1.75% per annum.

24.2 During the year, the Company received Rs. 175 million received from Abacus Distribution System Pakistan Limited - a subsidiary.

25. DEFERRED LIABILITIES

	Note	2019	2018
		----- (Rupees in '000) -----	
Post retirement medical benefits	25.2	11,324,204	12,983,558
Pension obligation	25.3	26,001,328	25,064,678
Provision for redelivery cost	25.4	1,907,634	-
		39,233,166	38,048,236

25.1 General description of the type of defined benefit plans and accounting policy for remeasurement of the net defined benefit obligation / asset is disclosed in note 5.10 to these unconsolidated financial statements.

25.2 Post retirement medical benefits

	Note	2019	2018
Liability recognised in the statement of financial position			
Present value of defined benefit obligation		11,324,204	12,983,558
Movement in liability during the year			
Balance at the beginning of the year		12,983,558	11,785,642
Expense recognised in profit or loss	25.2.1	1,754,863	1,007,314
Total remeasurements recognised in other comprehensive income	25.2.2	(2,669,091)	1,091,231
Payments made during the year		(745,126)	(900,629)
Balance at the end of the year		11,324,204	12,983,558

25.2.1 Expense recognised in statement of profit or loss

	2019	2018
Current service cost	94,208	72,150
Interest cost	1,660,655	935,164
	1,754,863	1,007,314

25.2.2 Total remeasurements recognised in other comprehensive income

	2019	2018
Actuarial (gain) / loss on liability arising on		
financial assumptions	(240,039)	672,693
experience adjustments	(2,429,052)	418,538
	(2,669,091)	1,091,231

25.3 Pension obligation

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in '000)							
Liability / (Asset) recognised								
Present value of defined benefit obligation	2,157,742	2,199,526	446,759	457,997	27,537,401	28,639,379	30,141,902	31,296,902
Fair value of plan assets	(1,653,041)	(1,571,976)	(940,262)	(945,275)	(1,547,271)	(3,714,973)	(4,140,574)	(6,232,224)
	504,701	627,550	(493,503)	(487,278)	25,990,130	24,924,406	26,001,328	25,064,678
Movement in liability / (asset) during th year								
Opening liability / (asset)	627,550	630,482	(487,278)	(506,599)	24,924,406	21,622,463	25,064,678	21,746,346
Expense recognised in profit or loss	104,066	82,407	(64,829)	(41,794)	4,025,046	2,472,116	4,064,283	2,512,729
Total remeasurements recognised in other comprehensive income	(212,716)	(85,339)	62,599	61,115	(2,729,536)	829,827	(2,879,653)	805,603
Employer contributions	(14,199)	-	(3,995)	-	(229,786)	-	(247,980)	-
Closing liability / (asset)	504,701	627,550	(493,503)	(487,278)	25,990,130	24,924,406	26,001,328	25,064,678
Movement in the defined benefit obligation								
Obligation at beginning of the year	2,199,526	2,283,950	457,997	457,055	28,639,379	27,162,805	31,296,902	29,903,810
Current service cost	21,856	30,392	-	-	737,786	688,263	759,642	718,655
Past service cost	-	-	-	-	-	-	-	-
Interest cost	274,666	178,235	58,207	36,128	3,635,676	2,152,828	3,968,549	2,367,191
Benefits paid	(253,156)	(247,059)	(37,391)	(38,285)	(2,400,624)	(2,135,851)	(2,691,171)	(2,421,195)
Remeasurement due to:								
- Actuarial losses from changes in financial assumptions	(5,404)	(2,737)	(8,437)	21,390	(414,094)	1,047,400	(427,935)	1,066,053
experience adjustments	(79,746)	(43,255)	(23,617)	(18,291)	(2,660,722)	(276,066)	(2,764,085)	(337,612)
Obligation at end of the year	2,157,742	2,199,526	446,759	457,997	27,537,401	28,639,379	30,141,902	31,296,902
Movement in fair value of plan assets								
Fair value at beginning of the year	1,571,976	1,653,468	945,275	963,654	3,714,973	5,540,343	6,232,224	8,157,465
Interest income	192,456	126,220	123,036	77,922	348,416	368,974	663,908	573,116
Employer contributions	14,199	-	3,995	-	229,786	-	247,980	-
Benefits paid	(253,156)	(247,059)	(37,391)	(38,285)	(2,400,624)	(2,135,851)	(2,691,171)	(2,421,195)
Return on plan assets excluding amount							-	-
included in interest income	127,566	39,347	(94,653)	(58,016)	(345,280)	(58,493)	(312,367)	(77,162)
Fair value at end of the year	1,653,041	1,571,976	940,262	945,275	1,547,271	3,714,973	4,140,574	6,232,224
Expense recognised in statement of profit or loss								
Current service cost	21,856	30,392	-	-	737,786	688,263	759,642	718,655
Past service cost	-	-	-	-	-	-	-	-
Net interest expense / (income)	82,210	52,015	(64,829)	(41,794)	3,287,260	1,783,853	3,304,641	1,794,074
	104,066	82,407	(64,829)	(41,794)	4,025,046	2,472,116	4,064,283	2,512,729
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on								
- financial assumptions	(5,404)	(2,737)	(8,437)	21,390	(414,094)	1,047,400	(427,935)	1,066,053
- experience adjustments	(79,746)	(43,255)	(23,617)	(18,291)	(2,660,722)	(276,066)	(2,764,085)	(337,612)
	(85,150)	(45,992)	(32,054)	3,099	(3,074,816)	771,334	(3,192,020)	728,441
Variation on plan assets excluding amount included in interest income	(127,566)	(39,347)	94,653	58,016	345,280	58,493	312,367	77,162
	(212,716)	(85,339)	62,599	61,115	(2,729,536)	829,827	(2,879,653)	805,603
The plan assets comprise of:								
Debt instruments	1%	1%	0%	0%	1%	1%	1%	1%
Others including cash and cash equivalents	99%	99%	100%	100%	99%	99%	99%	99%
	100%	100%	100%	100%	100%	100%	100%	100%
Actual return on plan assets	320,022	165,567	28,383	19,906	3,136	310,481	351,541	495,954

25.3.1 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 26.4) were carried out at December 31, 2019. The valuations have been carried out using Projected Unit Credit method and the following significant acturial assumptions have been used:

	2019	2018
	----- (Percentage) -----	
Valuation discount rate	**11.25%**	13.25%
Salary increase rate	**10.25%**	12.25%
Pension indexation rate	**4.75%**	6.75%
Medical inflation rate	**5.00%**	7.00%
Mortality table	**Adjusted SLIC 2001-2005 with one year age set back**	

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

	2019	2018
	----- (Number) -----	
Pension scheme		
Active employees	**11,009**	12,196
Beneficiaries	**17,922**	19,400
Post retirement medical benefit scheme	**17,922**	19,400

25.3.3 Sensitivity analysis

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

		Increase / (decrease) in defined benefit obligation of					
		PALPA Fund		FENA Fund		Main Pension Fund	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		---------- (Rupees in '000) ----------					
Valuation discount rate	1%	(149,088)	171,763	(28,250)	31,979	(2,307,185)	2,721,383
Salary increase rate	1%	no change	no change	no change	no change	1,022,865	(922,040)
Medical inflation rate	1%	171,713	(151,369)	36,294	(32,374)	1,861,090	(1,624,589)

		Increase / (decrease) in defined benefit obligation of			
		Post retirement medical benefits		Compensated absences	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		---------- (Rupees in '000) ----------			
Valuation discount rate	1%	(936,642)	1,104,677	(524,278)	595,071
Salary increase rate	1%	no change	no change	587,447	(526,337)
Medical inflation rate	1%	1,030,105	(903,882)	not applicable	not applicable

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the unconsolidated statement of financial position.

25.3.4 The employee benefit plans exposes the Company to the following risks:

Mortality risk:
The risk that the actual mortality rate is different. The effect depends on the beneficiaries service/age distribution and the benefit.

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

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

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

25.3.5 The fair value of plan assets of pension funds includes investment in the Company's shares, amounting to Rs. 3.348 million (2018: Rs. 2.890 million).

25.3.6 The weighted average duration of the benefit obligations as at December 31, 2019 is as follows:

	Years
Post retirement medical benefits	9
PALPA fund	7
FENA fund	7
Main Pension fund	9
Compensated absences	7

25.3.7 The expected pension and medical expense for the next one year from January 01, 2020 amounts to Rs. 3,602.824 million and Rs. 1,366.517 million respectively. The expected amount of Pension fund is the amount which the Company will have to contribute for the next one year.

25.3.8 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 3,142.339 million (2018: Rs. 1,900.823 million), Rs. 1,629.361 million (2018: Rs. 985.612 million) and Rs. 1,047.446 million (2018: Rs. 633.608 million) respectively.

25.4 This amount represents the provision against maintenance / redelivery cost required to be incurred by the Company for returning the aircraft under lease agreements on certain maintenance conditions. Movement in provision is as follows:

		2019	**2018**
	Note	**----- (Rupees in '000) -----**	
Balance at the beginning of the year		**-**	-
Provision recognised upon adoption of IFRS 16 (note 3.1.3)		**1,574,397**	-
Adjusted balance as on January 01, 2019		**1,574,397**	-
Provision recognised during the year		**61,438**	-
Adjustments			
Lease terminated during the year		**(16,393)**	-
Exchange loss recognised during the year	36	**184,976**	-
Interest charged during the year	37	**103,216**	-
		271,799	-
		1,907,634	-

		2019	2018
26. TRADE AND OTHER PAYABLES	**Note**	**----- (Rupees in '000) -----**	
Trade creditors			
Goods	26.1	**20,658,096**	19,167,119
Services		**14,557,797**	11,895,065
Airport related charges		**38,830,340**	32,329,376
		74,046,233	63,391,560
Accrued liabilities	26.2	**9,682,730**	6,148,325
Advance against transportation (unearned revenue)	26.3	**16,442,380**	13,150,950
Obligation for compensated absences	26.4	**7,657,683**	7,367,021
Unredeemed frequent flyer liabilities	26.5	**648,127**	649,360
Advances from customers		**2,203,678**	1,032,339
Employees Provident Fund	26.6	**9,549,097**	11,190,851
Collection on behalf of others	26.7	**54,604,465**	46,035,290
Customs, federal excise duty and sales tax		**2,052,986**	2,580,447
Federal excise duty - International travel		**10,571,782**	9,959,757
Income tax deducted at source		**1,213,676**	2,075,338
Short-term deposits		**812,494**	618,856
Others	26.8	**370,463**	370,463
		189,855,794	164,570,556

26.1 This includes an amount of Rs. 16,205.600 million payable to Pakistan State Oil Comapany Limited (PSO). There is a difference between the two entities over the application of the payments made by the Company. The Company is making all payments against the fuel invoices. Late payment surcharge (LPS), though accrued as per agreement, would be paid at a later stage. Contrarily, PSO applies a portion of payments against late payment surcharge (LPS).

26.2 This includes total management fee upto December 31, 2019 amounting to Rs. 147.308 million (2018: Rs. 68.551 million) payable to PIA Investments Limited, a subsidiary company.

26.3 Advance against transportation (unearned revenue)

	2019	2018
Balance at the beginning of the year	**13,150,950**	9,319,224
Amount included in unearned revenue that was recognised as revenue during the year	**(12,214,805)**	(8,625,604)
Cash received in advance and not recognised as revenue during the period	**15,506,235**	12,457,329
Balance at the end of the year	**16,442,380**	13,150,950

26.4 Obligation for compensated absences

Liability recognised in the statement of financial position

	2019	2018
Balance at the beginning of the year	**7,367,021**	6,146,468
Expense recognised during the year	**311,559**	1,229,178
Benefits paid during the year	**(20,897)**	(8,625)
Balance at the end of the year	**7,657,683**	7,367,021

26.4.1 Number of employees covered by the compensated absences are 11,009 (2018: 12,249). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 25.3.2, 25.3.3 and 25.3.6 respectively to these unconsolidated financial statements.

26.4.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 214.975 million (2018: Rs. 884.324 million), Rs. 43.302 million (2018: Rs. 148.460 million) and Rs. 53.282 million (2018: Rs. 196.394 million) respectively.

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

- ticket inflation rate at the rate of 11.5% (2018: 13.25%);
- discount rate at the rate of 11.5% (2018: 13.25%);
- expiry of unavailed points after three years; and
- accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.
- Unavailed points of Ministry do not have any expiry.

26.5.1 Upon adoption of IFRS - 15, this balance has been presented as contract liability.

26.6 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 Companies Act, 2017 and Section 227 of the repealed Companies Ordinance, 1984 due to the liquidity constraints. Hence, mark-up thereon have been accrued based on the discount rate as announced by the State Bank of Pakistan upto April 19, 2016 and thereafter based on 1 month KIBOR.

26.7 This includes taxes payable at foreign stations and amount payable to Civil Aviation Auhroity (CAA) relating to embarkation, security and infrastructure charges.

26.8 This represents balance payable to various vendors against which cheques have been issued but not encashed as at December 31, 2019 and subsequently.

	Note	2019	2018
27. ACCRUED INTEREST		------ (Rupees in '000)	------
Mark-up / profit payable on:			
- long-term financing	27.1	10,021,345	8,719,366
- Mark-up reimbursement loan from GoP	27.2	2,096,641	73,376
- term finance certificates	27.3	390,194	510,513
- sukuk certificates	27.4	330,457	156,128
- lease liabilities		1,423	1,064
- short-term borrowings	27.5	1,254,381	593,272
- provident fund	26.6	7,055,819	5,714,038
- advance from a subsidiary		1,105,142	763,823
		22,255,402	16,531,580

27.1 It includes Rs. 328.985 million and Rs. 8,300 million due to National Bank of Pakistan and Government of Pakistan respectively.

27.2 It represents markup on GOP-markup arrangement loan due to Government of Pakistan.

27.3 It includes Rs. 197.291 million due to National Bank of Pakistan.

27.4 It includes Rs. 21.463 million due to National Bank of Pakistan.

27.5 It includes Rs. 1,175.515 million due to National Bank of Pakistan.

			2019	2018
28.	**SHORT-TERM BORROWINGS - SECURED**	**Note**	**------ (Rupees in '000) ------**	
	Short-term loans	**28.1**	**29,860,000**	31,527,089
	Running finance under mark-up arrangements	**28.2**	**1,720,219**	2,920,269
			31,580,219	34,447,358

28.1 SHORT-TERM LOANS - SECURED

Financier	Security	Facility amount (million)	Expiry date	2019	2018
				---(Rupees in '000)---	
Short-term loans - Related Parties					
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 5,000	30-Sep-20	**5,000,000**	5,000,000
National Bank Of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 5,000	30-Sep-20	**5,000,000**	5,000,000
National Bank Of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 5,000	30-Sep-20	**5,000,000**	5,000,000
National Bank Of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 4,360	30-Sep-20	**4,360,000**	4,360,000
National Bank Of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 3,500	30-Sep-20	**3,500,000**	3,500,000
National Bank Of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 3,000	30-Sep-20	**3,000,000**	3,000,000
National Bank Of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 2,000	30-Sep-20	**2,000,000**	2,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 2,000	30-Sep-20	**2,000,000**	2,000,000
Short-term loans - Others Habib Bank Limited	First charge by way of hypothecation over all present and future moveables and receivables of the Company in favor of the bank	USD 12	30-Sep-19	**-**	1,667,089
				29,860,000	31,527,089

28.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (2018: spread of 1.5% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (2018: a spread of 3.5% over 3 months LIBOR).

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

28.2 Running finance under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million)	Expiry date	2019	2018
					---(Rupees in '000)---	
Secured						
Running finance - related party						
National Bank of Pakistan	First pari passu hypothecation charge of Rs. 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 701 million payable on demand	Rs. 575	Rs. 100.79	30-Sep-20	**474,207**	441,349
Running finance - others						
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the company for Rs. 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	Rs. 350	Rs. 350	30-Sep-20	**-**	201,461
United Bank Limited - Karachi	Hypothecation charge of Rs. 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	Rs. 2,570	Rs. 1,324	31-Jul-20	**1,246,012**	2,247,692
Un-secured						
Habib American Bank		USD 1.5	USD 1.1	On Demand	**-**	29,766
					1,720,219	2,920,269

28.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month and 3 months KIBOR (2018: 1.5% to 2.0% over 1 month and 3 months KIBOR).

28.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at December 31, 2019.

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

29. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2019	2018
		------ (Rupees in '000) ------	
Long-term financing	21	**62,433,553**	50,430,292
Term finance and sukuk certificates	22	**7,199,272**	19,017,352
Lease liabilities	23	**11,244,943**	2,188,747
		80,877,768	71,636,391

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 Sales tax and Federal Excise Duty

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 15) 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 these unconsolidated financial statements 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 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 these unconsolidated financial statements 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 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 financial statements in this regard.

d) The tax department through orders dated March 06, 2009, December 04, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (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. 400.446 million). The Company filed an appeal against the said orders before CIR (A), which was decided in favour of the department. Subsequently, the Company filed an appeal against this at ATIR level, Tribunal deleted the penalty but maintained default surcharge which was 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 these unconsolidated financial statements 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 15.1) which was contested by the Company before the Honorable High Court of 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 and 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 .

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 these unconsolidated financial statements in this respect.

g) During the year 2017, DCIR passed orders dated September 07, 2016 and raised demand of Rs. 487.118 million for the short payment of Federal Excise Duty along with default surcharge and penalty regarding the services rendered in respect of travel within Pakistan for the period July 2014 to June 2015. The Company filed an appeal with CIR(A) against the DCIR order. CIR(A) vide order dated August 07, 2018 deleted the levy of penalty however maintained levy of default surcharge. Company has filed appeal against the CIR(A) order with ATIR.

30.1.2 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 Apellete Tribunal, Islamabad. Management believes that both appeals will be decided in its favour. Accordingly, no provision has been made in these unconsolidated financial statements in this regard.

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 December 31, 2019 the excessive amounts claimed by CAA which are not acknowledged by the Company aggregated to Rs. 45,992.765 million (2018: Rs. 28,221.849 million) including late payment surcharge and interest thereon amounting to Rs. 43,118.580 million (2018: Rs. 23,825.466 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 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 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 these unconsolidated financial statements.

Subsequent to the year end, the management, in a meeting held with the CAA and Aviation division dated January 02, 2020, decided to reconcile the differences of non aeronautical charges and, on payment of all outstanding dues after proper reconciliation, interest and surcharge payable to CAA will be waived.

j) During the year 2014, two travel agents (Times Travel UK Limited and Nottingham Travel Limited (the claimants), specializing in travel to and from the United Kingdom to Pakistan, commenced proceeding against the Company on account of unpaid commission or remuneration from the Company on sale of airline tickets in the High Court of Justice - Business and Property Courts of England and Wales (the Court). In pursuant of above, the Court passed an order in the year 2017, in favor of the claimants and directed the parties to compute the amount of commission due on the basis of the agreements entered into between the claimants and the Company. During the year, the Court rewarded a judgement against the Company to pay GBP 5.171 million (equivalent to Rs. 1,049.657 million) based on calculations made by the claimants. Conversely, the Company has recorded the provision of GBP 2.982 million (equivalent to Rs. 605.346 million approx.) against the said judgement based on the calculation carried out by the management, and for the remaining amount, the Company is in process of filing the appeal, which management, based on its consultation with its legal advisors, believes that will be decided in favor of the Company.

k) Various ex-employees of the Company have lodged claims against the Company for their dues specifically relating to their reinstatements aggregating to Rs. 3,605.461 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. Accordingly, no provision has been made in these unconsolidated financial statements against these claims amounting to Rs. 789,819 million (2018: Rs. 629.561 million). The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise.

Details of significant cases are given below:

Court	Factual Description	Year of Institution	Party	Relief Sought
Sindh High Court	Counter Appeals filed against against grant of less damages/compensation.	2017	Mustafa F. Ansari Vs PIA Mumtaz Ahmed Vs PIA Sikandar Elahi Vs PIA Shahid Islam	Recovery of damages Rs. 1,072.598 million
Sindh High Court	Mr Salahuddin booked two mercedes however cars arrived Karachi late due to alleged delay by PIA	2000	Salahuddin Razzak Vs PIA & Others.	Recovery of damages Rs. 100 million
Sindh High Court	Sher Muhammad Zafar filed suit alleged his juniors were promoted but he was not promoted.	2006	Sher Muhammad Zafar Vs PIA	Recovery of damages Rs. 100 million
Sindh High Court	Azizur Rahman's father died during inflating the noze wheel of B-737, prayed for recovery under Fatal Accident Act 1855.	2007	Azizur Rehman & another Vs PIA	Recovery of damages Rs. 65.5 million
Sindh High Court	Farid Ah+E56med Mughal filed suit for final settlement of Rs. 56 million	2013	Farid Ahmed Mughal Vs PIA	Recovery of damages Rs. 56 million
Sindh High Court	Abbas Haider Janvri filed suit as he was not granted rescheduling of simulator training and engaged in domestic affairs	2015	Abbas Haider Janvri Vs PIA	Recovery of damages Rs. 52.07 million
Sindh High Court	Yaseen Alladin kept 25% of meal for passengers resulting in inconvinence, he was compulsorily retired, prayed for recovery of salary	2006	Yaseen Alladin Vs PIA	Recovery of damages Rs. 50.6 million
Sindh High Court	Mr Nasir filed suit for alleged wrongful mandatory retirement from service, prayed for reinstatement	2006	Nasir Ali Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	Muhammad Asim malik prayed for recovery against show cause notice on account of fake submission of matric certificate	2015	Muhammad Asim Malik Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	Saadia Sumbul Butt Sr Airhostress was detained in London and was found in possesion unauthorized foreign currency and cell phones. She was terminated, and she challenged termination	2015	Saadia Sumbul Butt Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	M/s. Airport Hotel issued plantiff letter to vacate the Room No. D-025 allotted to him. He was issued show cause notice, suspended form duties with immediate effect. Prayed to restore.	2013	Lt. Colonel (R) Akhtar Lateef Vs PIA & M/s Sky Room Ltd. Etc	Recovery of damages Rs. 50 million
Sindh High Court	Akhtar Hussain Khichi was called back from position of manager Bahrain on administrative grounds, prayed to declare the transfer letter as illegal	2014	Akhtar Hussain Khichi Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	Wazir Ahmed Kahrani Assistant Manager PHS was issued show cause notice on account of releasing 10KG excess baggage without EBT, filed suit for declaration permanent and mandatory injuction	2015	Wazir Ahmed Jakhrani Vs PIA & others	Recovery of damages Rs. 50 million
Sindh High Court	Noreen Durrani claimed that on account of her prevailing medical condition, she has been advised against coming in contact with electrical appliances emitting electro-magnetic impulses.Therefore he was repeatedly exempted from duty, filed suit for injuction.	2019	Noreen Durrani Vs PIACL	Recovery of damages Rs. 50 million
Sindh High Court	HR Manager Flight Operations issued letter to Capt Latif Farooqi regarding retirement on medical grounds. He was permanently grounded on account of " Uncontrolled Diabetic Mallitus, prayed for guarnteed payments.	2019	M. Latif Farooqi vs PIACL	Recovery of damages Rs. 50 million
Sindh High Court	Mr Arshad Iqbal was terminated on account of manpower rationalization and rightsizing, He alleged that no stigma or disciplinary grounds has been mentioned in termination letter except " manpower rationalization and right sizing" etc He has prayed to set aside termination letter	2019	Arshad Iqbal Vs PIACL & Others	Recovery of damages Rs. 47.8 million
Sindh High Court	Captain Naeem Ahmed Chowdary removed from service on account of misconduct	2016	Nadeem Ahmed Chowdary Vs PIA	Recovery of damages Rs. 323 million

k) Outstanding letters of guarantee amounted to Rs. 216.450 million (2018: Rs. 222.891 million).

l) Contingencies relating to income tax matters are disclosed in note 38.1 to these unconsolidated financial statements

30.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 44.999 million (2018: Rs. 27.371 million).

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

c) 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. 236,725.843 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.

	Note	2019	2018
31. REVENUE - NET		------ (Rupees in '000) ------	
Passenger		132,205,391	93,704,078
Cargo		4,914,618	4,499,640
Excess baggage		1,000,643	638,423
Charter services		1,642,843	213,121
Engineering services		1,461,363	876,693
Handling and related services		697,946	382,101
Mail		185,782	174,303
Others		5,391,543	3,002,101
		147,500,129	103,490,460

31.1 Revenue by geographical segments

	2019	2018
Revenue analysis		
USA / Canada	6,698,555	4,293,001
Europe	2,194,703	21,120,601
Middle East / Africa	27,038,314	15,143,895
Asia (excluding Pakistan)	26,937,436	3,039,245
Pakistan	84,631,121	59,893,718
	147,500,129	103,490,460

31.2 Gross Revenue

	2019	2018
Revenue	166,715,077	121,261,440
Less: Commission and discount	(3,747,123)	(3,031,483)
Federal Excise Duty	(11,556,375)	(11,306,445)
Provincial sales tax	(113,904)	(71,550)
Foreign tax	(3,797,546)	(3,361,502)
Net Revenue	147,500,129	103,490,460

32. COST OF SERVICES - OTHERS

	Note	2019	2018
Salaries, wages and allowances		13,812,845	14,044,410
Welfare and social security costs		1,740,764	2,109,632
Retirement benefits	32.1	3,412,710	2,212,500
Compensated absences	26.4.2 & 32.2	214,975	884,324
Legal and professional charges		43,375	54,299
Stores and spares consumed		1,819,300	1,805,822
Maintenance and overhaul		16,737,282	10,365,910
Flight equipment rental	32.4	1,131,544	12,126,364
Landing and handling		21,076,429	16,779,422
Passenger services		4,544,204	2,852,791
Crew layover		3,538,809	3,335,997
Staff training		56,798	107,607
Utilities		43,718	37,917
Communication		2,860,318	4,197,200
Insurance		2,300,815	1,273,304
Rent, rates and taxes	32.3	849,053	810,289
Printing and stationery		196,609	184,205
Depreciation	6.5	14,431,903	5,175,043
Amortisation on intangibles	7.2.1	8,860	6,897
Others		798,302	1,306,625
		89,618,613	79,670,558

32.1 The Company's staff retirement benefits includes provident fund - a defined contribution plan. The Company has established a separate provident fund. Following information of the provident fund has been derived from the unaudited financial statements of the provident fund as at December 31, 2019 and 2018.

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

	2019	2018
	------ (Rupees in '000) ------	
Size of provident fund	**21,075,304**	21,815,384
Cost of investments made	**4,471,818**	4,104,206
Percentage of investments made	**23.82%**	19.42%
Fair value of investment (Rupees)	**5,019,600**	4,235,736

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

	2019	2018	2019	2018
	-----Percentage-----		------ (Rupees in '000) ------	
Term finance certificates	**9.0%**	10.2%	**1,905,176**	2,234,649
Pakistan investment bonds	**0.0%**	0.0%		-
Islamic bonds	**12.4%**	9.2%	**2,611,900**	1,997,884
PIAC shares	**0.0%**	0.0%	**2,524**	3,203
Special savings certificate	**0.0%**	0.0%	**-**	-
Mutual funds	**2.4%**	0.0%	**500,000**	-
Total	**23.82%**	19.42%	**5,019,600**	4,235,736

32.1.1 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

32.1.2 Number of employees of the Company:

	2019	2018
	(Number)	
Average number of employees during the year	**11,723**	12,437
Number of employees as at year end	**11,009**	12,196

32.2 This includes (reversal) / provision of Rs. 1,209.441 million (2018: Nil) due to experience adjustment based on actuarial assumptions.

32.3 This includes Rs. 33.164 million pertains to lease payments of short term leases against buildings classified under IFRS 16.

32.4 This represents lease payments of short term leases against engines classified under IFRS 16.

33. DISTRIBUTION COSTS

	Note	2019	2018
		------ (Rupees in '000) ------	
Salaries, wages and allowances		**1,641,781**	1,660,778
Welfare and social security costs		**217,795**	263,946
Retirement benefits		**1,769,553**	1,147,222
Compensated absences	**26.4.2 & 32.2**	**43,302**	148,460
Distribution and advertising expenses		**1,309,307**	959,897
Legal and professional charges		**77,111**	96,532
Insurance		**72,061**	59,662
Printing and stationery		**126,462**	115,920
Communication		**289,654**	287,224
Staff training		**18,432**	32,836
Rent, rates and taxes	**33.1**	**209,995**	276,494
Utilities		**21,859**	18,958
Depreciation	**6.5**	**19,900**	15,361
Others		**403,712**	327,436
		6,220,924	5,410,726

33.1 This includes Rs. 23.583 million pertains to lease payments of short term leases classified under IFRS 16.

		2019	2018
34. ADMINISTRATIVE EXPENSES	Note	------ (Rupees in '000) ------	
Salaries, wages and allowances		2,571,957	2,565,973
Welfare and social security costs		322,017	390,253
Retirement benefits		1,137,570	737,500
Compensated absences	26.4.2 & 32.2	53,282	196,394
Legal and professional charges		361,459	452,495
Insurance		109,041	87,321
Printing and stationery		32,480	33,602
Staff training		59,569	136,709
Rent, rates and taxes	34.1	639,207	635,445
Utilities		1,027,382	891,047
Auditors' remuneration	34.2	20,900	19,000
Communication		100,494	109,890
Depreciation	6.5	30,141	23,317
Amortisation	7.2.1	101,895	79,314
Donations	34.3	6,750	4,000
Others		371,523	368,536
		6,945,667	6,730,797

34.1 This includes Rs. 16.95 million pertains to lease payments of short term leases classified under IFRS 16.

34.2 Auditors' remuneration

	2019			2018		
	Grant Thornton Anjum Rahman	BDO Ebrahim & Co.	Total	Grant Thornton Anjum Rahman	BDO Ebrahim & Co.	Total
	(Rupees in '000)					
Audit fee	6,464	6,464	12,928	5,876	5,876	11,753
Fee for review of interim financial information	1,878	1,878	3,756	1,707	1,707	3,415
Consolidated financial statements	961	961	1,922	874	874	1,747
Code of Corporate Governance	322	322	644	293	293	585
Out of pocket expenses	825	825	1,650	750	750	1,500
	10,450	10,450	20,900	9,500	9,500	19,000

34.3 Donations includes payments aggregating Rs. 6.75 million (2018: Rs. 3.9 million) to its CSR setup viz Al-Shifa Trust, situated at Terminal 2, Road, Karachi Airport, Pakistan in which the Chief Executive Officer of the Company acts as a Trustee / Chairman. Besides this, none of the directors or their spouse have any interest in the donee.

		2019	2018
35. OTHER PROVISIONS AND ADJUSTMENTS - net	Note	------ (Rupees in '000) ------	
Property, plant and equipment			
- Other assets written off		-	24,457
- Deficit on revaluation of aircraft		1,898,535	-
		1,898,535	24,457
Provision for slow moving and obsolete spares	11.1	803,461	112,411
Provision for impairment against doubtful debts	12.3	44,001	198,868
Provision for impairment against doubtful advances	13.5	-	11,312
(Reversal) / provision for impairment against doubtful deposits	10.2 & 14.1	(5,222)	2,383
Provision for impairment against doubtful other receivables	15.4	-	61,898
Late payment surcharge on fuel		1,164,639	1,346,098
Others		575,699	172,679
		4,481,113	1,930,105

			2019	2018
36.	**OTHER INCOME**	**Note**	------ (Rupees in '000) ------	
	Income from financial assets			
	Profit on bank deposits		**81,953**	34,429
	Interest on maintenance reserve		**19,098**	35,449
			101,051	69,878
	Income from assets other than financial assets			
	Reversal of deficit on revaluation of aircraft fleet		**-**	1,146,470
	Insurance claims		**-**	5,031
	Expired tickets income		**410,682**	-
	Gain on lease termination	**6.2.2**	**468,424**	-
	Others		**1,122,146**	502,108
			2,001,252	1,653,609
			2,102,303	1,723,487
37.	**FINANCE COSTS**			
	Mark-up on:			
	- long-term financing		**22,431,255**	13,231,380
	- interest on loan from GoP against markup		**2,023,265**	73,376
	- term finance certificates		**1,137,840**	1,369,373
	- short-term borrowings		**4,567,631**	2,886,596
	- advance from a subsidiary		**244,313**	183,738
			30,404,304	17,744,463
	Profit on sukuk certificates		**880,915**	598,568
	Lease liabilities	**23.1 & 25.4**	**1,947,427**	142,995
	Discounting on deposits		**(101,166)**	(122,014)
	Interest on provident fund	**26.6**	**1,341,781**	859,078
	Arrangement, agency and commitment fee		**1,014,800**	870,061
	Amortisation of prepaid exposure fee	**10.3**	**33,381**	135,606
	Bank charges, guarantee commission and other related charges		**15,907**	155,810
			35,537,349	20,384,567
38.	**TAXATION**			
	Current tax			
	- For the year	**38.1**	**14,260**	531,180
	- Prior year		**-**	537,658
	Deferred tax expense / (income)		**483,459**	(1,159,048)
			497,719	(90,210)

38.1 Current

38.1.1 Upto the prior year, the Company recognised income tax on the basis of minimum tax on turnover under Section 113 of Income Tax Ordiance, 2001 (I.T.O.) at the rate defined for the Company in Division IX of the Income Tax Ordinance, 2001.

However, during the year, the Company has not recognised minimum tax amounting to Rs. 1,106.251 million, based on the management's interpretation that Section 113 is not to be levied on the Company's revenue streams (i.e. fare from passenger, cargo freight, and excess luggage fees) as these do not fall under the ambit of "gross fees for rendering of services" as defined in abovementioned section, that would be treated as turnover for the purpose of levying minimum tax. The management's interpretation is in line with the recent decision of Appellate Tribunal Inland Revenue (ATIR) reported as 2019 PTD (Trib.) 416, in case of another airline company, holding that the abovementioned revenues generated by the Company does not fall under the ambit of turnover as defined in section 113 of Income Tax Ordinance, 2001.

Therefore, the management, based on consultation with its tax advisors is confident that the minimum tax levied under Section 113 is not applicable to the Company. The Company is also in the process of revising its income tax returns for tax year 2015 to 2019.

No numeric tax rate reconciliation is given as the Company is liable for turnover tax only and deferred tax asset have been recognized to the extent of deferred tax liability (refer note 38.2.1).

38.1.2 The Company has filed tax returns for tax years up to tax year 2018. The tax returns from tax years 2003 to 2016 have been filed under self assessment scheme. All assessments for tax years 1991 to 2002 have been finalized by the department. The minimum tax liability under section 80D of the I.T.O. 2001 had been levied by the department from assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover on estimated basis. The Company had filed appeals against the above demands which had been decided in favor of the Company at ATIR level. The department had filed appeal against the decision before Sindh High Court which was decided on few grounds in favor of the Company. Thereafter, the department has filed an appeal against the decision of Sindh High Court before Supreme Court which is pending to date. Based on consultation with legal advisor, the management believes that this issue will be decided in favor of the Company without any additional tax liability.

38.1.3 As per Order dated March 13, 2011 a demand of Rs. 898.177 million (2018: Rs. 898.177 million) was raised by the Deputy Commissioner Inland Revenue (DCIR) by issuing an amended order in relation to the tax year 2005. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Company claimed the depreciation on the contention that those aircraft were obtained under hire purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48.235 million was also recovered by FBR in this respect.

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

Further, the ACIR has issued orders dated June 27, 2012 and June 25, 2013 under section 122 (5A) of the I.T.O. 2001 in respect of tax years 2006 and 2007 disallowing the depreciation claimed on leased aircraft and other provisions amounting to Rs. 3,480.442 million and Rs. 20,462.797 million, respectively. The Company has filed an appeal to CIR (A) against the said orders. CIR(A) in its Appellate order dated September 10, 2015 disposed off the appeal and maintain partial diallowance of depreciation and deleted other provision amount. The Company has filed an appeal to ATIR against the decision of CIR(A), however, the matter is still pending for adjudication.

38.1.4 ACIR had issued an order dated June 30, 2014 in respect of tax year 2008 on account of disallowance of depreciation on leased aircraft and other provisions amounting to Rs. 18,892.227 million. Subsequently, CIR(A) vide its order dated January 17, 2018 had annulled the ACIR's order as it was time barred. ACIR has filed an appeal before ATIR against the above order.

ACIR has passed an order dated December 19, 2016 under section 124/122 (5A) of the I.T.O. 2001 in respect of tax year 2009 and raised a demand of Rs. 109.428 million while maintaining the disallowance of depreciation, exchange loss and tax credit amounting to Rs. 17,069.522 million, Rs. 6.030 million and Rs. 168.744 million respectively, demanded in the earlier order dated June 15, 2015. The Company filed an appeal before CIR(A) and CIR(A) vide its order dated February 14, 2018 maintained the disallowance of depreciation, deleted the disallowance of exchange loss and remanded back the short allowed tax credit under various sections. Both the Company and the department have filed appeals before ATIR under section 131 of the I.T.O. 2001 against the order dated February 14, 2018.

ACIR issued an order dated June 30, 2016 under section 122 (5A) of the I.T.O. 2001 in respect of tax year 2010 and raised a demand of Rs. 143.075 million, disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 12,810 million. The Company filed a rectification application against the above order and ACIR vide its order dated December 12, 2017 maintained the disallowance of depreciation and other provisions but allowed certain tax credits and revised a tax demand of Rs. 109.663 million. The Company filed an appeal before CIR(A) against these above order whereas CIR(A) vide its order dated January 01, 2018 upheld the matter related to disallowance of depreciation and remanded back disallowance of other provisions and tax credits.

The CIR(A) disposed off Company's appeal and issue Combined appellate order dated October 30, 2015 through which CIR(A) maintained disallowance depreciation and deleted other provision. The Company has filed a appeal against the CIR(A) decision at ATIR, however, the matter is still pending for adjudication and the Company is confident that this issue will ultimately be decided in its favour.The ACIR issued an order dated June 20, 2015 for tax year 2011 and raised a demand of Rs. 327.535 million by applying 1% minimum tax rate against the Company's contention of 0.5% in addition to disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 7,692.992 million. The Company has filed an appeal before CIR(A) against the said orders whereas CIR(A) vide its order dated October 30, 2015 upheld the matter related to minimum tax and disallowance of depreciation and remanded back disallowance of other provisions and tax credits. However, Company on the advise of its tax consultant has made the provision of Rs. 537.657 million being the difference of 0.5% and 1% minimum tax for tax year 2011. Both the Company and the department have filed appeals before ATIR under section 131 of the I.T.O. 2001 against the order which is pending for hearing.

The ACIR has issued the orders dated June 30, 2018 and January 05, 2017 under section 122(5A) of the I.T.O. 2001 in respect of tax years 2012 and 2014 and disallowed depreciation on leased aircrafts and other provisions amounting to Rs. 9,725.915 million and Rs.11,007.920 million respectively. The Company has filed a appeal before CIR(A) against these said orders. Subsequently, CIR(A) issued Appellate order dated December 26, 2019 and February 14, 2018 in respect of TY 2012 and 2014 respectively and disposed the appeal by deleting the demand of TY 2014 while maintaining the disallowed depreciation on leased aircrafts and other provisions for TY 2012 and 2014. The Company has filed a appeal to ATIR against the decision of CIR(A), however, the matter is still pending for adjudication.

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

38.1.5 The tax department has also issued order dated December 31, 2012 under section 161/205 of the I.T.O. 2001 pertaining to tax year 2011 and raised a demand of Rs. 324.319 million. The Company has filed an appeal against the order before CIR(A) which are pending adjudication.

38.1.6 The tax department has also issued a showcase under section 161 / 205 of the Income Tax Ordinance, 2001 pertaining to Tax Year 2016 to provide reconciliations under rule 44(4) of the Income Tax Rules, 2002, of the amounts shown in the statement of accounts and amounts reflected in the monthly/annual statements filed under section 165 of the Ordinance. The Company has responded the showcause.

	2019	2018
38.2 Deferred taxation	----- (Rupees in '000) -----	
Deferred tax credits:		
Accelerated tax depreciation	**15,366,707**	15,161,283
Surplus on revaluation of property, plant and equipment	**4,640,444**	6,325,473
Right of use asset	**4,866,221**	-
	24,873,372	21,486,756
Deferred tax debits:	**(7,287,396)**	(12,176,836)
Unused tax losses	**(9,820,274)**	(9,309,920)
Provisions for liabilities and to write down other assets	**(7,765,702)**	-
Lease liability	**(24,873,372)**	(21,486,756)
	-	-

38.2.1 In accordance with the accounting policy of the Company (see note 5.1), deferred tax asset of Rs. 89,178.259 million [2018: Rs. 98,772.903 million] has not been recognised in these unconsolidated financial statements due to uncertainty in availability of sufficient future taxable profits. It includes Rs. 65.19 billion (2018: 51.86 billion) and Rs. 48.86 billion (2018: Rs. 46.91 billion) pertaining to unused tax losses and unabsorbed depreciation respectively.

	Balance as at January 01, 2018	Recognised in statement of profit or loss	Recognised in equity	Balance as at December 31, 2018	Impact of change in accounting policy	**Recognised in statement of profit or loss**	**Recognised in equity**	**Balance as at December 31, 2019**
		(Rupees in '000)						
Deferred tax credits:								
Accelerated tax depreciation	15,374,443	(213,160)	-	15,161,283	-	**205,424**	**-**	**15,366,707**
Surplus on revaluation of property, plant and equipment	5,457,031	(607,063)	1,475,505	6,325,473	-	**(427,534)**	**(1,257,495)**	**4,640,444**
Right of use asset	-	-	-	-	6,475,752	**(1,609,531)**	**-**	**4,866,221**
	20,831,474	(820,223)	1,475,505	21,486,756	6,475,752	**(1,831,641)**	**(1,257,495)**	**24,873,372**
Deferred tax debits:								
Unused tax losses	(12,323,654)	165,751	-	(12,176,836)	3,694,088	**1,195,352**	**-**	**(7,287,396)**
Provisions for liabilities and to write down other assets	(8,507,820)	(504,577)	(316,457)	(9,309,920)	(331,670)	**(952,720)**	**774,036**	**(9,820,274)**
Lease liabilities	-	-	-	-	(9,838,170)	**2,072,468**	**-**	**(7,765,702)**
	(20,831,474)	(338,826)	(316,457)	(21,486,756)	(6,475,752)	**2,315,100**	**774,036**	**(24,873,372)**
	-	(1,159,048)	1,159,048	-	-	**483,459**	**(483,459)**	**-**

39. LOSS PER SHARE - BASIC AND DILUTED

	2019	**2018**
	-------- (Rupees in '000) -------	
Loss for the year	**(55,451,831)**	(67,327,605)
Weighted average number of ordinary shares outstanding	**5,235,261,117**	5,235,261,117
Loss per share attributable to		
'A' class ordinary share (Rupees)	**(10.59)**	(12.86)
'B' class ordinary share (Rupees)	**(5.30)**	(6.43)

40. OPERATING AND FINANCING CASH FLOWS

40.1 Cash generated from operations

Loss before taxation	**(54,954,112)**	(67,417,815)
Adjustments for:		
Depreciation	**14,481,944**	5,213,721
Amortisation of intangibles	**110,756**	86,211
Provision for slow moving and obsolete spares	**803,461**	112,411
Provision for write-off of capital spares	**-**	171,224
Provision for impairment against doubtful debts	**44,001**	198,868
Provision for impairment against doubtful advances	**-**	11,312
(Reversal) / provision for impairment against doubtful deposits	**(5,222)**	2,383
Provision for impairment against doubtful other receivables	**-**	61,898
Provision for employee benefits	**6,130,705**	4,749,221
Finance cost	**35,537,349**	20,384,567
Unrealised exchange loss	**11,267,818**	14,774,518
Profit on bank deposits	**(81,953)**	(34,429)
Deficit / (reversal of deficit) on revaluation of property, plant and equipment	**1,898,535**	(1,146,470)
	15,233,282	(22,832,379)
Working capital changes		
(Increase) in stores and spares	**(351,832)**	(870,963)
(Increase) in trade debts	**(3,380,510)**	(5,428,525)
(Increase) / decrease in advances	**(1,204,637)**	38,076
(Increase) / decrease in trade deposits and prepayments	**(3,109,875)**	1,935,937
(Increase) / decrease in other receivables	**(552,935)**	(1,245,929)
Increase in trade and other payables	**24,994,576**	24,681,839
	16,394,786	19,110,435
Cash generated from / (used in) operations	**31,628,068**	(3,721,944)

40.2 Reconciliation of movements of liabilities to cash flows arising from financing activities.

	2019				
	Liabilities				
	Short term borrowing (including accrued markup)	Long Term Financing (including accrued markup)	TFC's and Sukuk (including accrued markup)	Lease liabilities	Total
	(Rupees in '000)				
Balance as at January 01, 2019	32,120,361	207,966,027	23,039,693	2,362,581	265,488,663
Changes from financing cash flows					
Proceeds from loans and borrowings	-	110,847,997	-	-	110,847,997
Repayment of loans and borrowings	(1,979,451)	(63,037,547)	(13,872,480)	-	(78,889,478)
Payment of finance lease liabilities	-	-	-	(12,685,111)	(12,685,111)
Total changes from financing cash flows	(1,979,451)	47,810,450	(13,872,480)	(12,685,111)	19,273,408
Other changes - liability related	-	6,967,054	-	37,102,236	44,069,290
Interest expense	4,567,631	24,454,520	2,018,755	1,822,624	32,863,530
Interest paid	(3,594,160)	(21,129,276)	(3,266,044)	(1,824,047)	(29,813,527)
Total liability - related other changes	973,471	10,292,298	(1,247,289)	37,100,813	47,119,293
Total equity - related other changes	-	-	-	-	-
Balance as at December 31, 2019	31,114,381	266,068,775	7,919,924	26,778,283	331,881,364

41. REMUNERATION OF CHIEF EXECUTIVE, HEAD OF DEPARTMENTS AND EXECUTIVES

	(Key Management Personnel)					
	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Managerial remuneration	7,389	17,800	130,650	129,986	1,730,035	2,335,126
Corporation's contribution to provident fund	-	-	1,657	1,475	55,811	1,945
Other perequisites	512	3,896	19,321	22,151	1,608,091	223,171
	7,901	21,696	151,628	153,612	3,393,937	2,560,242
Number	1	1	17	18	501	305

41.1 Aggregate amount charged in these unconsolidated financial statements for fee to directors was Rs. 0.420 million (2018: Rs. 0.312 million).

42. FINANCIAL RISK MANAGEMENT

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

42.1 Market risk

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

a) Fuel price risk

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

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's revenue streams are denominated in a number of foreign currencies resulting in exposure to foreign exchange rate fluctuations. In addition, the Company has substantial foreign currency borrowings and lease liabilities that are primarily denominated in US Dollar (US$), Saudi Riyal (SAR), United Arab Emirates Dirham (AED) and Great Britain Pound (GBP). The Company can experience adverse or beneficial effects arising from foreign exchange rate movements. The Company manages some of its currency risk by utilising its foreign currency receipts to satisfy its foreign currency obligations. The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in the foreign currency exchange rates, with all other variables held constant, on loss before tax:

	2019	2018	2019	2018
	(Rupees in '000)			
	+5%		(-5%)	
Change in USD rate (Increase) / Decrease in loss	**5,571,989**	(4,569,313)	**(5,571,989)**	4,569,313
	+5%		(-5%)	
before tax Change in SAR rate (Increase) / Decrease in loss	**(90,113)**	(56,558)	**90,113**	56,558
	+5%		(-5%)	
before tax Change in AED rate (Increase) / Decrease in loss	**(57,547)**	48,982	**57,547**	(48,982)
	+5%		(-5%)	
Change in GBP rate before tax (Increase) / Decrease in loss before tax	**(6,385)**	46,332	**6,385**	(46,332)

c) Interest rate risk

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

	2019	2018
	------ (Rupees in '000) ------	
Variable rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	**245,950,790**	191,173,286
Term finance and sukuk certificates	**7,199,272**	21,071,753
Liabilities against assets subject to finance lease	**26,778,282**	2,361,518
Advance from a subsidiary	**6,218,348**	5,575,748
Short-term borrowings	**31,580,219**	34,417,592
	317,726,911	254,599,896
Financial assets		
Long-term deposits	**(337,246)**	(1,612,071)
Short term investments	**(6,197,400)**	-
	311,192,265	252,987,825
Fixed rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	**8,000,000**	8,000,000
Short-term borrowings	**-**	29,766
	8,000,000	8,029,766
Financial assets		
Bank deposits	**(1,978,774)**	(1,202,480)
	6,021,226	6,827,286

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	KIBOR		LIBOR	
	2019	2018	2019	2018
	--- (Rupees in '000) ---			
	+1%		+0.25%	
Change in interest rate Increase in loss before tax	**(2,044,557)**	(1,553,055)	**(266,841)**	(187,760)
	(-1%)		(-0.25%)	
Change in interest rate Decrease in loss before tax	**2,044,557**	1,553,055	**266,841**	187,760

d) Other price risk

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

42.2 Liquidity risk

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

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

	Carrying Amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
	----------	----------	(Rupees in '000)	----------	----------
2019					
Long-term financing	**253,950,790**	**329,098,233**	**79,304,562**	**238,993,318**	**10,800,354**
Term finance and sukuk certificates	**7,199,272**	**8,154,216**	**8,154,216**	**-**	**-**
Lease liabilities	**26,778,282**	**29,150,624**	**12,425,973**	**16,347,036**	**377,615**
Advance from a subsidiary	**6,393,348**	**6,393,348**	**-**	**6,393,348**	**-**
Trade and other payables	**139,516,386**	**158,199,163**	**158,199,163**	**-**	**-**
Accrued interest / mark-up / profit	**15,199,583**	**15,199,583**	**15,199,583**	**-**	**-**
Short-term borrowings	**31,580,219**	**31,580,219**	**31,580,219**	**-**	**-**
	480,617,880	**577,775,386**	**304,863,716**	**261,733,702**	**11,177,969**

	Carrying Amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
	----------	----------	(Rupees in '000)	----------	----------
2018					
Long-term financing	199,173,286	253,634,599	58,071,065	179,837,987	15,725,547
Term finance and sukuk certificates	21,071,753	22,422,676	20,335,822	2,086,854	-
Liabilities against assets subject to finance lease	2,361,518	2,456,354	2,258,676	197,678	-
Advance from a subsidiary	5,575,748	5,575,748	-	5,575,748	-
Trade and other payables	109,712,767	109,712,767	109,712,767	-	-
Accrued interest / mark-up / profit	10,817,542	10,817,542	10,817,542	-	-
Short-term borrowings	34,447,358	34,447,358	34,447,358	-	-
	383,159,972	439,067,044	235,643,230	187,698,267	15,725,547

42.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2019 represents the maximum credit exposure, which is as follows:

	2019	2018
	------ (Rupees in '000)	------
Long-term deposits	**4,632,644**	8,557,048
Trade debts	**12,783,378**	13,921,644
Advances	**3,708,973**	834,218
Trade deposits	**5,156,096**	1,881,401
Short term investments	**6,197,400**	-
Other receivables	**1,048,595**	1,845,455
Bank balances	**6,847,499**	1,722,503
	40,374,585	28,762,270

Trade debts

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

Ageing of trade debts is disclosed in note 12 to these unconsolidated financial statements.

Other financial assets

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

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

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

42.4 Capital management

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

43 FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2019							
	Carrying amount				Fair value			
	Fair Value Through OCI	Loans and receivables (Amortised Cost)	Other financial assets (Amortised Cost)	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)							
Financial assets measured at fair value								
Long-term investments	172,913	-	-	172,913	172,913	-	-	172,913
Financial assets not measured at fair value								
Non current assets								
Investments in unquoted securities	-	-	371	371	-	-	371	-
Long-term deposits	-	4,632,644	-	4,632,644	-	-	-	-
Current assets								
Trade debts	-	18,607,089	-	18,607,089	-	-	-	-
Advances	-	3,796,198	-	3,796,198	-	-	-	-
Trade deposits	-	5,156,096	-	5,156,096	-	-	-	-
Other receivables	-	1,048,595	-	1,048,595	-	-	-	-
Short-term investment	19,220	6,197,400	-	6,216,620	-	-	19,220	19,220
Cash and bank balances	-	6,847,499	9,823	6,857,322	-	-	-	-
	192,133	46,285,521	10,194	46,487,848	172,913	-	19,591	192,133

	2019						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)						
Financial liabilities not measured at fair value							
Long-term financing	-	253,950,790	253,950,790	-	-	-	-
Term finance and sukuk certificates	-	7,199,272	7,199,272	-	-	-	-
Lease liabilities	-	26,778,282	26,778,282	-	-	-	-
Advances from subsidiary	-	6,393,348	6,393,348	-	-	-	-
Trade and other payables	-	139,516,386	139,516,386	-	-	-	-
Accrued Interest	-	15,199,583	15,199,583	-	-	-	-
Short-term borrowings	-	31,580,219	31,580,219	-	-	-	-
	-	480,617,880	480,617,880	-	-	-	-

	2018							
	Carrying amount				Fair value			
	Available-for-Sale	Loans and receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)							
Financial assets measured at fair value								
Long-term investments	183,288	-	-	183,288	183,288	-	-	183,288
Financial assets not measured at fair value								
Non current assets						-	-	
Investment in unquoted securities	-	-	369	369	-	-	-	-
Long-term deposits	-	8,557,048	-	8,557,048	-			-
Current assets								
Trade debts	-	16,377,366	-	16,377,366	-	-	-	-
Trade deposits	-	1,881,401	-	1,881,401	-	-	-	-
Other receivables	-	2,687,855	-	2,687,855	-	-	-	-
Short-term investment	19,220	-	-	19,220	-	-	19,220	19,220
Cash and bank balances	-	1,722,503	11,945	1,734,448	-	-	-	-
	202,508	31,226,173	12,313	31,440,994	183,288	-	19,220	202,508

	2018						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)						
Financial liabilities not measured at fair value							
Long-term financing	-	199,173,286	199,173,286	-	-	-	-
Term finance and sukuk certificates	-	21,071,753	21,071,753	-	-	-	-
Liabilities against assets subject to finance lease	-	2,361,518	2,361,518	-	-	-	-
Advances from subsidiary	-	5,575,748	5,575,748	-	-	-	-
Trade and other payables	-	109,712,767	109,712,767	-	-	-	-
Accrued Interest	-	10,817,542	10,817,542	-	-	-	-
Short-term borrowings	-	34,447,358	34,447,358	-	-	-	-
	-	383,159,971	383,159,971	-	-	-	-

44. TRANSACTIONS WITH RELATED PARTIES

44.1 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
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
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
Khalilullah Shaikh	-	Key management personnel
Air Cdre Aamer Altaf	-	Key management personnel

44.2 The related parties 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 according to the terms of employment / regulations and those not mentioned elsewhere in these unconsolidated financial statements are as follows:

Name of Related Parties	Nature of Transaction	2019	2018
		----- (Rupees in '000) -----	
Skyrooms (Private) Limited – Subsidiary	Payments made against in-transit passengers	**265,285**	269,256
	Services hired	**925,510**	707,708
PIA Investments Limited - Subsidiary	Management fee expense	**147,308**	68,522
	Finance cost on advance	**244,480**	183,738
Minhal France S.A. - Sub-subsidiary	Management fee income	**82,902**	72,012
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary	Charges in respect of courier services	**112**	112
Retirement funds	Contribution to provident fund and others	**2,284,101**	2,472,362
	Interest on overdue balance of provident fund	**1,341,781**	859,078

Related party by virtue of GoP holdings

The Federal Government of Pakistan directly holds 92% of the Company's issued share capital and is entitled to appoint Directors under the PIACL Act 2016, for the management of the affairs of the Company. The Company, therefore, considers that the GoP is in a position to exercise control over it and therefore, regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties. The Company has availed exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with GoP related entities, except for transactions stated below, which the Company considers are significant:

Profit oriented state-controlled entities - common ownership	Nature of Transaction	2019	2018
		------ (Rupees in '000) ------	
Pakistan State Oil (PSO)	Purchase of fuel	27,802,000	22,327,086
	Late Payment Interest	1,164,639	1,346,098
Civil Aviation Authority (CAA)	Airport related charges	13,118,883	12,300,000
National Insurance Comapany (NICL)	Insurance premium	2,271,297	1,231,092
National Bank of Pakistan (NBP)	Finance costs	2,023,264	4,453,893
GoP - Major shareholder	Finance cost	800,000	873,376
	Hajj revenue	6,079,130	3,596,135

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

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

44.5 The Company's sales of transportation services to subsidiaries, associates and directors are not determinable. Issuance of ticket at consessional rates to Key Management Personnel amounting to Rs. 8.613 million (2018: Rs. 18.2 million).

45. EVENT AFTER THE REPORTING PERIOD

The outbreak of COVID-19 since January 2020 has resulted in a challenging operational environment for Airlines around the globe. PIACL has also been impacted by the evolving situation surrounding COVID-19 and the unprecedented travel bans imposed by various governments. Though the financial results of the Company were encouraging in the first two months of the year 2020, the resultant suspension of operations due to COVID-19 from March 2020 has slowed down Company's progress. However the Company is closely monitoring the situation and to counter the above adverse impact has taken several cost cutting measures including voluntary reduction in employees' salaries, rationalization of capacity and greater focus on cargo operations during COVID-19. Furthermore, as an initiative to support local industries, SBP has announced relaxation in the payment of mark-up with reduction in KIBOR rate which are expected to off-set adverse impacts of COVID-19.

The GoP vide its letter dated April 24, 2020 has re-iterated its commitment to support the Company in forseeable future. In light of the support indicated by GoP and other factors as mentioned above, the Company believes that no material uncertainty exists and going concern assumption is appropriate for the preparation of unconsolidated financial statements for the year ended December 31, 2019.

46. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

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

BESOS which has been developed in compliance with the policy of the GoP for empowerment of employees of SOEs needs to be accounted for by the covered entities, including the Company, under the provisions of the IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under BESOS, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under BESOS and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 in respect of BESOS vide SRO 587 (i) 2011 dated June 07, 2011.

Had the exemption not been granted, the accumulated losses as at December 31, 2019 would have been higher by Rs. 725.707 million (2018: Rs. 725.707 million).

47. GENERAL

All figures have been rounded off to the nearest thousand Pakistan Rupees unless otherwise stated.

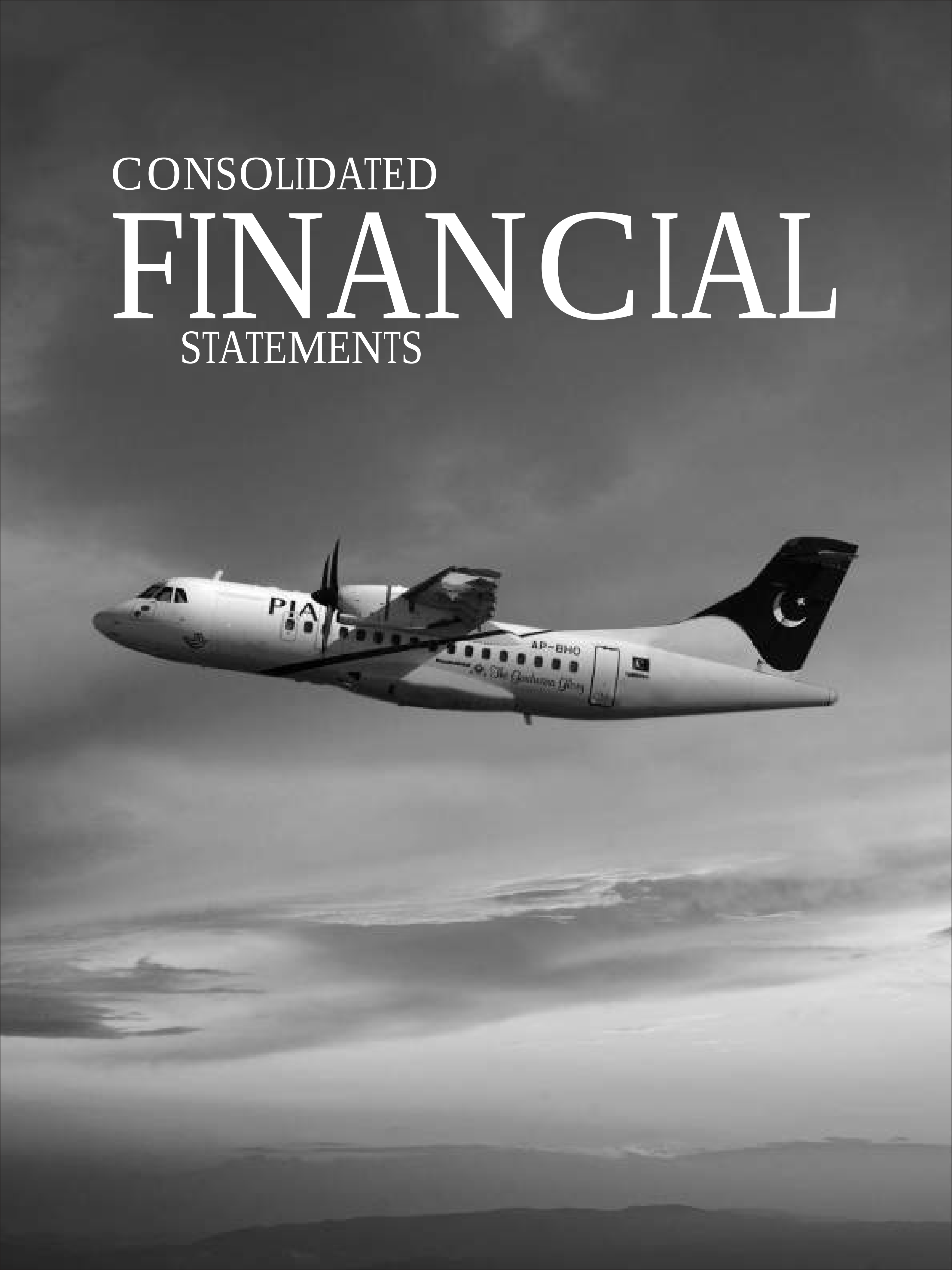
Corresponding figures have been reclassified wherever necessary, however, there are no material reclassifications to report except as disclosed in note 3 to the unconsolidated financial statements.

48. AUTHORISATION OF FINANCIAL STATEMENTS

These unconsolidated financial statements were authorised for issue by the Board of Director in their meeting held on **May 15, 2020.**

Air Marshal Arshad Malik **Chief Executive Officer**	**Khalilullah Shaikh** **Chief Financial Officer**	**Atif Aslam Bajwa** **Director**

CONSOLIDATED FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Members of Pakistan International Airlines Corporation Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of Pakistan International Airlines Corporation Limited (the Holding Company) and its subsidiaries (together as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

1. As more fully explained in note 10.1 to the accompanying consolidated financial statements, receivable from Centre Hotel comprises of the share of joint venture's net current asset amounting to Rs. 1,170.41 million ($7.554 million) as at April 21, 1997, the date when joint venture period expired. The share has been incorporated based on the joint venture's management accounts as at April 21, 1997. The arbitration proceedings concluded during the year 2012, and the arbitrator ordered Shaikh Khalifa to pay PIAL a sum of Rs. 999.95 million ($6.355 million) along with interest at the rate of six percent from the date of issuance of judgment. The said order was ratified by Abu Dhabi Commercial Court during the year 2013. However, because the eventual outcome / resolution of the certain matters as stated in the said note are pending to date, it is not possible to determine with reasonable certainty, the amount which would be recovered.

2. As more fully explained in note 12.3.1 to the accompanied consolidated financial statements, during the year ended December 31, 2013, the Group has recognized long term prepayment in respect of a lease amounting to Rs. 110.313 million ($ 0.712 million) representing consideration paid to Pakistan Cricket Board (PCB), by the way of settlement of amounts due from PCB, for acquiring the rights to use a parcel of land for sixty-six years, for which right is vested through execution of sub-lease deed in favour of Avants Hotels (Private) Limited (Avant). The Group and PCB agreed to settle the outstanding amounts against sub-lease of the aforementioned parcel of land. The process of carrying out an independent exercise to ascertain the fair value of the subject right to use the land remains to be completed. Based on the fair value to be determined, Avant will evaluate the recognition of the transaction in accordance with accounting framework. Because of the pending results of these said exercises, we were unable to determine, with reasonable certainty, the carrying value that should have been recognized in respect of the asset and its corresponding effects on consolidated equity of the Group.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a Basis for our Qualified Opinion.

Emphasis of Matter

We draw attention to the following:

i) Note 1.3 to the consolidated financial statements which inter-alia states that in view of the financial position of the Holding Company and business disruptions due to COVID 19, the Government of Pakistan has confirmed to extend necessary financial support to the Holding Company to maintain its going concern status. Hence, the sustainability of the future operations of the Holding Company is dependent on the said support.

ii) Notes 28 and 29 to the consolidated financial statements which state that an aggregate amount of Rs. 16,604.916 was payable to the Pakistan International Airlines Corporation Provident Fund (the Provident Fund) representing Rs. 9,549.097 million on account of the Holding Company and employees' contributions and Rs. 7,055.819 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 Act.

iii) Notes 31.1 and 39.1 to the consolidated financial statements which states that the Holding Company is exposed to various tax and other contingencies aggregating to Rs. 73,056.592 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 consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**First time application of IFRS 9 'Financial Instruments'** (Refer note 4.1.1 to the consolidated financial statements) IFRS 9 'Financial Instruments' has become effective for the current year which sets out new requirements for classification, measurement and impairment of financial instruments. The application of the new standard requires management to make significant estimates and judgments such as in relation to determination of impairment for certain financial assets using expected credit loss model. The Group has applied IFRS 9 using the modified retrospective approach and has recognized expected credit loss amounting to Rs. 1,143.691 million in opening retained earnings as at January 01, 2019 against the trade receivables and other financial assets other than those due from Government of Pakistan. We considered this as a key audit matter due to the significance of the accounting change and the involvement of significant management judgments in respect of the application of the new standard.	Our audit procedures included the following: - We evaluated the appropriateness of the new accounting policies for classification, measurement and impairment of financial assets adopted by the Group in accordance with the requirements of IFRS 9. - We compared the impairment model for trade receivables developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison with accepted best practice. - Reviewed the impairment model for trade receivables used by the management to calculate ECL on trade receivables of the Group for appropriateness of the assumptions used and the methodology applied. We also tested the arithmetical accuracy of the model. - We evaluated the adequacy of disclosures made regarding the application of IFRS 9 and its impact on the consolidated financial statement of the Group for the year.

<table>
<tr><th>S. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>2</td><td>First time application of IFRS 16 'Leases'

(Refer note 4.1.3 to the consolidated financial statements)

IFRS 16 'Leases' has become effective for the current financial year which introduces a new lease accounting model, where lessees are required to record a right-of-use (ROU) asset and lease liability arising from a lease on its statement of financial position.

The Group has applied IFRS 16 from January 1, 2019 using the modified retrospective approach, therefore, the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019 with no restatement to comparative information. As a result, the Group has recognized an increase of Rs. 22,357.949 million in property, plant and equipment as right of use asset, an increase of Rs. 33,952.491 million in liabilities and a decrease of Rs. 11,594.542 million in retained earnings.

We considered this as a key audit matter since the application of the new accounting standards has a material impact on the consolidated financial statements from recognition, measurement and disclosure perspective.</td><td>Our audit procedures included the following:

- Through our discussions with the management, we understood the process in identifying lease contracts.

- We read the lease contracts to assess whether leases have been appropriately identified.

- We obtained the Group's quantification of ROU assets and lease liabilities. We agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discounted rate applied, and performed computation checks.

- We compared the lease assessment and quantification model developed by management to that required by IFRS 16 and reviewed the reasonableness of the assessment and quantification and methodology applied.

- We assessed Group's accounting for ROU asset components and lease liabilities.

- We evaluated the adequacy and considered the appropriateness of disclosures made regarding the application of IFRS 16 and its impact on the consolidated financial statement of the Group.</td></tr>
<tr><td>3</td><td>Revenue recognition

(Refer note 6.12 to the consolidated financial statements)

When a flight booking is made, revenue is measured based on the sales price to the customer and revenue is recognized when service is provided to the customer. Revenue is initially deferred on the consolidated statement of financial position and subsequently recognized in the consolidated statement of profit or loss when the service is provided.

The determination of the amount of revenue to be recognized for each flight requires complex IT systems and involves various internal and external sources.

Further, revenue is assessed as an area involving presumed risk of material misstatement, hence, significant risk for the audit.

We considered this a key audit matter as a result of the complexity of the related IT systems and the level of judgement required by management in determining the timing of recognition of unused revenue documents.</td><td>Our audit procedures included the following:

- We performed detailed end-to-end walkthroughs of the finance and operational processes surrounding the revenue systems.

- We tested the operating effectiveness of the key controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended.

- We tested the key IT systems, including interfaces that impact the recognition of revenue along with the IT general controls.

- We performed tests of details over revenue and substantively tested manual journal entries posted into relevant revenue accounts in the sub-ledgers and general ledger.

- We obtained data in respect of unused revenue documents and tested the accuracy of historical expiry data and compared this data to that used by the Group in their calculation of the amount of revenue to recognize from unused revenue documents.

- We assessed whether the related disclosures to the consolidated financial statements are consistent with the requirements of IFRS.</td></tr>
</table>

S. No.	Key audit matters	How the matter was addressed in our audit
4	**Revaluation of property, plant and equipment** (Refer note 22 to the consolidated financial statements) During the year, the Group revalued its aircraft fleet resulting in recognition of net deficit on revaluation amounting to Rs. 6,234.726 million, out of which Rs. 1,898.535 million was charged to the consolidated statement of profit or loss. Such revaluation was carried out by an independent valuer who took into account various factors such as estimated selling price, utilization by the Group and conditions of aircraft etc. Estimated useful lives, residual values and the carrying value of aircraft are reviewed annually taking into consideration factors such as changes in fleet composition, current and forecast market values and technical factors which may affect the useful life expectancy of the assets and, therefore, could have a material impact on valuation of the aircraft fleet. Due to significant managements' judgments and estimations relating to revaluation of aircraft fleet, useful lives and residual values, we considered this area as a key audit matter.	Our audit procedures included the following: - We assessed the competence of the managements' independent valuer and reviewed the revaluation report to understand the basis and methodology used for such valuation. - We assessed the estimated useful lives and residual values of aircraft with reference to the Group's historical experience and future operating plans including future acquisitions and retirement of aircraft, policies adopted by other comparable airlines and our knowledge of the airline industry; - We challenged any changes to the estimated useful lives and residual values of aircraft by considering external information such as third party quotations, recent sales data for similar aircraft or actual sales agreements the Group entered into which might lead to an adjustment to the remaining useful lives or residual values; - We discussed indicators of possible impairment of aircraft and related equipment with management of the Group and, where such indicators were identified, assessing whether management had performed impairment testing in accordance with the requirements of the prevailing accounting standards; - We challenged the assumptions and critical judgements used by management in their impairment assessments by comparing management's past estimates and plans to the current year's estimates and plans taking into account recent developments in the airline industry and market conditions. - We also assessed the adequacy of the related disclosures in the consolidated financial statements in accordance with applicable financial reporting standards relating to change in accounting policy.
5	**Post-retirement benefits** (Refer note 27 to the consolidated financial statements) The Group operates a number of defined benefit plans. The Group's obligation in respect of these plans as at December 31, 2019 amounted to Rs. 37,558.169 million. The valuation of these plans requires significant level of judgment and technical expertise to select appropriate valuation assumptions. Changes in the key assumptions (discount rate, salary increase and retirement age etc.) can have a material impact on the calculation of these obligations. We identified this area as a key audit matter because of significant management judgment relating to valuation assumptions that are inherently complex and require specialist actuarial input.	Our audit procedures included the following: - We assessed the competence and objectivity of the actuaries engaged by the Group to value the defined benefit obligations and reviewed the actuarial valuation reports to understand the basis and methodology used for such valuation. - We tested data provided by the Group to actuaries for the purpose of valuation. - We engaged our actuarial specialists to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plans. - We reviewed the adequacy of the related disclosures in the consolidated financial statements in accordance with applicable financial reporting standards.

S. No.	Key audit matters	How the matter was addressed in our audit
6	**Long term financing** (Refer note 23 to the consolidated financial statements) The Group has obtained various financing facilities, the aggregate amount of which (including current portion), amounted to Rs. 273,866.841 million as of December 31, 2019. The Group's key operating / performance indicators including liquidity, gearing and finance costs are directly influenced by the borrowings. Further, financing arrangements entail financial and non-financial covenants that the Group is subject to compliance. The significance of financing along with the sensitivity of the compliance with underlying loan covenants, are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.	Our audit procedures amongst other included the following: - We obtained and reviewed the financing agreements and facility letters executed during the year. We inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance. - We ensured compliance with the repayment terms of the financing agreements and facility letters relating to repayment of principal and markup. - We tested the calculation of finance costs recognized in the consolidated statement of profit or loss and checked amortization of transaction cost and accuracy of amortized cost of financing. - We circularized confirmations to the financing institutions with outstanding loan balances at the year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities. - We assessed the adequacy of the related disclosures in the consolidated financial statements in accordance with the applicable financial reporting standards.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

* Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

* Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Raheel Shahnawaz (BDO Ebrahim & Co.) and Khurram Jameel (Grant Thornton Anjum Rahman).

BDO Ebrahim & Co.
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Date:
Place: Karachi

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**
As at December 31, 2019

	Note	December 31, 2019	December 31, 2018	January 01, 2018	December 31, 2019	December 31, 2018	January 01, 2018
			-------- (Restated) --------			-------- (Restated) --------	
		-------------- (Rupees in '000) --------------			---------------- (US$ in '000) ----------------		
ASSETS							
NON - CURRENT ASSETS							
Property, plant and equipment	7	**225,732,742**	194,808,415	157,680,959	**1,456,951**	1,402,265	1,135,015
Intangibles	8	**5,439,399**	4,803,127	3,937,694	**35,108**	34,574	28,344
		231,172,141	199,611,542	161,618,653	**1,492,059**	1,436,839	1,163,359
Long-term investments	9	**271,905**	272,790	243,042	**1,755**	1,964	1,749
Receivable in respect of Centre Hotel	10	**1,170,412**	1,049,462	834,947	**7,554**	7,554	6,010
Long-term loans and advances	11	**-**	-	-	**-**	-	-
Long-term deposits and prepayments	12	**4,934,521**	8,821,419	8,212,449	**31,849**	63,498	59,115
Total non-current assets		**237,548,979**	209,755,213	170,909,091	**1,533,217**	1,509,855	1,230,233
CURRENT ASSETS							
Stores and spares	13	**3,583,834**	4,030,887	3,138,001	**23,131**	29,015	22,588
Trade debts	14	**19,370,185**	17,114,487	11,791,002	**125,021**	123,193	84,874
Short-term loans, advances and prepayments	15	**3,800,793**	2,592,419	2,642,118	**24,532**	18,661	19,018
Trade deposits and short-term prepayments	16	**7,475,680**	4,215,444	7,202,642	**48,250**	30,344	51,846
Other receivables	17	**9,238,398**	8,482,435	6,886,670	**59,628**	61,058	49,571
Short-term investment	18	**6,316,620**	19,220	19,220	**40,769**	138	138
Cash and bank balances	19	**11,464,808**	6,564,972	9,785,542	**73,998**	47,256	70,438
Total current assets		**61,250,318**	43,019,864	41,465,195	**395,329**	309,665	298,473
TOTAL ASSETS		**298,799,297**	252,775,077	212,374,286	**1,928,546**	1,819,520	1,528,706

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Air Marshal Arshad Malik
Chief Executive Officer

Khalilullah Shaikh
Chief Financial Officer

Atif Aslam Bajwa
Director

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

As at December 31, 2019

	Note	**December 31, 2019**	December 31, 2018	January 01, 2018	**December 31, 2019**	December 31, 2018	January 01, 2018
			-------- *(Restated)* --------			-------- *(Restated)* --------	
		-------------- (Rupees in '000) --------------			------------- (US$ in '000) -------------		
EQUITY AND LIABILITIES							
SHARE CAPITAL AND RESERVES							
Issued, subscribed and paid-up share capital	20	**52,345,110**	52,345,110	52,345,110	**337,852**	376,789	376,789
Reserves	21	**11,542,616**	9,467,697	5,703,208	**74,500**	68,150	41,053
Surplus on revaluation of property, plant and equipment - net	22	**91,907,902**	87,866,084	70,264,471	**593,203**	632,475	505,776
Accumulated losses		**(488,695,707)**	(426,409,013)	(360,524,183)	**(3,154,198)**	(3,069,367)	(2,595,116)
Attributable to the Holding Company's shareholders		**(332,900,078)**	(276,730,122)	(232,211,394)	**(2,148,643)**	(1,991,953)	(1,671,498)
Non-controlling interest		**3,327,482**	2,985,537	2,085,916	**21,477**	21,490	15,015
Total equity		**(329,572,596)**	(273,744,585)	(230,125,478)	**(2,127,166)**	(1,970,463)	(1,656,483)
NON-CURRENT LIABILITIES							
Long-term financing	23	**211,433,288**	164,561,875	102,242,919	**1,364,658**	1,184,546	735,962
Term finance and sukuk certificates	24	**-**	2,054,401	17,072,007	**-**	14,788	122,887
Lease liabilities	25	**15,539,905**	172,770	1,781,163	**100,300**	1,244	12,821
Long-term advances and deposits		**155,223**	125,990	106,534	**1,002**	907	767
Derivative		**161,934**	107,009	-	**1,045**	770	-
Deferred taxation	26	**33,549,370**	30,529,129	26,154,203	**216,538**	219,754	188,263
Deferred liabilities	27	**39,465,802**	38,250,351	33,722,949	**254,725**	275,333	242,744
Total non-current liabilities		**300,305,522**	235,801,525	181,079,775	**1,938,268**	1,697,342	1,303,444
CURRENT LIABILITIES							
Trade and other payables	28	**193,867,031**	167,721,412	140,988,560	**1,251,280**	1,207,288	1,014,860
Unclaimed dividend - Preference shares		**3,297**	3,297	3,297	**21**	24	24
Accrued interest	29	**21,208,200**	15,824,417	14,185,034	**136,884**	113,907	102,106
Provision for taxation - net		**516,325**	1,085,261	523,589	**3,332**	7,813	3,768
Short-term borrowings	30	**31,580,219**	34,447,358	34,358,474	**203,829**	247,958	247,318
Current maturities of:					**-**	-	-
- Long-term financing	23	**62,433,553**	50,430,292	56,742,358	**402,966**	363,006	408,441
- Term finance and sukuk certificates	24	**7,199,272**	19,017,352	10,272,000	**46,466**	136,890	73,940
- Lease liabilities	25	**11,258,474**	2,188,748	4,346,677	**72,666**	15,755	31,288
Total current liabilities		**328,066,371**	290,718,137	261,419,989	**2,117,444**	2,092,641	1,881,745
TOTAL LIABILITIES		**628,371,893**	526,519,662	442,499,764	**4,055,712**	3,789,983	3,185,189
TOTAL EQUITY AND LIABILITIES		**298,799,297**	252,775,077	212,374,286	**1,928,546**	1,819,520	1,528,706
Contingencies and commitments	31						

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Air Marshal Arshad Malik	**Khalilullah Shaikh**	**Atif Aslam Bajwa**
Chief Executive Officer	**Chief Financial Officer**	**Director**

CONSOLIDATED **STATEMENT OF PROFIT OR LOSS**

For the year ended December 31, 2019

	Note	2019	2018 (Restated)	2019	2018 (Restated)
		------ (Rupees in '000) ------		--------- (US$ in '000) ---------	
Revenue - net	32	**164,646,354**	117,982,168	**1,062,680**	849,256
Cost of services					
Aircraft fuel		**(50,059,329)**	(43,552,360)	**(323,099)**	(313,498)
Others	33	**(101,938,432)**	(89,238,125)	**(657,943)**	(642,352)
		(151,997,761)	(132,790,485)	**(981,042)**	(955,850)
Gross profit / (loss)		**12,648,593**	(14,808,317)	**81,638**	(106,594)
Distribution costs	34	**(7,330,405)**	(6,340,848)	**(47,313)**	(45,643)
Administrative expenses	35	**(11,301,466)**	(10,474,567)	**(72,943)**	(75,398)
Other provisions and adjustments	36	**(4,485,974)**	(1,942,072)	**(28,954)**	(13,979)
Other income	37	**2,468,280**	2,014,326	**15,933**	14,500
		(20,649,565)	(16,743,161)	**(133,277)**	(120,520)
Loss from operations		**(8,000,972)**	(31,551,478)	**(51,639)**	(227,114)
Exchange loss - net		**(11,690,978)**	(14,911,345)	**(75,459)**	(107,334)
Loss before interest and taxation		**(19,691,950)**	(46,462,823)	**(127,098)**	(334,448)
Finance costs	38	**(36,386,772)**	(21,108,002)	**(234,852)**	(151,939)
Share of profit / (loss) in an associate	9.1	**1**	(572)	**-**	(4.12)
Loss before taxation		**(56,078,721)**	(67,571,397)	**(361,950)**	(486,391)
Taxation	39	**41,986**	911,833	**271**	6,564
Loss for the year		**(56,036,735)**	(66,659,564)	**(361,679)**	(479,827)
Attributable to:					
Equity holders of the Holding Company		**(55,979,433)**	(66,690,401)	**(361,309)**	(480,049)
Non-controlling interest		**(57,302)**	30,837	**(370)**	222
		(56,036,735)	(66,659,564)	**(361,679)**	(479,827)
Loss per share - basic and diluted		----------- (Rupees) -----------		------------- (US$) -------------	
Loss attributable to:					
'A' class Ordinary shares of Rs.10 each	40	**(10.69)**	(12.77)	**(0.10)**	(0.09)
'B' class Ordinary shares of Rs. 5 each	40	**(5.35)**	(6.37)	**(0.05)**	(0.05)

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Air Marshal Arshad Malik **Chief Executive Officer**	**Khalilullah Shaikh** **Chief Financial Officer**	**Atif Aslam Bajwa** **Director**

CONSOLIDATED **STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2019

	2019	2018	**2019**	2018
		(Restated)		*(Restated)*
	------ (Rupees in '000) ------		--------- (US$ in '000) ---------	
Loss for the year	**(56,036,735)**	(66,659,564)	**(361,679)**	(479,827)
Other comprehensive income				
Items that will be reclassified subsequently to consolidated statement of profit or loss				
Loss on re-measurement of derivative - net of tax	**40,986**	(82,780)	**265**	(596)
Exchange differences on translation of foreign operations	**2,344,804**	4,295,053	**15,134**	30,917
	2,385,790	4,212,273	**15,399**	30,321
Items that will not be reclassified subsequently to consolidated statement of profit or loss				
Unrealised gain on remeasurement of investment at fair value through other comprehensive income (2018: Available for sale)	**(10,375)**	12,104	**(67)**	87
Surplus on revaluation of property, plant and equipment	**(2,578,340)**	8,513,509	**(16,641)**	61,282
Related deferred tax	**829,814**	(2,374,657)	**5,356**	(17,093)
Adjustment due to change in tax rate	**278,760**	1,952,468	**1,799**	14,054
	(1,469,766)	8,091,320	**(9,486)**	58,243
Remeasurement of post retirement defined benefits obligation	**5,548,744**	(1,935,800)	**35,813**	(13,934)
Effect of deferred tax	**(774,036)**	316,457	**(4,996)**	2,278
	4,774,708	(1,619,343)	**30,817**	(11,656)
Total comprehensive loss for the year	**(50,356,378)**	(55,963,211)	**(325,016)**	(402,832)
Attributable to:				
Equity holders of the Holding Company	**(50,748,935)**	(56,935,932)	**(327,550)**	(409,834)
				-
Non-controlling interest	**392,557**	972,721	**2,534**	7,002
	(50,356,378)	(55,963,211)	**(325,016)**	(402,832)

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Air Marshal Arshad Malik **Chief Executive Officer**	**Khalilullah Shaikh** **Chief Financial Officer**	**Atif Aslam Bajwa** **Director**

CONSOLIDATED **STATEMENT OF CASH FLOWS**

For the year ended December 31, 2019

	Note	2019	2018 (Restated)	2019	2018 (Restated)
		(Rupees in '000)		(US$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from / (used in) operations	41.1	30,094,399	(2,396,736)	194,239	(17,252)
Profit on bank deposits received		81,953	34,426	529	248
Finance costs paid		(30,948,064)	(19,468,619)	(199,748)	(140,138)
Taxes paid		(612,826)	(710,591)	(3,956)	(5,114)
Employee benefits paid		(962,584)	(909,253)	(6,213)	(6,545)
Proceeds from long-term loans and advances		-	-	-	-
Long-term deposits and prepayments - net		3,916,131	(608,970)	25,276	(4,383)
Net cash generated / (used in) operating activities		1,569,009	(24,059,743)	10,127	(173,184)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(14,643,657)	(13,888,045)	(94,515)	(99,969)
Purchase of intangibles		(225,551)	(37,037)	(1,456)	(267)
Proceeds from sale of property, plant and equipment		112,303	1,809,414	725	13,024
Currency translation adjustment		(521,915)	(922,201)	(3,369)	(6,638)
Net cash used in investing activities		(15,278,821)	(13,037,870)	(98,615)	(93,850)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of long-term financing	41.2	(63,036,662)	(26,767,762)	(406,859)	(192,679)
Proceeds from long-term financing	41.2	120,089,761	70,968,750	775,098	510,845
Repayment of term finance certificates	41.2	(13,872,481)	(6,272,254)	(89,537)	(45,149)
Repayment of Short Term Loan		(1,667,089)	-	(10,760)	-
Payment of dividend to non-controlling interest		(50,612)	(51,351)	(327)	(370)
Repayments of obligations under finance lease		(15,878,955)	(3,766,322)	(102,488)	(27,111)
Net cash generated from financing activities		25,583,962	34,111,061	165,127	245,536
Increase / (Decrease) in cash and cash equivalents		11,874,149	(2,986,552)	76,639	(21,498)
Cash and cash equivalents at beginning of the year		3,644,703	6,613,397	23,524	47,604
Effects of exchange rate changes on cash and cash equivalents		523,136	17,858	3,376	129
Cash and cash equivalents at end of the year		16,041,989	3,644,703	103,539	26,235
Cash and cash equivalents					
Cash and bank balances	19	11,464,808	6,564,972	73,998	47,256
Running finance under mark-up arrangements	30.2	(1,720,219)	(2,920,269)	(11,103)	(21,021)
Short Term Investments		6,297,400	-	40,644	-
		16,041,989	3,644,703	103,539	26,235

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Air Marshal Arshad Malik
Chief Executive Officer

Khalilullah Shaikh
Chief Financial Officer

Atif Aslam Bajwa
Director

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2019

	Attributable to the Holding Company's shareholders												
			Reserves										
	Issued, subscribed, and paid-up capital	Surplus on Revaluation of Property plant and equipment	Capital reserves	Revenue reserves	Hedging Reserve	Unrealised gain on remeasur-ement of investment	Foreign currency translation reserves	Legal reserve	Subtotal	Accumulated losses	Non - controlling interest	Total
	(Rupees in '000)											
Balance as at December 31, 2017 as reported	52,345,110	75,882,915	2,501,038	1,779,674	-	169,991	1,214,850	37,655	5,703,208	(360,529,457)	2,084,069	(224,514,155)
Effect of restatement	-	(5,618,444)	-	-	-	-	-	-	-	5,274	1,847	(5,611,323)
Balance as at January 1, 2018 as restated	52,345,110	70,264,471	2,501,038	1,779,674	-	169,991	1,214,850	37,655	5,703,208	(360,524,183)	2,085,916	(230,125,478)
Total comprehensive income for the year ended December 31, 2018:												
(Loss) / profit for the year	-	-	-	-	-	-	-	-	-	(66,690,401)	18,756	(66,671,646)
Other comprehensive income:	-	-	-	-	(74,502)	-	-	-	(74,502)	-	(8,278)	(82,780)
- Currency translation differences	-	-	-	-	-	-	3,817,212	-	3,817,212	-	477,841	4,295,053
- Remeasurement of post retirement defined benefits obligation- net off deferred tax										(1,619,343)		(1,619,343)
- Surplus arising on property, plant and equipment during the year - net of tax	-	7,628,666	-	-	-	-	-	-	-	-	462,654	8,091,320
- Unrealised gain on remeasurement of investment	-	-	-	-	-	12,104	-	-	12,104		-	12,104
Total comprehensive income / (loss) for the year	-	7,628,666	-	-	(74,502)	12,104	3,817,212	-	3,754,814	(68,309,744)	950,972	(55,975,292)
Currency translation differences	-	12,397,861	-	-	-	-	-	9,675	9,675	-	-	12,407,536
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	(1,757,007)	-	-	-	-	-	-	-	1,757,007	-	-
Surplus on revaluation of property, plant and equipment released during the year on account of airfleet retired / written off / disposed off - net of tax	-	(667,907)	-	-	-	-	-	-	-	667,907	-	-
Dividend paid to non - controlling interest	-	-	-	-	-	-	-	-	-	-	(51,351)	(51,351)
Balance as at December 31, 2018 as restated	52,345,110	87,866,084	2,501,038	1,779,674	(74,502)	182,095	5,032,062	47,330	9,467,697	(426,409,013)	2,985,537	(273,744,585)
Effect of change in accounting policy due to IFRS 9										(1,143,691)		(1,143,691)
Effect of change in accounting policy due to IFRS 16										(11,594,542)		(11,594,542)
Balance as at January 01, 2019	52,345,110	87,866,084	2,501,038	1,779,674	(74,502)	182,095	5,032,062	47,330	9,467,697	(439,147,246)	2,985,537	(286,482,818)
Total comprehensive income for the year ended December 31, 2019:												
Loss for the year	-	-	-	-	-	-	-	-	-	(55,979,433)	(57,302)	(56,036,735)
- Other comprehensive income	-	-	-	-	44,338	-	-	-	44,338	-	(3,352)	40,986
- Curreny translation differences	-	-	-	-	-	-	2,035,503	-	2,035,503	-	309,300	2,344,804
- Surplus arising on property, plant and equipment during the year - net of tax	-	(1,613,677)	-	-	-	-	-	-	-	-	143,911	(1,469,766)
- Remeasurement of post retirement defined benefits obligation- net off deferred tax	-	-	-	-	-	-	-	-	-	4,774,708	-	4,774,708
- Unrealised gain on remeasurement of investment	-	-	-	-	-	(10,376)	-	-	(10,376)		-	(10,376)
Total comprehensive income / (loss) for the year	-	(1,613,677)	-	-	44,338	(10,376)	2,035,503	-	2,069,465	(51,204,725)	392,557	(50,356,379)
Currency translation differences	-	7,311,759	-	-	-	-		5,454	5,454	-	-	7,317,213
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	-	(1,656,264)	-	-	-	-	-	-	-	1,656,264	-	-
Dividend paid to non - controlling interest	-	-	-	-	-	-	-	-	-	-	(50,612)	(50,612)
Balance as at December 31, 2019	52,345,110	91,907,902	2,501,038	1,779,674	(30,164)	171,719	7,067,565	52,784	11,542,616	(488,695,707)	3,327,482	(329,572,596)

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Air Marshal Arshad Malik	**Khalilullah Shaikh**	**Atif Aslam Bajwa**
Chief Executive Officer	**Chief Financial Officer**	**Director**

1. LEGAL STATUS AND NATURE OF BUSINESS

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

Pakistan International Airlines Corporation Limited - Holding Company

Pakistan International Airlines Corporation Limited ("the Holding 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 (the Act). With effect from April 19, 2016, the Holding Company (previously the Corporation) 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 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 Company (previously the Corporation) was entitled were transferred to the Holding Company and the Holding Company has assumed all liabilities and obligations of the Holding Company (previously the Corporation). 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 Company is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Holding Company include provision of engineering and allied services. The head office of the Holding Company is situated at PIA Building, Jinnah International Airport, Karachi.

1.2

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

Regional sales offices and counters are located across the country and overseas the details of which is impracticable to disclose in these consolidated financial statements 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 company under a decree issued by H. H., The Ruler of Sharjah. During 1986, PIAIL was registered in British Virgin Islands under International Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act, 2012) as a company limited by shares. The principal activity of PIAIL is to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. The Holding Company's controlling interest in PIAIL is 100% (2017: 100%). The registered office of PIAIL is situated at Citco Building, Wickham Cay, Road Town, Tortola, British Virgin Islands.

Following are the details of PIAIL's subsidiaries:

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

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

PIAIL has been consolidated in these consolidated financial statements on the basis of its audited consolidated financial statements for the year ended December 31, 2019.

Skyrooms (Private) Limited (SRL) was incorporated on May 20, 1975 in Pakistan as a private limited company under the Companies Act, 1913 (now Companies Act, 2017). SRL owns and manages Airport Hotel, Karachi. SRL is a wholly owned subsidiary of the Holding Company. SRL has been consolidated on the basis of its unaudited management accounts for the year ended December 31, 2019 as the same is not considered to be material to these consolidated financial statements.

Sabre Travel Network Pakistan (Private) Limited (Sabre) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares, under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Sabre markets and distributes a computer reservation system to subscribers in Pakistan, under a sub-distribution agreement with Sabre Asia Pacific (Pte.) Limited (Sabre TN APAC) (an associated Company and joint venture partner), that incorporates a software package which performs various functions including real-time airlines seat reservations, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding Company 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 financial statements.

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

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

Associate

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

1.3 During the year 2019, the Holding company made significant progress in terms of optimising its operational footprints and tapping into new potential business opportunities, including new flight operations and reprioritising international routes in order to meet the dynamics of traffic patterns to different parts of the globe, resulting in a promising growth of 43% in Holding Company's Net Revenue. As a result of management's firm committment to turn the Holding Company into a profitable entity, and successful implementing the business plan and robust strategies, the Holding Company for the first time in 8 years, has been able to achieve the gross profit during the year 2019 as compared to a gross loss in 2018. Moreover, the Holding Company has successfully managed to reduce its operational losses by 75.93% compared to 2018.

In addition, the management of the Group is actively working towards further optimizing its operations and implementing various cost cutting measures which are expected to generate positive cashflows in the long term.

However, during the year, the Group incurred a net loss of Rs. 56,036.735 million (2018: Rs. 66,659.564 million) resulting in accumulated losses of Rs. 488,695.707 million as of December 31, 2019 (2018: Rs. 426,409.013 million). Further, as of December 31, 2019, current liabilities of the Group exceeded its current assets by Rs. 266,816.053 million (2018: Rs. 247,698.274 million).

Furthermore, as detailed in note 47, the outbreak of COVID-19 since January 2020 has resulted in a challenging operational environment for Airlines around the globe.. As a result thereof, major airlines, including the Holding Company have suspended their flight operations, resulting in significant disruption in the Group's business which may have adverse financial impact.

In view of the situation described above, the management has made an assessment of the Group's ability to continue as a going concern and based on the below mitigating factors as well as mitigating factors mentioned in note 47, the management believes that, though, the sustainability of the future operations of the Holding Company is materialy dependent on the support of the Government of Pakistan, no material uncertainty exist and going concern assumption is appropriate. Accordingly, the consolidated financial statements are prepared on a going concern basis.

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

- long-term financing to meet working capital requirements of the Holding Company.
- issuance / renewal of guarantees to financial institutions, both local and foreign, enabling the Holding Company to raise / rollover funds.
- approval for extending repayment period of the term finance certificates.
- provided funds for acquisition of narrow body aircraft on dry lease.
- reimbursement of financial charges on term finance and sukuk certificates.

b) In a meeting with the Honorable Prime Minister (PM) of Pakistan on December 30, 2017, it was agreed that mark-up support would be provided for the five years starting from July 2018 and short-term loans would be converted to long-term with a possibility of grace period. Therefore, during the fiscal years 2018-19 and 2019-20 amounts of Rs. 16,019 million and Rs. 18,197 million (till March 2020) respectively has been provided by the GoP in respect of markup support.

c) Further, in a meeting with the Honorable PM on April 4, 2019, the Holding 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 Holding Company.

d) Further, through a letter dated March 04, 2020, GoP has re-iterated its maximum support to maintain the Holding Company's going concern in the forseeable future, and extended its further support through letter dated April 24, 2020 for the situation arising due to COVID-19.

2 Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries and its associate as at and for the year ended December 31, 2019.

2.1.1 Subsidiaries

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

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

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

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

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

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

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

2.1.2 Associates

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

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

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

- certain items of property, plant and equipment are stated at revalued amount;
- certain financial assets are carried at fair value;
- liability on account of frequent flyer programme is recognised at fair value;
- defined benefit obligations are stated at present value; and
- provision for redelivery cost of aircrafts and engines are stated at present value;

3.3 Functional and presentation currency

Items included in the consolidated financial statements relating to each entity of the Group are measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company functional and presentation currency.

The US Dollar amounts reported in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows are stated as additional information, solely for the convenience of the users of these consolidated financial statements. The US Dollar amounts in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows have been translated into US Dollar at the rate of Rs. 154.9350 = US$ 1 (2018: Rs. 138.9241 = US$ 1).

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards / amendments that are effective in current year and relevant to the Group

The Group 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 Group applied IFRS 9, IFRS 15 and IFRS 16 for the first time, effective from January 01, 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

4.1.1 IFRS 9 - Financial instruments

Effective from January 1, 2019, the Group 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 financial assets of the Group which are exposed to credit risk.

The Group has adopted IFRS 9 with effect from January 01, 2019 which resulted in changes in accounting policies, reclassifications and adjustments to the amounts recognised in these consolidated financial statements. However, in accordance with the transitional provisions specified in IFRS 9, the Group has adopted modified retrospective approach and has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, the impact of adoption of IFRS 9 on the financial assets are recognised in the statement of financial position and retained earnings on January 01, 2019.

Classification and measurement

IFRS 9 retained but simplified the measurement model and established three primary measurement categories for financial assets; namely Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the Group's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVPL with the irrevocable option at inception to present changes in fair value in OCI, without recycling fair value changes to profit or loss.

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

Impairment

IFRS 9 also includes an Expected Credit losses (ECL) model that replaced the incurred loss impairment model as given in IAS 39. The ECL model involves a three-stage approach whereby financial assets move through the three stages as the credit quality changes. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade debts, deposits, other receivables, etc.).

However, the SECP through its notification dated September 2, 2019 has given exemption from the requirements contained in IFRS 9 with respect to application of ECL till June 30, 2021, in respect of companies holding financial assets due from the Government of Pakistan (GoP), provided that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. In this respect, the Group has concluded that the entities with majority stake of the GoP; and the departments of the Provincial, Federal and Local Governments fall under the definition of the GoP and hence, the requirements contained in IFRS 9 with respect to application of ECL method shall not be applicable till June 30, 2021 on receivables in respect of the Group's trade debts due from ministries, public sector entities (e.g. receivable from Civil Aviation Authority, Ministries, other government entities / agencies, etc.).

Classifications and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 01, 2019.

Financial Assets - December 31, 2018	Measurement Category in accordance with		Carrying Amount		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Difference
			(Rupees in '000)		
Long-term investments	Available for Sale	Fair Value through OCI	183,657	183,657	-
Receivable in respect of Roosevelt Hotel	Loans and receivables	Amortized Cost	1,049,462	1,049,462	-
Long-term deposits	Loans and receivables	Amortized Cost	8,821,419	8,781,937	39,482
Trade debts - net	Loans and receivables	Amortized Cost	17,114,487	16,014,440	1,100,047
Short-term deposits	Loans and receivables	Amortized Cost	4,215,444	4,213,906	1,538
Other receivables	Loans and receivables	Amortized Cost	8,482,435	8,479,811	2,624
Short-term investments	Held for trading	Fair Value through Profit or Loss	19,220	19,220	-
Cash and bank balances	Loans and receivables	Amortized Cost	6,564,972	6,564,972	-

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit 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 December 31, 2019 was determined amounting to Rs. 3,995.072 milion and Rs. 4,039.357 million.

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

Retained Earnings	**(Rupees in '000)**
Balances as at December 31, 2018	(426,409,013)
Impact of Adoption of IFRS 9 over	
- Increase in provision for impairment against doubtful trade debts	(1,100,047)
- Increase in provision for impairment against doubtful trade deposits	(1,538)
- Increase in provision for impairment against doubtful long-term deposits	(39,482)
- Increase in provision for impairment against doubtful other receivables	(2,624)
- Increase in deferred tax assets	331,669
- Adjustment of deferred tax against unutilized losses	(331,669)
	(1,143,691)
Balances as at January 01, 2019 - restated	(427,552,704)

Loss per share for the year ended December 31, 2018 and December 31, 2019 have increased by Rs. 0.22 and Rs. 0.0035 due to adoption of IFRS 9.

4.1.2 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 Group elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the consolidated financial statements. Accordingly, the information presented for the corresponding period has not been restated. The Group has agreements with certain online travel agents through which customers can reserve a hotel room at daily rates set by the Group. Under IFRS 15, the Group determined that they were the principal in the agreements with its online travel agents and as a result, recoginsed USD 3,880,000 in revenue during 2019 that would have previously been recognised on a net prior basis to the adoption of IFRS 15.

Statement of comprehensive income / (loss)	**As reported (in accordance with IFRS 15)**	**Balance without adoption of IFRS 15**	**Impact of adoption Higher / (lower)**
- Revenue	164,646,354	164,076,267	570,087
- Other expenses	(172,647,326)	(172,077,239)	(570,087)
- Operating profit	(8,000,972)	(8,000,972)	-

4.1.3 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 Group 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 retained earning on January 01, 2019.

On adoption of IFRS 16, the Group 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 Group'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% to 9.88% for foreign currency based liabilities and between 13.09% to 15.17% for PKR based liabilities. The weighted average rates applied for foreign currency and local currency based liabilities are 6.05% and 14.52% respectively.

The impact of transition to IFRS 16 on consolidated financial statements as on January 01, 2019 is as follows:

	January 01, 2019 Rupees in '000
Total lease liability recognised	34,731,942

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:

Building	1,600,518
Aircraft fleet including engines	33,486,418
Technical ground equipments	401,412
Total right-of-use assets	35,488,348

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	22,357,949
Increase in total assets	22,357,949
- Increase in lease liability against right-of-use asset	32,378,094
- Increase in restoration liability against right-of-use asset	1,574,397
- Increase in deferred tax asset	(3,362,417)
- Adjustment of deferred tax against unutilized losses	3,362,417
Increase in total liabilities	33,952,491
Decrease in net assets	(11,594,542)

'The reconciliation between operating lease commitments as at December 31, 2018 as disclosed under IAS 17 and opening lease liability recognised under IFRS 16 is as follows:

Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the consolidated financial statements	32,582,616
Discounting impact using the weighted average incremental borrowing rate at January 01, 2019	(152,001)
Finance lease liabilities recognised as at December 31, 2018	2,361,518
Recognition exemption for leases with leases with less than 12 months of lease term at transition	(60,191)
Lease liabilities recognised at January 01, 2019	34,731,942

Impact on statement of profit or loss	
- Increase in financial charges - interest expense on lease liability against right-of-use assets	1,902,255
- Increase in exchange loss	3,355,781
- Increase in administrative expenses - depreciation on right-of-use assets	7,783,068
- Impact of lease termination	(468,424)
- Decrease in administrative expenses - office rent	(12,708,150)
- Decrease in loss before taxation	(135,470)
- Tax charge @ 29%	-
- Decrease in profit after taxation	(135,470)

Loss per share for the year ended December 31, 2018 and December 31, 2019 have increased by Rs. 2.21 and Rs. 0.03 due to adoption of IFRS 16.

Practical Expedients applied

In applying IFRS 16 for the first time, the Group 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.

4.2 Standards / amendments that are effective in current year and not relevant to the Group

The Group has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard which are not relevant to the Group:

		Effective date (annual periods beginning on or after)
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	July 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IAS 39	Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual improvements to IFRSs (2015 – 2017)

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.3 Standards / amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 14	Regulatory Deferral Accounts	July 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IAS 8	First Time Adoption of International Financial Reporting Standards
IAS 39	Insurance Contracts

The Group expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Group's consolidated financial statements in the period of initial application.

4.4 Ajustment in opening Retained Earnings of Avant Hotels (Private) Limited

Following is the impact of adjustment in Avant Hotel (Private) Limited:

	Impact of Adjustment		
	As previously reported	Adjustments	Restated
	(Rupees in '000)		
January 01, 2018			
Due to Associated company	161,653	(7,121)	154,532
Accumulated loss	(360,529,457)	7,121	(360,522,336)
December 31, 2018			
Due to Associated company	333,291	(7,121)	326,170
Accumulated loss	(426,416,134)	7,121	(426,409,013)

4.5 Revaluation Restatement - Roosevelt

As a result of evaluation of exit, closing and demolition costs of each year end since December 31, 2016, management has restated prior periods. The effect of these restatements to the consolidated financial statements is detailed as follows:

	As previously reported	Adjustments	Restated
	(Rupees in '000)		
January 1, 2018			
Property, plant and equipment	165,978,765	(8,297,805)	157,680,959
Revaluation reserve	75,882,915	(5,618,444)	70,264,471
Deferred taxation	28,833,563	(2,679,361)	26,154,203
December 31, 2018			
Property, plant and equipment	205,028,522	(10,220,107)	194,808,415
Revaluation reserve	94,744,216	(6,878,132)	87,866,084
Deferred taxation	33,871,104	(3,341,975)	30,529,129
Depreciation expenses	7,414,379	(209,570)	7,204,809
Loss after tax	(66,843,367)	183,803	(66,659,564)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

5.1 Property, plant and equipment

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

5.2 Stores and spares

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

5.3 Trade debts

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold less provision for impairment. Provision for impairment against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5.4 Employee benefits

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

5.5 Taxation

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

5.6 Liability on account of frequent flyer programme

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

5.7 Provision for cost of redelivery

The Holding Company has several operating leases for the aricrafts and engines that include certain maintenance cost to be incurred at the time of redelivery of asset at the end of the lease term. The amount of maintenance cost is discounted at the incremental borrowing rate and accounted for as a deferred liability in these consolidated financial statements. Significant assumptions and estimates are used to determine the amont of the maintenance cost that will be incurred by the Holding Company at the time of redelivery of the asset under these arrangements.

5.8 Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment loss, if any, resulting from such review is charged to the consolidated profit and loss account.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below are consistently applied for all periods presented in these consolidated financial statements.

6.1 Fixed assets

Property, plant and equipment

Operating fixed assets - owned

Lands classified as 'others' in note 7.1 are stated at cost, whereas buildings classified as 'others' in the aforesaid note are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

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

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

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

Depreciation is charged to the consolidated profit and loss account, applying the straight-line method whereby the cost or revalued amount of assets, less their residual values, is written down over their expected useful lives. The rates of depreciation are disclosed in note 7.1 to these consolidated financial statements.

In respect of additions and disposals of assets, depreciation is charged from the month in which the asset is available for use until it is derecognised, i.e. up to the month preceding the disposal.

Useful lives (except for aircraft fleet, hotel property and building at revaluation model) are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence and other similar factors. The useful lives of aircraft fleet, hotel property and building at revaluation model are determined by management based on the appraisal of an independent valuer. The asset's residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each reporting date.

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

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

Right of use assets

The Group mainly leases aircrafts, engines, local and international sales offices, and counters at various airports. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if 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 individual basis and contain a wide range of different terms and conditions. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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 subsequently 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. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.
- variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees
- less any lease incentives receivable

The extension and termination options are included in Group's determination of lease term only when the Group 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 Group estimate of the amount expected to be payable under a residual value guarantee, or if the Group 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 Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Capital spares

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

Capital work-in-progress

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

6.2 Surplus on revaluation of property, plant and equipment

Surplus on revaluation of aircraft fleet, land and buildings is recognised in other comprehensive income and credited to the surplus on revaluation of property, plant and equipment which is presented as separate component within equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Cost / revalued amount at the date of the revaluation is adjusted / eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in statement of comprehensive income and accumulated in equity under the heading of revaluation surplus,. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in statement of comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss. The revaluation reserve is not available for distribution to Group's shareholders.

6.3 Intangibles

Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a company and the value of the Group’s share of its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment loss, if any, resulting from such review is charged to the consolidated statement of profit or loss. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Other intangible assets

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

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 8 to these consolidated financial statements.

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

6.4 Stores and spares

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

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

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

6.5 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value (original invoice / ticket amount) plus directly attributable transaction costs (if any) and subsequently measured at amortised cost less provision for impairment. Provision for impairment against financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Impairment of trade debts and other receivables is described in 4.14.

6.6 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks. Cash and cash equivalents also include running finance that are repayable on demand and form an integral part of the Group's cash management.

6.7 Trade and other payables

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

6.8 Loans and borrowings

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

6.10 Employee benefits

6.10.1 The Holding Company

Provident fund

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

Pension funds

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

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

Post-retirement medical benefits

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

Compensated absences

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

6.10.2 Skyrooms (Private) Limited (SRL)

Defined benefit plan - gratuity

SRL operates an unfunded defined benefit gratuity scheme for all its permanent employees who have completed the prescribed qualifying period of service. Provision for gratuity is made in accordance with actuarial valuation to cover obligation under the scheme in respect of employees who have completed the minimum qualifying period.

Defined contribution plan - provident fund

SRL also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by SRL and employees, in accordance with Fund's rules.

6.10.3 PIA Investments Limited (PIAIL)

Gratuity fund scheme

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

Provident fund scheme

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

6.10.4 Roosevelt Hotel Corporation N.V. (RHC)

Defined contribution retirement benefit plan

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

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

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

Short-term employee benefits

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

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

6.10.5 Minhal France S.A. (MFSA)

Employees pension plan

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

6.10.6 Sabre Travel Network Pakistan (Private) Limited (Sabre)

Provident fund

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

6.11 Taxation

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

Current

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

Deferred taxation

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

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

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

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

Deferred tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in statement of profit or loss.

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

6.12 Revenue recognition

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

Passenger and cargo revenue

Revenue from passenger tickets and cargo airway bills revenue is recognised when the transportation service is provided. The value of unused tickets and airway bills is included in current liabilities as 'advance against transportation' until recognised as revenue.

Room, food and beverages

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

Income from shop rentals is recognised on a straight line basis over the lease term.

Engineering and other services

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

Frequent flyer programme revenue

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

In addition, miles are sold to commercial partner to use in promotional activity. The fair value of the miles sold is deferred and recognised as revenue on redemption of the miles by the participants to whom the miles are issued. The cost of redemption of miles is recognised when miles are redeemed. The estimates involved in recognizing revenue from frequent flyer programme are disclosed in note 3.6 to these consolidated financial statements.

Interest / mark-up and dividend income

The Group recognises interest income / mark-up on short-term bank deposits, interest bearing advances and held to maturity investments on a time proportion basis using effective interest method.

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

6.13 Borrowing Costs

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

6.14 Provisions

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

6.15 Impairment

Impairment of financial assets covered under IFRS 9

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group uses default rates based on credit rating of customers from which receivable are due, probability weighted cash flow projection for customers for which credit rating is not available and provision matrix for large portfolio of customer which have similar characteristics to calculate expected credit losses (ECL) for trade receivables and other receivables.

The default rates are benchmarked and adjusted for forward looking information and the rates in provision matrix are based on days past due for various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates which is then adjusted for forward looking information.

Loss allowances for trade debts, deposits and other receivables (including lease receivables) and contract assets are always measured applying simplified approach at an amount equal to lifetime ECLs.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment of financial assets covered under IAS 39

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

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

Non-Financial assets

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

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

6.16 Foreign currency

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates approximating those ruling on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates using the average spot rate on the reporting date. Gains and losses on translation are taken to consolidated statement of profit or loss currently.

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

Foreign operations

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

6.17 Financial instruments

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

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets - Classification and measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than for trading.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 32(A)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Financial Assets that are held for trading or are manage and whose performance is evaluated on a fair value basis are measured at FVTPL.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value

6.18 Offsetting of financial assets and financial liabilities

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

6.19 Earnings per share

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

6.20 Derivative financial instruments

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

6.21 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is CEO, who is responsible for allocating resources and assessing performance of the operating segments. The Company prepares financial statement on the basis of a single reportable segment which is consistant with the internal reporting used by the chief operating decision-maker of the Company

6.22 Dividend and reserves

Dividend and appropriation to / from reserves are recorded when approved. However, if these are approved after the reporting date but before the financial statements are authorised for issue, they are disclosed in notes to these consolidated financial statements.

		2019	**2018**
			(Restated)
7. PROPERTY, PLANT AND EQUIPMENT	**Note**	**------ (Rupees in '000) ------**	
Operating fixed assets			
- owned	**7.1**	**202,773,719**	177,356,846
- right of use asset	**7.2**	**16,807,842**	13,130,398
		219,581,561	190,487,244
Capital work-in-progress	**7.9**	**6,151,181**	4,321,171
		225,732,742	194,808,415

7.1 Operating fixed assets

	2019						
	Land		Buildings on:		Hotel property (note 7.5)	Workshops and hangars	Aircraft fleet (notes 7.1.3, 7.4 and 7.6) Level - 3 fair value measured
	Leasehold (notes 7.1.1 and 7.3)	Others (note 7.1.2)	Leasehold land (notes 7.1.1 and 7.3)	Other land			
	(Rupees in '000)						
As at December 31, 2018							
Cost or revalued amount	8,692,600	24,400	10,395,026	1,789,378	138,405,142	913,604	66,163,526
Accumulated depreciation	-	-	(8,141,014)	(1,355,469)	(25,096,564)	(839,322)	(20,087,568)
Net book value - Restated	8,692,600	24,400	2,254,012	433,909	113,308,578	74,282	46,075,958
Year ended December 31, 2019							
Opening net book value - Restated	8,692,600	24,400	2,254,012	433,909	113,308,578	74,282	46,075,958
Additions / transfers	-	-	-	20,160	846,529	-	1,974,455
Transfer from CWIP	-	-	-	-	-	-	2,704,644
Revaluation							
Cost or revalued amount	-	-	-	-	1,757,853	-	(8,410,111)
accumulated depreciation	-	-	-	-		-	2,175,385
	-	-	-	-	1,757,853	-	(6,234,726)
Translation adjustments							
Cost or revalued amount	-	-	-	-	14,220,291	-	-
Accumulated depreciation	-	-	-	-	(1,332,718)	-	-
	-	-	-	-	12,887,573	-	-
Adjustments / transfer							
Cost or revalued amount	-	-	-	-	-	-	18,133,720
Accumulated depreciation	-	-	-	-	-	-	(3,437,921)
	-	-	-	-	-	-	14,695,799
Disposals							
Cost or revalued amount	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
							-
Write off / retirement							
Cost or revalued amount	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	(617,614)	(37,267)	(1,247,091)	(9,967)	(3,986,757)
Closing net book value	8,692,600	24,400	1,636,398	416,802	127,553,442	64,315	55,229,373
As at December 31, 2019							
Cost or revalued amount	8,692,600	24,400	10,395,026	1,809,538	155,229,815	913,604	80,566,234
Accumulated depreciation	-	-	(8,758,628)	(1,392,736)	(27,676,373)	(849,289)	(25,336,861)
Net book value	8,692,600	24,400	1,636,398	416,802	127,553,442	64,315	55,229,373

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

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

7.1.3 During the year, the Holding Company has retired / written off/ disposed off aircrafts fleet and engines having net book value of Rs. NIL (2018: Rs. 51.538 million).

7.1.4 Aircraft fleet includes four engines (2018: one engine) held by a third party for overhauling purpose as at December 31, 2019. The carrying value of these engines at year end is Rs. 3,694.665 million (2018: Rs. 1,828.850 million)

2019

Equipment	Engineering equipment and tools	Vehicle	Furniture, fixtures and fittings	Computer and office automation	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Capital spares	Total
----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------	----------
3,236,367	2,024,975	2,621,135	12,313,480	2,259,634	20,185	6,217	2,710	7,259,981	256,128,360
(2,847,322)	(1,698,536)	(2,547,780)	(10,175,706)	(1,959,109)	(16,290)	(5,672)	(2,708)	(3,998,454)	(78,771,514)
389,045	326,439	73,355	2,137,774	300,525	3,895	545	2	3,261,527	177,356,846
389,045	326,439	73,355	2,137,774	300,525	3,895	545	2	3,261,527	177,356,846
304,122	1,397	11,228	2,987,484	25,128	2,000	1,200	-	321,943	6,495,646
39,006	517	-	-	596	-	-	-	-	2,744,763
									9,240,409
-	-	-	-	-	-	-	-	-	(6,652,258)
-	-	-	-	-	-	-	-	-	2,175,385
-	-	-	-	-	-	-	-	-	(4,476,873)
-	-	1,127	277,859	-	-	-	-	-	14,499,277
-	-	(249)	44,705	-	-	-	-	-	(1,288,262)
-	-	878	322,564	-	-	-	-	-	13,211,015
-	-	-	-	-	-	-	-	-	18,133,720
-	-	-	-	-	-	-	-	-	(3,437,921)
-	-	-	-	-	-	-	-	-	14,695,799
-	-	(2,617)	(1,133,027)	(92)	-	-	-	-	(1,135,736)
-	-	2,617	1,020,739	92	-	-	-	-	1,023,448
-		-	(112,288)	-					(112,288)
(1,041)	-	(4,845)	-	(279)	-	-	-	-	(6,165)
1,041	-	4,845	-	279	-	-	-	-	6,165
(0)	-	(0)	-	(0)	-	-	-	-	(0)
(134,189)	(57,794)	(31,621)	(623,895)	(93,492)	(1,421)	(249)	(2)	(299,830)	(7,141,189)
597,984	270,559	53,840	4,711,639	232,757	4,474	1,496	(0)	3,283,640	202,773,719
3,578,454	2,026,889	2,626,028	14,445,796	2,284,987	22,185	7,417	2,710	7,581,924	290,207,606
(2,980,470)	(1,756,330)	(2,572,188)	(9,734,157)	(2,052,230)	(17,711)	(5,921)	(2,710)	(4,298,284)	(87,433,887)
597,984	270,559	53,840	4,711,639	232,757	4,474	1,496	(0)	3,283,640	202,773,719

Owned fixed assets

	2018						
	Land		Buildings on:		Hotel property (note 7.5)	Workshops and hangars	Aircraft fleet (notes 7.1.3, 7.4 and 7.6) Level - 3 fair value measured
	Leasehold (notes 7.1.1 and 7.3)	Others (note 7.1.2)	Leasehold land (notes 7.1.1 and 7.3)	Other land			
	(Rupees in '000)						
As at December 31, 2017							
Cost or revalued amount	8,692,600	24,400	7,630,913	1,787,520	115,737,290	913,604	36,775,088
Accumulated depreciation	-	-	(5,093,263)	(1,317,591)	(18,684,843)	(829,252)	(12,096,347)
Restatement impact					(8,297,805)		
Net book value - Restated	8,692,600	24,400	2,537,650	469,929	88,754,642	84,352	24,678,741
Year ended December 31, 2018							
Opening net book value - Restated	8,692,600	24,400	2,537,650	469,929	88,754,642	84,352	24,678,741
Additions / transfers	-	-	-	1,858	316,150	-	1,352,560
Transfer from CWIP	-	-	-	-	-	-	1,054,074
	-	-	-	1,858	316,150	-	2,406,634
Revaluation - Restated							
Cost or revalued amount	-	-	2,764,113	-	3,425,560	-	7,255,750
accumulated depreciation	-	-	(2,597,627)	-	-	-	(1,595,813)
	-	-	166,486	-	3,425,560	-	5,659,938
Translation adjustments							
Cost or revalued amount	-	-	-	-	27,014,376	-	-
Accumulated depreciation	-	-	-	-	(4,921,233)	-	-
	-	-	-	-	22,093,144	-	-
Adjustments / transfer							
Cost or revalued amount	-	-	-	-	-	-	22,441,516
Accumulated depreciation	-	-	-	-	-	-	(6,439,513)
	-	-	-	-	-	-	16,002,003
Restatement impact					209,570		
Disposals							
Cost or revalued amount	-	-	-	-	-	-	(65,576)
Accumulated depreciation	-	-	-	-	-	-	14,041
	-	-	-	-	-	-	(51,535)
Write off / retirement							
Cost or revalued amount	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	(450,124)	(37,878)	(1,490,488)	(10,070)	(2,619,823)
Closing net book value - restated	8,692,600	24,400	2,254,012	433,909	113,308,578	74,282	46,075,958
As at December 31, 2018							
Cost or revalued amount	8,692,600	24,400	10,395,026	1,789,378	138,405,142	913,604	66,163,526
Accumulated depreciation	-	-	(8,141,014)	(1,355,469)	(25,096,564)	(839,322)	(20,087,568)
Net book value - restated	8,692,600	24,400	2,254,012	433,909	113,308,578	74,282	46,075,958
Annual depreciation rate (%)	-	-	3	3	30 - 50	5	4- 100

2018

Equipment	Engineering equipment and tools	Vehicle	Furniture, fixtures and fittings	Computer and office automation	Heat ventilation and air conditioning	Kitchen and bar equipment	Television / dish / stand	Capital spares	Total
(Rupees in '000)									
3,217,349	1,887,580	2,587,738	10,119,066	2,113,996	20,185	6,217	2,710	7,296,672	198,812,928
(2,755,577)	(1,640,187)	(2,516,897)	(8,470,541)	(1,871,411)	(15,052)	(5,581)	(2,706)	(3,751,142)	(59,050,390)
									(8,297,805)
461,772	247,393	70,841	1,648,525	242,585	5,133	636	4	3,545,530	131,464,733
461,772	247,393	70,841	1,648,525	242,585	5,133	636	4	3,545,530	131,464,733
36,611	108,475	30,410	623,092	144,225	-	-	-	135,458	2,748,839
11,877	33,765	-	-	2,658	-	-	-	-	1,102,374
48,488	142,240	30,410	623,092	146,883	-	-	-	135,458	3,851,213
-	-	-	-	-	-	-	-	-	13,445,423
-	-	-	-	-	-	-	-	-	(4,193,440)
-	-	-	-	-	-	-	-	-	9,251,984
-	-	3,037	2,128,665	-	-	-	-	-	29,146,078
-	-	(1,444)	(1,768,881)	-	-	-	-	-	(6,691,558)
-	-	1,593	359,784	-	-	-	-	-	22,454,521
-	-	-	-	-	-	-	-	-	22,441,516
-	-	-	-	-	-	-	-	-	(6,439,513)
-	-	-	-	-	-	-	-	-	16,002,003
									209,570
(29,470)	-	(50)	(557,343)	(1,245)	-	-	-	-	(653,684)
29,381	-	50	557,264	1,245	-	-	-	-	601,981
(89)	-	-	(79)	-	-	-	-	-	(51,703)
-	(4,845)	-	-	-	-	-	-	(172,149)	(176,994)
-	4,845	-	-	-	-	-	-	925	5,770
-	-	-	-	-	-	-	-	(171,224)	(171,224)
(121,126)	(63,194)	(29,489)	(493,548)	(88,943)	(1,238)	(91)	(2)	(248,237)	(5,654,251)
389,045	326,439	73,355	2,137,774	300,525	3,895	545	2	3,261,527	177,356,846
3,236,367	2,024,975	2,621,135	12,313,480	2,259,634	20,185	6,217	2,710	7,259,981	256,128,360
(2,847,322)	(1,698,536)	(2,547,780)	(10,175,706)	(1,959,109)	(16,290)	(5,672)	(2,708)	(3,998,454)	(78,771,514)
389,045	326,439	73,355	2,137,774	300,525	3,895	545	2	3,261,527	177,356,846
10	10	10	25	15	10	10	20	4 - 100	

7.2 Right of use assets

	Aircraft fleet including engines	Buildings	Technical Ground equipment	Total
		------- (Rupees in '000) -------		
As at January 01, 2018				
Cost or revalued amount	34,317,491	-	289,131	34,606,622
Accumulated depreciation	(10,055,777)	-	(39,948)	(10,095,725)
Net book value	24,261,714	-	249,183	24,510,897
Year ended December 31, 2018				
Opening net book value	24,261,714	-	249,183	24,510,897
Additions / transfers	7,337,633	-	184,309	7,521,942
Revaluation				
Cost or revalued amount	783,093	-	-	783,093
Accumulated Depreciation	(375,097)	-	-	(375,097)
	407,996	-	-	407,996
Transfer to owned fixed assets				
Cost or revalued amount	(22,441,516)	-	-	(22,441,516)
Accumulated depreciation	6,439,513	-	-	6,439,513
	(16,002,003)	-	-	(16,002,003)
Disposals				
Cost or revalued amount	(2,409,240)	-	-	(2,409,240)
Accumulated depreciation	651,364	-	-	651,364
	(1,757,876)	-	-	(1,757,876)
Depreciation charge for the year	(1,514,424)	-	(36,134)	(1,550,558)
Closing net book value	13,707,823	-	397,358	13,130,398
As at December 31, 2018				
Cost or revalued amount	17,587,461	-	473,440	18,060,901
Accumulated depreciation	(4,854,420)	-	(76,082)	(4,930,502)
Net book value	12,733,041	-	397,358	13,130,399
Year ended December 31, 2019				
Opening net book value	**12,733,041**	**-**	**397,358**	**13,130,399**
Right of use assets recognised upon adoption of IFRS 16	**20,753,377**	**1,600,518**	**4,054**	**22,357,949**
Adjusted balance as on January 01, 2019	**33,486,418**	**1,600,518**	**401,412**	**35,488,348**
Addition / transfer during the year				
Addition / transfers	**2,575,887**	**38,090**	**-**	**2,613,977**
Additions from CWIP	**3,322,245**	**-**	**-**	**3,322,245**
	5,898,132	**38,090**	**-**	**5,936,222**
Revaluation				
Cost or revalued amount	**-**	**-**	**-**	**-**
Accumulated depreciation	**-**	**-**	**-**	**-**
Adjustment				
Lease Modification	**(77,455)**			**(77,455)**
Transfer to owned fixed assets				
Cost or revalued amount	**(18,133,720)**	**-**	**-**	**(18,133,720)**
Accumulated depreciation	**3,437,922**	**-**	**-**	**3,437,922**
	(14,695,798)	**-**	**-**	**(14,695,798)**
Disposals / write-off				
Cost or revalued amount	**(749,599)**	**-**	**-**	**(749,599)**
Accumulated depreciation	**127,051**	**-**	**-**	**127,051**
	(622,548)	**-**	**-**	**(622,548)**
Depreciation charge for the year	**(8,743,340)**	**(399,216)**	**(78,371)**	**(9,220,927)**
Closing net book value	**15,245,409**	**1,239,392**	**323,041**	**16,807,842**
As at December 31, 2019				
Cost or revalued amount	**25,278,196**	**1,638,608**	**477,494**	**27,394,298**
Accumulated depreciation	**(10,032,787)**	**(399,216)**	**(154,453)**	**(10,586,456)**
Net book value	**15,245,409**	**1,239,392**	**323,041**	**16,807,842**
Annual depreciation rate (%)	**4-17**	**4-17**	**10**	

7.2.1 Aircraft fleet includes three engines (2018: two engines) held by a third party for overhauling purpose as at December 31, 2019.

7.2.2 During the year, one of the aircraft under lease arrangements incurred damages, and was considered a total loss. Accordingly, aircraft has been derecognised alongwith corresponding lease liability resulting in gain of Rs. 468.424 million.

7.2.3 During the year, the Holding Company has retired / written off / disposed off aircrafts fleet and engines having net book value of Rs. 622.598 million (2018: Rs. 1,757.876 million). The related surplus amounting to Rs. Nil (2018: Rs. 667.907) included in surplus on revaluation has been released to consolidated statement of changes in equity (see note 36).

7.3 Revaluation of property, plant and equipment

7.3.1 *Revaluation of leasehold land and buildings*

The leasehold land and buildings were revalued by the following independent professional valuers, as of December 31, 2017 and December 31, 2018 details of which are as follows:

- Oceanic Services Private Limited, based in Pakistan
- Cosmos Devolopers Private Limited, based in India
- Subash Shah and Associates based In India
- Skyline Appraisals Inc, baesd in USA
- Colliers Interntional Valuation B.V, based in Netherland

7.3.2 The forced sale value (FSV) of land and building which was subject to revaluation was based on 2018 Rs. 6,900 million.

7.4 Aircraft fleet

The aircraft fleet of the Holding Company was revalued by an independent valuer, IBA Group limited, on the basis of professional assessment of current market values as of December 31, 2019. The current market value represents the value that an aircraft could best achieve under today's open market conditions and, therefore, takes into account a thorough review of market activity and known transaction data involving the subject aircraft types, covering 'open' market and financial sales. It additionally considers the perceived demand for each type, its availability in the market and further takes into account the expressed views of informed industry sources.

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

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

7.4.1 The forced sale value (FSV) of Aircraft fleet which was subject to revaluation is Rs. 42,323.129 million.

7.4.2 The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties. The fair value of leasehold land and building on leasehold land falls under level 2 of fair value hierarchy (i.e. significant observable inputs).

7.4.3 The fair values of air fleet were determined through review of market activity and known transaction data involving the subject aircraft type, covering open market and financial sales. The fair value of aircraft fleet falls under level 3 of fair value hierarchy (i.e. significant unobservable inputs). A reconciliation of the opening and closing fair value balance is provided in notes 7.1 and 7.2 of the consolidated financial statements.

7.4.4 Hotel properties

Roosevelt Hotel Corporation N.V.

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

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

The concluded value incorporated an estimated cost of $12,595,000 to demolish the existing improvements, but did not take into consideration any costs associated with closing down the operations of the Hotel, including payments to employees or other requirements under collective bargaining agreements, nor had consideration been given to salvage value to the contents of the building.

During 2019, RHC engaged various sets of professionals and conducted analysis to determine the exit, closing and demolition costs for each year end since December 31, 2016. As a result, RHC has restated the financial position as of January 01, 2018, and the financial results for the year ended December 31, 2018, to reflect the concluded highest and best use value of the property, inclusive of associated exit, closing and demolition costs.

The estimated exit, closing and demolition costs consists of the following as of December 31, 2019, December 31, 2018 and January 01, 2018:

	December 31, 2019	December 31, 2018	January 01, 2018
	(Rupees in '000)		
Demolition costs	6,382,804	5,723,209	4,553,360
Pension withdrawal	2,635,190	2,218,543	1,931,796
Severance	1,738,741	1,559,061	1,240,382
Contract terminations	680,797	610,444	485,666
Lease terminations	121,395	108,851	86,601
	11,558,928	10,220,107	8,297,805

HVS concluded in its 2016 valuation the "as is" market value of the Hotel as of December 31, 2016, including its real and personal property and excess development capacity (in the form of transferrable development rights), assuming continued operation as a hotel was $302,600,000. The 2016 "as-is" valuation was performed using the income capitalization approach, which is based on the principle that the value of a property is indicated by its net return. The future benefits of income producing properties, such as hotels, are net income before debt service and depreciation and any anticipated reversionary proceeds from a sale. These future benfits can be converted into an indication of market value through a capitalization process and discounted cash flow analysis. In connection therewith, the following assumptions were used for the 2016 "as is" valuation

- Discount rate	**8.25%**
- Stabilized year	**2021**
- Rate of inflation	**3%**
- Terminal Cap Rate	**4%**

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

RHC applied a methodology consistent with allocations of the components of the hotel's property, plant and equipment in its 2016 revaluation based on HVS' opinion. Of the "as is" value of US$ 302.6 million (Rs. 31,729.093 million), resultantly, US$ 127.76 million (Rs. 13,396.262 million) was allocated to land, US$ 165.357 million (Rs. 17,338.514 million) was allocated to building, US$ 6.550 million (Rs. 686.813 million) was allocated to furniture and fixtures and US$ 2.933 million (Rs. 307.504 million) was allocated to renovations in process. The excess of the concluded value between the highest and best use and "as is" valuations, US$ 334.4 million (Rs. 35,063.478 million), was allocated to land.

As of December 31, 2019 and 2018, the RHC's management, in consultation with HVS, reviewed the independent revaluation performed as of December 31, 2016 and determined that there were no material changes to the fair value of the property in the intervening twelve-month periods ended December 31, 2019 and 2018, respectively

Minhal France S.A.

As of December 31, 2017 Minhal France S.A.'s management in consultation with Deloitte reviewed the independent revaluation performed as of December 31, 2016 whereby the residual value of freehold interest in Scribe Hotel was determined amounting to Euro 225,000,000 (US $ 237,172,500) and determined that there has been no material change to the fair value of the Scribe hotel in the intervening twelve-month period. Accordingly, no revaluation adjustment has been made in consolidated financial statements as December 31, 2017. Therefore the carrying value of the Hotel properties as at December 31, 2017 was $ 261,850,291.

Due to renovation of Scribe Hotel, valuation was carried out as at December 31, 2019 by an independent appraiser. The appraiser determined that the market value of the freehold interest in Scribe Hotel as at December 31, 2019 amounted to Euro 271,000,000 (US $ 304,604,000) using Discounted Cash flow (DCF) method with an exit cap of 4.4% and discount rate of 5.75% which is higher than their alternative and recorded accordingly. This valuation includes lands, buildings and improvements and furniture and equipment. However, fair value of furniture and equipment approximates its carrying value resulting in the entire revaluation surplus allocated to lands, buildings and improvements. Before revaluation the carrying value of lands, buildings and improvements at December 31, 2019 amounted to US $ 271,387,862 and accordingly during the year 2019 a surplus of US $ 52,745,278 was credited to 'surplus on revaluation of operating fixed assets.

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

	Note	2019	2018
		------ (Rupees in '000) ------	
Cost of services - others	33	16,273,880	7,151,998
Distribution costs	34	37,824	21,476
Administrative expenses	35	40,349	31,335
		16,352,053	7,204,809

7.6 Had there been no revaluation, the written down value of the revalued assets in the consolidated statement of financial position would have been as follows:

	2019			2018		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
	------------------ (Rupees in '000) ------------------					
Leasehold land	44,166	-	44,166	44,166	-	44,166
Buildings on leasehold land	258,148	164,787	93,361	258,148	155,604	102,544
Aircraft fleet	117,732,281	55,654,486	62,077,795	109,730,939	50,002,433	59,728,506
Hotel properties	47,207,290	21,894,881	25,312,409	40,117,770	19,634,451	20,483,319
	165,241,885	77,714,154	87,527,731	150,151,023	69,792,488	80,358,535

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

Description	Method of disposal		Cost	Accumulated	Net	Sale	Gain/loss on disposal
			---------- (Rupees in '000) ----------				
Furniture and equipment	**Straight Line**		1,194,899	(1,076,479)	118,420	118,420	-
Motor Vehicle			2,760	(2,760)	-	-	-
		2019	**1,197,659**	**(1,079,239)**	**118,420**	**118,420**	**-**
		2018	2,474,816	665,405	1,809,411	1,809,411	-

Sale of Operating fixed assets is made through a disposal committee in accordance with the prescribed procedures.

7.8 For the year ended Decemebr 31, 2019

The details of Immovable fixed assets (i.e Land & Other Land) are as follows:

Description of Location	Addresses	Total Area of Land Sqaure Yards
PIA Booking Office Rawalpindi	5th The Mall Road, Saddar, Rawalpindi.	4,328
PIA DFSL, Warehouse Islamabad	Warehouse, Sector I-11/4, (Pir Wadhai) Islamabad.	7,200
PIA Sales Office Gawadar	Airport Road, Gawadar.	2,420
PIA Sales Office Multan	65 Ahmed Shah, Abdali Road, Multan.	6,528
PIA Sales Office Azad Kashmir	Chattar, Muzaffarabad, Azad Kashmir.	444
PIA Sales Office Peshawer	33-The Mall, Arbad Road, Peshawar.	9,931
PIA Sales Office Sawat	Faizabad, Saidu Shareef, Maingora, Sawat.	1,211
Land for PIA Staff Housing Colony Sadiu Sharif	PIA Staff Housing Colony Saidu Sharif.	1,208
PIA Sales Office Skardu	Chashma Bazar, Skardu.	1,250
Airport Office Skardu	Tehsil Gumba near old runway Skardu.	4,248
PIA Sales Office Turbat	Commissioner Road, Turbat.	18,295
PIA Sales Office Islamabad	Jinnah Avenue, 49 Blue Area, Islamabad	1,200
PIA Sales Office Lahore	Opp. Punjab Assembly Near Wapda House, Lahore.	4,600
PIA Diagnostic Center Karachi	B-33, KDA Scheme 1, Karsaz, Karachi.	1,874
PIA Air Crew Medical Center Karachi	C-I, KDA Scheme I, Karsaz, Karachi.	1,120
PIA Sales Office Faislabad	Block 16, 26/6, Civil Lines, Faisalabad.	1,974
PIA Sales Office Chitral	Polo Ground, Chitral.	3,666
PIA Sales Office Building Quetta	17 Shahra Hali, Cantonment, Quetta.	3,732
Land for Sales Officer Ormara	PIA sales office ,Ormara Baluchistan.	10,000
Land for Sales Officer Sialkot	Plot situated opposite to Chamber of Commerce Paris Road, Sialkot.	1,778
Farm house Abbotabad	Nathia Gali Road Abbottabad.	18,166
Land for Sales Office Gilgit	Plot of PIA City Road near NLI Shopping Centre, Gilgit.	525
Land for new sales office Sukkur	Minara Road near Jamia Masjid , Sukkur.	2,146
Land for Dera Ismail Khan	Survey No. 3A 195.09 Sqr. Meter D.I.Khan Cantt.	233
PIA housing colony (Water Tank) Karachi	PIA Housing Colony Water Tank Karachi.	1,667
Super Highway for Precision Engineering Complex Karachi	On Super Highway PEC Complex Karachi.	968,000
PIA hospital Karachi	Gulistan-e- Jouhar Karachi.	48,200
Land for PIA Boys Scouts Host & Training Centre Karachi	PIA Boy Scouts Training Centre Karachi.	1,226
Training Centre Nawabshah	Nawabshah training Centre Nawabshah.	1,778
PIA Sales Office Quetta	17th Sharah e Hali Cantoment Quetta.	3,731
Airport Office Skardu	Airport Skardu.	2,420
Land for TGS Section Skardu	Chishma Bazar Skardu.	1,815
Land for Head Quarter at Islamabad	Plot no 57/F-7/-7 ,blue area Islamabad.	4,608
G.D Somani Morg Cuffe Parade, Mumbai	Flat No. 32, 3rd Floor Jolly Marker-3 G.D Somani Marg, Cuffe Parade, Mumbai - 400 005	193
Narain Manzil, New Delhi	Narain Manzil, 23 Barakhamba Road, New Delhi - 110001	451
Shaykhontohur District, Tashkent	Shaykontohur District Halklar Dustligr Street, Tashkent	291
Residence No.55 New York	Saxon Woods Road Scarsdale, NY 10583-7812, New York.	492
Leidsestraat 17 Amsterdam	1017 NT Amsterdam The Netherlands, Amsterdam.	118
Van Nijenrodeweg 835 Amsterdam	1082 JM Amsterdam The Netherlands, Amsterdam.	309
Koningsvaren 109 Abcoude Amsterdam	Koningsvaren 109 Abcoude, Amsterdam.	300

(b) In addition to above,there are certain assets which are acquired on lease and classified in fixed assets on Right of Used (ROU) basis.

7.9	Capital work-in-progress	Aicraft fleet	Others	Total
		------------ (Rupees in '000) ------------		
	Year ended December 31, 2019			
	Balance at beginning of the year	**2,432,252**	**1,888,919**	**4,321,171**
	Additions during the year	**8,027,908**	**120,103**	**8,148,011**
	Transfer to operating assets	**(6,026,890)**	**(254,207)**	**(6,281,097)**
	Adjustment	**-**	**(36,904)**	**(36,904)**
	Balance at end of the year	**4,433,270**	**1,717,911**	**6,151,181**
	Year ended December 31, 2018			
	Balance at beginning of the year	1,054,074	386,634	1,440,708
	Adjustment	-	(143,667)	(143,667)
	Additions during the year	2,432,252	1,694,252	4,126,504
	Transfer to operating assets	(1,054,074)	(48,300)	(1,102,374)
	Balance at end of the year	2,432,252	1,888,919	4,321,171

8.	INTANGIBLES	Note	Computer software	Goodwill	Total
			------------ (Rupees in '000) ------------		
	Year ended December 31, 2018				
	Opening net book value		348,229	3,589,464	3,937,693
	Additions during the year		34,038	-	34,038
	Translation adjustment		-	922,201	922,201
	Amortisation for the year	8.1	(90,805)	-	(90,805)
	Net book value		291,462	4,511,665	4,803,127
	As at December 31, 2018				
	Cost		859,356	3,589,464	4,448,820
	Less: accumulated amortisation		(567,894)	922,201	354,307
	Net book value		291,462	4,511,665	4,803,127
	Year ended December 31, 2019				
	Opening net book value		**291,462**	**4,511,665**	**4,803,127**
	Additions during the year		**225,551**	**-**	**225,551**
	Translation adjustment		**1,945**	**519,972**	**521,917**
	Amortisation for the year	8.1	**(111,196)**	**-**	**(111,196)**
	Net book value		**407,762**	**5,031,637**	**5,439,399**
	As at December 31, 2019				
	Cost		**1,084,907**	**4,511,665**	**5,596,572**
	Less: accumulated amortisation		**(677,145)**	**519,972**	**(157,173)**
	Net book value		**407,762**	**5,031,637**	**5,439,399**
	Useful Life		**5 years**		

8.1	Amortisation for the year has been allocated as under:	Note	2019	2018
			------ (Rupees in '000) ------	
	Cost of services - others	33	**8,969**	14,492
	Administrative expenses	35	**1,586**	1,754
			10,555	16,246

			2019	2018
9.	**LONG - TERM INVESTMENTS**	**Note**	**------ (Rupees in '000) ------**	
	Investment in related party			
	Unquoted - at cost			
	Associate	9.1 & 9.2	**98,621**	89,133
	Investment in other than related party			
	Other investments	9.3	**173,284**	183,657
			271,905	272,790

9.1 Movement in investment in an Associate - unquoted

Balance at beginning of the year	**89,133**	71,486
Share of profit during the year	**1.00**	(572)
	89,134	70,914
Translation adjustment	**9,487**	18,219
Balance at end of the year	**98,621**	89,133

9.2 Associate - unquoted

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

	Name of associate	Country of incorporation	Total assets	Total liabilities	Revenue	Loss	Interest held by the Group
			----------------	(Rupees in '000)	----------------		(%)
2019	**Minhal Incorporated**	**British Virgin Islands**	**265,841**	**4,623**	**-**	**1**	**40%**
2018	Minhal Incorporated	British Virgin Islands	266,886	5,162	-	(572)	40%

			2019	2018
9.3	**Other investments**	**Note**	**------ (Rupees in '000) ------**	
	Fair value through other comprehensive income	9.3.1	**173,284**	183,657

9.3.1 Fair value through other comprehensive income

	2019	2018
Quoted		
Pakistan Services Limited 172,913 (2018: 172,913) ordinary shares of Rs 10 each having market value per ordinary share of Rs. 1,000 (2018: Rs. 1,060) each	**172,913**	183,288
Unquoted		
Pakistan Tourism Development Corporation Limited 10,000 (2018: 10,000) ordinary shares of Rs. 10 each	**100**	100
Duty Free Shops (Private) Limited - Pakistan 87,512 (2018: 87,512) ordinary shares of Rs. 100 each	**271**	269
	173,284	183,657

10. RECEIVABLE IN RESPECT OF CENTRE HOTEL	Note	2019	2018
		------ (Rupees in '000) ------	
Receivable in respect of Centre Hotel	10.1	**1,170,412**	1,049,462

10.1 This represents PIAIL's share of net assets of Centre Hotel, Abu Dhabi, a joint venture between PIAIL and H. H. Sheikh Hamdan Bin Mohammed Al Nahyan. The parties entered into a Partnership Agreement on June 08, 1977 and simultaneously entered in a Joint Venture Agreement on the same day to construct and operate a hotel on a land owned by Sheikh Hamdan, to be known as Centre Hotel. Subsequently, under a Supplemental Agreement dated January 12, 1978 the rights and obligations of Sheikh Hamdan and PIAIL under both the agreements were assigned to Sheikh Khalifa and PIAIL respectively, however, the assignment to PIAIL was not registered.

The joint venture was for a period of 17½ years, which expired on April 21, 1997. In accordance with the terms of the agreement, net current assets of the joint venture at the end of the term were to be distributed to joint venture partners in the ratio of their investment. However, a dispute arose between the parties over a renovation program initiated by Sheikh Khalifa prior to the expiry of the joint venture term. PIAIL disputed the said renovation on the grounds that there was no obligation on the joint venture to renovate or reinstate the Hotel premises prior to its reversion to Sheikh Hamdan and recognised an amount of AED 27,746,614 as asset representing PIAIL's share of net assets as at April 21, 1997 on the basis of unaudited management accounts of the joint venture.

The parties could not reach an amicable agreement as to the above and on February 23, 1997, a Notice of Arbitration was sent to Sheikh Khalifa. Subsequently an application was submitted to the Abu Dhabi Courts for an order to appoint an arbitrator. PIAIL won the case at various courts in Abu Dhabi and finally in March 2010, the Supreme Court of Abu Dhabi advised the Federal Supreme Judicial Council to appoint one of its judges as an Arbitrator in the subject dispute. In August 2010, Judge Ahmed Al Mulla of Al Sharjah Court was appointed as the Judge Arbitrator. The arbitration proceedings concluded during the year 2012, and the Arbitrator, based on the reports submitted by a panel of three experts from the Ministry of Justice, ordered Sheikh Khalifa to pay PIAIL a sum of AED 23.342 million (US$ 6.355 million) along with interest at the rate of 6% from the date of the issuance of judgment.

PIAIL, in order to have the Arbitrator's aforesaid award ratified, filed a ratification claim with the Court of First Instance, Abu Dhabi. However, Sheikh Khalifa also filed a claim for nullification of Arbitrator's aforesaid Award. The Court of First Instance, Abu Dhabi adjudicated that it did not have the jurisdiction to decide in the matter and referred it to the competent court at the Abu Dhabi judicial department i.e. Abu Dhabi Commercial Court (the Court) for carrying out further proceedings. The Court conducted a hearing on May 14, 2013 and accepted PIAIL's claim for ratification of Arbitration Award of AED 23.342 million (US$ 6.355 million), along with interest at the rate of 6%, and dismissed Sheikh Khalifa's claim for nullification of award.

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

On October 02, 2013 PIAIL submitted a response to the appeal filed by Sheikh Khalifa in the Cassation Court which gave its final decision through its order dated January 08, 2014 in PIAIL's favor. During March 2014, the execution was served on Sheikh Khalifa as required under the local laws, and thereafter, on account of failure by Sheikh Khalifa to make the payment, the Execution Judge ordered the attachment of Sheikh Khalifa's bank accounts, shares in Dubai and Abu Dhabi stock markets and also addressed a letter to the land department inquiring on the lands owned or registered under the Sheikh's name.

However, Sheikh Khalifa filed a grievance against the said execution order, and on December 23, 2014, the Execution Judge ordered the suspension of execution proceedings on the ground that Abu Dhabi Economic Department had advised that since the Centre Hotel was owned by the heirs of Sheikh Hamdan Al Nahyan, therefore, its title could not be transferred to Sheikh Khalifa alone as he had several other legal heirs as well. Based on the same, the Execution Court could not execute the arbitration award i.e. to pay the amount awarded by the arbitrator to PIAIL. PIAIL filed an appeal against the said suspension, however, the court disallowed the same.

During the year 2016, based on PIAIL's application, the Execution Department re-opened the case, and various hearings were held in the matter. Finally, on February 28, 2017, the Execution judge ordered to resume the execution proceedings against Sheikh Khalifa, whereby, the Court has decided to approach various competent authorities to attach Sheikh Khalifa's assets, bank accounts, cars and shares in Dubai and Abu Dhabi stock markets after determination of amount to be executed by the Court accountant. Sheikh Khalifa has not filed an appeal against the said order. As per court order, the Court accountant has determined the PIAIL's claim amount along with interest in the sum of AED 29.941 million. Subsequently, the Court issued a letter to Abu Dhabi's Identity Department to get a copy of Sheikh Khalifa's ID and passport in order to process the letters to various competent authorities. On October 31, 2017 the Court issued an order to the management of Centre Hotel to attach Sheikh Khalifa's share in the profits of the Hotel to settle PIAIL's arbitration amount.

On February 27, 2018, the Company's representatives had a meeting with Sheikh Khalifa's representatives whereby Sheikh Khalifa's representatives offered the following proposal to settle the principal amount of AED 23.341 million if the interest amount of approximately AED 8 million to be waived by PIAIL:

- AED 20 million (US$ 5.45 million) to be paid upfront as a full and final settlement; or

- AED 18 million (US$ 4.90 million) to be paid upfront, and the balance amount of AED 5.341 million (US$ 1.46 million) to be settled in equal annual installments over a period of 5-6 years via Post Dated Cheques.

A summary of Board's unanimous written resolution dated March 18, 2018 for the above settlement agreement was submitted before Aviation division for approval by the federal cabinet. On May 03, 2018, Federal Cabinet approved the proposal that Sheikh Khalifa would immediately pay AED 18 million (US $ 4.90 million), and the balance of AED 5.342 million (US $ 1.46 million) to be paid over a period of 5 years via post-dated cheques. Accordingly, communication was made to representative of Sheikh Khalifa and it was agreed that final agreement would be prepared for execution of above proposal. Thereafter, despite various reminders no response has been received from representative of Sheikh Khalifa. Consequently, on September 18, 2018, petition was submitted with the judge for attachment and auction of Sheikh Khalifa's in Center Hotel and attachement of tourism licence of the Hotel, which was approved by the judge and the same has been communicated to Abu Dhabi Economic Department.

The Company legal advisors have submitted a petition of delegation to the Court to inquire about the properties registered under Sheikh Khalifa's name. On March 25, 2019 a letter was issued by the Court addressing the competent authorities in Al Ain, Dubai and Sharjah to inquire about the properties registered under the execution in Sheikh Khalifa's name.

In view of above, the management is confident that the amount of AED 23,341,905 along with interest at the rate of 6% from the issuance of the aforementioned judgement will eventually be received by PIAIL. Accordingly, the management has continued to recongnize the subject amount of AED 27,746,614 (US $ 7,554,210), i.e. the amount initially recongnized based on PIAIL's share of net assets as at April 21, 1997, as an asset in the consolidated financial statements as it believes that the eventual receipt against the arbitration award will not be materially different from the amount recongnized as an asset.

	Note	2019	2018
11. LONG-TERM LOANS AND ADVANCES		------ (Rupees in '000) ------	
Secured, considered good			
Employees	11.1	**603**	640
Current maturity shown under short-term loans and advances	15	**(603)**	(640)
		-	-

11.1 This represents loans given by SRL to its employees which are secured against gratuity fund balances of respective employees. The loans carry interest at the rate of 8% to 20% (2017: 8% to 20%) per annum and is receivable within four years from the date of disbursement. There are no loans to directors, chief executive officer or other executives.

			2019	2018
12.	**LONG-TERM DEPOSITS AND PREPAYMENTS**	**Note**	**------ (Rupees in '000) ------**	
	Deposits			
	Considered good			
	Aircraft fleet lease deposits		**4,086,226**	6,719,492
	Maintenance reserve	**12.1**	**337,246**	1,612,071
	Engine maintenance		**141,902**	141,902
	Other lease and utilities		**145,237**	113,696
	Deposit to service providers		**12,071**	28,384
	Guarantee deposit		**55,199**	55,199
			4,777,881	8,670,744
	Considered doubtful		**360,260**	320,434
	Less: Provision for impairment against doubtful deposits	**12.2**	**(360,260)**	(320,434)
			-	-
			4,777,881	8,670,744
	Prepayments			
	Rental commission		**39,080**	34,342
	Prepayment in respect of lease	**12.3**	**98,836**	90,149
	Premium on acquisition of leased land	**12.4**	**50,778**	50,778
	Less: Amortisation to date		**(32,054)**	(30,382)
			18,724	20,396
	Exposure fee to support financing	**12.5**	**5,788**	39,169
			162,428	184,056
	Current portion shown under short-term prepayments	**16.3**	**(5,788)**	(33,381)
			156,640	150,675
			4,934,521	8,821,419

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

			2019	2018
12.2	**Movement in provision is as follows:**	**Note**	**------ (Rupees in '000) ------**	
	Balance at the beginning of the year		**320,434**	318,051
	Expected credit losses recognised upon adoption of IFRS 9	**(note 4.1.1)**	**39,482**	-
	Adjusted balance as on January 01, 2019		**359,916**	318,051
	Provision made during the year		**344**	2,383
	Balance at the end of the year		**360,260**	320,434

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

Balance at beginning of the year	**12.3.1**	**90,149**	72,915
Amortisation for the year	**35**	**(1,586)**	(1,754)
Translation adjustment		**10,273**	18,988
Balance at end of the year		**98,836**	90,149

12.3.1 Upto December 31, 2012, PIAIL was claiming an aggregate amount of US$ 733,280 from Pakistan Cricket Board (PCB), formerly Board of Control for Cricket in Pakistan (BCCP), on account of various payments made during the calendar years from 1980 to 1988 in terms of agreement dated October 07, 1980 and Promissory Note dated December 04, 1980, signed between PIAIL and PCB. According to the agreement, PCB had agreed to pay PIAIL all sums including outstanding principal amount along with interest thereon. In order to settle PIAIL's aforesaid claim, PCB initially executed a sub-lease for transfer of Land of 5 acres (settlement plot) in the name of Holding Company on September 13, 1987, and later PCB and PIAIL entered into a Joint Venture Agreement dated October 11, 2007, whereby, PCB offered PIAIL another piece of land as an alternate to the Settlement Plot measuring 5.8 acres (i.e. 'Alternate Plot'). It was agreed that after the date of signing of the JV Agreement 2007, PCB and PIAIL should form a limited liability company with ownership ratio of 62.5% and 37.5% to be held by PIAIL and PCB respectively.

Accordingly, during the year 2008, a separate company was formed with the name of Avant Hotels (Private) Limited (Avant), which is owned by PIAIL and PCB in the aforesaid agreed ratio. As per the JV Agreement 2007, the rights of the shareholders' in Avant shall be outlined in a shareholders' agreement to be executed between PCB and PIAIL, which has not been executed to date. On February 14, 2013, representatives of PCB and Avant signed the sub-lease agreement before the registrar for transfer of a plot measuring 5.8 acres to Avant. In consequence of sub-lease of the aforementioned land in favour of Avant, the principal receivable from PCB was derecognised and correspondingly the asset received in lieu was recognised as a long-term prepayment against Avant's right to use the land for 66 years commencing from February 14, 2013. In accordance with the sub-lease agreement, upon the expiry or termination of the said sub-lease agreement, Avant shall peacefully handover the plot to PCB including all the developments and supra structure. According to the terms of aforesaid joint venture agreement, right granted over the use of land was considered settlement of all outstanding dues of PIAIL from PCB. Accordingly, in these 66 years, Avant would recover the amount payable by PCB as stated above and also make profit during said period. Accordingly, the value of right to use asset is likely to be different from the lease payments.

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

Furthermore, on 7 August 2019 Government of Pakistan (GoP) has extended the Master lease agreement between GoP and PCB for a period of 99 years i.e. from 2019 till 2118 for land measuring 104.5 acres pertaining to PCB. Consequently, the Avant Hotel's Board has decided to extend the sub-lease agreement between PIAIL and PCB for a period of 99 years i.e. from 2019 till 2118, however a written agreement is yet to be made.

PIAIL believes that the fair value of the aforesaid right to use the land would be sufficient to cover the principal and accrued interest thereon. However, pending results of the said exercise, as a matter of prudence, the amount of recognition of long term prepayment has been restricted to the extent of outstanding principal amount of US$ 0.712 million only. The amount of prepayment has been classified under non-current asset in these consolidated financial statements which is being amortised over the lease term of 66 years. Appropriate accounting adjustments, if required, shall be made upon determination of the fair value of the subject right to use the land as set out above in these consolidated financial statements.

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

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

Amortisation charge for the year has been allocated as under:

	Note	2019	2018
		------ (Rupees in '000) ------	
Cost of services - others	33	**1,693**	1,608

12.5 Movement in Exposure fee to support financing

	Note	2019	2018
Balance at beginning of the year		**39,169**	174,775
Amortised during the year	38	**(33,381)**	(135,606)
Balance at end of the year		**5,788**	39,169

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

	Note	2019	2018
		------ (Rupees in '000) ------	
13. STORES AND SPARES			
Stores		**1,264,048**	1,378,657
Spare parts		**8,263,647**	7,843,577
Inventory held for disposal - adjusted to net realisable value		**252,859**	252,859
Inventory related to food and beverages		**50,947**	-
		9,831,501	9,475,093
Provision for slow moving and obsolete spares	**13.1**	**(6,247,667)**	(5,444,206)
		3,583,834	4,030,887

13.1 Movement in provision is as follows:

	Note	2019	2018
Balance at the beginning of the year		**5,444,206**	5,331,795
Provision for the year	**36**	**803,461**	112,411
Balance at the end of the year		**6,247,667**	5,444,206

14. TRADE DEBTS

	Note	2019	2018
Considered good			
Due from other customers		**13,546,474**	14,658,765
Due from Government	**14.4**	**5,823,711**	2,455,722
		19,370,185	17,114,487
Considered doubtful			
Government related	**14.1 & 14.2**	**337,109**	337,109
Other customers	**14.1 & 14.2**	**3,702,248**	2,557,916
Less: Provision for impairment against doubtful debts	**14.3**	**(4,039,357)**	(2,895,025)
		-	-
		19,370,185	17,114,487

14.1 Upon adoption of IFRS - 9, the aging analysis of trade debts related to Government and other customers are as follows:

	2019					
	Government			Other customers		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
	(Rupees in '000)					
Current	**584,071**	**-**	**584,071**	10,057,041	240,428	10,297,468
Overdue less than or equal to 90 days	**216,453**	**-**	**216,453**	2,502,898	162,728	2,665,626
More than 90 days past due	**1,287,394**	**-**	**1,287,394**	620,131	184,580	804,711
More than 180 days past due	**287,478**	**-**	**287,478**	366,404	217,498	583,902
More than 360 days past due	**3,448,315**	**337,109**	**3,785,424**	-	2,897,014	2,897,014
	5,823,711	**337,109**	**6,160,820**	13,546,474	3,702,248	17,248,721

14.2 Following aging of trade debts related to government and other customers has been presented under IAS-39:

	2018					
	Government			Other customers		
	Trade debts considered good	Impaired	Total	Trade debts considered good	Impaired	Total
	(Rupees in '000)					
Within current year	1,661,006	-	1,661,006	13,749,541	357,882	14,107,423
1 year old	140,181	325,457	465,638	56,306	680,506	736,812
2 years old	260,638	-	260,638	453,350	730,174	1,183,524
Over 3 years old	393,897	11,652	405,549	399,568	789,354	1,188,922
	2,455,722	337,109	2,792,831	14,658,765	2,557,916	17,216,681

	Note	2019	2018
14.3 Movement in provision is as follows:		(Rupees in '000)	
Balance at the beginning of the year (under IAS 39)		**2,895,025**	2,696,500
Expected credit losses recognised upon adoption of IFRS 9 (note 4.1.1)		**1,100,047**	-
		3,995,072	2,696,500
Reversal		**(134)**	(1,363)
Translation adjustment		**418**	1,020
Provision for the year	36	**44,001**	198,868
Balance at end of the year		**4,039,357**	2,895,025

14.4 Maximum aggregate gross amount due from Government at any month end was Rs. 1,537.887 million (2018: Rs. 617.582 million).

15. SHORT-TERM LOANS AND ADVANCES

	Note	2019	2018
Current maturity of long-term loans - employees	11	**603**	640
Others			
Employees	15.1	**87,310**	303,276
Fuel suppliers		**488,743**	738,244
Engineering related supplier	15.2	**716,041**	716,041
Other suppliers		**2,508,096**	834,218
		3,800,190	2,591,779
Considered doubtful			
Employees		**102,890**	102,890
Other Suppliers		**994,726**	820,580
		1,097,616	923,470
Provision for doubtful advances	15.4	**(1,097,616)**	(923,470)
		3,800,793	2,592,419

15.1 This includes advance of Rs. 3.547 million (2018: Rs. 4.263 million) paid to key management personnel.

15.2 This represents advance paid to M/s. Stelia Aerospace-France and Jamco Aero Design and Engineering PTE Ltd-US amounting EUR 5,331,600 and USD 929,000, respectively, on account of seating and inflight entertainment system to be installed in Boeing 777.

15.3 This includes advances paid to different suppliers in respect of lease rentals and overhauling of engines, auxillary power units, landing gears etc.

15.4 Movement in provision is as follows:	Note	2019	2018
		------ (Rupees in '000) ------	
Balance at beginning of the year		**923,470**	912,158
Provision made during the year	36	**174,146**	11,312
Balance at end of the year		**1,097,616**	923,470

16. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2019	2018
Trade deposits			
Considered good		**5,156,096**	1,885,309
Considered doubtful		**44,816**	48,845
Less: provision against doubtful deposits	16.1	**(44,816)**	(48,845)
		-	-
		5,156,096	1,885,309
Restricted Cash	16.2	**1,192,650**	1,152,419
Prepayments	16.3	**1,126,934**	1,177,716
		7,475,680	4,215,444

16.1 Movement in provision is as follows:	Note	2019	2018
Balance at beginning of the year		**48,845**	46,462
Expected credit losses recognized upon adoption of IFRS-9 (note 4.1.1)		**1,538**	-
Adjusted balance as on January 01, 2019		**50,383**	46,462
Reversal of provision	36	**(5,567)**	2,383
Balance at end of the year		**44,816**	48,845

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

16.3 Prepayments	Note	2019	2018
Current portion of long-term prepayments	12	**5,788**	33,381
Real estate taxes		**701,934**	622,215
Rental on leased aircraft		**-**	16,398
Insurance		**133,318**	110,172
Rent		**-**	9,811
Others		**285,894**	385,739
		1,126,934	1,177,716

			2019	2018
17.	**OTHER RECEIVABLES**	**Note**	------ (Rupees in '000) ------	
	Considered good			
	- Related party			
	Claims receivable		**52,871**	13,719
	Excise duty	**31.1 (a)**	**100,000**	100,000
	Sales tax receivable	**17.1**	**5,033,760**	4,947,540
	- other than related party			
	Rental income	**17.2**	**254,147**	242,640
	Lessor	**17.3**	**2,440,782**	1,512,013
	Others		**1,356,838**	1,666,523
			9,238,398	8,482,435
	Considered doubtful		**337,431**	334,807
	Less: provision for doubtful other receivables	**17.4**	**(337,431)**	(334,807)
			-	-
			9,238,398	8,482,435

17.1 This includes sales tax refundable aggregating Rs. 4,745.637 million (2018: Rs. 4,745.637 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Holding Company has filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has interalia stated that as the Holding Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of Rule 41A(14) of the Federal Excise Rules, 2005 [see note 31.1 (d)].

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

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

	2019	2018
Not later than 1 year	**755,463**	674,694
Later than 1 year but not later than 5 years	**2,073,758**	2,023,006
Later than 5 years	**1,191,197**	919,931
	4,020,418	3,617,631

17.3 This represents receivable from lessor in respect of overhauling incurred by the Holding Company on aircrafts under lease agreement.

		Note	2019	2018
17.4	**Movement in provision is as follows:**		------ (Rupees in '000) ------	
	Balance at beginning of the year (under IAS 39)		**334,807**	272,909
	Expected credit losses recognised upon adoption of IFRS 9 (note 4.1.1)		**2,624**	-
	Adjusted balance as on January 01, 2019		**337,431**	272,909
	Provision made during the year	**36**	**-**	61,898
	Balance at end of the year		**337,431**	334,807

18. SHORT-TERM INVESTMENT

	Note	2019	2018
Available for sale - unquoted			
SITA Inc., N.V., 325,491 (2017: 325,491)			
Mashreq Bank		**6,297,400**	-
Ordinary shares	**18.1**	**19,220**	19,220
		6,316,620	19,220

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

18.2 This includes USD 40 million (equivalent to Rs. 6,197.400 million) deposited by the Holding Company in term deposit receipts held with Mashreq Bank for a period of one week on roll over basis.

19. CASH AND BANK BALANCES

	Note	2019	2018
Cash			
In hand		**28,444**	32,032
In transit		**15,210**	11,328
		43,654	43,360
With banks:			
- in current accounts	**19.1**	**6,265,459**	1,540,598
- in deposit accounts	**19.2 & 19.3**	**5,155,695**	4,981,014
		11,421,154	6,521,612
		11,464,808	6,564,972

19.1 This has been adjusted by an aggregate amount of Rs. 930.657 million (2018: Rs. 3,903.466 million), representing book overdrafts.

19.2 These carry interest ranging from 0.1% to 7.5% (2018: 0.1% to 7.5%) per annum.

19.3 This includes a bank balance of BDT 592.450 million (2018: BDT 678.976 million) equivalent to Rs. 1,084.184 million (2018: Rs. 1,145.167) 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. However, during the year, the Holding Company was able to successfully remit back BDT 18 million to Pakistan.

20. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2019	2018		2019	2018
(Number of shares)			------ (Rupees in '000) ------	
		Authorised capital		
		Ordinary share capital		
5,349,250,000	5,349,250,000	'A' class shares of Rs. 10 each	53,492,500	53,492,500
1,500,000	1,500,000	'B' class shares of Rs. 5 each	7,500	7,500
5,350,750,000	5,350,750,000		53,500,000	53,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs. 10 each	500,000	500,000
5,400,750,000	5,400,750,000		54,000,000	54,000,000
		Issued, subscribed and paid-up share capital		
		Ordinary share capital		
		'A' class shares of Rs. 10 each		
4,998,895,608	4,998,895,608	Issued for consideration in cash	49,988,955	49,988,955
		Issued for consideration other than cash - for		
931,028	931,028	acquisition of shares	9,310	9,310
233,934,482	233,934,482	Issued as bonus shares	2,339,345	2,339,345
5,233,761,118	5,233,761,118		52,337,610	52,337,610
		'B' class shares of Rs. 5 each		
1,003,374	1,003,374	Issued for consideration in cash	5,017	5,017
		Issued for consideration other than cash		
2,625	2,625	for acquisition of shares	13	13
494,000	494,000	Issued as bonus shares	2,470	2,470
1,499,999	1,499,999		7,500	7,500
5,235,261,117	5,235,261,117		52,345,110	52,345,110

20.1 At December 31, 2019, the GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares respectively (2018: 4,791,752,087 and 1,462,515 'A' class ordinary shares and 'B' class ordinary shares respectively) representing 92% and 98% holding.

21. RESERVES

	Note	2019	2018
		------ (Rupees in '000) ------	
Capital reserves			
Reserve for replacement of fixed assets	21.1	1,966,779	1,966,779
Capital redemption reserve fund		250,000	250,000
Others		284,259	284,259
		2,501,038	2,501,038
Revenue reserve		1,779,674	1,779,674
		4,280,712	4,280,712
Unrealised gain on remeasurement of investment		171,718	182,095
Foreign exchange translation reserve		7,067,566	5,032,062
Hedging reserve		(30,164)	(74,502)
Legal reserve	21.2	52,784	47,330
		7,261,904	5,186,985
		11,542,616	9,467,697

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

	Note	2019	2018 *(Restated)*
21.2 Legal reserve		------ (Rupees in '000) ------	
Balance at beginning of the year		**47,330**	37,655
Translation adjustment		**5,454**	9,675
Balance at end of the year		**52,784**	47,330

21.2.1 This balance comprises of legal reserve of MFSA and Minhal France S.A.

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

	Note	2019	2018
Balance at beginning of the year		**122,220,707**	99,027,489
Surplus arising on property, plant and equipment during the year		**(2,770,220)**	8,189,814
Less: transferred to accumulated losses:			
- Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax		**(1,656,264)**	(1,757,007)
- Surplus on revaluation of property, plant and equipment released during the year on account of aircraft retired / written off - net of tax		**-**	(667,907)
- Related deferred tax		**(667,566)**	(957,318)
Translation and other adjustments		**10,529,018**	18,385,636
	22.1	**127,655,675**	122,220,707
Less: related deferred tax liability on:			
- Balance as at beginning of the year		**34,354,623**	28,763,018
- Tax effect of (Deficit) / surplus arising on property, plant and equipment during the year		**379,711**	2,291,337
- Tax effect of Incremental depreciation charged during the year on related assets transferred to consolidated statement of profit or loss		**(240,032)**	(684,511)
- Tax effect of surplus released during the year on account of aircraft retired / written off		**-**	(272,807)
- Effect of change in tax rate		**(1,963,788)**	(1,730,189)
- Tax effect of translation and other adjustments		**3,217,259**	5,987,775
		35,747,773	34,354,623
Balance at end of the year		**91,907,902**	87,866,084

22.1 This represents the Group's share in gross surplus on revaluation of property, plant and equipment of PIAIL. The share of non-controlling interest is Rs. 3,361.699 million (2018: Rs. 2,899.337 million).

23. LONG-TERM FINANCING

	2019	2018
Opening balance	**214,992,167**	158,985,277
Financing obtained during the period	**120,089,761**	70,968,750
Repayments made during the period	**(63,036,662)**	(26,767,762)
Exchange loss	**1,821,576**	11,805,902
	273,866,841	214,992,167
Less: Current maturity	**(62,433,553)**	(50,430,292)
	211,433,288	164,561,875

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	2019	2018
						----- (Rupees in '000) -----	
Secured							
Holding Company							
Long term Loans - related party							
National Bank of Pakistan	**23.2**	Term finance	PKR 3,000	2016 - 2019	36 monthly	**166,667**	1,000,000
National Bank of Pakistan	**23.2**	Term finance	PKR 2,175	2018 - 2020	12 quarterly	**906,250**	1,631,250
National Bank of Pakistan	**23.2**	Term finance	PKR 2,825	2018 - 2021	12 quarterly	**1,412,500**	2,354,167
National Bank of Pakistan - Bahrain	**23.2 & 23.5**	Syndicate finance	USD 120	2013 - 2023	40 quarterly	**15,049,353**	14,304,551
Other than related party							
The Bank of Punjab	**23.2**	Term finance	PKR 2,500	2017 - 2022	60 Monthly	**1,500,000**	2,000,000
The Bank of Punjab	**23.2**	Term finance	PKR 5,000	2016 - 2021	60 monthly	**1,250,000**	2,250,000
The Bank of Punjab	**23.2**	Term finance	PKR 5,000	2016 - 2021	60 monthly	**1,583,333**	2,583,333
The Bank of Punjab	**23.2 & 23.12**	Demand finance	PKR 30,000	2016 - 2023	84 monthly	**17,063,776**	21,322,152
The Bank of Punjab		Term finance	PKR 6,000	2019-2024	60 monthly	**5,149,084**	-
The Bank of Punjab		Term finance	PKR 4,587	2019-2022	36 monthly	**3,440,622**	-
The Bank of Punjab		Term finance	PKR 6,000	2019-2024	60 monthly	**5,966,667**	-
Askari Bank Limited		Term finance	PKR 10,000	2021-2023	36 monthly	**10,000,000**	4,000,000
Askari Bank Limited		Term finance	PKR 6,000	2020-2022	36 monthly	**6,000,000**	6,000,000
Askari Bank Limited	**23.2**	Term finance	PKR 3,000	2017 - 2019	36 monthly	**-**	1,000,000
Al Baraka Bank (Pakistan) Limited	**23.2 & 23.11**	Islamic term finance	PKR 4,500	2016 - 2021	36 monthly	**2,625,000**	4,125,000
Al Baraka Bank (Pakistan) Limited		Term finance	PKR 2,500	2020-2022		**2,500,000**	2,500,000
Al Baraka Bank (Pakistan) Limited		Term finance	PKR 1,000	2021-2024		**1,000,000**	-
Faysal Bank Limited	**23.2**	Term finance	PKR 2,000	2016 - 2019	12 quarterly	**-**	166,667
Faysal Bank Limited	**23.2**	Term finance	PKR 1,000	2017 - 2019	12 quarterly	**-**	333,333
Faysal Bank Limited	**23.2**	Islamic term finance	PKR 4,000	2017 - 2020	14 quarterly	**1,142,857**	2,285,714
Faysal Bank Limited	**23.2**	Term finance	PKR 5,000	2019 - 2024	60 monthly	**4,999,700**	-
Faysal Bank Limited		Term finance	PKR 4,000	2019-2022	36 monthly	**3,555,556**	4,000,000
Faysal Bank Limited		Term finance	PKR 5,000	2020-2023	36 monthly	**5,000,000**	5,000,000
Faysal Bank Limited		Term finance	PKR 5,000	2020-2023	36 monthly	**5,000,000**	5,000,000
United Bank Limited	**23.2**	Term finance	PKR 5,000	2015- 2020	54 monthly	**370,370**	1,481,481
United Bank Limited	**23.2**	Term finance	PKR 5,000	2015- 2020	54 monthly	**305,556**	638,889
United Bank Limited		Term finance	USD 130	2017-2019	33 monthly	**-**	6,020,044
Abu Dhabi Islamic Bank	**23.5**	Islamic term finance	USD 70.7	2016 - 2019	4 half yearly	**-**	529,652
Standard Chartered Bank (Pakistan) Limited	**23.7**	Syndicate Finance	USD 150	2017-2021	39 Monthly	**-**	13,892,410
Standard Chartered Bank (Pakistan) Limited		Syndicate Finance	USD 250	2020-2023	36 monthly	**38,733,750**	-
JS Bank Limited	**23.2 & 23.12**	Term finance	PKR 15,000	2017-2023	66 Monthly	**8,785,303**	11,590,909
JS Bank Limited	**23.2 & 23.12**	Term finance	PKR 20,000	2020-2024	48 Monthly	**20,000,000**	20,000,000
Soneri Bank Limited	**23.2 & 23.12**	Term finance	PKR 5,000	2019 - 2022	36 Monthly	**4,583,333**	5,000,000
BankIslami Pakistan Limited	**23.12**	Term finance	PKR 11,500	2019-2023	48 Monthly	**-**	11,500,000
BankIslami Pakistan Limited		Term finance	PKR 16,000	2021-2026	60 monthly	**16,500,000**	-
BankIslami Pakistan Limited		Term finance	PKR 5,000	2021-2026	60 monthly	**5,000,000**	-
Noor Bank	**23.13**	Term finance	USD 120	2019-2021	36 Monthly	**12,911,250**	16,670,892
Credit Suisse	**23.8**	Term finance	USD 115 M	2019-2021	24 Monthly	**15,590,334**	15,976,274
Habib Bank Limited		Term finance	PKR 2,000	2021-2024	36 monthly	**2,000,000**	-
PIAIL							
Wells Fargo Banks, N.A	**23.16**	Loan	USD 140	2011 - 2016	Variable	**16,136,216**	15,818,881
BRED BANK		Loan	EUR 31	2018-2020	Variable	**3,779,836**	-
Others - unsecured related party							
Long-term loan - GoP	**23.15**	Term finance	PKR 8,000	2011 - 2020	16 half-yearly	**8,000,000**	8,000,000
Loan from GoP against Markup	**23.14**	Term finance	PKR 6016			**25,859,528**	6,016,568
						273,866,841	214,992,167
Current maturity shown under current liabilities						**(62,433,553)**	(50,430,292)
						211,433,288	164,561,875

23.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2018: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.25% over 1 month KIBOR to 2% over 1 month KIBOR (2018: spread of 1.45% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US$ comprise of variable rate borrowings carrying markup ranging from spread of 3.15% over 1 month LIBOR to 3.75% over 3 month LIBOR (2018: 0.7% over 3 month LIBOR to 4% over 1 month LIBOR).

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

23.3 The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Holding Company amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with the Holding Company's sales routed through collection account NBP Airport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP. Furthermore, principal amounting to Rs. 166.667 million due as at December 31, 2019 has been paid by the Holding Company during the extended period on January, 2020.

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

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

Furthermore, principal amounting to UDS 0.333 million due as at December 31, 2019 has been paid by the Holding Company during the extended period on January 19, 2020.

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

- European Credit Agencies / GoP Guarantee.

23.6 The Syndicate finance was obtained from a syndicate of international banks and the lead arrangers are:

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

The finance is secured by first priority security over the collection account and facility service account; and legally enforceable assignments of tickets sales collection for the UK sector through IATA with appropriate acknowledgments. Furthermore, the Holding Company prepaid the facility without incurring any penalty.

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

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

The finance is secured by first priority security over the collection account and facility service account; and legally enforceable assignments of tickets sales collection for the UK sector through IATA with appropriate acknowledgments. Furthermore, the Holding Company prepaid the facility without incurring any penalty.

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

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

The finance is secured by way of:

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

23.9 The finance is secured by way of:

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

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

23.11 The finance is secured by way of hypothecation of Boeing 777-200 ER aircraft.

23.12 The finance is secured by way of lien over Musharakah Asset amounting to Rs. 11,500 million and unconditional and irrevocable GoP guarantee for the facility amount.

23.13 The finance is secured by way of collection routed through the offshore bank account maintained with Emirates NBD Bank.

23.14 In a meeting with Honourable Prime Minister of Pakistan dated December 30, 2017, it was decided that markup support would be provided for the five years starting from July 2018. In this regard, GoP has started releasing markup, first disbursement was made on October 26, 2018 and subsequently on monthly basis. The loan amount represents the outstanding at any given point of time.

23.15 The Holding Company has not paid any installment since due date of installment, i.e. October 23, 2011. The over due principal and markup due as at December 31, 2019 is Rs 7,938.50 million (Rs.7,062.50 million) and Rs. 8,300 million (Rs. 7,500 million), respectively. The over due principal amount is included in current maturity.

23.16 On May 09, 2014, RHC refinanced its existing loans and entered into a new loan agreement with Wells Fargo Banks, N.A., increasing its borrowings to US $ 140 million. The proceeds of this loan were used to satisfy the previously existing loans (i.e. which were obtained on November 09, 2011). This loan was to be matured on May 09, 2018 and was secured by amongst other things RHC's property and equipment and required payments of interest only at the annual rate of LIBOR plus 2.40%. (2017: 3.65%). The loan agreement contains covenants that RHC must adhere to which includes, among other things, the maintenance of cash in escrow reserved towards the payment of interest, real estate taxes and insurance.

On April 09, 2018, RHC refinanced its existing loan with Wells Fargo Banks N.A. (Wells Fargo) and entered into a new loan agreement with GP Morgan Chase in the amount of US $ 105 million. The proceed of the loan were used to partially repay the US $ 140 million loan payable. The repayment of the remaining balance was funded by RHC's cash in banks and collection of the outstanding note receivable from the partner. The loan has the maturity date of April 09, 2020, with separate extension options for two one year periods at the option of RHC, subject to the satisfaction of the extension conditions as defined.

The loan is secured by, among other things. RHC Operating LLC's property and equipment and requires payments of interest only at the monthly rate of LIBOR plus 3.90% (6.36% at 31 December 2018).The loan agreement contains covenants that must be adhered to which includes. among other things the maintenance of cash in escrow reserved towards payment of interest, real estate taxes and insurance. The loan covenants are effective beginning on the loan's first anniversary. At December 31, 2019, although not required RHC Operating LLC was in compliance with all of its loan covenants.

RHC Operating LLC entered into an interest rate cap agreement on its loan with the intent to manage interest rate exposure. This interest rate cap agreement. with an aggregate notional amount of $105,000.000,expires on 9 April 2020, which caps the variable rate portion of the debt at a rate of 3.50% per annum. The cost of the interest rate cap was $90,000. The Group considers the risk of non-performance on this agreement to be remote.Management has determined the cost of this derivative as at 31 December 2019 approximates its fair value.

23.17 During 2018, Minhal France SA entered into a cash flow hedge, which covers the same notional amount and period as this loan, at a cost of Euro 1,037,940 (US $ 1,166,022), whereby the Euribor portion of the interest rate was capped at 0.5%.

The amount is loaned to Minhal France SA by a pool of Banks comprising BRED BanquePopulaire (50%) and Credit Fancier de France (50%). The amount shown on the balance sheet is the amount of drawdown capital.

Capital outstanding on the above-mentioned borrowings falls due as follows:

- within one year: Euro 2,936,049 (US $ 3,298,358)
- after more than one year and within five years: Euro 15,500,000 (US $ 17,412,700)
- after more than five years: Euro 6,712,756 (7,541,110)

The loan is secured by:

- Mortgage on the building located on 1 rue Scribe for a total amount of Euro 15,500,000 (US $ 17,747,500) plus 7% related to associated costs, until 2029.

- Pledge on MFSA's goodwill "Fonds de Commerce' for a total amount of Euro 34, 100,000 (US$ 39,044,500) included in fair value of assets, corresponding to 110% of the amount of the loan

- A Daily sale pursuant to Article 313-23 of the French Monetary and Financial Code of all current and future rentals and amounts due to MFSA under the lease agreements with GAP, Eric Bompard, Golfino and Maje and any sums due to MFSA in the future.

- A Daily sale pursuant to article 313-23 of the French Monetary and Financial Code of all current and future receivables from MFSA on its debtors.

- A delegation of all indemnities to be received under the insurance policy of the building subscribed with the Company, Schubb European Group Limited.

- A pledge of the Minhal BV Securities Account covering 100% of the shares it holds in the capital of MFSA (the 'Pledge of the Securities Account').

- Cash flow hedge at a cost of Euro 1,037,000 (US $ 1,164,966) with a quarterly payment during the same period as the loan.

In recent weeks a novel strain of corona virus COVID 19 pandemic has had negatively impacted the economies and businesses globally. The said pendamic has also impacted the groups business as a result management has taken steps to avoid potential adverse implication on group's business. The measures included the extension / deferement of the loans the management negotiated and agreed with the banks and finalized the terms as below:

Subesquent to the year end on April 09, 2020 management of RHC had entered into an agreement with JPMORGAN CHASE BANK, N.A. whereby extending the term of loan by 12 months the loan which was previously due on 9 April 2020 will now be due on April 09, 2021.

In case of MFSA management has coordinated with Bred Bank for deferment of repayment of loan and applied for the wavier the Bank has agreed to extend the term and no repayment will be due in year ending 2020.

Accordingly, both the loans are now classified under the head long term loans as per IAS 1 Presentation of Financial Statements.

24. TERM FINANCE AND SUKUK CERTIFICATES

	Note	Security	Repayment period	Number of installments	Mark-up	2019	2018
Secured						----- (Rupees in '000) -----	
- other than related party							
Term finance certificates (TFC)	**24.1**	GoP Guarantee	2014 - 2020	16 quarterly	6 month KIBOR +1.25%	**5,264,272**	14,271,753
Sukuk certificates	**24.2**	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR +1.75%	**1,935,000**	6,800,000
						7,199,272	21,071,753
Less: Current maturity						**(7,199,272)**	(19,017,352)
						-	2,054,401

24.1 The ECC on July 03, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by Ministry of Finance (the Ministry). On December 01, 2014, the Ministry approved the terms and conditions of new TFCs, amounting Rs. 32,870 million, including the conversion of short term loan of Rs. 20,080 million on the terms, applicable from February 20, 2014. Subsequent to the year end, the Holding Company paid markup (under markup arrangement facility) amounting to Rs. 286.5 million for the month of November 2019.

24.2 The Holding Company had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31, 2009. The principal amount was payable after grace period of two years in six equal half yearly instalments, however, the Holding Company had not made any principal payments that were due until December 30, 2013. The Sukuk investors were requested to re-profile the principal repayment schedule alongwith other terms of Sukuk Certificates, with the assistance of Ministry of Finance. On December 30, 2013, the Sukuk agreement with Sukuk investors was rescheduled by virtue of which the Holding Company was required to pay the entire principal on October 20, 2014. However, on December 24, 2014, the Sukuk investors agreed to further extend the term of Sukuk Certificates for a period of further five years starting from October 20, 2014 and the Holding Company will be required to pay the entire principal on October 20, 2019. The markup rate and security will remain unchanged. The Ministry of Finance has approved the restructuring and new agreement was signed on June 30, 2016. Accordingly the same has been classified as non-current liability. Subsequent to the year end, the Holding Company paid markup amounting to Rs. 144.700 million for the month of October 2019.

25. LEASE LIABILITIES

	Note	2019	2018
		------ (Rupees in '000) ------	
Secured			
- other than related party			
Present value of minimum lease payments			
- Aircraft fleet including engines	25.2	**25,184,821**	2,099,119
- Engines	25.1, 25.2 & 25.3	**1,420,691**	-
		26,605,512	2,099,119
		26,605,512	2,099,119
Technical ground equipment		**192,867**	262,399
		26,798,379	2,361,518
Less: current maturity		**(11,258,474)**	(2,188,748)
		15,539,905	172,770

25.1 During the year, the movement in lease liabilities is as follows:

	Note	Aircraft fleet including engines	Buildings	Technical Ground equipment	Total
Opening balance as on January 01, 2019		2,099,119	-	262,399	2,361,518
Lease liabilities recognised upon adoption of IFRS 16 (note 3.1.3)		30,647,986	1,722,438	-	32,370,424
Adjusted balance as on January 01, 2019		32,747,105	1,722,438	262,399	34,731,942
Additions during the year		2,514,220	38,090	-	2,552,310
Additions in lease liabilities					
Adjustment		(77,455)	-	-	(77,455)
Lease modification		3,143,587	27,215	-	3,170,802
Exchange Loss		3,066,132	27,215	-	3,093,347
	6.2.2	(1,074,579)	-	-	(1,074,579)
Lease terminated during the year		(13,723,048)	(536,177)	(89,628)	(14,348,853)
Repayments / adjustments made during the year	37	1,654,990	189,222	-	1,844,212
Interest charged during the year		25,184,820	1,440,788	172,771	26,798,379

	2019			2018		
	Minimum lease payments	**Finance costs**	**Present value of minimum lease payments**	Minimum lease payments	Finance costs	Present value of minimum lease payments
	----------	----------	(Rupees in '000)	----------	----------	----------
Not later than one year	**12,439,504**	**1,181,030**	**11,258,474**	2,259,775	71,029	2,188,747
Later than one year but not later than five years	**16,350,391**	**1,183,288**	**15,167,103**	197,679	24,908	172,771
Later than five years	**384,181**	**11,379**	**372,802**	-	-	-
	29,174,076	**2,375,697**	**26,798,379**	2,457,454	95,937	2,361,518

25.2 During the year 2006, the Holding Company arranged an EXIM Bank guaranteed financing of US$ 472 million to acquire three Boeing B 777-300 ER aircrafts and one engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is Royal Bank of Scotland. The lease term of spare engine has expired during the year 2014. Furthermore, in prior year, the base term of two aircrafts expired and these were transferred to the owned assets. However, the lease term of one aircraft expired in 2019, and the respective asset has been transferred to owned asset in the current year. The salient features of the lease are as under:

	2019	2018
Discount rate - one aircraft	**5.25%**	5.25%
Discount rate - two aircraft	**Three month LIBOR - 0.04%**	Three month LIBOR - 0.04%
Lease period - aircraft	**144 months**	144 months
Lease period - engine	**96 months**	96 months
Security deposits (Rupees in '000)	**2,378,625**	2,137,514

25.3 During the year ended December 31, 2016, the Group arranged a letter of credit (LC) limit of Rs. 500 million for the purpose of acquisition of technical ground equipments. On the maturity of LC, the amount of LC is converted into finance lease, having a limit of Rs. 500 million with lease period of 48 months. The lease arrangement is secured by GoP guarantee. The lease carries markup at the rate of 2% spread over one month KIBOR. The Group has utilised the LC balance of Rs. 372.726 million and converted it into finance lease.

26. DEFERRED TAXATION

	Note	2019	2018 *Restated*
		------ (Rupees in '000)	------
Roosevelt Hotel Corporation N.V.	**26.1**	**22,960,838**	21,365,716
Minhal France S.A.	**26.2**	**10,588,532**	9,163,413
	26.3	**33,549,370**	30,529,129

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

26.1 Roosevelt Hotel Corporation N.V.

	2019	2018
Revaluation of lands and buildings	**23,528,602**	21,509,151
Excess of book value over tax depreciation	**622,562**	560,128
Net operating losses	**(868,151)**	(410,853)
Interest	**(199,051)**	(178,481)
Allowance for doubtful debts	**(2,504)**	(688)
Accrued vacation	**(120,620)**	(113,540)
Net deferred tax liability	**22,960,838**	21,365,716

		Note	2019	2018
26.2	**Minhal France S.A.**		------ (Rupees in '000) ------	
	Revaluation of lands and buildings		8,449,863	7,270,497
	Excess of book value over tax depreciation		2,185,461	1,942,082
	Provision for major repairs		21,968	18,850
	Employees pension plan		(28,276)	(41,264)
	Derivative Cap		(40,484)	(26,751)
	Net deferred tax liability		10,588,532	9,163,413

26.3 Movement in temporary differences during the year

	2019				
	Balance as at the beginning of the year (Restated)	Recognized in consolidated statement of profit or loss	Translation and other adjustments	Recognized in consolidated statement of comprehensive income	Balance as at the end of the year
	------ (Rupees in '000) ------				
Excess of book value over tax depreciation	2,502,208	58,416	247,397	-	2,808,021
Allowance for doubtful trade debts	(688)	(1,737)	(79)	-	(2,504)
Accrued vacation	(113,540)	6,006	(13,085)	-	(120,620)
Revaluation of lands and buildings (note 18.3.1)	28,779,649	(266,936)	3,264,810	200,943	31,978,466
Net operating losses	(410,853)	(409,947)	(47,351)	-	(868,151)
Provision for major repairs	18,850	7,297	(4,180)	-	21,968
Employees pension plan	(41,264)	6,545	6,442	-	(28,276)
Interest (note 18.3.2)	(178,481)	-	(20,570)	-	(199,051)
Derivative Cap	(26,752)	-	(3,083)	(10,648)	(40,483)
	30,529,129	(600,356)	3,430,302	190,295	33,549,370

	2018 (Restated)				
	Balance as at the beginning of the year (Restated)	Recognized in consolidated statement of profit or loss	Translation and other adjustments	Recognized in consolidated statement of comprehensive income	Balance as at the end of the year
	------ (Rupees in '000) ------				
Excess of book value over tax depreciation	2,601,840	(645,070)	545,438	-	2,502,208
Allowance for doubtful trade debts	(1,051)	633	(270)	-	(688)
Accrued vacation	(116,338)	32,688	(29,890)	-	(113,540)
Revaluation of lands and buildings (note 18.3.1)	24,013,576	(375,947)	6,439,888	(1,297,868)	28,779,649
Net operating losses	(340,230)	16,788	(87,412)	-	(410,853)
Provision for major repairs	22,307	(7,919)	4,462	-	18,850
Employees pension plan	(25,903)	(10,205)	(5,157)	-	(41,264)
Interest (note 18.3.2)	-	(178,481)	-	-	(178,481)
Derivative Cap	-	-	(2,523)	(24,229)	(26,752)
	26,154,202	(1,167,513)	6,864,536	(1,322,097)	30,529,129

26.3.1 This includes impact of change in tax rate on revaluation of lands and buildings amounting to US $ 2,134,981 (2018: US $ 13,560,919) which has been recognized in consolidated statement of comprehensive income.

26.3.2 As part of the Tax Cuts and Jobs Act of 2017, under section 163(j) of the Internal Revenue Code, interest expense is deductible up to 30% of RHC's adjustable taxable income in a giving year. Any interest expense disallowed in the current year can be carried forward indefinitely into future tax years.

26.4 Deferred taxation - Holding Company

	2019	**2018**
	------ (Rupees in '000) ------	
Deferred tax credits:		
Accelerated tax depreciation	**15,366,707**	15,161,283
Surplus on revaluation of property, plant and equipment	**4,640,444**	6,325,473
	4,866,221	-
Right of use asset	**24,873,372**	21,486,756
Deferred tax debits:	**(7,287,396)**	(12,176,836)
Unused tax losses	**(9,820,274)**	(9,309,920)
Provisions for liabilities and to write down other assets	**(7,765,702)**	
	(24,873,372)	(21,486,756)
Lease liability	**-**	-

26.4.1 In accordance with the accounting policy of the Holding Company (see note 5.5), deferred tax asset of Rs. 89,178.259 million [2018: Rs. 98,772.903 million] has not been recognised in these consolidated financial statements due to uncertainty in availability of sufficient future taxable profits. It includes Rs. 65.19 billion (2018: 51.86 billion) and Rs. 48.86 billion (2018: Rs. 46.91 billion) pertaining to unused tax losses and unabsorbed depreciation respectively.

26.4.2 Movement in temporary difference during the year

	Balance as at January 01, 2018	Recognised in statement of profit or loss	Recognised in equity	Balance as at December 31, 2018	Impact of change in accounting policy	**Recognised in statement of profit or loss**	**Recognised in equity**	**Balance as at December 31, 2019**
	------ (Rupees in '000) ------							
Deferred tax credits:								
Accelerated tax depreciation	15,374,443	(213,160)	-	15,161,283	-	**205,424**	**-**	**15,366,707**
Surplus on revaluation of property, plant and equipment	5,457,031	(607,063)	1,475,505	6,325,473	-	**(427,534)**	**(1,257,495)**	**4,640,444**
Right of use asset	-	-	-	-	6,475,752	**(1,609,531)**	**-**	**4,866,221**
	20,831,474	(820,223)	1,475,505	21,486,756	6,475,752	**(1,831,641)**	**(1,257,495)**	**24,873,372**
Deferred tax debits:								
Unused tax losses	(12,323,654)	165,751	-	(12,157,902)	3,694,088	**1,195,352**	**-**	**-**
Provisions for liabilities and	(8,507,820)	(504,577)	(316,457)	(9,328,854)	(331,670)	**(952,720)**	**774,036**	**(7,268,462)**
to write down other assets								**(9,839,208)**
Lease liabilities	-	-	-	-	(9,838,170)	**2,072,468**	**-**	**(7,765,702)**
	(20,831,474)	(338,826)	(316,457)	(21,486,756)	(6,475,752)	**2,315,100**	**774,036**	**(24,873,372)**
	-	(1,159,048)	1,159,048	-	-	**483,459**	**(483,459)**	**-**

27. DEFERRED LIABILITIES	Note	2019	2018
		------ (Rupees in '000) ------	
Post retirement medical benefits - Holding Company	27.2	11,324,204	12,983,558
Pension obligation - Holding Company	27.3	26,001,328	25,064,678
Staff retirement benefits - PIAIL	27.3.9	113,106	95,533
Unfunded staff retirement gratuity - SRL	27.3.10	119,531	106,582
Provision for redelivery cost		1,907,633	-
		39,465,802	38,250,351

27.1 General description of the type of defined benefit plans and accounting policy for remeasurements of the net defined benefit obligation / asset is disclosed in note 6.10 these consolidated financial statements.

27.2 Post retirement medical benefits - Holding Company

	2019	2018
Liability recognised in the consolidated statement of financial position		
Present value of defined benefit obligation	11,324,204	12,983,558
Movement in liability during the year		
Balance at beginning of the year	12,983,558	11,785,642
Expense recognised in consolidated statement of profit or loss	1,754,863	1,007,314
Total remeasurements recognised in consolidated other comprehensive income	(2,669,091)	1,091,231
Payments made during the year	(745,126)	(900,629)
Balance at end of the year	11,324,204	12,983,558
Expense recognised in the consolidated statement of profit or loss		
Current service cost	94,208	72,150
Interest cost	1,660,655	935,164
	1,754,863	1,007,314
Total remeasurements recognised in consolidated other comprehensive income		
Actuarial loss on liability arising on		
- financial assumptions	(240,039)	672,693
- demographic assumptions	-	-
- experience adjustments	(2,429,052)	418,538
	(2,669,091)	1,091,231

27.3 Pension obligation

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

	PALPA		FENA		MAIN PENSION		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	----- (Rupees in '000) -----							
Liability / (Asset) recognised								
Present value of defined benefit obligation	**2,157,742**	2,199,526	**446,759**	457,997	**27,537,401**	28,639,379	**30,141,902**	31,296,902
Fair value of plan assets	**(1,653,041)**	(1,571,976)	**(940,262)**	(945,275)	**(1,547,271)**	(3,714,973)	**(4,140,574)**	(6,232,224)
	504,701	627,550	**(493,503)**	(487,278)	**25,990,130**	24,924,406	**26,001,328**	25,064,678
Movement in liability / (asset) during th year								
Opening liability / (asset)	**627,550**	630,482	**(487,278)**	(506,599)	**24,924,406**	21,622,463	**25,064,678**	21,746,346
Expense recognised in profit or loss	**104,066**	82,407	**(64,829)**	(41,794)	**4,025,046**	2,472,116	**4,064,283**	2,512,729
Total remeasurements recognised in other comprehensive income	**(212,716)**	(85,339)	**62,599**	61,115	**(2,729,536)**	829,827	**(2,879,653)**	805,603
Employer contributions	**(14,199)**	-	**(3,995)**	-	**(229,786)**	-	**(247,980)**	-
Closing liability / (asset)	**504,701**	627,550	**(493,503)**	(487,278)	**25,990,130**	24,924,406	**26,001,328**	25,064,678
Movement in the defined benefit obligation								
Obligation at beginning of the year	**2,199,526**	2,283,950	**457,997**	457,055	**28,639,379**	27,162,805	**31,296,902**	29,903,810
Current service cost	**21,856**	30,392	**-**	-	**737,786**	688,263	**759,642**	718,655
Past service cost	**-**	-	**-**	-	**-**	-	**-**	-
Interest cost	**274,666**	178,235	**58,207**	36,128	**3,635,676**	2,152,828	**3,968,549**	2,367,191
Benefits paid	**(253,156)**	(247,059)	**(37,391)**	(38,285)	**(2,400,624)**	(2,135,851)	**(2,691,171)**	(2,421,195)
Remeasurement due to:								
- Actuarial losses from changes in financial assumptions	**(5,404)**	(2,737)	**(8,437)**	21,390	**(414,094)**	1,047,400	**(427,935)**	1,066,053
experience adjustments	**(79,746)**	(43,255)	**(23,617)**	(18,291)	**(2,660,722)**	(276,066)	**(2,764,085)**	(337,612)
Obligation at end of the year	**2,157,742**	2,199,526	**446,759**	457,997	**27,537,401**	28,639,379	**30,141,902**	31,296,902
Movement in fair value of plan assets								
Fair value at beginning of the year	**1,571,976**	1,653,468	**945,275**	963,654	**3,714,973**	5,540,343	**6,232,224**	8,157,465
Interest income	**192,456**	126,220	**123,036**	77,922	**348,416**	368,974	**663,908**	573,116
Employer contributions	**14,199**	-	**3,995**	-	**229,786**	-	**247,980**	-
Benefits paid	**(253,156)**	(247,059)	**(37,391)**	(38,285)	**(2,400,624)**	(2,135,851)	**(2,691,171)**	(2,421,195)
Return on plan assets excluding amount							**-**	-
included in interest income	**127,566**	39,347	**(94,653)**	(58,016)	**(345,280)**	(58,493)	**(312,367)**	(77,162)
Fair value at end of the year	**1,653,041**	1,571,976	**940,262**	945,275	**1,547,271**	3,714,973	**4,140,574**	6,232,224
Expense recognised in statement of profit or loss								
Current service cost	**21,856**	30,392	**-**	-	**737,786**	688,263	**759,642**	718,655
Past service cost	**-**	-	**-**	-	**-**	-	**-**	-
Net interest expense / (income)	**82,210**	52,015	**(64,829)**	(41,794)	**3,287,260**	1,783,853	**3,304,641**	1,794,074
	104,066	82,407	**(64,829)**	(41,794)	**4,025,046**	2,472,116	**4,064,283**	2,512,729
Total remeasurements recognised in other comprehensive income								
Remeasurement on obligation arising on								
- financial assumptions	**(5,404)**	(2,737)	**(8,437)**	21,390	**(414,094)**	1,047,400	**(427,935)**	1,066,053
- experience adjustments	**(79,746)**	(43,255)	**(23,617)**	(18,291)	**(2,660,722)**	(276,066)	**(2,764,085)**	(337,612)
	(85,150)	(45,992)	**(32,054)**	3,099	**(3,074,816)**	771,334	**(3,192,020)**	728,441
Variation on plan assets excluding amount included in interest income	**(127,566)**	(39,347)	**94,653**	58,016	**345,280**	58,493	**312,367**	77,162
	(212,716)	(85,339)	**62,599**	61,115	**(2,729,536)**	829,827	**(2,879,653)**	805,603
The plan assets comprise of:								
Debt instruments	**1%**	1%	**0%**	0%	**1%**	1%	**1%**	1%
Others including cash and cash equivalents	**99%**	99%	**100%**	100%	**99%**	99%	**99%**	99%
	100%	100%	**100%**	100%	**100%**	100%	**100%**	100%
Actual return on plan assets	**320,022**	165,567	**28,383**	19,906	**3,136**	310,481	**351,541**	495,954

27.3.1 Actuarial valuations of pension funds, post retirement medical benefit scheme and compensated absences (note 26.4) were carried out at December 31, 2019. The valuations have been carried out using Projected Unit Credit method and the following significant acturial assumptions have been used:

	2019	2018
	----- (Percentage) -----	
Valuation discount rate	**11.25%**	13.25%
Salary increase rate	**10.25%**	12.25%
Pension indexation rate	**4.75%**	6.75%
Medical inflation rate	**5.00%**	7.00%
Mortality table	**Adjusted SLIC 2001-2005 with one year age set back**	

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

	2019	2018
	(Number)	
Pension scheme		
Active employees	**11,009**	12,196
Beneficiaries	**17,922**	19,400
Post retirement medical benefit scheme	**17,922**	19,400

27.3.3 **Sensitivity analysis**

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

		Increase / (decrease) in defined benefit obligation of					
		PALPA Fund		FENA Fund		Main Pension Fund	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		---------- (Rupees in '000) ----------					
Valuation discount rate	1%	(149,088)	171,763	(28,250)	31,979	(2,307,185)	2,721,383
Salary increase rate	1%	no change	no change	no change	no change	1,022,865	(922,040)
Pension indexation rate	1%	171,713	(151,369)	36,294	(32,374)	1,861,090	(1,624,589)

		Increase / (decrease) in defined benefit obligation of			
		Post retirement medical benefits		Compensated absences	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		---------- (Rupees in '000) ----------			
Valuation discount rate	1%	(936,642)	1,104,677	(524,278)	595,071
Salary increase rate	1%	no change	no change	587,447	(526,337)
Medical inflation rate	1%	1,030,105	(903,882)	not applicable	not applicable

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

27.3.4 The employee benefit plans exposes the Holding Company to the following risks:

Mortality risk: The risk that the actual mortality rate is different. The effect depends on the beneficiaries service/age distribution and the benefit.

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

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

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

27.3.5 The fair value of plan assets of pension funds includes investment in the Holding Company's shares, amounting to Rs. 3.348 million (2018: Rs. 2.890 million).

27.3.6 The weighted average duration of the benefit obligations as at December 31, 2019 is as follows:

	Years
Post retirement medical benefits	9
PALPA fund	7
FENA fund	7
Main Pension fund	9
Compensated absences	7

27.3.7 The expected pension and medical expense for the next one year from January 01, 2020 amounts to Rs. 3,602.824 million and Rs. 1,366.517 million respectively. The expected amount of Pension fund is the amount which the Holding Company will have to contribute for the next one year.

27.3.8 The total expense relating to deferred liabilities has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 3,142.339 million (2018: Rs. 1,900.823 million), Rs. 1,629.361 million (2018: Rs. 985.612 million) and Rs. 1,047.446 million (2018: Rs. 633.608 million) respectively.

27.3.9 This represents retirement benefits of PIAIL, since the amount is not considered material to these consolidated financial statements, therefore detailed disclosures have not been presented.

27.3.10 The scheme provides for post employee benefits for all permanent employees of SRL who complete qualifying period of five years of service with SRL and are entitled to one month's last drawn basic salary for each completed year of service, since the amount is not considered material to these consolidated financial statements, therefore detailed disclosures have not been presented.

27.4 This amount represents the provision against maintenance / redelivery cost required to be incurred by the Holding Company for returning the aircraft under lease agreements on certain maintenance conditions. Movement in provision is as follows:

	Note	2019	2018
		------ (Rupees in '000) ------	
Balance at the beginning of the year		-	-
Provision recognised upon adoption of IFRS 16 (note 4.1.3)		1,574,397	-
Adjusted balance as on January 01, 2019		1,574,397	-
Provision recognised during the year		61,438	-
		1,635,835	-
Adjustments			
Lease terminated during the year		(16,393)	-
Exchange loss recognised during the year	36	184,976	-
Interest charged during the year	37	103,216	-
		271,799	-
		1,907,634	-

28.	TRADE AND OTHER PAYABLES	Note	2019	2018
			------ (Rupees in '000) ------	
	Trade creditors			
	Goods	28.1	20,658,093	19,172,945
	Services		14,564,518	11,895,065
	Airport related charges		38,830,340	32,329,376
			74,052,951	63,397,386
	Other liabilities			
	Accrued liabilities		11,003,793	7,461,465
	Advance against transportation (unearned revenue)	28.2	16,442,379	13,150,950
	Obligation for compensated absences - Holding Company	28.3	7,657,683	7,367,022
	Unredeemed frequent flyer liabilities	28.4	648,127	649,360
	Advance from customers		2,203,678	1,032,339
	Amount due to associated undertaking	28.5	458,099	326,170
	Advances and deposits		742,777	239,965
	Earnest money		1,238	838
	Payable to employees' provident fund	28.6	9,860,481	11,514,485
	Collection on behalf of others	28.7	54,604,465	46,035,290
	Customs, federal excise duty and sales tax		2,052,986	2,580,447
	Federal excise duty - International travel		10,571,782	9,959,757
	Income tax deducted at source		1,214,161	2,078,018
	Sales tax payable		9,069	1,010
	Bed tax		1,181	1,182
	Payable to EOBI / SESSI		3,925	650
	Short-term deposits		812,494	618,856
	Others	28.8	1,525,762	1,306,222
			193,867,031	167,721,412

28.1 This includes an amount of Rs. 16,205.600 million payable to Pakistan State Oil Company Limited (PSO). There is a difference between the two entities over the application of the payments made by the Holding Company. The Holding Company is making all payments against the fuel invoices. Late payment surcharge (LPS), though accrued as per agreement, would be paid at a later stage. Contrarily, PSO applies a portion of payments against late payment surcharge (LPS).

28.2 Advance against transportation (unearned revenue)

	2019	2018
Balance at the beginning of the year	13,150,950	9,319,224
Amount included in Contract Liability that was recognised as revenue during the year	(12,214,805)	(8,625,604)
Cash received in advance of performance and not recognised as revenue during the period	15,506,234	12,457,330
Balance at the end of the year	16,442,379	13,150,950

28.3 Obligation for compensated absences - Holding Company

Liability recognised in the consolidated statement of financial position

	Note	2019	2018
Balance at beginning of the year		7,367,022	6,146,468
Expense recognised during the year	28.3.2	311,559	1,229,178
Benefits paid during the year		(20,898)	(8,624)
Balance at end of the year		7,657,683	7,367,022

28.3.1 Number of employees covered by the compensated absences are 11,009 (2018: 12,249). The assumptions used to determine the obligation for compensated absences, sensitivity analysis and weighted average duration are disclosed in notes 27.3.2, 27.3.3 and 27.3.6 respectively to these consolidated financial statements.

28.3.2 The total expense relating to compensated absences has been allocated to cost of services, distribution costs and administrative expenses in the amount of Rs. 214.975 million (2018: Rs. 884.324 million), Rs. 43.302 million (2018: Rs. 148.460 million) and Rs. 53.282 million (2018: Rs. 196.394 million) respectively.

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

- ticket inflation rate at the rate of 11.5% (2018: 13.25%);
- discount rate at the rate of 11.5% (2018: 13.25%);
- expiry of unavailed points after three years; and
- accumulated points above 11,000 can be used for purchase of tickets. Points lower than 11,000 are valued on aggregate cost of redeemed points.
- Unavailed points of Ministry do not have any expiry.

28.4.1 Upon adoption of IFRS - 15, this balance has been presented as contract liability.

28.5 This represents amount payable to Minhal Incorporated by PIAIL (subsidiary company).

28.6 This represents amount deducted from employees on account of contribution to Provident Fund, the Holding Company's own contribution and deductions from employees on account of loan recoveries on behalf of Provident Fund which is payable to Pakistan International Airlines Company Provident Fund (PF), which could not be paid to PF within 15 days as required by Section 227 of the repealed Companies Ordinance, 1984 and Section 218 of Companies Act, 2017 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.

28.7 This includes taxes payable at foreign stations and amount payable to Civil Aviation Authority (CAA) relating to embarkation, security and infrastructure charges.

28.8 This represents balance payable to various vendors against which cheques have been issued but not encashed as at December 31, 2019 and subsequently.

	Note	2019	2018
29. ACCRUED INTEREST		------ (Rupees in '000) ------	
Mark-up / profit payable on:			
- long-term financing	29.1	**10,079,285**	8,776,025
- Mark-up reimbursement loan from GoP		**2,096,641**	73,376
- term finance certificates	29.3	**390,194**	510,513
- sukuk certificates	29.2	**330,457**	156,128
- liabilities against assets subject to finance lease	29.4	**1,423**	1,065
- short-term borrowings	29.5	**1,254,381**	593,272
- provident fund		**7,055,819**	5,714,038
		21,208,200	15,824,417

29.1 It includes Rs. 328.985 million and Rs. 8,300 million due to National Bank of Pakistan and Government of Pakistan respectively.

29.2 It represents markup on GOP-markup arrangement loan due to Government of Pakistan.

29.3 It includes Rs. 197.291 million due to National Bank of Pakistan.

29.4 It includes Rs. 16.646 million due to National Bank of Pakistan.

29.5 It includes Rs. 1,175.515 million due to National Bank of Pakistan.

30. SHORT-TERM BORROWINGS

	Note	2019	2018
Short-term loans - secured	30.1	**29,860,000**	31,527,089
Running finance under mark-up arrangements	30.2	**1,720,219**	2,920,269
		31,580,219	34,447,358

30.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Expiry date	2019	2018
				---(Rupees in '000)---	
Short-term loans - Related Parties From Banking Companies					
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 5,000	30-Sep-20	5,000,000	5,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 5,000	30-Sep-20	5,000,000	5,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 5,000	16-Jan-19	5,000,000	5,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 4,360	30-Sep-20	4,360,000	4,360,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 3,500	30-Sep-20	3,500,000	3,500,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 3,000	30-Sep-20	3,000,000	3,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 2,000	30-Sep-20	2,000,000	2,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Rs. 2,000	30-Sep-20	2,000,000	2,000,000
Short-term loans - Others					
Habib Bank Limited	First charge by way of hypothecation over all present and future moveables and receivables of the Holding Company in favor of the bank	USD 12	30-Sep-19	-	1,667,089
				29,860,000	31,527,089

30.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (2018: spread of 1.5% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (2018: a spread of 3.5% over 3 months LIBOR).

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

30.2 Running finances under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million)	Expiry date	2019	2018
					---(Rupees in '000)---	
Secured						
Running finance - related party						
National Bank of Pakistan	First pari passu hypothecation charge of Rs. 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 701 million payable on demand.	Rs. 575	Rs. 100.79	30-Sep-20	**474,207**	441,349
Running finance - others						
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the Holding Company for Rs. 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	Rs. 350	Rs. 350	30-Sep-20	**-**	201,461
United Bank Limited	Hypothecation charge of Rs. 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	Rs. 2,570	Rs. 1,324	31-Jul-20	**1,246,012**	2,247,692
Un-secured						
Habib American Bank	-	USD 1.5	USD 1.5	On demand	**-**	29,767
					1,720,219	2,920,269

30.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month and 3 months KIBOR (2018: 1.5% to 2.0% over 1 month and 3 months KIBOR).

30.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at December 31, 2019.

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

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 Sales tax and Federal Excise Duty

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 15) against the subject demand which is considered fully recoverable from the department. The 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 these consolidated financial statements 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 these consolidated financial statements 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 financial statements in this regard.

d) The tax department through orders dated March 06, 2009, December 04, 2010 and May 30, 2011 levied penalties of Rs. 5,877.351 million (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 (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. 400.446 million). 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 filed an appeal against this at ATIR level, Tribunal deleted the penalty but maintained default surcharge which was 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 these consolidated financial statements 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 15.1) which was contested by the Holding Company before the Honorable High Court of 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 and 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 these consolidated financial statements in this respect.

g) During the year 2017, DCIR passed orders dated September 07, 2016 and raised demand of Rs. 487.118 million for the short payment of Federal Excise Duty along with default surcharge and penalty regarding the services rendered in respect of travel within Pakistan for the period July 2014 to June 2015. The Holding Company filed an appeal with CIR(A) against the DCIR order. CIR(A) vide order dated August 07, 2018 deleted the levy of penalty however maintained levy of default surcharge. The Holding Company has filed appeal against the CIR(A) order with ATIR.

h) On February 2, 2017, show cause notices were issued to Sabre by the Officer Inland Revenue (OIR) of Corporate Regional Tax Office (CRTO) , Karachi for tax years 2011 to 2014 wherein the OIR has alleged that Sabre had paid "rebates" to non-residents which in the opinion of OIR fall within the ambit of "Franchise" as provided in the Federal Excise Act, 2005 and attracts Federal Excise Duty (FED) at the rate of 10%. Sabre has filed petition before the Honourable High Court of Sindh (SHC) against the aforementioned show-cause notice which is pending adjudication. Management believes that the matter will be decided in Sabre's favour. Therefore, no provision has been made in these consolidated financial statements in this respect.

i) In 2016, Sabre received notices from the Sindh Revenue Board (SRB) for the payment of SST (including default surcharge) and filing of SST returns for the tax periods June, July and August 2016. Sabre deposited an amount of Rs. 1.4 million in respect of sales tax for the period of June 2016 on December 14, 2016. During the year, Sabre also received show cause notice from Assistant Commissioner Sindh Revenue Board (SRB) for charging SST on indenting services being rendered during tax periods from July 2015 to December 2016 and non filing of SST returns for the tax periods from June 2015 to December 2017. Later, an order dated February 21, 2018 was issued raising demand of Rs. 69.75 million (on total revenue of the Company instead of revenue pertaining to the province of Sindh only) for the tax periods July 2015 to March 2017 and penalty of Rs. 156.02 million and default surcharge to be calculated at the time of payment. On February 26, 2018, Sabre filed an appeal against said order before Commissioner (Appeals) SRB, which is pending adjudication. In addition, Sabre also filed a petition in SHC praying for speedy decision of the appeal. The court in its order dated March 02, 2018, directed Commission (Appeals) - SRB to decide the case within prescribed time limit whereas it was also agreed between the parties that no adverse action would be undertaken against Sabre till the decision of the appeal by Commissioner (Appeals) - SRB.

In respect of the above, while the SST returns have not been filed by the Sabre till yet, it has on prudence basis maintained a provision in respect of SST amounting to Rs. 39.299 million (2017: Rs. 36.66 million) for tax periods July 2015 through December 2018. This provision represents estimated tax liability computed on revenue earned in Sindh province at the applicable tax rate(s). During the year on June 12, 2018, an amount of Rs. 19.32 million (including 20% of default surcharge) was paid to SRB related to business operation of the Company in Sindh for the tax periods from July 2015 through December 2017. However, Sabre is continuously contending the impugned tax demand including the demand relating to the operation in Sindh in the appeal which is pending.

Subsequent to the year end, the Additional Commissioner (AC) - SRB passed the order dated February 27, 2019 and raised SST demand of Rs. 57.05 million on the total revenue of Sabre generated from all over Pakistan during the tax periods from January 2017 to December 2017. In addition to this AC-SRB imposed penalty of Rs. 3.57 million along-with default surcharge to be calculated at the time of payment. Sabre, being aggrieved with the above order has filed an appeal before the Commissioner (Appeals) - SRB which is pending adjudication.

On March 06, 2019, an amount of Rs. 11.65 million was paid to SRB for the tax periods January 2017 to December 2017 relating to the business operation of Sabre in Sindh. However, the Company is continuously contending the impugned tax demand including the demand relating to the portion of Sindh in the appeal which is pending.

Based on the amounts paid, as aforementioned, and on the advice of their legal adviser, management is hopeful of a positive outcome in respect of the appeals pending with Commissioner (Appeals) - SRB.

31.1.2 Other contingencies

a) 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 these consolidated financial statements in this regard.

b) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Holding Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As at December 31, 2019 the excessive amounts claimed by CAA which are not acknowledged by the Holding Company aggregated to Rs. 45,992.765 million (2018: Rs. 28,221.849 million) including late payment surcharge and interest thereon amounting to Rs. 43,118.580 million (2018: Rs. 23,825.466 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 these consolidated financial statements.

   Subsequent to the year end, the management, in a meeting held with the CAA and Aviation division dated January 02, 2020, decided to reconcile the differences of non aeronautical charges and, on payment of all outstanding dues after proper reconciliation, interest and surcharge payable to CAA will be waived.

c) During the year 2014, two travel agents (Times Travel UK Limited and Nottingham Travel Limited (the claimants), specializing in travel to and from the United Kingdom to Pakistan, commenced proceeding against the Holding Company on account of unpaid commission or remuneration from the Holding Company on sale of airline tickets in the High Court of Justice - Business and Property Courts of England and Wales (the Court). In pursuant of above, the Court passed an order in the year 2017, in favor of the claimants and directed the parties to compute the amount of commission due on the basis of the agreements entered into between the claimants and the Holding Company. During the year, the Court rewarded a judgement against the Holding Company to pay GBP 5.171 million (equivalent to Rs. 1,049.657 million) based on calculations made by the claimants. Conversely, the Holding Company has recorded the provision of GBP 2.982 million (equivalent to Rs. 605.346 million approx.) against the said judgement based on the calculation carried out by the management, and for the remaining amount, the Holding Company is in process of filing the appeal, which management, based on its consultation with its legal advisors, believes that will be decided in favor of the Holding Company.

d) 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. 3,605.461 million (2018: Rs. 2,132.228 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. Accordingly, no provision has been made in these consolidated financial statements against these claims amounting to Rs. 789,819 million (2018: Rs. 629.561 million). The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise.

e) Certain lawsuits which arose in the normal course of business are pending against RHC. The eventual disposition of these legal actions, in the opinion of management based upon available insurance coverage and the assessment of the merits of such actions by legal counsel, will not have a material adverse effect on the financial position of RHC and the Group.

Details of significant cases are given below:

Court	Factual Description	Year of Institution	Party	Relief Sought
Sindh High Court	Counter Appeals filed against against grant of less damages/compensation.	2017	Mustafa F. Ansari Vs PIA Mumtaz Ahmed Vs PIA Sikandar Elahi Vs PIA Shahid Islam	Recovery of damages Rs. 1,072.598 million
Sindh High Court	Mr Salahuddin booked two mercedes however cars arrived Karachi late due to alleged delay by PIA	2000	Salahuddin Razzak Vs PIA & Others.	Recovery of damages Rs. 100 million
Sindh High Court	Sher Muhammad Zafar filed suit alleged his juniors were promoted but he was not promoted.	2006	Sher Muhammad Zafar Vs PIA	Recovery of damages Rs. 100 million
Sindh High Court	Azizur Rahman's father died during inflating the noze wheel of B-737, prayed for recovery under Fatal Accident Act 1855.	2007	Azizur Rehman & another Vs PIA	Recovery of damages Rs. 65.5 million
Sindh High Court	Farid Ahmed Mughal filed suit for final settlement of PKR 56 Million	2013	Farid Ahmed Mughal Vs PIA	Recovery of damages Rs. 56 million
Sindh High Court	Abbas Haider Janvri filed suit as he was not granted rescheduling of simulator training and engaged in domestic affairs	2015	Abbas Haider Janvri Vs PIA	Recovery of damages Rs. 52.07 million
Sindh High Court	Yaseen Alladin kept 25% of meal for passengers resulting in inconvinence, he was compulsorily retired, prayed for recovery of salary	2006	Yaseen Alladin Vs PIA	Recovery of damages Rs. 50.6 million
Sindh High Court	Mr Nasir filed suit for alleged wrongful mandatory retirement from service, prayed for reinstatement	2006	Nasir Ali Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	Muhammad Asim malik prayed for recovery against show cause notice on account of fake submission of matric certificate	2015	Muhammad Asim Malik Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	Saadia Sumbul Butt Sr Airhostress was detained in london and was found in possesion unauthorized foreign currency and cell phones, she was terminated, challenged termination	2015	Saadia Sumbul Butt Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	M/s. Airport Hotel issued plantiff letter to vacate the Room No. D-025 allotted to him. He was issued show cause notice, suspended form duties with immediate effect. Prayed to restore.	2013	Lt. Colonel (R) Akhtar Lateef Vs PIA & M/s Sky Room Ltd. Etc	Recovery of damages Rs. 50 million
Sindh High Court	Akhtar Hussain Khichi was called back from position of manager Bahrain on administrative grounds, prayed to declare the transfer letter as illegal	2014	Akhtar Hussain Khichi Vs PIA	Recovery of damages Rs. 50 million
Sindh High Court	Wazir Ahmed Kahrani Assistant Manager PHS was issued show cause notice on account of releasing 10KG excess baggage without EBT, filed suit for declaration permanent and mandatory injuction	2015	Wazir Ahmed Jakhrani Vs PIA & others	Recovery of damages Rs. 50 million
Sindh High Court	Noreen Durrani claimed that on account of her prevailing medical condition, she has been advised against coming in contact with electrical appliances emitting electro-magnetic impulses.Therefore he was repeatdly exempted from duty, filed suit for injuction.	2019	Noreen Durrani Vs PIACL	Recovery of damages Rs. 50 million
Sindh High Court	HR Manager Flight Operations issued letter to Capt Latif Farooqi regarding retirement on medical grounds. He was permanently grounded on account of " Uncontrolled Diabetic Mallitus, prayed for guarnteed payments.	2019	M. Latif Farooqi vs PIACL	Recovery of damages Rs. 50 million
Sindh High Court	Mr Arshad Iqbal was terminated on account of manpower rationalization & rightsizing, He alleged that no stigma or disciplinary grounds has been mentioned in termination letter except " manpower rationalization and right sizing" etc He has prayed to set aside termination letter	2019	Arshad Iqbal Vs PIACL & Others	Recovery of damages Rs. 47.8 million
Sindh High Court	Captain Naeem Ahmed Chowdary removed from service on account of misconduct	2016	Nadeem Ahmed Chowdary Vs PIA	Recovery of damages Rs. 323 million

f) Outstanding letters of guarantee amounted to Rs. 216.450 million (2018: Rs. 222.891 million).

g) Contingencies relating to income tax matters are disclosed in note 39.2 to these consolidated financial statements.

31.2 Commitments

a) Commitments for capital expenditure amounted to Rs. 1,692.438 million (2018: Rs. 27.371 million).

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

c) 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. 236,725.843 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.

32. REVENUE - NET

	Note	2019	2018 Restated
		------ (Rupees in '000) ------	
Passenger		**132,205,391**	93,704,078
Cargo		**4,914,618**	4,499,640
Excess baggage		**1,000,643**	638,423
Charter services		**1,642,843**	213,121
Engineering services		**1,461,363**	876,693
Handling and related services		**697,946**	382,101
Mail		**185,670**	174,191
Room, food and beverages sales		**11,819,121**	12,941,223
Others		**10,718,759**	4,552,698
		164,646,354	117,982,168

32.1 The analysis of revenue by geographical segment is disclosed in note 43.2 of these consolidated financial statements.

32.2 Gross Revenue

	2019	2018
Revenue	**183,861,302**	135,753,148
Less: Commission and discount	**(3,747,123)**	(3,031,483)
Federal Excise Duty	**(11,556,375)**	(11,306,445)
Provincial sales tax	**(113,904)**	(71,550)
Foreign tax	**(3,797,546)**	(3,361,502)
Net Revenue	**164,646,354**	117,982,168

33. COST OF SERVICES - OTHERS

	Note	2019	2018
Salaries, wages and allowances		**21,351,341**	20,368,825
Welfare and social security costs		**1,760,740**	2,136,661
Retirement benefits	**33.1**	**3,412,710**	2,212,500
Compensated absences	**28.3 & 33.2**	**214,975**	884,324
Legal and professional charges		**43,375**	54,299
Stores and spares consumed		**1,821,221**	1,812,034
Maintenance and overhaul		**16,737,282**	11,078,711
Flight equipment rental	**33.4**	**1,131,544**	12,126,501
Landing and handling		**21,076,429**	16,779,422
Passenger services		**4,918,315**	2,583,535
Crew layover		**3,538,809**	3,335,997
Food and beverages		**699,226**	490,276
Staff training		**60,351**	107,607
Food cost		**18,989**	-
Utilities		**78,999**	88,326
Communication		**2,880,429**	4,221,936
Insurance		**2,302,560**	1,273,399
Rent, rates and taxes	**33.3**	**862,265**	830,715
Printing and stationery		**197,514**	184,636
Depreciation	**7.5**	**16,273,880**	7,151,998
Amortisation of intangibles	**8.1**	**8,969**	14,492
Others		**2,548,508**	1,501,931
		101,938,432	89,238,125

33.1 The Holding Company's staff retirement benefits includes provident fund - a defined contribution plan. The Holding Company has established a separate provident fund. Following information of the provident fund has been derived from the unaudited financial statements of the provident fund as at December 31, 2019 and 2018.

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

	2019	2018
	------ (Rupees in '000) ------	
Size of provident fund	**21,075,304**	21,815,384
Cost of investments made	**4,471,818**	4,104,206
Percentage of investments made	**23.8%**	19.4%
Fair value of investments	**5,019,600**	4,235,736

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

	2019	2018	2019	2018
	(Percentage)		------ (Rupees in '000) ------	
Term finance certificates	**9.0%**	10.2%	**1,905,176**	2,234,649
Pakistan Investment Bonds	**0.0%**	0.0%	**-**	-
Islamic bonds	**12.4%**	9.2%	**2,611,900**	1,997,884
PIAC shares	**0.0%**	0.0%	**2,524**	3,203
Special Savings Certificate	**0.0%**	0.0%	**-**	-
Mutual Funds	**2.37%**	0.0%	**500,000**	-
Total	**23.8%**	19.4%	**5,019,600**	4,235,736

33.1.1 The investments out of provident fund have been made in accordance with the provisions of Section 218 of Companies Act, 2017 and Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

33.1.2 Number of employees of the Holding Company:

	2019	2018
	(Number)	
Average number of employees during the year	**11,723**	12,437
Number of employees as at year end	**11,009**	12,196

33.2 This includes (reversal) / provision of Rs. 1,209.441 (2018: Rs. Nil million) due to experience adjustment based on acturial assumptions.

33.3 This includes Rs. 33.164 million pertains to lease repayments of short term leases classified under IFRS 16.

33.4 This represents lease payments of short term leases against engines classified under IFRS 16.

34. DISTRIBUTION COSTS

	Note	2019	2018 *Restated*
		------ (Rupees in '000) ------	
Salaries, wages and allowances		**2,071,521**	2,013,185
Welfare and social security costs		**217,795**	263,946
Retirement benefits		**1,769,553**	1,147,222
Compensated absences	**28.3 & 33.2**	**43,302**	148,460
Distribution and advertising expenses		**1,309,307**	1,235,223
Legal and professional charges		**77,111**	96,532
Repairs and maintenance		**11,607**	11,977
Insurance		**73,469**	59,776
Printing and stationery		**138,567**	115,920
Communication		**290,420**	288,072
Staff training		**25,721**	32,836
Rent, rates and taxes	**34.1**	**210,430**	289,049
Utilities		**22,944**	20,107
Depreciation	**7.5**	**37,824**	21,476
Others		**1,030,834**	597,067
		7,330,405	6,340,848

34.1 This includes Rs. 23.583 million pertains to lease repayments of short term leases classified under IFRS 16.

			2019	2018
				Restated
35.	**ADMINISTRATIVE EXPENSES**	**Note**	------ (Rupees in '000) ------	
	Salaries, wages and allowances		**3,953,187**	3,741,509
	Welfare and social security costs		**323,016**	391,677
	Retirement benefits		**1,137,570**	737,500
	Compensated absences	**28.3 & 33.2**	**53,282**	196,394
	Legal and professional charges		**366,061**	529,112
	Audio, visual and sound system		**179,897**	1,714
	Insurance		**109,819**	87,432
	Printing and stationery		**33,208**	34,362
	Management fee	**35.2**	**274,838**	250,363
	Staff training		**62,443**	136,709
	Municipal taxes		**1,338,361**	1,132,800
	Rent, rates and taxes	**35.1**	**678,911**	666,927
	Utilities		**1,030,796**	894,149
	Remuneration of subsidiaries' auditors		**78,689**	1,233
	Auditors' remuneration	**35.3**	**21,708**	22,186
	Communication		**101,209**	110,633
	Credit card commission		**334,115**	-
	Depreciation	**7.5**	**40,349**	31,335
	Amortization	**8.1**	**102,227**	76,313
	Amortization in respect of long term lease - PIAIL	**12.3**	**1,586**	1,754
	Donations	**35.5**	**6,750**	4,000
	Others		**1,073,444**	1,426,465
			11,301,466	10,474,567

35.1 This includes Rs. 16.95 million pertains to lease repayments of short term leases classified under IFRS 16.

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

		Note	2019	2018
			------ (Rupees in '000) ------	
(i)	Interstate Hotels and Resorts Holding Company (IHC)	**35.2.1**	**157,691**	139,690
(ii)	ACCOR	**35.2.2**	**117,147**	110,673
			274,838	250,363

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

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

35.3 Auditors' remuneration

	2019			2018		
	Grant Thornton Anjum Rahman	**BDO Ebrahim & Co.**	**Total**	Grant Thornton Anjum Rahman	BDO Ebrahim & Co.	Total
	------ (Rupees in '000) ------					
Audit fee	**6,464**	**6,464**	**12,928**	5,876	5,876	11,753
Fee for review of interim financial information	**1,878**	**1,878**	**3,756**	1,707	1,707	3,415
Consolidated financial statements	**961**	**961**	**1,922**	874	874	1,747
Code of Corporate Governance	**322**	**322**	**644**	293	293	585
Out of pocket expenses	**825**	**825**	**1,650**	750	750	1,500
	10,450	**10,450**	**20,900**	9,500	9,500	19,000

35.4 This includes auditors remuneration for subsidiaries auditors amounts to Rs 0.809 million (2018: Rs 0.798 million)

35.5 Donations includes payments aggregating to Rs. 6.75 million (2018: Rs. 3.9 million) to its CSR setup viz Al-Shifa Trust, situated at Terminal 2, Road, Karachi Airport, Pakistan in which the Chief Executive Officer of the Holding Company acts as a Trustee / Chairman. Besides this, none of the directors or their spouse have any interest in the donee.

36. OTHER PROVISIONS AND ADJUSTMENTS

	Note	2019	2018
		------ (Rupees in '000) ------	
Property, plant and equipment			
- Other assets written off		-	24,457
- Deficit on revaluation of aircraft		1,898,535	-
		1,898,535	24,457
Provision for slow moving and obsolete spares	13.1	803,461	112,411
Provision for impairment against doubtful debts	14.3	44,001	198,868
Provision for impairment against doubtful advances	15.4	174,146	11,312
(Reversal) / provision for impairment against doubtful deposits	12.2 & 16.1	(5,222)	2,383
Provision for impairment against doubtful other receivables	17.4	-	61,898
Late payment surcharge on fuel	28.1	1,164,639	1,346,098
Others		406,414	184,645
		4,485,974	1,942,072

37. OTHER INCOME

	2019	2018
Income from financial assets		
Profit on bank deposits	81,953	34,429
Interest on maintenance reserve	19,098	35,449
	101,051	69,878
Income from assets other than financial assets		
Expired ticket income	410,682	1,146,471
Gain on disposal of property, plant and equipment	15	-
Gain on termination of lease	468,424	-
Insurance claims	-	5,031
Others	1,488,108	792,946
	2,468,280	2,014,326

38. FINANCE COSTS

	Note	2019	2018
Mark-up on:			
- long-term financing		23,519,721	14,138,548
- GoP loan against mark-up		2,023,265	73,376
- term finance certificates		1,137,840	1,369,373
- short-term borrowings		4,567,631	2,886,596
		31,248,457	18,467,893
Profit on sukuk certificates		880,915	598,568
Interest on liabilities against assets subject to finance lease		1,952,818	142,995
(Unwinding) / discounting of long term deposits		(101,166)	(122,014)
Interest on provident fund	28.6	1,341,781	859,078
Arrangement, agency and commitment fee		1,014,800	870,061
Amortisation of prepaid exposure fee	12.5	33,381	135,606
Bank charges, guarantee commission and other related charges		15,786	155,815
		36,386,772	21,108,002

39. TAXATION

	Note	2019	2018
Current	39.1	43,891	733,868
Prior			538,405
Deferred		(85,877)	(2,184,106)
		(41,986)	(911,833)

39.1 Current

39.1.1 Upto the prior year, the Holding Company recognised income tax on the basis of minimum tax on turnover under Section 113 of Income Tax Ordiance, 2001 (I.T.O.) at the rate defined for the Holding Company in Division IX of the Income Tax Ordinance, 2001.

However, during the year, the Holding Company has not recognised minimum tax amounting to Rs. 1,106.251 million, based on the management's interpretation that Section 113 is not to be levied on the Holding Company's revenue streams (i.e. fare from passenger, cargo freight, and excess luggage fees) as these do not fall under the ambit of "gross fees for rendering of services" as defined in abovementioned section, that would be treated as turnover for the purpose of levying minimum tax. The management's interpretation is in line with the recent decision of Appellate Tribunal Inland Revenue (ATIR) reported as 2019 PTD (Trib.) 416, in case of another airline, holding that the abovementioned revenues generated by the Holding Company does not fall under the ambit of turnover as defined in section 113 of Income Tax Ordinance, 2001.

Therefore, the management, based on consultation with its tax advisors is confident that the minimum tax levied under Section 113 is not applicable to the Holding Company. The Holding Company is also in the process of revising its income tax returns for tax year 2015 to 2019.

No numeric tax rate reconciliation is given as the Holding Company is liable for turnover tax only and deferred tax asset have been recognized to the extent of deferred tax liability (refer note 26.4.1).

39.1.2 The Holding Company has filed tax returns for tax years up to tax year 2018. The tax returns from tax years 2003 to 2016 have been filed under self assessment scheme. All assessments for tax years 1991 to 2002 have been finalized by the department. The minimum tax liability under section 80D of the I.T.O. 2001 had been levied by the department from assessment year 1991-92 to assessment year 2002-03 after adding 10% of net turnover on estimated basis. The Holding Company had filed appeals against the above demands which had been decided in favor of the Holding Company at ATIR level. The department had filed appeal against the decision before Sindh High Court which was decided on few grounds in favor of the Holding Company. Thereafter, the department has filed an appeal against the decision of Sindh High Court before Supreme Court which is pending to date. Based on consultation with legal advisor, the management believes that this issue will be decided in favor of the Holding Company without any additional tax liability.

39.1.3 As per Order dated March 13, 2011 a demand of Rs. 898.177 million (2016: Rs. 898.177 million) was raised by the Deputy Commissioner Inland Revenue (DCIR) by issuing an amended order in relation to the tax year 2005. The main contention among others was disallowance of depreciation claimed on leased aircraft. The Holding Company claimed the depreciation on the contention that those aircraft were obtained under hire purchase arrangement which has been approved by Ministry of Finance as a financing arrangement. The department did not accept this contention and disallowed depreciation expense as inadmissible. An amount of Rs. 48.235 million was also recovered by FBR in this respect. The Holding Company filed an appeal at CIR (A) level which was decided partially in favor of the Holding Company. Being further aggrieved, the Holding Company has filed appeal at Income Tax Appellate Tribunal (ITAT) level which is partially heard on September 27, 2016. Based on consultation with legal advisor, the management is confident that this issue will ultimately be decided in its favor and the amount will be recovered.

Further, the ACIR has issued orders dated June 27, 2012 and June 25, 2013 under section 122 (5A) of the I.T.O. 2001 in respect of tax years 2006 and 2007 disallowing the depreciation claimed on leased aircraft and other provisions amounting to Rs. 3,480.442 million and Rs. 20,462.797 million, respectively. The Holding Company has filed an appeal CIR (A) against the said orders. CIR(A) in its Appellate order dated September 10, 2015 disposed off the appeal and maintain partial diallowance of depreciation and deleated other provision amount. The Holding Company has filled an appeal to ATIR against the decession of CIR(A), however, the matter is still pending for adjudication.

39.1.4 ACIR had issued an order dated June 30, 2014 in respect of tax year 2008 on account of disallowance of depreciation on leased aircraft and other provisions amounting to Rs. 18,892.227 million. Subsequently, CIR(A) vide its order dated January 17, 2018 had annulled the ACIR's order as it was time barred. ACIR has filed an appeal before ATIR against the above order.

ACIR has passed an order dated December 19, 2016 under section 124/122 (5A) of the I.T.O. 2001 in respect of tax year 2009 and raised a demand of Rs. 109.428 million while maintaining the disallowance of depreciation, exchange loss and tax credit amounting to Rs. 17,069.522 million, 6.030 million and 168.744 million respectively, demanded in the earlier order dated June 15, 2015. The Holding Company filed an appeal before CIR(A) and CIR(A) vide its order dated February 14, 2018 maintained the disallowance of depreciation, deleted the disallowance of exchange loss and remanded back the short allowed tax credit under various sections. Both the Holding Company and the department have filed appeals belfore ATIR under section 131 of the I.T.O. 2001 against the order dated February 14, 2018.

ACIR issued an order dated June 30, 2016 under section 122 (5A) of the I.T.O. 2001 in respect of tax year 2010 and raised a demand of Rs. 143.075 million, disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 12,810 million. The Holding Company filed a rectification application against the above order and ACIR vide its order dated December 12, 2017 maintained the disallowance of depreciation and other provisions but allowed certain tax credits and revised a tax demand of Rs. 109.663 million. The Holding Company filed an appeal before CIR(A) against these above order whereas CIR(A) vide its order dated January 01, 2018 upheld the matter related to disallowance of depreciation and remanded back disallowance of other provisions and tax credits.

The CIR(A) disposed off corporation appeal and issue Combined appellate order dated October 30, 2015 through which he maintain disallowance depreciation and deleted other provission. Corporation has filed a appeal against the CIR(A) decission at ATIR, however, the matter is still pending for adjudication and the Holding Company is confident that this issue will ultimately be decided in its favour.The ACIR issued an order dated June 20, 2015 for tax year 2011 and raised a demand of Rs. 327.535 million by applying 1% minimum tax rate against the Holding Company contention of 0.5% in addition to disallowing depreciation claimed on leased aircraft and other provisions amounting to Rs. 7,692.992 million. The Holding Company has filed an appeal before CIR(A) against the said orders whereas CIR(A) vide its order dated October 30, 2015 upheld the matter related to minimum tax and disallowance of depreciation and remanded back disallowance of other provisions and tax credits. Both the Holding Company and the department have filed appeals belfore ATIR under section 131 of the I.T.O. 2001 against the order which is pending for hearing.

The ACIR has issued the orders dated June 30, 2018 and January 05, 2017 under section 122(5A) of the I.T.O. 2001 in respect of tax years 2012 and 2014 and disallowed depreciation on leased aircrafts and other provisions amounting to Rs. 9,725.915 million and Rs.11,007.920 million respectively. The Holding Company has filed a appeal before CIR(A) against these said orders. Subsequently, CIR(A) issued Appellate order dated February 14, 2018 in respect of TY 2014 and disposed the appeal by deleting the demand maintaining the disallowed depreciation on leased aircrafts and other provisions. The Holding Company has filled a appeal to ATIR against the decision of CIR(A), however, the matter is still pending for adjudication.

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

39.1.5 The tax department has also issued order dated December 31, 2012 under section 161/205 of the I.T.O. 2001 pertaining to tax year 2011 and raised a demand of Rs. 324.319 million. The Holding Company has filed an appeal against the order before CIR(A) which are pending adjudication.

39.1.6 The tax department has also issued a showcause under section 161 / 205 of the Income Tax Ordinance, 2001 pertaining to Tax Year 2016 to provide reconciliations under rule 44(4) of the Income Tax Rules, 2002, of the amounts shown in the statement of accounts and amounts reflected in the monthly/annual statements filed under section 165 of the Ordinance. The Holding Company has responded the showcause.

39.1.7 During the year 2014, the Department issued notices to Sabre under section 122 (5A) and 162 of the I.T.O.2001, in respect of tax years 2011 and 2012 and has considered the gross income of Sabre as commission income, on which tax should be withheld @ 10% of the commission amount at the time of realisation of foreign exchange proceeds. The tax department had initiated the proceedings and passed the ex-party order dated October 23, 2013 for both of the above tax years well before the date of Compliance of the orders. However, on appeals filed by the Company against the said orders, the Commissioner Inland Revenue (CIR) set aside both the orders on the grounds that opportunity of being heard was not provided to the Company and directed Additional CIR to initiate.

On May 28, 2016, final show cause notices in respect of tax years 2011 and 2012 were issued to Sabre which were replied on May 30, 2016. On June 25, 2016, Officer Inland Revenue (OIR) issued a similar show cause notice (as above) in respect of tax year 2010 which was replied by Sabre on June 29, 2016 contending that the notice was time barred and that foreign commission income earned by Sabre was not subject to taxation under section 233 of the Ordinance. However, on June 29, 2016, OIR passed three separate orders under section 162/205 of the Ordinance rejecting Sabre's contentions and alleging that foreign commission earned by Sabre was liable to deduction of tax. The above order followed by notices of demand under section 137(2) of the Ordinance dated June 30, 2016 was issued to Sabre raising demand (including default surcharge) of Rs. 25.4 million, Rs. 13.4 million and Rs. 33.1 million for the tax years 2010, 2011 and 2012. On July 20, 2016, Sabre made an appeal with CIR (A) against the above orders and simultaneously covered itself by obtaining protection from any adverse action by the Tax Department through an Interim order passed by the SHC on Sabre's request in this respect. Sabre's appeal with CIR - A against the above orders was decided in favour of the Sabre after which the Income Tax Department filed its Appeal before the ATIR which is pending. Management believes that the matter will be decided in Sabre's favour. Therefore, no provision has been made in these consolidated financial statements in this respect.

The Tax Department also issued notices under section 122(9) of the Ordinance in respect of tax years 2010, 2012 and 2013. In respect of tax year 2010, Sabre filed reply to the notice and also challenged the notice before the Honourable High Court of Sindh (SHC) praying that the said notice was time barred. SHC accepted the petition and suspended the notice proceedings. In respect of the tax years 2012 and 2013, Sabre filed replies to the notices by submitting the reason for not amending the assessments, after which no communication has been received by Sabre from the Tax Department. Management believes that the matter will be decided in Sabre's favour.

39.1.8 CIR (Regional Tax Office), Karachi issued a notice dated February 1, 2013 with respect to audit proceedings for tax year, 2012 under Section 177 of the Ordinance which was responded to by Sabre. Subsequently on December 7, 2015, the Tax Department issued notices under section 177(1) of the Ordinance for selection of audit of the tax years 2010 through 2013. Such notices were challenged by Sabre in the SHC which suspended all such notices through an Interim order dated January 1, 2016 and the matter is since sub-judice. Management is confident that there would not be any adverse position in respect of these notices in SHC and accordingly no provision has been made in these consolidated financial statements in this respect.

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

39.1.10 The Officer Inland Revenue (OIR) had issued notices to Sabre under Section 176 of the Ordinance for monitoring of withholding taxes and their timely deposit for the tax year 2013. Requisite information was submitted, however, the DIR did not accept the submissions of the Sabre and passed an order whereby a tax demand of Rs. 4.46 million was created under Section 161 of the Ordinance. Sabre filed its appeal against said order with the CIR (A) which was decided in Sabre's favor. Accordingly, no provision is maintained in these consolidated financial statements in this respect.

For tax years 2014, 2015 and 2016, the OIR has issued notices under Section 176 of the Ordinance for obtaining information regarding monitoring of withholding taxes. Sabre has submitted the requisite information. Further, in respect of tax year 2015, Deputy Commissioner Inland Revenue issued a notice regarding monitoring of withholding taxes which was complied with. There is no further communication from the Tax Department in respect of aforementioned notices for tax years 2014 through 2016.

39.1.11 Tax audit for the tax year 2015 was selected through computer ballot by the FBR on January 5, 2017 under Section 214C of the Ordinance. The proceedings have been initiated and Sabre has submitted the requisite information and details as required by FBR.

40. LOSS PER SHARE - BASIC AND DILUTED

The calculation of loss per share at December 31 is based on loss attributed to owners of ordinary shares of the Holding Company.

	2019	2018 (Restated)
	------ (Rupees in '000) ------	
Loss for the year (Rupees in '000)	**(56,036,735)**	(66,659,564)
Weighted average number of ordinary shares outstanding (Numbers)	**5,235,261,117**	5,235,261,117
Loss per share attributable to		
'A' class Ordinary share (Rupees)	**(10.69)**	(12.77)
'B' class Ordinary share (Rupees)	**(5.35)**	(6.37)

		2019	2018
41.	**OPERATING AND FINANCING CASH FLOWS**	------ (Rupees in '000) ------	
41.1	**Cash used in operations**		
	Loss before taxation	**(56,078,721)**	(67,571,397)
	Adjustments for:		
	Depreciation	**16,352,053**	7,204,809
	Gain on disposal of property, plant and equipment - net	**(15)**	-
	Property, plant and equipment written off / retired	**-**	171,224
	Unrealised exchange loss	**6,988,134**	12,515,452
	Amortisation / adjustment of intangibles	**111,196**	90,805
	Amortisation of long-term deposits and prepayments	**-**	-
	Provision for slow moving stores and obsolete spares	**803,461**	112,411
	Provision for impairment against doubtful debts	**44,001**	198,868
	Provision for impairment against doubtful advances	**174,146**	11,312
	Provision for impairment against doubtful deposits	**(5,222)**	2,383
	Provision impairment against doubtful other receivables	**-**	61,898
	Provision for staff retirement benefits	**5,819,146**	4,749,221
	Finance cost	**36,386,772**	21,108,002
	Share of profit from associates	**-**	572
	Profit on bank deposits	**(81,953)**	(34,426)
	Reversal of deficit on revaluation of property, plant and equipment	**1,898,535**	(1,146,471)
		12,411,533	(22,525,337)
	Working capital changes		
	Increase in stores and spares	**(356,408)**	(1,005,297)
	Increase in trade debts	**(2,299,699)**	(5,522,353)
	(Increase) / decrease in short-term loans and advances	**(1,382,520)**	38,387
	(Increase) / decrease in trade deposits and short term prepayments	**(3,256,552)**	2,965,359
	Increase in other receivables	**(755,963)**	(1,645,279)
	Increase in trade and other payables	**25,854,957**	25,512,300
	Currency translation difference	**(120,950)**	(214,515)
		17,682,865	20,128,601
	Cash generated from / (used in) operations	**30,094,399**	(2,396,736)

41.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2019				
	Liabilities				
	Short term loans (including accrued markup)	Long terms financing (including accrued markup)	TFC's and Sukuk (including accrued markup)	Finance lease liabilities	Total
Balance as at January 01, 2019	32,120,361	223,768,192	21,738,393	2,361,518	279,988,463
Changes from financing cash flows					
Proceeds from loans and borrowings	-	120,089,761	-	-	120,089,761
Transfer to Short term borrowings	-	-	-	-	-
Repayment of loans and borrowings	-	(63,036,662)	(13,872,481)	-	(76,909,143)
Payment of finance lease liabilities	-	-	-	(15,878,955)	(15,878,955)
Total changes from financing cash flows	-	57,053,099	(13,872,481)	(15,878,955)	27,301,663
Changes in fair value	-	-	-	-	
Other changes - liability related		-	-	39,955,816	-
Currency transalation difference	-	10,611,090	-	-	10,611,090
Interest expense	4,567,631	23,519,721	2,018,755	1,952,818	32,058,925
Interest paid	(5,573,611)	(31,005,976)	(1,964,743)	(1,592,818)	(40,137,148)
Total liability - related other changes	(1,005,980)	3,124,835	54,012	40,315,816	2,532,867
Total equity - related other changes	-	-	-	-	-
Balance as at December 31, 2019	**31,114,382**	**283,946,126**	**7,919,924**	**26,798,379**	**309,822,994**

42. REMUNERATION OF CHIEF EXECUTIVE, HEAD OF DEPARTMENTS AND EXECUTIVES

	(Key Management Personnel)					
	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Managerial remuneration	**7,389**	17,800	**130,650**	129,986	**1,730,035**	2,335,126
Holding Company's contribution to provident fund	**-**	-	**1,657**	1,475	**55,811**	1,945
Other perquisites	**512**	3,896	**19,321**	22,151	**1,608,091**	223,171
	7,901	21,696	**151,628**	153,612	**3,393,937**	2,560,242
	(Number)					
Number	**1**	1	**17**	18	**501**	305

Aggregate amount charged in these consolidated financial statements for fee to directors was Rs. 0.420 million (2018: Rs. 0.312 million). Chief Executive Officer and certain executives are also provided with the Holding Company's maintained cars and facilities as per the Holding Company's rules. Key management personnel of PIAIL are also provided with free use of Group maintained cars and are entitled for reimbursement of actual medical expenditure.

43. SEGMENT INFORMATION

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

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

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

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

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

43.1 Revenue analysis

	AIRLINES OPERATIONS		HOTEL OPERATIONS		OTHERS		ELIMINATIONS / ADJUSTMENTS		CONSOLIDATED	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in '000)									
Revenue										
External sales	**147,500,129**	103,490,460	**17,179,578**	15,617,977	**1,125,368**	587,002	**-**	-	**165,805,075**	119,695,439
Intersegment sales	**-**	-	**-**	-	**-**	-	**(1,158,721)**	(1,713,271)	**(1,158,721)**	(1,713,271)
Total revenue	**147,500,129**	103,490,460	**17,179,578**	15,617,977	**1,125,368**	587,002	**(1,158,721)**	(1,713,271)	**164,646,354**	117,982,168
Results										
Segment results	**(19,416,763)**	(47,033,249)	**3,254**	496,427	**(33,958)**	72,011	**(244,480)**	(183,738)	**(19,691,947)**	(46,648,549)
Interest expense	**(35,537,349)**	(20,384,567)	**(1,088,513)**	(930,147)	**(5,392)**	-	**(244,480)**	(183,738)	**(36,386,774)**	(21,498,452)
Interest income	**101,052**	69,878	**-**	-	**-**	-	**-**	-	**101,052**	69,878
Share of associate's loss	**1**	(572)	**-**	-	**-**	-	**-**	-	**1**	(572)
Income taxes	**(497,719)**	90,210	**567,629**	874,853	**(27,924)**	(29,933)	**-**	-	**41,986**	935,130
Depreciation	**(14,481,944)**	(5,213,721)	**(1,810,828)**	(2,141,340)	**(59,281)**	(37,900)	**-**	-	**(16,352,053)**	(7,392,961)
Amortisation	**(110,755)**	(86,211)	**(3,177)**	(3,017)	**(440)**	(5,160)	**-**	-	**(114,372)**	(94,388)
Assets and liabilities										
Segment assets	**154,709,232**	126,410,424	**150,461,532**	142,554,002	**560,201**	608,603	**(6,756,668)**	(6,581,421)	**298,974,297**	262,991,608
Investment in associates	**396**	396	**-**	-	**-**	-	**98,227**	88,737	**98,623**	89,133
Capital expenditure	**10,888,151**	12,334,272	**3,609,961**	1,574,353	**12,940**	16,528	**-**	-	**14,511,052**	13,925,153
Segment liabilities	**577,967,289**	483,164,055	**58,102,891**	53,280,266	**148,914**	128,045	**(7,645,798)**	(6,703,737)	**628,573,296**	529,868,629

43.2 Geographical segments - by area of original sale

	2019					2018				
	PAKISTAN	UNITED STATES	EUROPE	OTHERS	TOTAL	PAKISTAN	UNITED STATES	EUROPE	OTHERS	TOTAL
	(Rupees in '000)									
Segment revenue	**85,400,557**	**19,545,636**	**5,154,325**	**54,545,836**	**164,646,354**	59,093,260	16,758,656	23,943,852	18,186,400	117,982,168
Carrying amount of assets	**155,184,943**	**92,358,086**	**51,431,268**	**-**	**298,974,298**	127,495,819	105,552,852	29,942,939	-	262,991,610

The major revenue earning assets comprise the aircraft fleet, all of which are registered in Pakistan. Since the fleet of the Holding Company is deployed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

44. FINANCIAL RISK MANAGEMENT

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

44.1 Market risk

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

a) Fuel price risk

The Group's earnings are affected by changes in price of aircraft fuel. The Group hedges fuel prices to a limited extent through use of derivative contracts. There are no derivative contracts outstanding as of year end.

b) Currency risk

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

The Holding Company manages some of its currency risk by utilizing its foreign currency receipts to satisfy its foreign currency obligations. The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in the foreign currency exchange rates, with all other variables held constant, on loss before tax:

	2019	2018	2019	2018
	(Rupees in '000)			
Change in US$ rate	+5%		(-5%)	
(Increase) / decrease in loss before tax	**5,571,989**	(4,569,313)	**(5,571,989)**	4,569,313
Change in SAR rate	+5%		(-5%)	
(Increase) / decrease in loss before tax	**(90,113)**	(56,558)	**90,113**	56,558
Change in AED rate	+5%		(-5%)	
(Increase) / decrease in loss before tax	**(99,303)**	48,982	**99,303**	(48,982)
Change in GBP rate	+5%		(-5%)	
(Increase) / decrease in loss before tax	**(6,385)**	46,332	**6,385**	(46,332)
Change in EUR rate	+5%		(-5%)	
(Increase) / decrease in loss before tax	**(22,554)**	(80,464)	**22,554**	80,464

c) Interest rate risk

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

	2019	2018
	------ (Rupees in '000) ------	
Variable rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	**265,866,841**	206,992,166
Term finance and sukuk certificates	**7,199,272**	21,071,753
Liabilities against assets subject to finance lease	**26,798,379**	2,361,518
Short-term borrowings	**31,580,219**	34,417,591
	331,444,711	264,843,028
Financial assets		
Long term deposits	**(337,246)**	(1,612,071)
Short term investments	**(6,197,400)**	-
	324,910,065	263,230,957
Fixed rate instruments at carrying amount:		
Financial liabilities		
Long-term financing	**8,000,000**	8,000,000
Short-term borrowings	**-**	29,767
	8,000,000	8,029,767
Financial assets		
Bank deposits	**(5,155,695)**	(4,981,014)
Long-term loans	**(603)**	(640)
	2,843,702	3,048,113

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, change in interest rates at the reporting date would not affect consolidated statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

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

	KIBOR		LIBOR	
	2019	2018	2019	2018
	(Rupees in '000)			
Change in interest rate	+1%		+0.25%	
Increase in loss before tax	**(2,044,557)**	(1,553,055)	**(316,631)**	(187,760)
Change in interest rate	(-1%)		(-0.25%)	
Decrease in loss before tax	**2,044,557**	1,553,055	**316,631**	187,760

d) Other price risk

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

44.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset. The Group manages its liquidity risk by maintaining sufficient cash and cash equivalents, financing facilities and through support of GoP either in the form of capital / loans or in the form of guarantee to obtain financing from lenders (refer note 1.3).

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

	Carrying Amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
	------------------------- (Rupees in '000) -------------------------				
2019					
Long-term financing	**273,866,841**	**349,067,713**	**79,362,489**	**258,904,870**	**10,800,354**
Term finance and sukuk certificates	**7,199,272**	**8,154,216**	**8,154,216**	**19,918,366**	**-**
Lease liabilities	**26,798,379**	**29,150,624**	**12,425,973**	**16,347,036**	**377,615**
Trade and other payables	**135,601,762**	**161,880,621**	**161,880,621**	**-**	**-**
Derivative (CAP)	**161,934**	**161,934**	**-**	**161,934**	**-**
Accrued interest / mark-up / profit	**14,152,381**	**15,199,583**	**15,199,583**	**-**	**-**
Short-term borrowings	**31,580,219**	**31,580,219**	**31,580,219**	**-**	**-**
Long Term Deposits	**139,888**	**139,888**	**-**	**139,888**	**-**
	489,500,676	**595,334,798**	**308,603,101**	**295,472,094**	**11,177,969**
2018					
Long-term financing	214,992,167	269,510,139	58,127,724	195,656,868	15,725,547
Term finance and sukuk certificates	21,071,753	22,422,676	20,335,821	2,086,855	-
Liabilities against assets subject to finance lease	2,361,518	2,457,454	2,258,676	197,678	-
Trade and other payables	112,298,694	112,298,694	112,298,694	-	-
Accrued interest / mark-up / profit	10,110,379	10,110,379	10,110,379	-	-
Short-term borrowings	34,447,358	34,358,474	34,358,474	-	-
Long Term Deposits	15,071,248	15,071,248		15,071,248	
	410,353,117	466,229,063	237,489,768	213,012,648	15,725,547

44.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. All financial assets except cash in hand are subject to credit risk. The carrying amount of financial assets as at December 31, 2019 represents the maximum credit exposure, which is as follows:

	2019	2018
	------ (Rupees in '000) ------	
Receivable in respect of Centre Hotel	**1,170,412**	1,049,462
Long-term deposits	**4,777,881**	8,670,745
Trade debts	**19,370,185**	17,114,487
Short-term loans	**2,508,096**	834,218
Trade deposits	**5,156,096**	1,885,309
Other receivables	**4,104,638**	3,434,896
Bank balances	**11,421,154**	6,521,612
	48,508,462	39,510,729

Trade debts

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

Ageing of trade debts is disclosed in note 14 to these consolidated financial statements.

Other financial assets

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

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

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

44.4 Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern. The Group has incurred losses in recent years and the disclosure in respect of the Group's ability to continue as a going concern is disclosed in note 1.3 to these consolidated financial statements.

45. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2019								
	Carrying amount					Fair value			
	Fair value through other comprehensive income	Fair value through profit and loss	Amortised cost	Other financial assets	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)								
Financial assets measured at fair value									
Long-term investments	172,913	-	-	-	172,913	172,913	-	-	172,913
Financial assets not measured at fair value									
Non-current assets									
Receivable in respect of Centre Hotel	-	-	1,170,412	-	1,170,412	-	-	-	-
Long-term deposits	-	-	4,777,881	-	4,777,881	-	-	-	-
Investments in unquoted securities	371	-	-	-	371	-	-	-	-
Current assets									
Trade debts	-	-	19,370,185	-	19,370,185	-	-	-	-
Trade deposits	-	-	5,156,096	-	5,156,096	-	-	-	-
Other receivables	-	-	4,279,637	-	4,279,637	-	-	-	-
Short-term investment	19,220	-	-	-	19,220	-	-	19,220	19,220
Cash and bank balances	-	-	11,421,154	43,654	11,464,808	-	-	-	-
	192,504	-	46,175,365	43,654	46,411,523	172,913	-	19,220	192,133

	2019								
	Carrying amount					Fair value			
	Fair value through other comprehensive income	Fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)								
Financial liabilities not measured at fair value									
Long-term financing	-	-	-	273,866,841	273,866,841	-	-	-	-
Term finance and sukuk certificates	-	-	-	7,199,272	7,199,272	-	-	-	-
Lease liabilities	-	-	-	26,798,379	26,798,379	-	-	-	-
Trade and other payables	-	-	-	135,601,762	135,601,762	-	-	-	-
Accrued interest	-	-	-	14,152,381	14,152,381	-	-	-	-
Short-term borrowings	-	-	-	31,580,219	31,580,219	-	-	-	-
	-	-	-	489,198,854	489,198,854	-	-	-	-

Leasehold land and building and Aircraft fleet have been carried at revalued amounts determined by professional valuers (level 2 and level 3 measurement respectively) based on their assessment of the market values as disclosed in note 7.3 and 7.4.

Hotel properties have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 7.1. The Scribe Hotel is a luxury 5 star hotel located at 1, rue Scribein Paris, France. The Scribe Hotel has 213 guest rooms, including 13 suites and 4 duplex apartments. The Scribe Hotel is located in the center of Paris, between the Opera house, Place Vendôme, La Madeleine and the department stores on boulevard Haussmann. The Scribe Hotel is currently managed by Accor Hotels with the brand Sofitel. In addition to guest rooms, the Scribe Hotel has a gastronomic restaurant, a bar, a tea house with library, a wellness center, a meeting space and other typically found in a in a full service hotel. The Scribe Hotel is also composed off retail high street retail units on rue Scribe and the corner of boulevard des Capucines. The Roosevelt Hotel is located at 45 East 45th Street New York, New York 10017 United State of America, which opened in 1924, features 1,025 rooms, a restaurant, a lounge, a rooftop lounge, a street level lounge, room service, approximately 28,000 square feet of meeting space, concierge services, a business center, a fitness center, valet parking, and a gift shop. In addition, the property features approximately 23,000 square feet of retail space (including storage spaces), located on the ground floor and featuring street frontage. In addition to the existing improvements, the property also includes 51,447 square feet of transferrable development rights.A reconciliation of the opening and closing fair value balance is provided in note 7.1 of the consolidated financial statements.

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

Valuation Technique	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
Scribe Hotel			
			The estimated fair value would increase / (decrease) if:
The valuation model considered the present value of net cash flows to be generated from the Property taking into account the average daily rate, occupancy rate, capex and working capital requirements.	Average daily rate Occupancy rate Terminal growth Risk adjusted discount rate	297 Euro 83.50% 5.75% 5.13%	Average daily rate were higher / (lower) Occupancy rate were higher / (lower) Growth rate were higher / (lower) Risk adjusted discount rate were lower / (higher)
For retails units, Income Capitalization approach is used which converts anticipated cash flows into present value by capitalizing net operating income by a market derived "Capitalization rate"	Yield rate Purchase cost	2.90% 7.50%	Yield rate were lower / (higher) Purchase rate were lower / higher
Roosevelt Hotel			
			The estimated fair value would increase / (decrease) if:
The valuation model is considered is fee simple interest method as if vacant and available to be redeveloped to its highest and best use.	Per Square foot of development zoning floor area (SFDA)	$1,000	Per SFDA increase / (decrease)
	Max SFDA	649,695	Max SFDA increase / (decrease)

	2018									
	Carrying amount						Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial assets	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial assets measured at fair value										
Long term investments	183,288	-	-	-	-	183,288	183,288	-	-	183,288
Short term investments	-	-	-	-	-	-	-	-	-	-
										-
Financial assets not measured at fair value										-
Non current assets										-
Receivable in respect of Centre Hotel	-	-	-	1,049,462	-	834,947	-	-	-	-
Long term deposits	-	-	-	8,670,745	-	8,054,223	-	-	-	-
Investments in unquoted securities	369	-	-	-	-	369	-	-	-	-
										-
Current assets										-
Trade debts - net	-	-	-	17,114,487	-	10,989,041	-	-	-	-
Short-term loans and advances	-	-	-	-	-	-	-	-	-	-
Trade deposits	-	-	-	1,885,309	-	3,809,582	-	-	-	-
Other receivables	-	-	-	3,434,896	-	2,649,410	-	-	-	-
Short-term investments	19,220	-	-	-	-	19,220	-	-	19,220	19,220
Cash and bank balances	-	-	-	6,521,612	59,309	9,716,786	-	-	-	-
	202,877	-	-	38,676,511	59,309	36,256,866	183,288	-	19,220	202,508

	2018									
	Carrying amount						Fair value			
	Available for sales	Held for trading - at fair value through profit or loss	Held to Maturity	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)									
Financial liabilities not measured at fair value										
Long-term financing	-	-	-	-	214,992,167	214,992,167	-	-	-	-
Term finance and sukuk certificates	-	-	-	-	21,071,753	21,071,753	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	2,361,518	2,361,518	-	-	-	-
Trade and other payables	-	-	-	-	112,298,694	112,298,694	-	-	-	-
Accrued interest	-	-	-	-	10,110,379	10,110,379	-	-	-	-
Short-term borrowings	-	-	-	-	34,447,358	34,447,358	-	-	-	-
	-	-	-	-	395,281,869	395,281,869	-	-	-	-

46. TRANSACTIONS WITH RELATED PARTY

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

Name of Related Parties	Direct Shareholding	Relationship
Government of Pakistan	92%	Major Shareholder
PIA Main Pension Fund	-	Post Retirement Benefits
PIA PALPA Fund	-	Post Retirement Benefits
PIA FENA Fund	-	Post Retirement Benefits

Name of Related Parties	Direct Shareholding	Direct Shareholding
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
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
Khalilullah Shaikh	-	Key management personnel
Air Cdre Aamer Altaf	-	Key management personnel

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

Name of Related Parties and relationship with the Company		2019	2018
		----- (Rupees in '000) -----	
Retirement funds			
	Contribution to provident fund and others	**2,302,269**	2,489,103
	Interest on overdue balance of provident fund	**1,341,781**	859,078
Management Fee paid to ACCOR		**20,287**	113,918

The Federal Government of Pakistan directly and indirectly holds 92% of the Holding Company issued share capital and is entitled to appoint Directors under the Holding Company Act 2016, for the management of the affairs of the Group. The Group, therefore, considers that the GoP is in a position to exercise control over it and therefore, regards the GoP and its various bodies as related parties for the purpose of the disclosures in respect of related parties. The Group has availed exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with GoP related entities, except for transactions stated below, which the Group considers are significant:

Profit oriented state-controlled entities - common ownership

		2019	2018
Pakistan State Oil (PSO)	Purchase of fuel	**27,802,000**	22,327,086
	Late Payment Interest	**1,164,639**	1,346,098
Civil Aviation Authority (CAA)	Airport related charges	**13,118,883**	12,300,000
National Insurance Comapany (NICL)	Insurance premium	**2,271,297**	1,231,092
National Bank of Pakistan (NBP)	Finance costs	**2,023,264**	4,453,893
GoP - Major shareholder	Finance cost	**800,000**	873,376
	Hajj revenue	**6,079,130**	3,596,135

46.3 One of the hotels owned by PIAIL, Hotel Scribe Paris, is managed by a related party, ACCOR. The amount of management fee is based on the agreement with the related party.

46.4 Transactions with the directors, chief executives and key management personnel have been disclosed in note 42 to these consolidated financial statements.

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

47. Event After the Reporting Period

47.1 PIACL

The outbreak of COVID-19 since January 2020 has resulted in a challenging operational environment for Airlines around the globe. PIACL has also been impacted by the evolving situation surrounding COVID-19 and the unprecedented travel bans imposed by various governments. Though the financial results of the Company were encouraging in the first two months of the year 2020, the resultant suspension of operations due to COVID-19 from March 2020 has slowed down Company's progress. However the Company is closely monitoring the situation and to counter the above adverse impact has taken several cost cutting measures including voluntary reduction in employees' salaries, rationalization of capacity and greater focus on cargo operations during COVID-19. Furthermore, as an initiative to support local industries, SBP has announced relaxation in the payment of mark-up with reduction in KIBOR rate which are expected to off-set adverse impacts of COVID-19.

The GoP vide its letter dated April 24, 2020 has re-iterated its commitment to support the Company in forseeable future. In light of the support indicated by GoP and other factors as mentioned above, the Company believes that no material uncertainty exists and going concern assumption is appropriate for the preparation of consolidated financial statements for the year ended December 31, 2019.

47.2 PIAIL

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, adversely impacting countries globally. Since pandemic is an unprecedented challenge for humanity and for the economy globally, and its effects are subject to significant levels of uncertainty management is in process of evaluating potential adverse implication of said pandemic on its operations and have taken measures to address the significants in the forecasted occupancy.

- RHC, the owning company of the Roosevelt Hotel, is in compliance with the loan covenants. the lender on April 9, 2020, extended the term of the existing loan of $ 105 M to April 9, 2021, reflecting lender's comfort, whereby, RHC has estimated its operations of operating as of going concern;

- in order to support the Cash flows of RHC, IHR and PIAIL have agreed to defer the disbursement of their respective management fees for 2020;

- RHC is current with its creditors inspite of lowering / revenues and profitabilty;

- RHC, in order to comply with the Executive order of the President of USA, the Governor of New York State, and Mayor of NYC have introduced measures to ensure compliance of the afore stated directives. However, the Hotel is operational though with much lower occupancy;

- Roosevelt Hotel continues to offer its rooms availability vide its prescribed channels for the present day, as well as for future months, and would be able to take off expeditiously, once the situation returns to normalcy and Executive Order permits normal day-to-day operations;

- IHR/Hotel Management in its efforts to improve business/revenues has secured a business from Presbyterian Hospital for 5,000 room nights with a proposal to increase to 10,000 room nights going forward;

- A comprehensive sales and marketing action plan is in place;

- The Roosevelt Hotel is operating at a bare minimum staffing level;

- USA Government has introduced “CARES Act” to provide financial support to small business. Roosevelt’s tenants are seeking benefits from this Act, including payment of the outstanding rent to the Hotel;

- MFSA, the owning company of Hotel Scribe, as well is taking all available measures to preserve the cash flows, generation of revenues and reduce the cost wherever possible;

- PIA in order to support the Cash flows has agreed to defer its Management Fee for past years and for 2020;

- French companies can apply for partial unemployment for their laid off employees, whereby, French Government is paying 70% of the salaries of said employees. MFSA is also benefitting from the said incentive and has put a significant number of employees under French Government’s aforesaid scheme.

- MFSA is in discussion with its lenders to defer the principal repayment instalments amounting to € 2.9 million till the end of 2020/early 2021.

Management is in the process of evaluating the impact of this matter on its operations and have taken steps to address the significant decline in forecasted occupancy.

Management has evaluated the significance of these conditions and has concluded that the Group will continue in operational existence for the foreseeable future.

48. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

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

49 GENERAL

Corresponding figures have been reclassified wherever necessary, however, there are no material reclassifications to report except as disclosed in note 6 to the consolidated financial statements.

50. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Board of Directors of the Holding Company in their meeting held on **May 15, 2020.**

Air Marshal Arshad Malik	Khalilullah Shaikh	Atif Aslam Bajwa
Chief Executive Officer	Chief Financial Officer	Director

PROXY FORM FOR FOURTH AGM OF PIACL

I / We ………………………………………….. of…………………………………………….being Shareholder(s) of Pakistan International Airlines Corporation limited holding the following Shares:

Folio No Participant ID No / Account No	"A" Class Shares	"B" Class Shares

hereby appoint Mr / Mrs / Miss ……………………………. of ………………………………. or failing him / her...................................... ………………………………… of ………………………………who is / are also a Shareholder(s) of the PIACL vide Registered Folio / Participant ID No. ………….. Account No……….. as my / our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Fourth Annual General Meeting of PIACL to be held on Saturday, June 20, 2020, and at any adjournment thereof.

As witness my / our hand / seal this ……………………… Day of May, 2020.

Signed by the said ……………………………………………………………………………. ….in the presence of

WITNESSES

1.
Name
CNIC No
Address

Signature
(Affix Revenue Stamp of appropriate value)

2.
Name
CNIC No
Address

NOTES

(1) This proxy Form, duly executed, must be lodged at the office of Company Secretary, PIACL Registered Office, Karachi, not less than 48 hours before the time fixed for holding the Meeting i.e. upto 10:00 A.M. Thursday, June 18,2020.

(2) No person shall act as Proxy unless he himself/she herself is a Shareholder of the PIACL except that a corporate entity may appoint a person who is not a Shareholder.

(3) Proxies without Folio / Participant ID Number and Account / Sub-Account number will not be entertained.

(4) Signature of the appointer Shareholder should agree with his / her specimen signature registered with the PIACL.

(5) If a Shareholder appoints more than one proxy and more than one instruments of proxy are deposited by a Shareholder with the PIACL, all such instruments shall be rendered invalid.

(6) In addition to the above the following requirements have to be met by CDC Account Holders / Corporate Entities:

(i) Attested copies of CNIC or Passport of the Beneficial Owner and the Proxy holder shall be furnished with the Proxy Form whereas the Proxy holder shall also show his / her original CNIC or Passport at the Meeting.

(ii) In case of corporate entity, the Board's Resolution / Power of Attorney with specimen signature of the Nominee Attorney shall be produced at the Meeting unless these documents have already been provided.

(7) Detailed procedure is provided in the Notes to the Notice of Fourth AGM.

پراکسی فارم برائے چوتھا سالانہ اجلاسِ عام پاکستان انٹرنیشنل ائرلائنز کارپوریشن لمیٹڈ

میں/ہم ----------------------- بن/بنت/زوجہ ----------------------------------- بحیثیت حصص یافتگان پاکستان انٹرنیشنل ائرلائنز کارپوریشن لمیٹڈ حامل مندرجہ ذیل حصص

فولیونمبر/شراکت کنندہ کا ID نمبر/ اکاؤنٹ نمبر	'A' کلاس حصص	'B' کلاس حصص

بذریعہ ہذا جناب /محترمہ ------------------------ بن /بنت /زوجہ ------------------------------ یاان کی غیر موجودگی میں ------------------ بن /بنت /زوجہ ------------------- جوکہ پی آئی اے سی ایل کے حصص یافتہ بھی ہے/ہیں رجسٹرڈ فولیوشراکت کنندہ کا ID نمبر ------- اکاؤنٹ نمبر ------ کواپنے/ہمارے ایماء پراپنی/ہماری غیر حاضری پر مئورخہ 20 جون 2020 بروز ہفتہ منعقد ہونے والے چوتھے سالانہ اجلاس عام میں شرکت کرنے اورحق رائے دہی استعمال کرنے کیلئے اپنا/ہمارا پراکسی (مختار) مقرر کرتا/ کرتی ہوں/ کرتے ہیں۔

آج بروز --------------- جون 2020 کو میرے/ہمارے بطور گواہ دستخط/مہر سے جاری ہوا۔

دستخط شدہ بجانب ------------------------ کی موجودگی

Signature
(Affix Revenue Stamp of appropriate value)

گواہان

۱) نام: ----------------------------

سی این آئی سی نمبر ----------------------------

پتہ --

۲) نام: ----------------------------

سی این آئی سی نمبر ----------------------------

پتہ --

نوٹس

۱۔ یہ پراکسی فارم باضابطہ طور پر مکمل ہوا اور اجلاس کے مقررہ وقت سے 48 گھنٹے قبل یعنی 18 جون 2020 بوقت صبح 10:00 بجے کمپنی سیکریٹری، پی آئی اے سی ایل، پی آئی اے رجسٹرڈ آفس، کراچی کے دفتر میں لازماً وصول ہوجائے۔

۲۔ کارپوریشن کے غیرحصص یافتہ کوبطور پراکسی مقرر نہیں کیا جاسکتا، البتہ کارپوریٹ اینٹٹی کسی غیرحصص یافتہ کو مقرر کرسکتی ہے۔

۳۔ فولیو/شراکت کنندہ کا ID نمبر اور اکاؤنٹ/سب اکاؤنٹ نمبر کے بغیر پراکسیز پر غور نہیں کیا جائے گا

۴۔ مقرر کرنے والے حصص یافتہ کے دستخط پی آئی اے سی ایل میں رجسٹرڈ دستخط کے نمونے کے مطابق ہونے چاہئیں۔

۵۔ اگر حصص یافتہ ایک سے زائد پراکسی مقرر کرے اور حصص یافتہ کی جانب سے پراکسی کے ایک سے زائد انسٹرومنٹس پی آئی اے سی ایل کو جمع کروائے گئے تو ایسے تمام انسٹرومنٹس کو کالعدم قرار دیا جائے گا۔

۶۔ درج بالا کے ساتھ سی ڈی سی اکاؤنٹ ہولڈرز/ کارپوریٹ اینٹیٹیز درج ذیل پر عمل کریں

ا۔ بینیفیشل اونرسی این آئی سی یا پاسپورٹ کی مصدقہ نقل اور پراکسی ہولڈر پراکسی فارم کے ساتھ مہیا کرے جبکہ پراکسی ہولڈر اجلاس کے وقت اپنا اصل سی این آئی سی یا پاسپورٹ دیکھائے گا۔

ب۔ کارپوریٹ اینٹٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاورآف اٹارنی نامزد کنندہ کے دستخط کے نمونے/اٹارنی کے ساتھ اجلاس کے وقت مہیا کریں بجز اس کے کہ یہ دستاویزات پہلے سے مہیا کردیئے گئے ہوں۔

۷۔ تفصیلی طریقہ کار چوتھے سالانہ اجلاس عام کے نوٹس میں مہیا کردیا گیا ہے۔

PAKISTAN
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Company Secretary
PIA Headquarters,
Jinnah International Airport,
Karachi - 75200, Pakistan.
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