
**SCHEME OF ARRANGEMENT
UNDER SECTIONS 279 TO 283 AND 285(8) OF THE COMPANIES ACT, 2017**

BETWEEN

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
AND ITS MEMBERS**

AND

**PIA HOLDING COMPANY LIMITED
AND ITS MEMBERS**

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**PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
AND ITS MEMBERS**

AND

**PIA HOLDING COMPANY LIMITED
AND ITS MEMBERS**

FOR

- (i) effecting re-organisation of PIA through cancellation of its current paid-up capital;
- (ii) allowing Holdco to own 100% of the paid-up capital of PIA;
- (iii) division of PIA by separating the Non-Core Undertaking from PIA and vesting the whole of the Non-Core Undertaking in Holdco, with the intent that (and subject to and as may be otherwise provided in this Scheme), the aviation business and the businesses ancillary to aviation are retained in PIA and the other businesses are transferred to Holdco; and
- (iv) simultaneous issuance and allotment of fully paid ordinary shares by Holdco to the erstwhile shareholders of PIA.

ARTICLE 1 – DEFINITIONS

In this Scheme of Arrangement, unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against them below:

“Act”	means the Companies Act, 2017.
“Applicable Law”	means all national (or provincial or local) legislation, statutes, ordinances and other laws, and all regulations, by-laws, rules, orders, decrees, judicial decisions, delegated legislation, directives, guidelines (to the extent mandatory) policies or code.
“Assets”	means all properties (whether movable or immovable); rights, titles and assets (whether tangible or intangible), privileges, powers, licenses, permissions, claims, and interests including but not limited to: (a) all rights, title and interest in or to immovable properties, including buildings, offices and structures; (b) all rights, title and interest in or to plant, machinery, equipment, furniture and fixtures, computer hardware and software, software applications and licenses, motor vehicles, office equipment, appliances, and accessories, spare parts and tools; (c) all stock-in-trade, inventory, stocks of fuels, raw materials, ingredients, packaging, office and laboratory supplies, engineering spares, consumable stores, work-in-progress and finished goods; (d) all legal or beneficial interests (or both, if applicable) including, without limitation statutory, contractual or regulatory rights, titles, permissions, concessions, privileges, sanctions, approvals, licenses, and registrations; (e) all benefits and rights under contracts;

	<p>(f) all data, information, records, instruments, documents of title, market statistics, marketing surveys and reports, marketing research, advertising or other promotional material and information, accounting (including management account records) financial data whether in hard copy or in computer held form (including, for avoidance of doubt, such media as microfilm and microfiche);</p> <p>(g) all claims, choses-in-action, receivables, book trade and other debts or sums (including suppliers' credit notes) due, owing, accrued or payable (whether or not invoiced and whether or not immediately due or payable), advances, deposits, prepayments and other receivables, investments, cash in hand or at bank, bank balances, rights under loan documents and other agreements for financial facilities, letters of credit, guarantees, bonds and warranties;</p> <p>(h) all connections, equipment, installations and facilities pertaining to telecommunications, water, gas, electricity, sewerage or other utilities;</p> <p>(i) all intellectual property rights, whether registered or not, including trademarks, copyrights, patents, designs, trade secrets, technical data, processes and know-how, industrial and technical information, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, results of research and development work, whether in hard copy or in computer held form (including, for the avoidance of doubt, such media as microfilm and microfiche);</p> <p>(j) goodwill; revaluation surplus; share premium account; capital and revenue reserves; and</p> <p>(k) Tax credits, Tax or other refunds; Tax or tariff protections, remissions or exemptions.</p>
“CDC”	means the Central Depository Company of Pakistan Limited.
“CDS”	means the Central Depository System (an electronic book entry system for the recording and transfer of securities, established under the Central Depositories Act, 1997 and maintained by the CDC).
“Continuous Employee Funds”	means: (a) the fund known as the Pakistan International Airlines Corporation Employees Pension Fund; and (b) all other employee benefit schemes / funds (including any provident fund) that are subsisting on the Effective Date.
“Core Assets”	means all Assets of PIA of whatsoever nature and wheresoever situated, other than the Non-Core Assets.
“Core Liabilities”	means all Liabilities of PIA (including PIA Tax Liabilities), other than Non-Core Liabilities.
“Core Undertaking”	means the Core Assets and Core Liabilities, represented by the Split Balance Sheet.
“Effective Date”	<p>means:</p> <p>(i) other than in respect of the Specified Liabilities, the last day of the calendar month in which the Sanction Date has occurred; and</p> <p>(ii) in respect of the Specified Liabilities, December 31, 2023, subject to occurrence of the Sanction Date.</p>

“Encumbrances”	means any and all liens, charges, mortgages, pledges, hypothecation, assignments by way of security, security interests, claims and other encumbrances of whatever nature.
“Existing Shares”	means the fully paid-up ordinary class A shares of Rs. 10 (Rupees Ten only) each and the fully paid-up ordinary class B shares of Rs. 05 (Rupees Five only) each in the capital of PIA held by the Qualifying Shareholders on the Record Date.
“GOP”	means the Federal Government of the Islamic Republic of Pakistan.
“Holdco”	means PIA Holding Company Limited, a public limited company incorporated under the laws of Pakistan and having its registered office at Islamabad, Pakistan.
“Holdco Shares”	means the fully paid-up 5,233,761,118 ordinary class A shares of Rs. 10 (Rupees Ten only) each and the fully paid-up 1,499,999 ordinary class B shares of Rs. 05 (Rupees Five only), each in the capital of Holdco to be allotted and issued to Qualifying Shareholders under this Scheme.
“Liabilities”	means all recorded and unrecorded liabilities, duties and obligations of every kind, actual and contingent whether arising or payable under any agreement, statute, law or otherwise and whether pertaining to any Asset or otherwise, and all Encumbrances.
“Non-Core Assets”	means the Assets of PIA specifically listed in Annexure A (as may be amended with the prior consent of SECP so long the Assets relates to primary business of the Non-Core Undertaking).
“Non-Core Employees”	means the employees of PIA listed in Annexure D , except those employees who have ceased to be employees of PIA prior to the Effective Date.
“Non-Core Liabilities”	means the Liabilities of PIA specifically listed in Annexure B (as may be amended with the prior consent of SECP so long the Liabilities relates to primary business of the Non-Core Undertaking).
“Non-Core Tax Liabilities”	means all Tax Liabilities of PIA (howsoever arising and wheresoever accruing), other than the PIA Tax Liabilities.
“Non-Core Undertaking”	means the Non-Core Assets and Non-Core Liabilities, as represented by the Split Balance Sheet.
“PIA”	means Pakistan International Airlines Corporation Limited, a listed company incorporated under the laws of Pakistan, having its registered office at PIA Building, Jinnah International Airport, Karachi, Pakistan.
“PIA Shares”	means 5,234,511,117 fully paid-up ordinary shares of Rs. 10 (Rupees Ten only) each in the capital of PIA to be allotted and issued to Holdco under this Scheme, representing one hundred percent (100%) of issued and paid-up capital of PIA (inclusive of shares held by nominee directors).
“PIA Tax Liabilities”	means Tax Liabilities of PIA listed in Annexure C .
“Qualifying Shareholders”	means: (a) GOP; and (b) all other shareholders of PIA appearing in its register of members on the Record Date.
“Record Date”	has the meaning ascribed to the term in Article 6.3.
“Retained Employees”	means all employees of PIA immediately prior to the Effective Date, other than the Non-Core Employees.

“Sanction Date”	means the date on which the certified true copy of the order of the SECP sanctioning this Scheme is filed with the Registrar of Companies.
“SCB Consortium”	means consortium of banks (who provided SCB Consortium Loan) namely Askari Bank Limited, Credit Suisse AG, Singapore Branch and Emirates NBD Capital Limited (as <i>Conventional Initial Mandated Lead Arrangers and Bookrunners</i>), Mashreq Al Islami, Islamic Banking Division of Mashreqbank PSC, Dubai Islamic Bank PJSC and Standard Chartered Bank (as <i>Islamic Initial Mandated Lead Arrangers and Bookrunners</i>), Habib Bank Limited (as <i>Mandated Lead Arranger</i>) and the Original Financiers (i.e., Askari Bank Limited, Credit Suisse AG, Singapore Branch, Emirates NBD Bank P.J.S.C and Habib Bank Limited) and the Original Participants (i.e., Mashreq Al Islami, Islamic Banking Division of Mashreqbank PSC, Dubai Islamic Bank PJSC and Standard Chartered Bank), Mashreqbank PSC (as <i>Documentation Agent, Global Agent and Facility Agent</i>) and Mashreq Al Islami, Islamic Banking Division of Mashreqbank PSC (as <i>Investment Agent</i>) and Standard Chartered Bank (as <i>Security Agent</i>).
“SCB Consortium Loan”	has the meaning ascribed thereto in Article 20.3.
“Scheme”	means this Scheme of Arrangement in its present form with any modification of it or addition to it approved by the SECP.
“SECP”	means the Securities and Exchange Commission of Pakistan.
“Specified Liabilities”	Shall have the meaning as defined in paragraph B of Annexure B of this Scheme.
“Split Balance Sheet”	means the split balance sheet of PIA based on the audited financial statements of PIA for the period ending on September 30, 2023 and attached hereto as Annexure E , separately setting out the Core Undertaking and the Non-Core Undertaking.
“Taxation”, “Tax” or “Taxes”	means all forms of taxes and statutory, governmental, provincial local, or municipal impositions, duties, contributions and levies, whether levied in or outside Pakistan by reference to income, profits, book profits, gains, net wealth, asset values, turnover, added value, goods and services or otherwise and shall further include payments in respect of or on account of Tax, whether by way of deduction at source, collection at source, dividend distribution tax, advance tax, goods and services tax.
“Tax Liabilities”	means all Liabilities in relation to Tax.

The headings and marginal notes are inserted for convenience and shall not affect the construction of this Scheme.

ARTICLE 2 – PIA

PIA was established on January 10, 1955 as a statutory corporation 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, PIA has been converted from a statutory corporation to a public limited company by shares, through Act No. XV of 2016 titled ‘The Pakistan International Airlines Corporation (Conversion) Act, 2016’. The authorized share capital of PIA is Rs. 54,000,000,000 divided into: (i) 5,349,250,000 class ‘A’ ordinary shares of Rs. 10/- each of which 5,233,761,118 are issued and fully paid; (ii) 1,500,000 class ‘B’ ordinary shares of Rs. 05/- each of which 1,499,999 are issued and fully paid; and (iii) 50,000,000 preference shares of Rs. 10/- each of which nil are issued and fully paid. GOP holds approximately 96% shares in the total issued capital of PIA. Other than par value, the terms and conditions of the class ‘A’ and class ‘B’ shares are the same.

ARTICLE 3 – HOLDCO

Holdco was incorporated on March 21, 2024 as a public limited company under the laws of Pakistan. The authorised share capital of Holdco is PKR 53,500,000,000/- divided into: (i) 5,349,250,000 class A shares

of Rs. 10/- each; and (ii) 1,500,000/- class B shares of Rs. 05/- each. 100% shares of Holdco are beneficially owned by GOP. Other than par value, the terms and conditions of the class 'A' and class 'B' shares are the same. Holdco has never traded and has no Assets and Liabilities other than those resulting from its incorporation and issued share capital.

ARTICLE 4 – OBJECT AND BENEFIT OF THE SCHEME

- 4.1 The principal object of this Scheme is to establish a holding company and, for the division of PIA as follows:
- (i) cancellation and extinguishment of all the Existing Shares;
 - (ii) utilization of the credit balance created in the books of PIA as a consequence of (i) above by issuing and allotting PIA Shares to Holdco;
 - (iii) issuance of Holdco Shares (equivalent to the Existing Shares) to the Qualifying Shareholders;
 - (iv) separation of the Non-Core Undertaking from PIA;
 - (v) the transfer to, and vesting in Holdco, of the Non-Core Undertaking at the same book values as being carried in the books of PIA;
 - (vi) The consequential impact resulting from (iv) above on the shareholder's equity of PIA shall be adjusted from revenue reserves (accumulated losses) in the books of PIA; and
 - (vii) The consequential impact resulting from (v) above on the shareholder's equity of Holdco shall be created as a separate reserve in the books of Holdco.
- 4.2 The arrangement contemplated by this Scheme will improve PIA's efficiency and facilitate its privatisation.

ARTICLE 5 – EFFECTIVENESS OF SCHEME

- 5.1 This Scheme shall become operative on the Sanction Date and take effect on the Effective Date.
- 5.2 On the Effective Date (as applicable), the following actions shall be deemed to occur in the sequential steps mentioned below:
- (i) The cancellation of Existing Shares and issuance of PIA Shares and Holdco Shares, as provided in this Scheme and in particular in Article 6 of this Scheme.
 - (ii) The Non-Core Undertaking shall stand transferred to and vest in Holdco in consideration for ownership by Holdco of the entire issued capital of PIA, in terms fully set out in this Scheme and in particular in Article 7 of this Scheme.

ARTICLE 6 - CANCELLATION OF EXISTING SHARES, ISSUANCE OF PIA SHARES AND ALLIED MATTERS

- 6.1 As of the Effective Date, the Existing Shares shall stand cancelled and extinguished. Forthwith upon such cancellation: (i) the credit arising in the books of PIA as a result of cancellation and extinguishment of the Existing Shares shall be capitalized; and (ii) the PIA Shares shall stand issued and allotted to Holdco (as one single class of ordinary shares of PKR 10/- each) (and inclusive of share(s) to be issued to nominees of Holdco) and appropriate entries shall be made in PIA's register of members, as on the Record Date, to reflect their issuance and allotment to Holdco.
- 6.2 Holdco shall, without any further application, act, deed, consent or instrument, issue and allot, on a proportionate basis to each Qualifying Shareholder as on the Record Date, one (1) fully paid up ordinary class 'A' share of Rs. 10 (Rupees Ten) each of Holdco, credited as fully paid up, for every one (1) class 'A' share fully paid up of Rs. 10 (Rupees Ten) each of PIA and one (1) fully paid up ordinary class 'B' share of Rs. 05 (Rupees Five) each of Holdco, credited as fully paid up, for every one (1) class 'B' share fully paid up of Rs. 05 (Rupees Five) each of PIA (the aggregate of which

being the Existing Shares)¹. With effect from the Effective Date, PIA shall become a wholly owned subsidiary of Holdco and shall cease to be listed on the Pakistan Stock Exchange.

- 6.3 As of the Effective Date or promptly thereafter, at least seven (7) days' notice shall be given by PIA to holders of Existing Shares in the manner provided in its Articles of Association of PIA for the final closure of the register of shares of PIA on a date to be fixed by the Board of Directors of PIA by reference to which the holders of Existing Shares are to be determined for cancellation and entitlement to Holdco Shares pursuant to this Scheme ("**Record Date**").
- 6.4 CDC (in relation to dematerialized shares) and the company secretary of PIA (in relation to shares held in physical form) shall (as applicable) cancel the Existing Shares and appropriate entries shall be made in PIA's register of members, as on the Record Date, to reflect their cancellation.
- 6.5 Each authorization / mandate duly notified to PIA with respect to the Existing Shares prior to the Effective Date relating to the payment of dividends and each instruction and communication then in force as to notices and other communications (including electronic communications) from PIA with respect to the Existing Shares shall, unless and until varied or revoked, be deemed, from and including the Effective Date, to be a valid and effective mandate or instructions to Holdco in relation to the corresponding Holdco Shares to be allotted and issued pursuant to this Scheme.
- 6.6 The issue and allotment of the PIA Shares and Holdco Shares are an integral part hereof and shall be deemed to have been carried out without requiring any further act on the part of the PIA or Holdco or their shareholders and as if the procedure laid down under the Act and such other Applicable Laws as may be applicable, were duly complied with. The date of allotment and issuance of shares of PIA Shares to Holdco and Holdco Shares to Qualifying Shareholders shall be deemed to be the Effective Date notwithstanding the actual date of allotment or issuance.
- 6.7 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of PIA, the Board of Holdco shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer as if such changes in the registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or transferee.
- 6.8 Holdco shall apply for listing on the Pakistan Stock Exchange in terms of and in compliance with applicable regulations of the Pakistan Stock Exchange. Holdco Shares allotted by Holdco pursuant to this Scheme, shall remain frozen in the depository system of CDC till listing / trading permission is given by the Pakistan Stock Exchange.
- 6.9 The Holdco Shares and PIA Shares that are to be issued in terms of this Scheme shall stand indented and issued in the dematerialised form through the CDS.
- 6.10 Under the Scheme, Holdco has been formed which will be owned by the erstwhile shareholders of PIA and certain assets and liabilities of PIA will be transferred to the Holdco. Under IFRS 3 'Business Combinations' such transaction are required to be measured at acquisition-date fair values of the respective assets and liabilities. However, IFRS 3 does not apply to business combinations of entities or businesses under common control. Accordingly, in case of PIA's restructuring, the requirements of IFRS 3 will not be applicable due to common control transaction.

ARTICLE 7 - TRANSFER OF ASSETS AND LIABILITIES

- 7.1 As of the Effective Date, the Non-Core Undertaking shall, on a going concern basis, stand transferred to and vest in and be deemed to be transferred to and vested in Holdco.
- 7.2 Insofar as any of the Assets forming part of the Non-Core Undertaking are subject to any Encumbrance immediately prior to the Effective Date, such Assets shall be deemed to have been transferred to Holdco on the Effective Date subject to such Encumbrances.
- 7.3 Holdco shall be deemed, without any further act, deed, matter or thing, to have created, on the Effective Date, all such Encumbrances on the Assets forming part of the Non-Core Undertaking which are transferred (without in any manner adversely affecting the ranking or priority of the same) from PIA to Holdco on the Effective Date by virtue of the approval of this Scheme by SECP.

¹ As per PIACL email of January 10, 2024, there are no specific terms attached to the class 'B' shares.

- 7.4 All Liabilities of PIA forming part of the Non-Core Undertaking on or before the Effective Date shall, as from the Effective Date, be deemed to be and assumed by Holdco, as the Liabilities of Holdco without in any manner adversely affecting the ranking or priority of the same.
- 7.5 On and from the Effective Date, PIA shall stand released and discharged from all obligations in respect of Non-Core Liabilities.
- 7.6 Notwithstanding anything to the contrary contained in this Scheme, the Specified Liabilities shall stand transferred to and vest in and be deemed to be transferred to and vested in Holdco on and from December 31, 2023. On and from December 31, 2023 in relation to Specified Liabilities (and not otherwise): (a) all rights of whatsoever nature and Liabilities of PIA shall be deemed to be such rights and Liabilities of Holdco; (b) PIA shall stand released and discharged of all obligations in respect of such Specified Liabilities; and (c) any payments made by PIA pursuant to the Specified Liabilities between December 31, 2023 and the Effective Date shall within thirty (30) calendar days of the Effective Date be refunded by Holdco to PIA.

ARTICLE 8 - SUBSTITUTION OF THE NAME OF PIA WITH THAT OF HOLDCO

In all contracts, deeds, bonds, documents, correspondence, records, agreements, and instruments of any nature whatsoever executed by or in favour of PIA, which are necessary: (i) for enjoyment of the Assets under the Non-Core Undertaking; or (ii) for the performance or discharge of Liabilities under the Non-Core Undertaking, all references to PIA shall, on and from the Effective Date, be deemed to be a references to Holdco, and all such contracts, deeds, bonds, documents, correspondence, records, agreements, and instruments shall be given effect accordingly.

ARTICLE 9 – JUDGMENTS

Any judgment or award obtained by or against PIA with respect to the Non-Core Undertaking which are not fully satisfied before the Effective Date shall at that time, to the extent to which it is enforceable by or against PIA with respect to the Non-Core Undertaking, become enforceable by or against Holdco.

ARTICLE 10 - EVIDENCE

All books and other documents which would, before the Effective Date, have been evidenced in respect of any matter, for or against PIA with respect to the Non-Core Undertaking, shall be admissible in evidence in respect of the same matter for or against Holdco.

ARTICLE 11 – NEGOTIABLE INSTRUMENTS

Any negotiable instrument or order for payment of money drawn on or given to, or accepted or endorsed by PIA, or payable at any place of business of PIA, whether so drawn, given, accepted or endorsed before, as of the Effective Date, with respect to matters comprising the Non-Core Undertaking, shall have the same effect as of the Effective Date, as if it had been drawn on, or given to, or accepted or endorsed by Holdco, or were payable at the same place of business of Holdco.

ARTICLE 12 - CUSTODY OF DOCUMENTS

The custody of any document, record or goods held by PIA as bailee and duly recorded in their books that pass to PIA under any contract of bailment relating to any such document, record or goods, which pertain to the Non-Core Undertaking, shall on the Effective Date become rights and obligations of Holdco.

ARTICLE 13 - AUTHORIZATIONS

Any authorizations / powers of attorney granted by PIA to any persons with respect to matters pertaining to the Non-Core Undertaking shall continue to subsist subsequent to the Effective Date and shall be deemed to be authorizations / powers of attorney granted by Holdco to such persons, until or unless otherwise revoked or modified by Holdco.

ARTICLE 14 - EMPLOYEES

- 14.1 All Non-Core Employees shall as from the Effective Date be deemed to be the employees of Holdco on the same terms and conditions (and without any interruption of service) on which they were employed by PIA immediately prior to the Effective Date, without being required to be paid any terminal or other benefits (other than accrued salaries and wages) by PIA.

- 14.2 The services of all Non-Core Employees prior to their transfer to Holdco shall be taken into account for the purposes of all benefits to which such employees are eligible in terms of their relevant employment contracts.
- 14.3 Insofar as the Continuous Employee Funds are concerned, such part of the Continuous Employee Funds applicable to the Non-Core Employees shall be continued for the benefit of the Non-Core Employees pursuant to this Scheme as provided hereinafter. Until such time that Holdco may create their own funds, PIA will contribute in respect of the Non-Core Employees to the relevant Continuous Employee Funds of PIA on the understanding that if Holdco creates their own corresponding funds, PIA shall procure the transfer of all the contributions and balances in respect of the Non-Core Employees to the funds created by Holdco. It is clarified that the services of the Non-Core Employees will be created as having been continuous and not interrupted for the purpose of the Continuous Employee Funds and the funds to be created by Holdco.
- 14.4 All Retained Employees, shall on and from the Effective Date, be deemed to be the employees of PIA on the same terms and conditions on which they were employed by PIA immediately prior to the Effective Date.
- 14.5 Holdco shall abide by agreement, settlement or arrangement into by PIA prior to the Effective Date in respect of the Non-Core Employees or any collective bargaining agent of union lawfully representing them.

ARTICLE 15 - LICENSES / PERMITS / APPROVALS

All licenses, permits, quotas, rights, permissions, concessions, privileges, sanctions, approvals, licenses, registrations and entitlements in relation to the Non-Core Undertaking, the benefit of which the Non-Core Undertaking may be eligible and which are subsisting or having effect immediately prior to the Effective Date, shall, from the Effective Date, stand vested in and transferred to Holdco without any further act or deed, and shall be appropriately mutated by the relevant authorities in favour of Holdco.

ARTICLE 16 - TAX

- 16.1 With effect on and from the Effective Date, all Non-Core Tax Liabilities under any law for the time being in force shall exclusively be the Tax Liabilities of Holdco and PIA shall cease to have any Tax Liabilities in relation to the same. Where such a Tax Liability is payable by PIA, Holdco shall be liable to reimburse such amounts to PIA.
- 16.2 With effect on and from the Effective Date, all rights of PIA to refunds, credits, advance payments or any other benefits arising out of or connected with Non-Core Tax Liabilities shall stand transferred to Holdco. Where any such Tax refund or benefit is received by PIA after the Effective Date, it shall promptly upon receipt of it, pay the same to Holdco.
- 16.3 Following the Effective Date, Holdco and PIA shall have the right to revise their respective financial statements and returns along with prescribed forms and filings and to claim refunds and/or credit for Taxes paid and for matters incidental thereto, if required, to give effect to the provisions of this Scheme. Holdco and PIA are expressly permitted to revise and file their income tax returns and other statutory returns, even beyond the due date, if required.

ARTICLE 17 - FINANCIAL STATEMENTS

- 17.1 Within sixty (60) calendar days of the Effective Date, financial statements, as of the Effective Date, of: (a) Holdco shall be prepared by its management in relation to the Non-Core Undertaking; and (b) PIA shall be prepared by its management in relation to the Core Undertaking. For the purposes of foregoing financial statements, the Split Balance Sheet shall be updated on account of changes between the Effective Date and September 30, 2023. It is clarified that the actual balances of Assets and Liabilities being transferred to Holdco pursuant to the Scheme will be as at Effective Date.
- 17.2 In case of any conflict or inconsistency in the identification of Assets and Liabilities as provided in Article 17.1 between the specific provisions of this Scheme, on the one hand, and the Split Balance Sheet, on the other, the provisions of this Scheme (to the extent of such conflict or inconsistency) shall prevail, including for purposes of preparation of the financial statements contemplated in Article 17.1 above.

ARTICLE 18 - CONDUCT

During the period between the approval of the Scheme by the Board of PIA and the Effective Date, the business of PIA shall be carried out in the ordinary course of business, consistent with its past transactions, policies, customs and business practice.

ARTICLE 19 – SHARE CAPITAL

19.1 The share capital structure of PIA as of the date of filing of this Scheme is as follows:

Authorized Capital	PKR 54,000,000,000/-
Issued and Paid-up Share Capital (‘Class A ordinary’)	5,233,761,118 class ‘A’ ordinary shares of Rs. 10/- each
Issued and Paid-up Share Capital (‘Class B ordinary’)	1,499,999 class ‘B’ ordinary shares of Rs. 05/- each

19.2 The share capital structure of Holdco as of the date of filing of this Scheme is as follows;

Authorized Capital	PKR 53,500,000,000/-
Issued and Paid-up Share Capital (‘Class A ordinary’)	1,000 class ‘A’ ordinary shares of Rs. 10/- each
Issued and Paid-up Share Capital (‘Class B ordinary’)	Nil class ‘B’ ordinary shares of Rs. 05/- each

The share capital structure of Holdco post Effective Date shall be as follows:

Authorized Capital	PKR 53,500,000,000/-
Issued and Paid-up Share Capital (‘Class A ordinary’)	5,233,761,118 class ‘A’ ordinary shares of Rs. 10/- each
Issued and Paid-up Share Capital (‘Class B ordinary’)	1,499,999 class ‘B’ ordinary shares of Rs. 05/- each

The share capital structure of PIA post Effective Date shall be as follows (and the Memorandum of Association and Articles of Association of PIA shall stand amended accordingly):

Authorized Capital	PKR 54,000,000,000/-
Issued and Paid-up Ordinary Share Capital	5,234,511,117 ordinary shares of Rs. 10/- each

ARTICLE 20 – STATUTORY AND REGULATORY APPROVALS

The following statutory and regulatory approvals required for or in connection with the Scheme have been obtained and / or shall be obtained by PIA and Holdco prior to the date of filing of this Scheme.

- 20.1 The Scheme being approved by the respective requisite majorities of the members and creditors of PIA and Holdco, as required under the Companies Act, unless and to the extent dispensed with by the SECP.
- 20.2 The Scheme being approved or exempted by the Competition Commission of Pakistan in terms of the Competition Act, 2010 read with the Competition (Merger Control) Regulations, 2016.
- 20.3 The sanction order in writing by the SECP in terms of Section 282 of the Companies Act.
- 20.4 In respect of secured creditors: (i) other than as set out in sub-clause (ii) below, commercial financiers that have extended financing to PIA have given their consent to the Scheme and vacated their security interests in terms of their no objection certificates; and (ii) the SCB Consortium that has provided a facility (i.e., conventional facility and Islamic facility) in aggregate of USD 250,000,000 (“**SCB Consortium Loan**”) to PIA, their security interest will continue to subsist. Other secured creditors have been informed about the Scheme and the notice for the creditors’ meeting will be sent to such secured creditors. As a consequence of the Scheme, the security interest of such other secured creditors will remain unaffected and shall continue unabated.

ARTICLE 21 - SCHEME’S EFFECT

- 21.1 The transfer of Assets and Liabilities in terms of this Scheme shall not: (i) constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession, or other disposition under any applicable law including Tax law (other than as contemplated under Sections

279 to 282 of the Act); (ii) give rise to any forfeiture; (iii) give rise to any right of first refusal or pre-emptive right to any person; or (iv) constitute a contractual transfer but a transfer by operation of law and, for avoidance of doubt, shall not, therefore, be affected by any contractual restriction to which PIA is a party or may be bound, notwithstanding any contractual restriction on any transfer, assignment or the like.

- 21.2 As of the Effective Date, 100% of issued and paid-up share capital of PIA shall be owned by Holdco and the Qualifying Shareholders shall cease to own any shares in PIA.
- 21.3 On and from the Effective Date, the terms of this Scheme shall be binding by operation of law on PIA and Holdco and also on all the shareholders and creditors of each of PIA and Holdco, and on any other person having any right or liability in relation to either of them.
- 21.4 On the Effective Date, this Scheme will override the constitution of each of PIA and Holdco, to the extent of any inconsistency.

ARTICLE 22 – MISCELLANEOUS

- 22.1 Notwithstanding anything to the contrary contained herein, all Annexures to this Scheme shall be subject to revision so as to reflect the position existing as of the Effective Date and all provisions contained herein shall be interpreted and construed accordingly.
- 22.2 This Scheme is subject to the sanction of the SECP and may be sanctioned in its present form or with any modification of it or addition to it as the SECP may approve and this Scheme with such modification or addition, if any, is also subject to any conditions which the SECP may impose.
- 22.3 If the SECP requires PIA or Holdco (or both, if applicable) to consent to any modification to this Scheme, such consent may be given on behalf of PIA by the Chief Executive Officer of PIA and on behalf of Holdco, by the Chief Executive Officer of Holdco.
- 22.4 The Chief executive Officers of PIA and Holdco, as applicable, are hereby authorized to take all steps and execute documents that they may consider necessary or expedient to give effect to the provisions of this Scheme.
- 22.5 All costs required to give effect to this Scheme shall be borne by PIA.

ANNEXURE A – NON-CORE ASSETS

A. SHAREHOLDING

The legal or beneficial ownership interest held by PIA in the following entities, as reflected in the Split Balance Sheet (Note 1 of Annexure E), and includes:

- a. PIA Investments Limited, a company registered in the British Virgin Islands with its registered office at Citco Building, Wickham Cay, Road Town, Tortola, British Virgin Islands (PIA Investments), including the 792,000 (Seven hundred and ninety-two thousand) shares of par value of AED 100/- each held by PIA in above-mentioned entity.
- b. Skyrooms (Private) Limited, a company incorporated under the laws of Pakistan with its registered office at Airport Hotel, Star Gate Road, Karachi (Skyrooms), including the 4,000,000 (Four million) shares of par value of PKR 10/- each held by PIA in above-mentioned entity.
- c. Midway House (Private) limited, a company incorporated under the laws of Pakistan with its registered office at Karachi (Midway House), including 2,960,000 (Two million nine hundred and sixty thousand) shares of par value of PKR 10/- each held by PIA in above-mentioned entity.
- d. Sabre Travel Network (Private) Limited, a company incorporated under the laws of Pakistan with its registered office at Room #606 and 608, 6th Floor, the Forum, Block 9, Scheme #5, Kehkashan, Clifton, Karachi (Sabre Travel), including 446,551 (Four hundred forty-six thousand five hundred and fifty one) shares of par value of PKR 100/- each held by PIA in above-mentioned entity.
- e. Minhal Incorporated – Sharjah, a company currently registered in British Virgin Islands under BVI laws, with its registered office at Columbus Center, P.O. Box 662, Road Town, Tortola, including the 4,000 (four thousand) shares of par value of AED 100/- each held by PIA in above-mentioned entity.
- f. Pakistan Services Limited, a company incorporated under the laws of Pakistan with its registered office at First Floor, NESPAK House, G-5/2, Islamabad, including the 172,913 shares of par value of PKR 10/- each held by PIA in above-mentioned entity.
- g. Pakistan Tourism Development Corporation Limited, a company incorporated under the laws of Pakistan with its registered office at Ground Floor, Kohsar Block, Pak Secretariat, Islamabad, including 10,000 shares of par value of PKR 100/- each in held by PIA in above-mentioned entity.
- h. Duty Free Shops (Private) Limited, a company incorporated under the laws of Pakistan with its registered office at Suite No 504, 5th Floor, Fayyaz Centre, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, including 87,512 shares of par value of PKR 100/- each in held by PIA in above-mentioned entity.

B. IMMOVABLE PROPERTIES

Sr. no	Non-Core Immovable Property Details
1	PIA Warehouse, situated on Plot Nos. 3,4,5,6 in Sector I-11/4, Islamabad, Pakistan.
2	PIA Sales Office, situated on land measuring half (1/2) acre at Airport Road, Gwadar.
3	PIA Sales Office, situated on Plot No. 65, measuring 10 kanal 7 marla 14 square yards (comprising of parcel of land measuring 6 kanal 7 marla 14 square yards and 4 kanal), at Ahmed Shah Abdali Road, Multan.
4	PIA Sales Office, situated on a plot of land measuring 2000 square feet, located at Chattar, Muzaffarabad, Azad Kashmir.
5	PIA Sales Office, situated on land measuring 2 kanal, located on Faizabad Road, Saidu Sharif, Mingora, Swat.
6	Land for PIA Staff Housing Colony, measuring 2 kanal, situated in Saidu Sharif, Mangora, Swat.

Sr. no	Non-Core Immovable Property Details
7	PIA Booking Office, located on land measuring 4 Kanal, in Chishma Bazar, Skardu.
8	Land for PIA sales office, airport office and TGS section, located on land measuring 3 Kanal 1 Marla situated near Skardu Airport, Skardu
9	PIA Sales Office, located on Land measuring 3.78 acres situated at Commissioner Road, Turbat.
10	PIA Sales Office, located on plot measuring 1 acre, bearing khasra nos. 1038 min, 1041 min, 1042 and 1043, at revenue estate of Qilla Gujjar Singh, Egerton Road, Lahore.
11	PIA Bungalow, located on Plot No. 33-B, measuring 1874 square yards, situated at KDA Scheme No. 1, Drigh Road, Karsaz, Karachi.
12	PIA Bungalow, located on Plot No. C-1, measuring 1120 square yards, situated at KDA Scheme No. 1, Habib Rehmatullah Road, Karsaz, Karachi.
13	PIA Sales Office, located on Plot No. 26, measuring 3 kanal 5 ¼ marla, Block 16, 26/6, Civil Lines, Faisalabad.
14	PIA Sales Office, located on land measuring 6 kanal 2 marla, bearing khasra no. 286 and khatooni no. 932/1665, at Polo Ground, Chitral.
15	Land for PIA sales office, measuring 300 x 300 square feet, situated in Court Road, Ormara, Baluchistan.
16	Land for Sales Office, measuring 2 kanal 19 marla (80' x 200'), having Khasra Nos. 437-439, Khatoni Nos. 1096-1097, Khawat Nos. 514-515, situated at Mouza Miana Pura, opposite Chamber of Commerce Paris Road, Sialkot.
17	Land for farmhouse, measuring 28 Kanal 5 Marla, situated at Maira Gojra Cum Village Dhamtur, Tehsil and District Abbottabad.
18	Land for PIA Sales Office, measuring 1 Kanal 13 Marla, having khasra no. 3019/1862, located near NLI Shopping Centre, Gilgit. Land for PIA Sales Office, measuring 14 Marla, having khasra no. 7306/3017/1860, located near NLI Shopping Centre, Gilgit.
19	Land for sales office, measuring 2146 square yards, situated at Minara Road near Jamia Masjid, Sukkur.
20	Plot No. 7-B, measuring 195.09 square meter, having Survey No. 3-A, Situated at D.I. Khan, Bannu Road, Cantonment.
21	Land for PIA Water Reservoir Tank, measuring 15,000 sq. ft. situated in Shah Faisal Colony, Karachi.
22	HDD PIA Sales Office Civic Center, measuring 3000 square feet, Ground floor and mezzanine floor, Block CC1, Civic Centre, having Survey Nos. 221/B-I, 221/C-2 and 221/I, situated at Thandi Sarak, Hyderabad.
23	PIA Hospital Land (including land for PIA Boys Scouts Host & Training Centre), comprising of: (i) Plot No. ST-13, measuring 0.54 acres; (ii) Plot No. ST-17, measuring 0.96 acres; (iii) Plot No. ST-12 and 12/A, measuring 1.96 acres; (iv) Plot No. ST-13/A, measuring 0.50 acres; and (v) Plot No. ST-11, measuring 5.9 acres Sector / Block 16, Scheme D. P. Township, Scheme no. 36, Karachi
24	PIA Sales Office, situated at ground floor, measuring 11761.69 square feet; first floor measuring 18606 square feet; and parking space of the building known as the Avenue Centre, constructed on a plot of land having survey no. 264 measuring 7042.05 square yards and situated at R. A. Lines, Karachi Cantonment, Karachi. PIA Sales Office, situated at first floor measuring, 5046.34 square feet, in the building known as the Avenue Centre, construction on a plot of land having survey no. 264 measuring 7042.05 square yards and situated at R. A. Lines, Karachi Cantonment, Karachi.
25	Land, measuring 200 acres, situated in Deh Beil, Taluka Karachi East, Opposite DHA, Karachi.
26	Plot ST-19 is the plot allotted for PIA Scouts Academy, measuring 1.92 acres

C. PRECESSION ENGINEERING COMPLEX

All Assets of PIA related to Precision Engineering Complex (PEC), including as reflected in the Split Balance Sheet (Annexure E).

D. CLAIMS

All claims (including pending or threatened litigation or other proceedings before any judicial or quasi-judicial body or court) relating to the Assets mentioned in (A), (B) and (C) above.

ANNEXURE B – NON-CORE LIABILITIES

- A. All Liabilities of PIA to the GOP in relation to all funding provided by GOP to PIA including as reflected in the Split Balance Sheet (Note 4.1 of Annexure E).
- B. All Liabilities of PIA owed to financial institutions in relation to financing facilities procured by PIA from the specified financial institutions identified in Notes 4.2 and 4.3 of Annexure E. It is clarified that the outstanding balance that shall be transferred to Holdco shall as at December 31, 2023 as set forth in Article 7.6 of this Scheme, and the Notes are for reference purposes only.
- C. All Liabilities of PIA procured relating to financing provided by the following subsidiaries of PIA (and as reflected in the Split Balance Sheet Note 4.4 of Annexure E):
 - a. in PIA Investments Limited, a company registered in the British Virgin Islands with its registered office at Citco Building, Wickham Cay, Road Town, Tortola, British Virgin Islands; and
 - b. Sabre Travel Network (Private) Limited, a company incorporated under the laws of Pakistan with its registered office at Room #606 and 608, 6th Floor, the Forum, Block 9, Scheme #5, Kehkashan, Clifton, Karachi.
- D. All Liabilities of PIA owed to Civil Aviation Authority and National Insurance Company Limited, as reflected in the Split Balance Sheet (Note 6 of Annexure E).
- E. All Liabilities of PIA in relation to the retirement benefits (including medical and pension benefits) of all eligible former employees of PIA who ceased to be an employee of PIA on or prior to September 30, 2023. The unfunded amount of such benefits shall be as reflected in the Split Balance Sheet (Note 5 of Annexure E).
- F. All Liabilities of PIA in relation to accrued markup/profit in relation to employee related provident funds as reflected in the Split Balance Sheet (Note 5 of Annexure E).
- G. All Liabilities as at September 30, 2023 owed by PIA to Pakistan State Oil Limited (a public listed company organized under the laws of Pakistan) (PSO) as reflected in the Split Balance Sheet (Note 6 of Annexure E). It being clarified that all Liabilities owed by PIA to PSO accruing after September 30, 2023 are Core Liabilities.
- H. All Liabilities of PIA related to Precision Engineering Complex (PEC), including as reflected in the Split Balance Sheet (Annexure E).
- I. Non-Core Tax Liabilities.
- J. Any and all financing procured by PIA from scheduled commercial banks and DFIs in Pakistan between the filing of this Scheme and the Sanction Date.
- K. All claims (including pending or threatened litigation or other proceedings before any judicial or quasi-judicial body or court) relating to the Liabilities mentioned in (A) – (J) above.

ANNEXURE C – PIA TAX LIABILITES

All existing and potential Tax Liabilities of PIA under Customs Act, 1969, Sales Tax Act, 1990, Income Tax Ordinance, 2001, Islamabad Capital Territory (Tax on Services) Ordinance, 2001, Federal Excise Act, 2005, Sindh Sales Tax Act on Services, 2011, Punjab Sales Tax Act on Services, 2012, Balochistan Sales Tax Act on Services, 2022 and Khyber Pakhtunkhwa Sales Tax Act on Services, 2022.

ANNEXURE D – NON-CORE EMPLOYEES

250 full time employees associated with the Precision Engineering Complex on the Effective Date.

[names and CNIC numbers redacted].

ANNEXURE E – SPLIT BALANCE SHEET

PKRm	Total PIA	PIA (Core Undertaking)	To be transferred to HoldCo (Non-Core Undertaking)			Note reference for other non- core balances
			PEC	Other non- core balances	HoldCo	
Property, plant & equipment	100,213	92,622	199	7,392	7,592	
Investment properties	2,933	601	-	2,332	2,332	
Long-term investments	4,538	-	-	4,538	4,538	Note 1
Long-term loan to subsidiaries	3,920	-	-	3,920	3,920	
Long-term deposits	5,992	5,992	-	-	-	
Stores and spares	3,931	3,777	154	-	154	
Trade debts	25,950	22,355	501	3,094	3,595	Note 2
Advances, deposits, prepayments and other receivables	19,476	16,831	241	2,403	2,644	Note 3
Cash and bank balances	4,485	4,393	93	-	93	
Total assets	171,438	146,570	1,188	23,679	24,868	
Long term financing	394,762	15,637	-	379,125	379,125	Note 4
Lease liabilities	30,031	30,031	-	-	-	
Employee liabilities	65,987	27,269	1,090	37,628	38,718	Note 5
Contingent liabilities	8,211	8,211	-	-	-	
Trade and other payables	266,607	121,031	1,822	143,753	145,575	Note 6
Accrued interest	65,194	95	-	65,100	65,100	Note 4
Total liabilities	830,792	202,274	2,912	625,605	628,518	
Net equity	(659,354)	(55,704)	(1,724)	(601,926)	(603,650)	

Note 1: Long term investments	
	PKRm
Subsidiaries	
PIA Investments Limited	4,416
Skyrooms (Private) Limited	40
Midway House (Private) Limited	29
Sabre Travel Network Pakistan (Private) Limited	0.002
Provision for diminution in value of investments	(69)
	4,416
Other investments	
Minhal Incorporated	0.4
Pakistan Services Limited	121
Pakistan Tourism Development Corporation Limited	0.1
Duty Free Shops Limited	0.3
Total long-term investments	4,538

Note 2: Trade debts	
	PKRm
Due from Government	4,855
Due from other customers	5,642
	10,497
Considered doubtful	
Government related	(3,492)
Other customers	(3,911)
Provision for impairment against doubtful debts	(7,403)
Total trade debts	3,094

Note 3: Advances, deposits, prepayments and other receivables	
	PKRm
Interest receivable from PIA Investments Limited	990
Receivable from GoP	557
Other receivables	856
Total advances, deposits, prepayments and other receivables	2,403

Note 4: Long term financing and accrued interest			
PKRm	Loan outstanding	Accrued Interest	Total
Loan from GoP (Note 4.1)	112,953	48,115	161,068
Loan from banks (Note 4.2)	229,893	11,811	241,704
Foreign currency loan (Note 4.3)	24,807	1,697	26,504
Loan from subsidiaries (Note 4.4)	11,472	3,474	14,946
Accrued interest on dormant non-fleet loan	-	3	3
Total long term financing and accrued interest	379,125	65,100	444,225

Note 4.1: Loan from GoP			
PKRm	Loan outstanding	Accrued Interest	Total
GoP loan	8,000	11,298	19,298
Loan from GOP against Markup	100,953	36,816	137,769
CAA Bridge Finance Facility	4,000	-	4,000
Total loan from GoP	112,953	48,114	161,067

Note 4.2: Finance from Banks			
PKRm	Principal Outstanding	Accrued Markup/Profit	Total
The Bank of Punjab	55,765	3,317	59,082
Askari Bank Limited	35,512	864	36,376
Habib Bank Limited	27,662	1,905	29,567

Faysal Bank Limited	24,433	365	24,798
JS Bank Limited	17,895	2,358	20,253
National Bank of Pakistan	13,000	114	13,114
Bank Islami Pakistan Limited	10,725	59	10,784
Al Barka Bank Limited	6,556	582	7,138
Soneri Bank Limited	2,222	230	2,452
Short term loans	30,566	1,917	32,483
Sukuk	5,557	100	5,657
Total loan from banks	229,893	11,811	241,704

Note: 4.3: Foreign currency Finance from Banks

PKRm	Principal Outstanding	Accrued Markup/Profit	Total
National Bank of Pakistan and Habib Bank Limited consortium	24,807	1,697	26,504

Note 4.4: Finance from subsidiaries

PKRm	Advance outstanding	Accrued Markup/Profit	Total
PIA Investments Limited	11,297	3,474	14,771
Sabre Travel Network (Private) Limited	175	-	175
Total loan from subsidiaries	11,472	3,474	14,946

Note 5: Deferred liabilities

	PKRm
Post Retirement Medical Benefits – unfunded	10,193
Pension Obligation – Actuarial Assessment	19,590
Obligation for compensated absences	163
Accrued mark-up on Provident Fund	8,771
Total deferred liabilities	38,717

Note 6: Trade and other payables (payables to state owned entities)

	PKRm
Civil Aviation Authority	120,904
Pakistan State Oil Company Limited	20,181
National Insurance Company Limited	2,668
Total trade and other payables	143,753

ANNEXURE F – AUDITOR’S LETTER



BAS/C462/24/0326

26 March 2024

Mr. Amos Nadeem
Chief Financial Officer
Pakistan International Airlines Corporation Limited (the Company)
Karachi

Grant Thornton Anjum

Rahman

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

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APPLICATION OF IFRS 3

Dear Sir

We wish to inform you that we have carried out an audit of the special purpose financial statements of the Company for the nine months period ended 30 September 2023 and draw your attention to note 1.3 to the above financial statements which states that the Company is in the process of restructuring its business under the direction of Privatization Commission of Pakistan and in this respect, a scheme of arrangement has been approved by the Federal Cabinet.

Under the scheme, a Holding Company will be formed which will be owned by the same shareholders and certain assets and liabilities of the Company will be transferred to the Holding Company. Under IFRS 3 'Business Combinations' such transactions are required to be measured at acquisition-date fair values of the respective assets and liabilities. However, IFRS 3 does not apply to business combinations of entities or businesses under common control. Accordingly, in case of the Company's restructuring plan, the requirements of IFRS 3 will not be applicable due to common control transaction.

Yours sincerely