



THIRD QUARTERLY REPORT 2016



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CORPORATE PROFILE (As at May 10, 2017)

BOARD OF DIRECTORS

Mr Muhammad Irfan Elahi
Chairman & Federal Secretary Aviation Division

Mr Ghiasuddin Ahmed
Director

Malik Nazir Ahmed
Director

Syed Yawar Ali
Director

Mr Aslam Khaliq
Director

Dr Waqar Masood Khan
Director

Mr Navaid H Malik
Director

Mr Yousaf Waqar
Director

Mr Muhammad Shuaib
Secretary-PIACL

Mr Jawed Mansha
Acting Internal Auditor

EXECUTIVE MANGEMENT

Mr Nayyar Hayat
Acting Chief Executive & Chief Financial Officer

Mr Bernd Hildenbrand
Chief Operating Officer

Wg Cdr (Retd) Raheel Ahmed
Chief Human Resource Officer

Mr Amir Ali
Chief Technical Officer

Capt Naveed Ahmed Aziz
Chief Safety & Quality Assurance

Capt Uzair Khan
Chief Flight Operations

Chaudhry Muhammad Azhar Nawaz
Chief Information Officer

AVM Rizwan Pasha
Director- Precision Engineering Complex

Mr Younus Muhammad Khan
Director-Projects ISB & LHE Airports

Mr Amanullah Qureshi
Project Controller Ground Handling Equipment

Mr Omar Razzoq
Incharge Supply Chain Management

Mr Tahir Niazi
Acting Chief Commercial Officer

Mr Zulfiqar Ahmed Shaikh
Acting Chief Corporate Development Officer

Mrs Ghazala Rashid
Director-President Al-Shifa Trust

Mr Rashid Ahmed
Executive Director Skyrooms Private Limited

Mr Aijaz Mazhar
Director

Mr Khurram Mushtaq
Director

EXTERNAL AUDITORS

Messrs EY Ford Rhodes
Chartered Accountants

Messrs KPMG Taseer Hadi & Co.
Chartered Accountants

SHARES REGISTRAR

Central Depository Company of Pakistan Limited (CDCPL)

Shares Registrar Department
CDC House, 99-B, Block-B
Sindh Muslim Cooperative Housing Society
Main Sharah-e-Faisal
Karachi-74400, Pakistan
Ph: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: 0092-21-34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

HEAD OFFICE

PIA Building Jinnah International Airport
Karachi - 75200
Pakistan
Tel: 0092-21-99040000
UAN: 111-786-786
Website: www.piac.aero

BOARD OF DIRECTORS COMMITTEES

(As at May 10, 2017)

NAME OF COMMITTEE	NAME	DESIGNATION
Audit Committee	Dr Waqar Masood Khan Mr Ghiasuddin Ahmed Malik Nazir Ahmed Mr Yousaf Waqar	Chairman Member Member Member
Risk Management, Finance & IT Committee	Dr Waqar Masood Khan Syed Yawar Ali Mr Muhammad Irfan Elahi Mr Yousaf Waqar	Chairman Member Member Member
Human Resource & Nomination Committee	Mr Ghiasuddin Ahmed Malik Nazir Ahmed Mr Muhammad Irfan Elahi Mr Aslam Khaliq Mr Navaid H Malik	Chairman Member Member Member Member
Procurement Committee	Syed Yawar Ali Mr Muhammad Irfan Elahi Mr Navaid H Malik Dr Waqar Masood Khan Mr Aslam Khaliq	Chairman Member Member Member Member
Commercial, Operations & Engineering Committee	Mr Navaid H Malik Mr Ghiasuddin Ahmed Malik Nazir Ahmed Syed Yawar Ali Mr Muhammad Irfan Elahi Mr Aslam Khaliq	Chairman Member Member Member Member Member

DIRECTORS' REPORT FOR THIRD QUARTER, 2016

FOR THE PERIOD ENDED SEPTEMBER 30, 2016

Dear Shareholders

The Directors of Pakistan International Airlines Corporation Limited (PIACL) hereby present the performance report along with the financial statements for the period of nine months ended September 30, 2016. The financial results for the period are summarized below;

	(Rs. in Billion)	
	2016	2015 <i>(Restated)</i>
Revenue (net)	67.90	69.24
Operating Costs & expenses:		
Fuel Cost	19.68	21.67
Other Cost of Services	55.27	44.57
Distribution & Admin Expenses	8.22	7.87
Exchange Loss	0.09	2.00
Other Income & Adjustments	2.28	2.06
Operating Loss	17.66	8.95
Finance Cost	9.43	10.02
Loss Before Taxation	27.10	18.97
Loss After Taxation	27.28	19.36

Overall downward trend in profitability could not be arrested despite decline in fuel expenditure and borrowing cost, major cause being declining revenue due to stiff competition from gulf carriers, which badly hampered Airline's yield. Ten days strike and shutdown of operation during February 2016 also contributed in declining revenues. Cost of services increased by 24% mainly due to acquisition of aircraft on lease and enhancement in employees' benefits.

Management is making all-out effort to increase revenue and curtail unnecessary expenditures, to achieve this goal a structured program of modernization and replacement of aging fuel inefficient aircraft is being carried out to improve product and customers satisfaction, moreover, PIA Premier Service was also launched on UK sector.

Strategies for curtailment of expenditure and collaboration with new business associates remained the critical activities during the period under review. Management remained focused on achieving timely implementation of ERP and necessary training programs were extensively carried out in all key areas of the Corporation.

PIA Investment Limited (a subsidiary) achieved a net profit of PKR 280.80 million whereas Skyrooms Limited (a subsidiary) recorded during the period of nine months a net profit of PKR 8.96 million.



DIRECTORS' REPORT FOR THIRD QUARTER, 2016

FOR THE PERIOD ENDED SEPTEMBER 30, 2016

We are hopeful that despite the current downturn, with the induction of modern, fuel efficient aircraft, dedication of our employees and continued support of all the stakeholders as well as financial institutions, we will be able to face the future challenges.

For and on behalf of the Board



Muhammad Irfan Elahi
Chairman-PIACL

May 10, 2017



UNCONSOLIDATED
FINANCIAL
STATEMENT

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2016

		September 30 2016 (Un-Audited)	December 31 2015 (Audited)	September 30 2016 (Un-Audited)	December 31 2015 (Audited)
	Note	—Rupees in '000—		—US\$ in '000—	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	4	72,895,726	76,602,307	696,630	730,440
- Intangibles		12,622	45,645	121	435
		<u>72,908,348</u>	<u>76,647,952</u>	<u>696,751</u>	<u>730,875</u>
Long-term investments		4,572,801	4,511,581	43,602	43,020
Long-term deposits and prepayments		6,065,475	9,602,902	57,915	91,659
Total non current assets		<u>83,546,624</u>	<u>90,762,435</u>	<u>797,728</u>	<u>865,454</u>
CURRENT ASSETS					
Stores and spares		3,156,264	3,039,672	30,136	28,966
Trade debts		7,812,964	9,294,690	74,601	88,629
Advances		1,832,220	1,574,020	18,449	15,009
Trade deposits and prepayments		5,110,529	2,355,636	46,797	22,462
Other receivables	5	6,758,883	6,154,674	64,536	58,656
Short-term investments		19,220	19,220	184	163
Cash and bank balances	6	5,453,192	2,641,305	52,069	25,167
Total current assets		<u>30,243,232</u>	<u>25,079,416</u>	<u>286,772</u>	<u>239,144</u>
TOTAL ASSETS		<u>113,789,856</u>	<u>115,841,851</u>	<u>1,084,500</u>	<u>1,104,608</u>
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital	7	52,345,110	52,345,110	499,807	499,136
Reserves		4,435,841	4,374,621	42,355	41,714
Accumulated losses		(287,193,241)	(269,946,703)	(2,837,660)	(2,674,071)
Total Shareholders' Equity		<u>(240,412,290)</u>	<u>(213,226,972)</u>	<u>(2,296,528)</u>	<u>(2,033,221)</u>
Surplus on revaluation of property, plant and equipment-net		5,218,845	4,863,669	48,828	46,360
NON CURRENT LIABILITIES					
Long-term financing	8	59,755,921	49,766,421	576,507	474,547
Term finance and sukuk certificates	9	27,344,009	26,707,209	261,089	254,666
Liabilities against assets subject to finance lease		7,571,390	13,216,479	72,294	126,045
Advance from a subsidiary		4,203,317	4,209,056	40,135	40,135
Deferred liabilities		26,482,629	24,732,719	259,864	235,638
Total non-current liabilities		<u>125,357,226</u>	<u>118,633,664</u>	<u>1,196,949</u>	<u>1,131,231</u>
CURRENT LIABILITIES					
Trade and other payables	10	130,777,859	104,498,696	1,248,708	1,034,588
Accrued interest	11	13,129,190	11,965,110	125,361	114,093
Provision for taxation		491,857	231,779	4,697	2,210
Short-term borrowings	12	34,868,655	36,940,201	332,936	352,242
Current maturities of:					
- Long-term financing		26,626,708	27,534,629	254,240	262,557
- Term finance and sukuk certificates		16,272,000	13,196,419	98,080	125,034
- Liabilities against assets subject to finance lease		7,460,056	7,204,016	71,231	66,694
Total current liabilities		<u>223,626,375</u>	<u>205,571,060</u>	<u>2,138,251</u>	<u>1,960,218</u>
TOTAL LIABILITIES		<u>348,983,601</u>	<u>324,204,934</u>	<u>3,335,200</u>	<u>3,091,449</u>
TOTAL EQUITY AND LIABILITIES		<u>113,789,856</u>	<u>115,841,851</u>	<u>1,084,500</u>	<u>1,104,608</u>

CONTINGENCIES AND COMMITMENTS

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The covered notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.




Chief Executive Officer



Director



Chief Executive Officer



Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Note	Nine months period ended		Quarter ended		Nine months period ended	
		September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)
		Rupees in '000				US\$ in '000	
Revenue - net	14	67,903,607	66,240,550	25,680,196	23,006,104	648,364	962,229
Cost of services							
Aircraft fuel		(19,685,311)	(21,678,377)	(7,591,055)	(8,661,968)	(187,961)	(207,309)
Others	15	(56,277,432)	(44,576,386)	(18,697,606)	(15,123,341)	(527,665)	(426,281)
		(74,962,743)	(66,254,763)	(26,188,661)	(21,805,309)	(715,766)	(633,590)
Gross (loss) (profit)		(7,059,136)	2,964,787	(918,466)	1,290,875	(87,402)	28,639
Distribution costs		(4,793,266)	(3,911,799)	(2,246,629)	(1,331,845)	(45,764)	(36,452)
Administrative expenses		(3,435,957)	(4,064,175)	(208,621)	(1,633,122)	(32,668)	(38,865)
Other provisions and adjustments		(2,829,698)	(2,874,061)	(437,719)	(367,097)	(27,628)	(27,485)
Exchange Gain/(loss) - net	16	(95,255)	(2,005,418)	(1,727)	(1,365,553)	(918)	(19,178)
Other income		647,662	807,377	315,131	296,205	5,223	7,721
		(10,697,334)	(11,948,068)	(2,679,766)	(4,529,472)	(191,283)	(114,298)
Loss from operations		(17,686,468)	(8,953,311)	(3,098,234)	(3,238,537)	(168,666)	(81,620)
Finance cost	17	(8,439,746)	(10,025,580)	(3,178,054)	(3,223,192)	(99,134)	(95,874)
Loss before taxation		(27,106,214)	(18,978,891)	(6,276,288)	(6,461,729)	(258,801)	(181,494)
Taxation	18	(173,363)	(388,396)	(128,401)	(115,481)	(1,656)	(3,714)
Loss for the period		(27,279,577)	(19,367,287)	(6,404,689)	(6,577,210)	(260,457)	(185,208)
Loss per share - basic and diluted							
Loss attributable to:							
'A' class ordinary shares of Rs. 10 each	19	(5.21)	(3.84)	(1.22)	(1.26)	(0.65)	(0.56)
'B' class ordinary shares of Rs. 5 each		(2.61)	(1.92)	(0.61)	(0.63)	(0.63)	(0.28)

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive Officer


Director


Chief Executive Officer


Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 UNCONSOLIDATED CONDENSED INTERIM OTHER COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	<u>Nine months period ended</u>		<u>Quarter ended</u>	
	<u>September 30</u> <u>2016</u> <u>(Un-Audited)</u>	<u>September 30</u> <u>2015</u> <u>(Un-Audited)</u> <u>(Restated)</u>	<u>September 30</u> <u>2016</u> <u>(Un-Audited)</u>	<u>September 30</u> <u>2015</u> <u>(Un-Audited)</u> <u>(Restated)</u>
	<u>Rupees in '000</u>			
Loss for the period	(27,279,577)	(19,367,287)	(6,403,489)	(6,577,210)
Other comprehensive income				
<i>Items that will be reclassified subsequently to unconsolidated profit and loss account</i>				
Unrealised gain on re-measurement of available for sale investments	61,220	2,455	39,652	726
Total comprehensive income for the period - loss	<u>(27,218,357)</u>	<u>(19,364,832)</u>	<u>(6,363,837)</u>	<u>(6,576,484)</u>

Surplus / (deficit) arising on revaluation of property, plant and equipment has been reported in accordance with the requirements of the Companies Ordinance, 1984, in a separate account below equity and accordingly changes therein are reported directly into equity.

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.



 Chief Executive Officer



 Director



 Chief Executive Officer



 Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

Note	Nine months period ended		Nine months period ended		
	September 30	September 30	September 30	September 30	
	2018	2015	2018	2015	
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	
	Rupees in '000		US\$ in '000		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations after working capital changes	20	10,879,171	6,673,538	101,968	63,819
Profit on bank deposits received		47,184	27,102	481	259
Finance costs paid		(8,275,666)	(10,237,403)	(78,019)	(97,900)
Taxes paid		(79,440)	(378,842)	(759)	(3,623)
Staff retirement benefits paid		(697,334)	(589,976)	(6,658)	(5,642)
Long-term deposits and prepayments - net		3,363,369	(1,735,255)	32,114	(16,594)
Net cash (used in) / generated from operating activities		5,037,284	(6,240,836)	48,097	(59,681)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(2,026,330)	(1,379,960)	(19,348)	(13,196)
Proceeds from sale of property, plant and equipment		396,693	313,526	3,788	2,908
Net cash used in investing activities		(1,629,637)	(1,066,434)	(15,560)	(10,198)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts of advance against equity from the GoP		-	3,974,371	-	38,007
Receipt of advance from a subsidiary		-	473,989	-	4,533
Repayment of long-term financing		(16,969,899)	(8,946,994)	(162,034)	(85,500)
Proceeds from long-term financing		24,599,179	20,172,289	234,880	192,906
Repayment of term finance certificates		(2,287,619)	-	(21,842)	-
Repayment of short-term borrowings		-	(3,125,881)	-	(29,893)
Proceeds from short term borrowings		-	1,000,000	-	9,563
Repayment of obligations under finance lease - net		(5,367,163)	(6,541,747)	(51,247)	(62,558)
Net cash generated from/(used in) financing activities		(25,502)	7,006,027	(243)	66,998
Increase/Decrease in cash and cash equivalents		3,382,145	(301,243)	32,294	(2,881)
Cash and cash equivalents at the beginning of the period		(1,995,052)	(2,572,418)	(19,049)	(24,800)
Cash and cash equivalents at the end of the period		1,387,093	(2,873,661)	13,245	(27,481)
Cash and Cash Equivalents					
Cash and bank balances	6	5,453,192	1,082,181	52,069	10,349
Running finance under mark-up arrangements	12	(4,066,099)	(3,955,842)	(38,824)	(37,830)
		1,387,093	(2,873,661)	13,245	(27,481)

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.



Chief Executive Officer



Chief Executive Officer



Director



Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Issued, subscribed, and paid-up share capital	Advance against equity from Government of Pakistan (GoP)	Reserves			Subtotal	Accumulated losses (Restated)	Total
			Capital reserves	Revenue reserves	Unrealised gain on remeasurement of investments			
Rupees in '000								
Balance as at January 1, 2015	26,779,674	19,991,985	2,961,038	1,779,874	22,779,868	27,099,581	(29,839,894)	(191,411,544)
Total comprehensive income for the period:								
Loss for the period	-	-	-	-	-	-	(19,367,287)	(19,367,287)
Other comprehensive income for the period	-	-	-	-	2,465	2,465	-	2,465
Total comprehensive income for the period	-	-	-	-	2,465	2,465	(19,367,287)	(19,364,822)
Advance against equity from GoP	-	3,974,371	-	-	-	-	-	3,974,371
Surplus on revaluation of property, plant and equipment realized during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	12,457	12,457
Balance as at September 30, 2015 - restated	26,779,674	23,966,356	2,961,038	1,779,874	22,779,334	27,099,036	(29,819,714)	(190,193,989)
Balance as at January 1, 2016	52,345,110	-	2,961,038	1,779,874	93,969	4,374,821	(29,946,713)	(213,326,972)
Total comprehensive income for the period:								
Loss for the period	-	-	-	-	-	-	(27,279,577)	(27,279,577)
Other comprehensive income for the period	-	-	-	-	61,220	61,220	-	61,220
Total comprehensive income for the period	-	-	-	-	61,220	61,220	(27,279,577)	(27,218,357)
Advance against equity from GoP	-	-	-	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the quarter ended September 30, 2016 on account of reduced depreciation charged thereon - net of tax	-	-	-	-	-	-	33,039	33,039
Balance as at September 30, 2016	52,345,110	-	2,961,038	1,779,874	155,129	4,436,041	(29,719,241)	(240,412,286)

The annexes A to Z form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

1. THE CORPORATION AND ITS OPERATIONS

- 1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1965 under the Pakistan International Airlines Corporation Ordinance, 1965, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1966 (the Act). With effect from April 19, 2016, the Corporation has been converted from a statutory corporation into a public limited company by shares, Pakistan International Airlines Corporation Limited (the Company), through Act no. XV of 2016 The Pakistan International Airlines Corporation (Conversion) Act, 2016 (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Corporation Act, 1966 and the Corporation is now governed under the 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 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 During the current period, the Company incurred a net loss of Rs. 27,279,577 million (September 30, 2015: Rs. 19,367,287 million) resulting in accumulated losses of Rs. 297,193,241 million as of Sep 30, 2016 (December 31, 2015: Rs. 269,946,703 million). Further, as of September 30, 2016, current liabilities of the Company exceeded its current assets by Rs. 193,383,143 million (December 31, 2015: Rs. 180,491,634 million). Furthermore, the Company has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to these unconsolidated condensed interim financial statements.

The Government of Pakistan (GoP), being the majority shareholder of the Company, had 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. Accordingly, since then it has been extending support to the Company through the following measures to ensure that it (the Company) continues and sustains in the long-term as a viable business entity:

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Company. In this respect, amounts aggregating to Rs. 11,276 million have been provided to the Company towards equity since the year ended December 31, 2008;
- During the years ended December 31, 2009 and 2010, the GoP provided long-term financing aggregating to Rs. 8,000 million to meet working capital requirements of the Company;
- Issuance / renewal of guarantees to financial institutions, both local and foreign, so as to enable the Company to raise / rollover funds;
- On July 03, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs. 12,790 million along with conversion of certain short term loans amounting to Rs. 20,700 million into new term finance certificates, which were converted during the year ended December 31, 2015.

During the year ended December 31, 2013, the Company also presented a proposal for financing support required along with its interim business plan to the ECC during its meeting held on February 26, 2013. The ECC approved the following financing support proposal subject to the condition that the timeline will be fixed for repayment of loans and there will be quarterly monitoring of the Company's business plan by the Ministry of Finance:

- New loans / guarantees for repayment of loans amounting to Rs. 11,100 million becoming due in year 2013;
- Rollover / extension of GoP guarantees amounting to approximately Rs. 51,160 million;
- New guarantees against loans already taken on the basis of letter of comfort amounting to Rs. 13,500 million;
- Additional funding to provide fiscal space to the Company amounting to Rs. 12,000 million; and
- Funds of US\$ 46 million for acquisition of narrow body aircraft on dry lease.

Consequent to the above approval, the GoP provided Rs. 11,756 million and Rs. 2,945 million as financial assistance to the Company to enable it to make payments, of loan installments, to overdue vendors.

During the year ended December 31, 2014 the ECC in principle approved the following financial measures for the Company:

- Issuance of GoP guarantees amount to Rs. 14,000 million enabling PIA for acquisition of loans from different banks to cater immediate funding requirements;
- Issuance of GoP guarantees to the extent the Company pays its guaranteed loans;
- Funds of US\$ 52 million for acquisition of aircrafts on dry lease and immediately released Rs. 1,297 million for this purpose.

During the year ended December 31, 2015, the remaining amount of Rs. 3,974 million out of US\$ 52 million was received by the Company. The Company issued 2,356.54 million shares of Rs 10 each amounting to Rs. 23,565,436 million to the GoP in lieu of advance against equity. However the legal formalities for the said issuance are still in process.

During the period ended September 30, 2016, ECC in principle enhanced the GoP guarantee limit by Rs. 5,000 million.

As at September 30, 2016 the Company is operating a fleet size of fleet to a total of 37 aircraft with eleven (11) 777, eleven (11) A320, four (04) A310, five (05) ATR72 and six (06) ATR42 aircrafts. The Company is also in the process of acquisition of more aircraft on dry lease for which tenders have been floated for acquisition of four wide body and four narrow body aircraft.

In addition to the above measures taken by the Company and the GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Company. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from non-core activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircraft on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

The GoP through Privatization Commission, has also initiated the process of restructuring the Company leading to private sector participation in the core operations of the Company, and for this purpose a consortium has been appointed as Financial Advisor. In view of the situation described above, material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these unconsolidated condensed interim financial statements on a going concern basis.

2. BASIS OF PREPARATION

2.1 These unconsolidated condensed interim financial statements of the Company for the nine months period ended September 30, 2016 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Company's annual unconsolidated financial statements for the year ended December 31, 2015.

2.3 The US \$ amounts reported in the unconsolidated condensed interim balance sheet, unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of these unconsolidated condensed interim financial statements. The US \$ amounts in the unconsolidated condensed interim balance sheet have been translated into US \$ at the rate of Rs. 104.7307 = US \$ 1 (December 31, 2015: Rs. 104.8715 = US \$ 1). The US \$ amounts in unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs. 104.7307 = US \$ 1 (September 30, 2015: Rs. 101.5704 = US \$ 1).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant Accounting Estimates, Judgements, Assumptions And Financial Risk Management:

The preparation of unconsolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, however, actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Company for the year ended December 31, 2015, except for the changes in accounting estimates as noted in note 4.3.

3.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the annual unconsolidated financial statements for the year ended December 31, 2015.

3.3 **New / revised standards, amendments to approved accounting standards and new interpretations which become effective during the nine month period ended September 30, 2016:**

There were certain amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the Company's Financial position and are, therefore, not stated in these unconsolidated condensed interim financial statements.

3.4 **New / revised standards, amendments to approved accounting standards and new interpretations published but are not effective:**

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning after January 1, 2016 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated condensed interim financial statements.

3.5 Restatement of comparatives and reclassifications

As stated in note 2.7 to the annual financial statements for the year ended December 31, 2015, effective from December 1, 2014, the Company changed its accounting policy in relation to its investments in subsidiaries from costs to 'fair values' and classified as available for sale investment in accordance with International Accounting Standard 39 Financial Instruments: Recognition and measurement (IAS 39).

During the year ended December 31, 2015, the exercise to determine the fair values of its investments in subsidiaries was not concluded due to practical difficulties. The management based on exercise results considered that it is impracticable to determine the fair value of the investment in subsidiaries due to unquoted investments with substantial accuracy as required by IAS 39 which states that 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. As a result of this, the management had reverted back to previous policy i.e. cost, and investment in subsidiaries are again carried at cost less impairment, if any, with retrospective effect.

The above change had been corrected in accordance with the requirements of IAS-8, 'Accounting Policies, Changes in Accounting Estimates and Errors' in the unconsolidated financial statements for the period ended September 30, 2016 with retrospective effect. The effect of these on comparatives of unconsolidated condensed interim financial information are as below:

	September 30, 2015 (Un-Audited) Rupees in '000
Effect on unconsolidated profit and loss account	
Increase in deferred tax income	(1,221,825)
Effect on unconsolidated 'other comprehensive income'	
Reversal of loss on remeasurement of investment in subsidiaries	(382,323)
Impact of deferred tax on remeasurement of investment in subsidiaries	1,221,825
	<u>919,502</u>
	<u>(382,323)</u>
Total unconsolidated comprehensive income	
Net effect to unconsolidated equity	<u>(382,323)</u>

	September 30, 2015 (Un-Audited) Rupees in '000
From	
Administration expenses: Welfare and social security costs	1,014,596
Administration expenses: Welfare and social security costs	104,278
To	
Cost of services - Others: Welfare and social security costs	
Distribution costs: Welfare and social security costs security costs	

4 PROPERTY, PLANT AND EQUIPMENT

		September 30 2016 (Un-Audited)	December 31 2015 (Audited)
	Note	Rupees in '000	
Operating fixed assets	4.1, 4.2	71,298,263	76,404,802
Capital work-in-progress	& 4.3	1,597,463	197,505
		<u>72,895,726</u>	<u>76,602,307</u>

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

	Nine months period ended	
	September 30 2016 (Un-Audited)	September 30 2015 (Un-Audited)
	Rupees in '000	
Additions / Transfers / Adjustments		
Owned		
Workshops and hangers	7,031	135
Renovation and improvements	50,500	9,028
Aircraft fleet / engines overhauling	-	824,382
Operating ground, catering, communication and meteorological equipment	3,606	3,137
Engineering equipment and tools	30,246	1,282
Traffic equipment	-	4,922
Furniture, fixtures and fittings	11,700	10,075
Motor transport	7,318	-
Office equipment	450	120
Computer and office automation	26,311	17,316
Precision engineering equipment	6,948	-
Other equipment	5,262	21,149
Capital spares	163,869	78,804
	<u>313,241</u>	<u>970,349</u>
Leased		
Aircraft fleet / Engines overhauling	-	816,086
	<u>313,241</u>	<u>1,786,435</u>
Deletions / write offs - net book value		
Owned		
Buildings - on other land	39,408	-
Aircraft fleet	64,855	124,266
Operating ground, catering, communication and meteorological equipment	405	-
Traffic equipment	168,520	-
Furniture, fixtures and fittings	9,885	36

Nine months period ended	
September 30 2016 (Un-Audited)	September 30 2015 (Un-Audited)
-----Rupees in '000-----	
Motor transport	670
Office equipment	106
Computer and office automation	-
Other equipment	184
Capital spares-written off	171,737
	5,962
	-
	461,548
	126,048

- 4.2 As at December 31, 2015, the aircraft fleet included eight A-310 aircrafts including spare engines which were stated at revalued amount of Rs. 1,815,864 million on which an aggregate surplus of Rs. 27,165 million appearing in the surplus on revaluation of fixed assets.

During the period ended September 30, 2016, four A-310 aircraft have been grounded / retired from operation due to old aged and requirements of major improvements and modification. Accordingly, a loss of Rs. 618,706 million has been recorded in these unconsolidated condensed interim profit and loss account which comprises of carrying value of four airframes A-310 aircraft of Rs. 64,855 million a of release of deficit from equity of Rs. 553,850 million, without taking its effects on related capital spares and stores and spares. As a result, as at September 30, 2016, the aircraft fleet included four A-310 aircraft including spare engines at the carrying value of Rs. 1,577,797 million on which an aggregate surplus of Rs. 567,058 million is appearing in the surplus on revaluation of fixed assets. As at June 30, 2016, the carrying value of related capital spares and stores and spares is Rs. 409,426 million and Rs. 599,722 million respectively.

In order to keep remaining four aircraft flying beyond December, 31 2016 major investment and modifications to the structure were needed which have not been considered feasible by the Company's management due to their old age. Hence it had been decided by the management subsequent to period end to ground / retire from operation these remaining four A-310 aircraft.

Accordingly, in order to fetch a good market price, an international tender was floated for these four A-310 which appeared in July 31, 2016 for bid opening on August 31, 2016. However, no bids were received. Another international tender was floated in November 2016 for which only single bid received for one A-310 (without engines) at Euro 47,500. Accordingly, one aircraft A-310, AP-BEQ was transported on November 25, 2016 before the completion of formal bidding procedures. The inquiry in respect of this aircraft has been initiated, the outcome of which is pending to date.

The management is of the view that the fair value of remaining four A-310 aircrafts including spare engines as at September 30, 2016 could not be determined in current circumstance as stated above. Therefore, the management has not carried out any exercise to assess that whether remaining four A-310 aircrafts including spare engines, related capital spares and stores and spares are stated at their recoverable amount as at September 30, 2016 in accordance with the requirements of International Accounting Standard (IAS 36) 'Impairment of Assets' and the Company's accounting policy for impairment and accordingly, adjustment, if any, in this respect has not been made in these unconsolidated condensed interim financial information for the period ended September 30, 2016.

4.3 Changes in estimates

As a result of a revaluation exercise conducted by an independent valuer as of December 31, 2015, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current period. Had there been no change in the useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the current period would have been higher by Rs. 226,506 million, whereas the effect on future periods is impracticable to ascertain considering the subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

		September 30 2016 (Un-Audited)	December 31 2015 (Audited)
		-----Rupees in '000-----	
5 OTHER RECEIVABLES		Note	
Considered good			
	Claims receivable	10,598	8,749
	Excise duty	100,000	100,000
	Sales tax receivable	4,970,101	5,217,908
5.1	Receivables from the GoP	616,135	470,040
5.2	Others	1,082,049	367,977
5.3		6,758,883	6,154,674
Considered doubtful			
	Less: provision for doubtful other receivables	207,146	194,334
		(207,146)	(194,334)
		6,758,883	6,154,674

- 5.1 This includes sales tax refundable, aggregating Rs 4,965,094 million (December 31, 2015: Rs. 4,965,094 million), representing unadjusted portion of input tax under Sales Tax Act, 1990. The Corporation has filed application for refunds upto December 31, 2011, in response. Additional Commissioner IR, LTU through a letter has interalia stated that as the Corporation is engaged in both domestic and international air travel, 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.

The Company in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case, interests, at first instance, no sales tax was required to be collected at the 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 the transportation business. The management has represented before the FBR its view and subsequently no adverse inference has been communicated on the matter. The management is therefore 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.

- 5.2 This represents receivable in respect of charter revenue, maintenance and other charges.
- 5.3 This includes receivable from supplier amounting to Rs. 841.081 million (December 31, 2015: Rs. 211.566 million) and receivable from Minhal France S.A. - a sub-subsidiary Corporation, amounting to Rs. 101.288 million (December 31, 2015: Rs. 66.112 million)

6 CASH AND BANK BALANCES	Note	September 30	December 31
		2016 (Un-Audited)	2015 (Audited)
		Rupees in '000	
In hand		18,756	6,527
With banks			
- in current accounts	6.1	4,776,761	2,315,747
- in deposit accounts	6.2 & 6.3	657,675	319,031
		<u>5,434,436</u>	<u>2,634,778</u>
		<u>5,453,192</u>	<u>2,641,305</u>

- 6.1 This has been adjusted by an aggregate amount of Rs. 1,947,229 million (December 31, 2015: Rs. 2,025,555 million), representing bank overdrafts.
- 6.2 This has been adjusted by an aggregate amount of Rs. 6,433 million (December 31, 2015: Rs. 323,526 million), representing bank overdrafts.
- 6.3 These include restricted balances amounting to Rs. 38 million (December 31, 2015: Rs. 14,271 million).

7 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

September 30, 2016 (Un-Audited)	December 31, 2015 (Audited)		September 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
----- (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
<u>5,350,750,000</u>	<u>5,350,750,000</u>		<u>53,500,000</u>	<u>53,500,000</u>
Preference share capital				
50,000,000	50,000,000	Preference shares of Rs. 10 each	500,000	500,000
<u>5,400,750,000</u>	<u>5,400,750,000</u>		<u>54,000,000</u>	<u>54,000,000</u>
Issued, subscribed and paid up share capital				
Ordinary share capital				
2,642,351,957	2,642,351,957	'A' class shares of Rs. 10 each	26,423,519	26,423,519
		Issued for consideration in cash		
		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	2,339,345	2,339,345
<u>2,356,543,648</u>	<u>2,356,543,648</u>	Issued against advance from GoP	<u>23,565,436</u>	<u>23,565,436</u>
5,233,761,115	5,233,761,115		<u>52,337,610</u>	<u>52,337,610</u>
'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
<u>1,499,999</u>	<u>1,499,999</u>		<u>7,500</u>	<u>7,500</u>
<u>5,235,261,114</u>	<u>5,235,261,114</u>		<u>52,345,110</u>	<u>52,345,110</u>

- 7.1 As at September 30, 2016, the GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares (December 31, 2015: 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares).

8 LONG-TERM FINANCING

Financier	Type of facility	Facility amount (million)	Repayment period	Number of Installments/ Mode	Note	September 30 2016 (Un-Audited)	December 31 2015 (Audited)
						Rupees in '000	
Secured - from Banking Companies							
Abu Dhabi Islamic Bank	Islamic Term finance	US\$ 70.7	2016 - 2018	4 half yearly	8.7	4,815,582	3,763,613
Askani Bank Limited	Term Finance	PKR 3000	2017-2019	36 Monthly	8.2	3,960,000	3,000,000
BankIslami Pakistan Limited (transferred from KASB Bank Limited)	Islamic Term finance	PKR 1500	2019-2021	8 Quarterly	8.3	1,560,000	-
Bank of Punjab	Term Finance	PKR 9000	2016-2021	60 Monthly	8.2	4,960,000	-
Bank of Punjab	Term Finance	PKR 5000	2016-2021	60 Monthly	8.2	4,833,333	-
CB Mashreq	Term Finance	US \$ 120	2016 - 2019	32 monthly	8.11	8,818,287	12,564,580
CB N A	Term Finance	US \$ 54.2	2015-2017	8 Quarterly	8.10	1,465,339	1,064,376
Cibank, N.A.	Demand Finance	US \$62	2006 - 2017	20 half yearly	8.9	461,637	860,477
Cibank, N.A.	Islamic Finance	US \$120 & AED 36.73	2014 - 2016	33 monthly	8.8	826,589	4,545,499
Faysal Bank Limited	Term Finance	PKR 2,000	2013 - 2016	36 monthly	8.2	-	368,679
Faysal Bank Limited	Term Finance	PKR 2000	2016-2019	12 Quarterly	8.2	1,715,667	2,000,000
Faysal Bank Limited	Islamic Term finance	PKR 1000	2017-2019	12 Quarterly	8.2	1,960,000	1,000,000
Faysal Bank Limited	Term Finance	PKR 2000	2015 - 2016	12 Quarterly	8.2	1,333,333	1,831,676
Faysal Bank Limited	Term Finance	PKR 4000	2017 - 2020	14 Quarterly	8.2	4,960,000	-
National Bank of Pakistan	Term Finance	PKR 3000	2016-2019	36 Monthly	8.5	3,960,000	3,000,000
National Bank of Pakistan - Bahrain	Syndicate Finance	US \$ 120	2013 - 2023	40 Quarterly	8.6	11,726,101	11,955,351
National Bank of Pakistan	Term Finance	PKR 2175	2018-2020	12 Quarterly	8.2	2,175,000	2,074,577
National Bank of Pakistan	Term Finance	PKR 2825	2016 - 2021	12 Quarterly	8.5	2,825,000	-
NB Bank Limited	Term Finance	PKR 10000	2015-2020	60 Monthly	8.5	7,866,667	9,166,667
Standard Chartered Bank Limited	Syndicate Finance	US \$ 137.5	2014-2017	33 Monthly	8.12	1,745,475	5,660,540
Askani Bank limited	Leasing	PKR 500	2016-2020	48 monthly	8.4	110,289	-
Bank Al Baraka	Islamic Finance	PKR 4500	2016-2021	36 Monthly	8.2	4,560,000	-
UBL	Term Finance	PKR 1500	2016- 2021	54 monthly	8.2	1,388,889	1,500,000
UBL	Term Finance	PKR 9000	2015-2020	54 monthly	8.2	3,961,481	4,814,815
Others - unsecured							
Long term loan - GoP	Term Finance	PKR 8000	2011 - 2020	16 half yearly	8.13	8,960,000	8,000,000
						88,382,679	77,301,250
Less : Current maturity shown under current liabilities						(28,626,788)	(27,534,629)
						59,755,891	49,766,621

8.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (December 31, 2015: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR (December 31, 2015: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 5.28% (December 31, 2015: 5.28%) whereas variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4.00% over 1 month LIBOR (December 31, 2015: 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR). Borrowings in AED carry variable markup with spread of 4% over 3 month EIBOR (December 31, 2015: 4% over 3 month EIBOR).

- 8.2** The finance are secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.
- 8.3** The facility is converted from short term loan to long term financing on diminishing Musharakah basis. The finance is secured by way of lien over Musharakah Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 8.4** The Finance is obtained in order to lease Equipment Secured through GoP Guarantee
- 8.5** The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Company amounting to Rs 4,000million 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, therefore said ranking charge has been released by NBP.
- 8.6** The following are the participating banks in this syndicated finance facility:
- National Bank of Pakistan (NBP) - Bahrain; and
 - Habib Bank Limited (HBL)
- 8.7** The finance is secured against ICIEC/ GoP guarantee for loans outstanding at any given point of time.
- 8.8** The facility is obtained from consortium of financial institutions in which Citibank N.A. is the investment agent. The finance is secured by way of collection routed through the offshore account maintained with Citibank N.A. London Branch.
- 8.9** The finance is secured by way of:
- Mortgage over each of the six ATR aircrafts and two spares engines purchased, and
 - European Credit Agencies / GoP Guarantee.
- 8.10** The finance is secured against EXOM / GoP guarantee for loan outstanding at any given point of time.
- 8.11** The finance is secured by way of collection routed through the offshore bank account maintained with Citi Mashreq.
- 8.12** 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.
- 8.13** The Company has not paid any instalment since due date of instalment, i.e. October 23, 2011. The over due principal and markup due as at September 30, 2016 is Rs 4,812 million and Rs. 5,608.36 million, respectively. The over due principal amount is included in current maturity.

9 TERM FINANCE AND SUKUK CERTIFICATES

Financer	Security	Repayment period	Number of instalments	Mark-up	Note	September 30 2016 (Un-Audited)	December 31 2016 (Audited)
Rupees in '000							
Term finance certificates	GoP Guarantee	2014-2020	16 Quarterly	6 month KIBOR +1.25%	9.1	36,816,009	32,870,410
Term finance certificates (Zero Coupon)	GoP Guarantee	2014-2016	4 Half Yearly	-	-	-	233,218
Sukuk certificates	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR +1.75%	9.2	6,800,000	6,800,000
						37,816,009	39,903,628
Less: current maturity						(10,272,000)	(13,196,419)
						27,544,009	26,707,209

- 9.1** Economic Coordination Committee (ECC) on July 3, 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. Further, the Ministry also approved the issuance of a Zero Coupon Privately Placed Term Finance Certificates (PPTFCs) of Rs. 990.661 million after the capitalisation of markup accrued on previous PPTFC of Rs. 12,790 million. During the year ended December 31, 2016, the restructuring agreements of both PPTFCs were signed and Pak Brunel Investment Company Limited was approved as trustee of both PPTFCs. Principal repayment amounting to Rs. 2,664 million due as at September 30, 2016 which has been paid the Company during extended period on August 31, 2016.
- 9.2** 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 along with other terms of Sukuk Certificates, with the assistance of the Ministry. 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 has approved the restructuring and new agreement has been signed as at June 30, 2016. Accordingly, the same has been classified as non-current liability.

		September 30 2016 (Un-Audited)	December 31 2015 (Audited)
		Rupees in '000	
10. TRADE AND OTHER PAYABLES	Note		
Trade creditors			
Goods		18,213,405	15,807,236
Services		6,377,319	4,322,860
Airport related charges		19,366,572	16,525,429
		<u>43,957,296</u>	<u>36,655,525</u>
Others			
Accrued liabilities	10.1	10,233,375	4,900,439
Advance against transportation (unearned revenue)		10,547,215	10,864,375
Obligation for compensated absences		7,213,250	6,385,556
Unredeemed frequent flyer liabilities		744,014	744,008
Advances from customers		1,439,083	1,007,858
Payable to employees' provident fund	10.2	10,691,939	10,470,475
Unclaimed dividend - Preference shares		8,493	8,493
Collection on behalf of others		31,552,010	24,608,025
Customs, Federal excise duty and Sales tax		3,672,304	2,856,999
Federal excise duty - International travel		8,726,252	7,811,194
Income tax deducted at source		1,090,022	1,327,034
Short-term deposits		902,606	859,715
		<u>130,777,859</u>	<u>108,496,696</u>

10.1. This includes Rs 96,214 million (December 31, 2015: Rs. 62,806 million) payable to PIA Investments Limited, a subsidiary Company.

10.2. This represents amount deducted from employees on account of contribution to Provident Fund, 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) and carry mark-up based on the discount rate announced by the State Bank of Pakistan, which could not be paid to the PF within 15 days as required by Section 227 of the Companies Ordinance, 1984 due to the liquidity constraints.

		September 30 2016 (Un-Audited)	December 31 2015 (Audited)
		Rupees in '000	
11. ACCRUED INTEREST			
Mark-up / profit payable on:			
- Long-term financing		6,302,682	5,405,941
- Term finance certificates		1,515,738	1,625,374
- Sukuk certificates		366,366	432,216
- Short-term borrowings		692,146	711,296
- Provident fund		3,980,174	3,528,554
- Advance from a subsidiary		272,094	201,729
		<u>13,129,190</u>	<u>11,965,110</u>

12 SHORT-TERM BORROWINGS

Short-term loans - secured	12.1	30,802,556	32,303,844
Running finance under mark-up arrangements	12.2	4,066,099	4,636,357
		<u>34,868,655</u>	<u>36,940,201</u>

12.1 Short-term loans - secured

Financier	Security	Expiry date	Facility amount (million)		September 30 2016 (Un-Audited)	December 31 2015 (Audited)
KASB Bank Limited (now merged into Bank Islami Limited)	GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin.	13-May-15	1,500PKR	12.1.2	-	1,500,000
Habib Allied International Bank Limited - London	EURO receivables	Continuous	4 & 5 USD	12.1.3	942,556	943,844
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.	31-Oct-16	5,000 PKR		5,000,000	5,000,000
				Carried forward	<u>5,942,556</u>	<u>7,443,844</u>

Financier	Security	Expiry date	Facility amount (million)	September 30 2016 (Un-Audited)	December 31 2015 (Audited)
				Rupees in '000	
From Banking Companies			Brought forward	5,942,556	7,443,844
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.	31-Oct-16	5,000 PKR	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.	31-Oct-16	5,000 PKR	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.	31-Oct-16	4,360 PKR	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.	31-Oct-16	3,500 PKR	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.	31-Oct-16	3,000 PKR	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.	31-Oct-16	2,000 PKR	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.	31-Oct-16	2,000 PKR	2,000,000	2,000,000
				30,802,556	32,303,844

12.1.1 The borrowings in PKR carry mark-up with a spread of 0.9% to 1.5% over 3 month KIBOR (December 31, 2015: spread of 0.9% to 2.0% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (December 31, 2015: a spread of 3.5% over 3 months LIBOR).

12.1.2 Loan liability has been transferred from KASB Bank Limited to Bank Islami Limited as per the approval of State Bank of Pakistan. The loan liability transferred from short term to long term on Dimshing musharaka basis.

12.1.3 The agreements of these borrowings have expired either during the year or subsequent to the year-end and the Corporation is currently in the process of renewal of these loans with the financiers.

12.2 Running finance under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit (million)	Expiry date	September 30 2016 (Un-Audited)	December 31 2015 (Audited)
————— Rupees in '000 —————							
Secured							
The Bank of Punjab		Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 734 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BOP counter.	550 PKR	550 PKR	30-Jun-16	-	503,069
Habb Bank Limited		Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the Corporation for PKR 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	350 PKR	0.04 PKR	30-Sep-16	304,321	285,496
Habb Allied International Bank Limited - London	12.2.3	EURO receivables	3 USD	0.03 USD	On Demand	315,046	314,653
National Bank of Pakistan		First pari passu hypothecation charge of PKR 795.667 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. 586 million payable on demand.	575 PKR	135 PKR	31-Oct-16	581,355	440,941
United Bank Limited		Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	140 PKR	31-Jul-17	2,430,992	2,244,436
Un-secured							
Habb American Bank	12.2.3	-	1.5 USD	0.4 USD	On Demand	120,199	109,661
Citibank N.A.	12.2.3	-	3 USD	-	On Demand	314,186	314,615
Citibank N.A.	12.2.3	-	4 USD	4 USD	Temporary Line		419,486
						<u>4,066,099</u>	<u>4,636,337</u>

12.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month KIBOR (December 31, 2015: 1.5% to 2.0% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% (December 31, 2015: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 3 month LIBOR and 2% over Cit Base Rate (December 31, 2015: spread of 3.5% over 3month LIBOR and 2% over Cit base Rate).

12.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at September 30, 2016.

12.2.3 The agreement of this facility has expired subsequent to the year end and the Corporation is currently in the process of renewal of the facility with the respective banks.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There has been no material change in the status of contingencies and commitments as disclosed in notes 14 to the unconsolidated condensed interim financial statements for the half year ended June 30, 2016 except following:

The amount of future payments in operating lease arrangement relating to aircrafts 777-200 ER, 737-800, A320-232 and A 320-200 and the period in which these payments will become due is as follows:

	September 30 2016 (Un-Audited)	December 31 2015 (Un-Audited)
	Rupees in '000	
Not later than one year	6,893,230	7,575,917
Later than one year but not later than five years	28,462,092	29,980,859
Later than five years	490,810	6,559,685
	<u>35,846,132</u>	<u>44,116,461</u>

	Note	Nine months period ended		Quarter ended	
		September 30 2016 (Un-Audited)	September 30 2015 (Un-Audited)	September 30 2016 (Un-Audited)	September 30 2015 (Un-Audited)
		Rupees in '000			
14 REVENUE - NET					
Passenger		61,659,458	63,684,735	23,243,691	21,432,536
Cargo		2,606,348	2,684,193	1,149,667	853,002
Excess baggage		962,679	569,100	191,680	179,815
Charter services		450,615	282,607	137,822	81,248
Engineering services		810,879	291,583	219,701	72,481
Handling and related services		446,418	384,997	278,902	150,828
Mail		206,318	178,027	71,825	59,021
Others		1,180,982	974,308	388,997	307,253
		<u>67,993,607</u>	<u>69,249,550</u>	<u>25,680,195</u>	<u>23,096,184</u>
15 COST OF SERVICES - OTHERS					
Salaries, wages and allowances		11,388,667	8,358,924	3,800,988	2,766,122
Welfare and social security costs		1,786,383	1,619,131	563,940	506,256
Retirement benefits		1,540,228	1,576,517	600,613	524,376
Compensated absences		595,940	294,254	174,235	86,085
Legal and professional charges		33,989	30,283	16,251	2,504
Stores and spares consumed		986,789	791,089	248,564	311,539
Maintenance and overhaul		7,392,639	3,620,431	1,995,237	1,618,961
Flight equipment rental		5,608,745	5,145,094	2,502,432	2,003,836
Landing and handling		11,182,091	8,986,757	4,679,750	2,828,356
Passenger services		2,340,963	1,946,746	780,822	645,908
Crew layover		2,080,853	1,842,369	744,539	650,612
Staff training		76,131	115,193	43,330	63,643
Utilities		28,170	12,778	10,870	5,330
Communication		2,533,336	2,284,061	788,925	740,165
Insurance		761,337	821,013	265,943	269,838
Rent, rates and taxes		578,657	538,042	200,549	124,170
Printing and stationary		114,390	171,185	37,593	68,022
Depreciation		4,977,221	4,431,326	1,635,677	1,486,627
Amortisation on intangibles		1,846	16,092	336	5,461
Others	15.1	1,291,435	1,975,121	277,295	294,308
		<u>55,277,430</u>	<u>44,576,396</u>	<u>18,607,699</u>	<u>15,123,341</u>

15.1 This includes an amount of Rs. 250.035 million pertaining to late return fees and customer induced damages on engineering and maintenance contract.

Note	Nine months period ended		Quarter ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
Rupees in '000				
16 OTHER PROVISIONS AND ADJUSTMENTS				
Property, plant and equipment				
- loss on disposal of aircraft fleet	4.2	64,855	-	-
- deficit released from surplus on aircraft written off	4.2	553,850	36,272	-
- other assets written off		292,653	-	85
		911,358	36,272	85
Provision for slow moving and obsolete spares		73,962	654,704	54
Provision for doubtful debts		323,194	480,837	100,915
Provision against doubtful advances		8,026	167,540	1,834
Provision against doubtful deposits		125,736	-	-
Provision / (reversal) against CWP		2,650	-	-
Reversal of provision for other receivable		12,814	-	-
Late payment surcharge on fuel		1,344,293	1,501,614	334,415
Others		27,916	33,114	-
		2,829,859	2,874,081	437,719
				357,097

17 FINANCE COSTS

Mark-up on:				
- long term financing		3,975,832	2,790,250	1,400,493
- term finance certificates		1,879,389	2,458,414	604,070
- short term borrowing		2,603,371	2,721,981	674,391
- advance from a subsidiary		70,694	57,936	24,131
		7,829,285	8,018,581	2,703,085
Profit on sukuk certificates		418,399	536,082	138,832
Interest on liabilities against assets subject to finance lease		233,551	327,504	68,601
Interest on provident fund		450,948	542,594	154,578
Arrangement, agency and commitment fee		238,461	209,529	42,956
Discounting income on deposits		(83,542)	(7,281)	(10,196)
Amortisation of prepaid exposure fee		191,622	194,782	83,230
Bank charges, guarantee commission and other related charges		41,625	143,689	15,798
		9,439,746	10,025,580	3,176,854
				3,223,192

	Nine months period ended		Quarter ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
Rupees in '000				
18 TAXATION				
Current	18.1	339,518	346,248	128,401
Deferred		(166,155)	42,148	-
		173,363	388,396	128,401
				115,481

18.1 Current

18.1.1 There has been no material change in the status of tax contingencies as disclosed in notes 19.1.2 to the unconsolidated condensed interim financial statements for the half year ended June 30, 2016.

19 LOSS PER SHARE - BASIC AND DILUTED

	Nine months period ended		Quarter ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
Rupees in '000				
Loss for the period (Rupees in '000)		(27,279,677)	(19,367,287)	(6,493,488)
Weighted average number of ordinary shares outstanding	19.1	5,234,511,117	5,046,558,127	5,234,511,117
Loss per share attributable to:				
- 'A' class ordinary shares (Rupees)		(5.21)	(3.94)	(1.22)
- 'B' class ordinary shares (Rupees)		(2.61)	(1.92)	(0.61)

19.1 The impact of 'advance against equity' has been taken into weighted average number of ordinary shares outstanding in previous years.

19.2 There were no dilutive potential ordinary shares outstanding as at September 30, 2016 and 2015.

Nine months period ended	
September 30 2016 (Un-Audited)	September 30 2015 (Un-Audited)
Rupees in '000	

20. CASH GENERATED FROM OPERATIONS

Loss before taxation	(27,106,214)	(18,978,891)
Adjustments for:		
Depreciation	4,998,653	4,446,715
Gain on disposal of property, plant and equipment	64,855	(187,564)
Amortization/Adjustments of intangibles	13,080	16,939
Provision for slow moving stores /obsolete spares	73,962	654,704
Provision for employees' benefits	3,274,937	3,270,059
Provision for doubtful debts	323,104	480,837
Provision / (reversal) against doubtful advances	8,026	-
Provision against doubtful deposits	125,736	-
Reversal of provision for other receivable	12,814	-
Finance costs	9,439,746	10,025,580
Property, plant and equipment written off	292,653	-
Unrealised exchange (gain)/loss	95,255	2,005,418
Profit on bank deposits	(47,184)	(27,102)
Deficit released on write off of aircraft	553,850	36,272
	(7,876,727)	1,742,967
Working capital changes :		
(Increase) in stores and spares	(190,294)	(89,158)
Decrease / (Increase) in trade debts	1,158,602	1,259,708
(Increase) in advances	(366,226)	(977,756)
(Increase) / decrease in trade deposits and prepayments	(2,880,630)	(1,199,213)
(Increase) in other receivables	(617,023)	(621,527)
Increase in trade and other payables	21,451,469	6,538,517
	18,555,898	4,930,571
Cash generated from operations	10,679,171	6,673,538

21. TRANSACTIONS WITH RELATED PARTIES

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 and directors according to the terms of employment / regulations and those not mentioned elsewhere in these unconsolidated condensed interim financial statements are as follows:

	September 30 2016 (Un-Audited)	September 30 2015 (Un-Audited)
	Rupees in '000	
Skyrooms (Private) Limited - Subsidiary		
Payments made against in-transit passengers	116,799	177,577
Advances extended	1,833	-
PIA Investments Limited - Subsidiary		
Management fee expense	32,547	37,197
Finance cost on advance	46,563	57,936
Advance received	-	4,194,306
Minhal France S.A. - Sub-subsidiary		
Management fee income	51,767	-

	September 30 2016 (Un-Audited)	September 30 2015 (Un-Audited)
	Rupees in '000	
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary		
Charges in respect of courier services	122	-
Retirement funds		
Contribution to Provident Fund and others	2,732,139	306,758
Interest on overdue balance of provident fund	443,547	491,709
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	7,212,647	13,544,804
Insurance premium	752,592	796,763
Late payment interest	1,514,817	-
Finance cost	3,434,787	4,061,696
Airport related charges	9,577,928	6,385,285
GoP - Major shareholder		
Finance cost	598,356	598,356
Advance against equity from GoP	-	3,974,371
Hajj revenue	-	2,010,128
Key management personnel		
Salaries, wages and other benefits	113,958	124,048

21.1 The Company sales of transportation services to subsidiaries, associates, directors and key management personnel are not determinable.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

22.1 Financial risk factors

The Company activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk

These unconsolidated condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company annual financial statements as at December 31, 2015. There have been no changes in any risk management policies since the year end.

22.2 Fair value estimation

As at September 30, 2016, Company's all assets and liabilities are carried at cost except for those mentioned below:

- The Company's leasehold land, buildings on leasehold land and airfleet are stated at revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and subsequent accumulated impairment losses, if any;
- The Company classifies long-term investments in listed companies measured in the balance sheet at fair values; and
- The carrying value of all financial and non-financial assets and liabilities measured at other than cost in these unconsolidated condensed interim financial information approximate their fair values.

23 GENERAL

23.1 Non adjusting events after balance sheet date

On December 07, 2016, one of the aircraft (ATR-42) of the Company bearing tail number AP-BHO, operating on Flight No. PK - 661, was crashed near Havelian Tehsil, Abbottabad. As at September 30, 2016, the written down value and aggregate surplus in equity of this aircraft is Rs. 1,027.184 million and Rs.427.567 million, respectively. Investigations for the identification of the reason for the crash are still in process. Substantial recovery of the damage has been received by the Company. No adjustment is necessary in these unconsolidated condensed interim financial information in this regard.

24. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial information were authorised for issue by the Board of Director in their meeting held on May 10, 2017



Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

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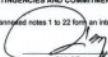


CONSOLIDATED
FINANCIAL
STATEMENT

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
 AS AT SEPTEMBER 30, 2016

	September 30, 2016 (Un-Audited)	December 31, 2015 (Audited)	September 30, 2016 (Un-Audited)	December 31, 2015 (Audited)	
Note	Rupees in '000		US\$ in '000		
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment - intangibles	4	134,839,799	136,098,487	1,287,490	1,316,835
		3,461,498	3,460,204	33,651	33,281
		138,301,248	141,568,691	1,320,541	1,350,116
Long-term investments		228,118	164,607	2,159	1,572
Receivable from Centre Hotel		791,265	752,329	7,555	7,555
Long-term loans and advances		594	-	6.00	-
Long-term deposits and prepayments		7,419,385	10,723,347	70,843	102,252
Total non-current assets		146,738,596	153,269,264	1,401,104	1,461,495
CURRENT ASSETS					
Stores and spares		3,215,007	3,052,446	30,698	25,468
Trade debts		8,651,950	9,870,517	82,811	94,120
Short-term loans and advances		1,834,291	1,560,917	18,470	15,075
Trade deposits and prepayments		5,425,158	3,130,516	51,801	26,851
Other receivables	5	7,303,901	6,445,693	69,740	61,465
Short-term investments		179,402	206,000	1,627	1,965
Taxation - net		177,868	153,086	1,699	1,460
Cash and bank balances	6	15,389,148	7,625,242	99,294	72,710
Total current assets		37,277,823	32,106,693	355,939	306,154
TOTAL ASSETS		184,016,419	185,375,947	1,757,043	1,767,649
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		52,345,110	52,345,110	499,807	496,136
Reserves		4,456,704	4,305,494	42,654	41,913
Accumulated losses		(288,378,848)	(261,532,285)	(2,753,529)	(2,453,835)
Attributable to the Holding company's shareholders		(231,578,834)	(204,791,691)	(2,211,164)	(1,952,786)
Non-controlling interest		1,869,577	1,657,742	15,898	15,807
TOTAL EQUITY		(228,916,257)	(203,133,949)	(2,195,308)	(1,936,979)
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX					
		31,269,191	30,949,467	298,267	295,118
NON-CURRENT LIABILITIES					
Long-term financing	7	74,386,847	64,362,044	719,268	613,723
Term finance and sukuk certificates	8	27,344,999	26,707,209	261,089	254,660
Liabilities against assets subject to finance lease		7,571,358	13,218,479	72,294	126,045
Long-term deposits		83,243	99,611	795	960
Deferred taxation		25,614,258	20,450,267	196,831	195,003
Deferred liabilities		26,658,594	24,962,045	254,087	237,071
Total non-current liabilities		156,668,302	149,699,650	1,495,344	1,427,468
CURRENT LIABILITIES					
Trade and other payables	9	133,339,573	110,533,748	1,273,163	1,063,962
Accrued interest		12,883,741	11,790,141	123,018	112,424
Provision for taxation		482,362	232,263	4,701	2,215
Short-term borrowings	10	34,868,655	36,940,201	332,936	302,243
Current maturities of - Long-term financing	7	26,738,885	27,963,991	255,311	266,650
- Term finance and sukuk certificates	8	10,272,900	13,196,419	98,080	125,834
- Liabilities against assets subject to finance lease		7,466,556	7,204,015	71,231	68,694
Total current liabilities		226,695,273	207,860,779	2,158,440	1,982,052
TOTAL LIABILITIES		382,663,575	357,560,429	3,653,784	3,409,510
TOTAL EQUITY AND LIABILITIES		184,016,419	185,375,947	1,757,043	1,767,649
CONTINGENCIES AND COMMITMENTS					

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.


 Chief Executive Officer


 Chief Executive Officer


 Director


 Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 CONSOLIDATED CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UNAUDITED)
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Note	Nine months period ended		Quarter Ended		Nine months period ended	
		September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
		2016	2015	2016	2015	2016	2015
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
		Rupees in '000				US\$ in '000	
REVENUE - NET	12	77,542,871	79,263,461	26,378,648	26,792,581	748,483	757,991
COST OF SERVICES							
Aircraft fuel		(18,088,311)	(21,878,377)	(7,891,855)	(8,681,968)	(187,961)	(257,339)
Others	13	(66,225,547)	(48,830,521)	(20,529,239)	(17,168,559)	(575,852)	(464,950)
		(79,918,858)	(70,298,898)	(28,129,294)	(23,851,527)	(763,813)	(672,284)
GROSS (LOSS)/PROFIT		(2,367,887)	8,964,563	1,298,353	2,941,054	(22,619)	85,727
Distribution costs		(5,358,890)	(4,196,291)	(2,424,878)	(1,631,596)	(51,177)	(40,148)
Administrative expenses		(8,732,854)	(8,293,304)	(1,367,962)	(2,377,067)	(64,285)	(78,442)
Other provisions and adjustments	14	(2,829,899)	(2,874,081)	(437,719)	(357,087)	(27,820)	(27,485)
Exchange loss - net		(97,848)	(2,304,006)	(4,809)	(1,502,725)	(932)	(16,164)
Other income		688,068	808,993	397,734	733,334	6,388	7,736
		(14,330,947)	(16,470,879)	(3,896,948)	(5,126,151)	(137,628)	(157,511)
LOSS FROM OPERATIONS		(16,718,834)	(7,506,316)	(2,637,893)	(2,194,098)	(198,638)	(71,784)
Finance costs	15	(9,787,863)	(18,327,818)	(3,288,414)	(3,262,434)	(93,287)	(98,757)
LOSS BEFORE TAXATION		(26,486,787)	(17,833,332)	(5,926,696)	(5,486,531)	(292,863)	(170,541)
Taxation	16	(88,788)	(672,360)	(182,798)	(296,773)	(3,732)	(8,437)
LOSS FOR THE PERIOD		(26,878,967)	(18,505,392)	(6,109,862)	(5,743,304)	(296,623)	(178,988)
Attributable to:							
Equity holders of the Holding company		(26,878,967)	(18,513,367)	(6,116,748)	(5,713,990)	(296,623)	(177,042)
Non-controlling interest		2,838	7,879	1,847	3,318	27	78
		(26,878,967)	(18,505,392)	(6,109,862)	(5,743,304)	(296,623)	(178,988)
		(Rupees)				(US\$)	
LOSS PER SHARE - BASIC AND DILUTED							
Loss attributable to:							
- "A" class Ordinary shares of Rs 10 each	17	(8.12)	(3.67)	(1.17)	(1.16)	(8.63)	(8.03)
- "B" class Ordinary shares of Rs 5 each	17	(2.67)	(1.84)	(0.58)	(0.55)	(8.63)	(8.03)

The attached notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 CONSOLIDATED CONDENSED OTHER COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Nine months period ended		Quarter ended	
	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)
	Rupees in '000			
Loss for the period	(26,876,567)	(18,505,392)	(6,108,802)	(5,743,304)
Other comprehensive income				
<i>Item that will be reclassified subsequently to consolidated profit and loss account</i>				
Unrealised loss on re-measurement of available for sale investments	61,220	2,455	61,220	2,455
Exchange differences on translation of foreign operations	-	2,476	-	-
Total comprehensive income	<u>(26,815,347)</u>	<u>(18,500,461)</u>	<u>(6,047,582)</u>	<u>(5,740,849)</u>

Surplus / (deficit) arising on revaluation of operating fixed assets has been reported in accordance with the requirements of the Companies Ordinance, 1984, in a separate account below equity.

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.



Chief Executive Officer



Director



Chief Executive Officer



Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

Note	Nine months period ended		Nine months period ended		
	September 30, 2016 (Un-Audited)	September 30, 2015 (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Restated)	
	Rupees in '000		US\$ in '000		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	18	11,822,288	7,294,333	112,862	69,755
Profit on bank deposits received		47,184	27,102	499	259
Finance costs paid		(8,674,363)	(10,422,536)	(82,825)	(66,670)
Taxes paid		(325,818)	(878,141)	(3,061)	(5,488)
Staff retirement benefits paid		(705,689)	(590,498)	(6,699)	(5,646)
Long term deposits and prepayments - net		3,303,982	(1,882,872)	31,647	(18,006)
Net cash (used in) / generated from operating activities		5,477,776	(6,262,596)	62,303	(56,790)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(2,203,194)	(1,910,103)	(21,036)	(18,266)
Proceeds from sale of operating fixed assets		396,893	315,609	3,787	3,018
Currency translation differences		75,736	(434,585)	723	(4,150)
Decreased / (increased) in long term loan, advances and investment - net		-	18,023	-	172
Net cash used in investing activities		(1,730,675)	(2,011,056)	(16,526)	(19,231)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance against equity		-	3,974,371	-	38,006
Repayment of long-term financing		(17,347,332)	(7,796,053)	(166,637)	(74,553)
Proceeds from long-term financing		24,699,179	20,172,299	234,899	192,906
Repayment of term finance certificates		(2,287,819)	-	(21,842)	-
Short term borrowing - net		-	(2,141,074)	-	(20,474)
Repayment of obligations under finance lease - net		(5,367,163)	(5,949,078)	(51,247)	(56,860)
Net cash generated from financing activities		(402,935)	8,260,445	(3,846)	78,994
Increase/(Decrease) in cash and cash equivalents		3,344,165	(3,210)	31,932	(30)
Cash and cash equivalents at the beginning of the period		2,988,885	1,855,315	28,538	17,742
Cash and cash equivalents at the end of the period		6,333,050	1,852,105	60,470	17,712
CASH AND CASH EQUIVALENTS					
Cash and bank balances	6	10,399,149	5,807,947	99,294	55,541
Short-term borrowings	10	(4,066,099)	(3,955,842)	(38,824)	(37,829)
		6,333,050	1,852,105	60,470	17,712

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.


 Chief Executive Officer


 Director


 Chief Executive Officer


 Chief Financial Officer

Balances, additions, and outflow capital	Attributable to the ordinary common's shareholders							Sub Total	Accumulated loss	Non-controlling interest	Total
	Advance against equity	Capital reserves	Reserve reserves	Dividends	Reserve for revaluation of assets of shareholders	Foreign currency translation	Other reserves				
- Rupees in '000 -											
Balances as at January 1, 2018	8,776,874	16,001,240	2,897,208	1,176,454	85,000	105,000	95,000	4,000,000	(208,914,711)	1,000,000	271,100,000
Total comprehensive income for the period ended September 30, 2018	-	-	-	-	-	-	-	-	(24,311,907)	7,910	(14,394,997)
- Loss for the period	-	-	-	-	-	-	-	-	(24,311,907)	7,910	(14,394,997)
- Other comprehensive income for the period	-	-	-	-	-	-	-	2,478	2,478	-	2,478
- Currency translation differences	-	-	-	-	-	-	-	2,478	2,478	-	2,478
- Unrealized loss on re-measurement of investments	-	-	-	-	2,465	-	-	-	-	-	2,465
Total comprehensive income for the period transferred to equity	-	-	-	-	2,465	-	-	2,478	(24,311,907)	7,910	(14,394,997)
Reserve on revaluation of operating fixed assets realized during the period on account of treatment: Depreciation-charged: Depreciation - net of tax	-	-	-	-	-	-	-	-	-	-	-
Transaction with minority: Advance against equity from Gulf	-	2,074,271	-	-	-	-	-	-	-	-	2,074,271
Balances as at September 30, 2018 - as restated	8,776,874	18,075,511	2,897,208	1,176,454	85,000	105,000	95,000	4,000,000	(208,911,804)	1,007,910	276,805,903
Balances as at January 1, 2018	8,800,110	-	2,897,208	1,176,454	85,000	(24,500)	95,000	4,000,000	(209,311,000)	1,007,210	284,110,000
Total comprehensive income for the period ended 30 September 2018	-	-	-	-	-	-	-	-	(24,311,907)	7,910	(14,394,997)
- Loss for the period	-	-	-	-	-	-	-	-	(24,311,907)	7,910	(14,394,997)
- Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
- Currency translation differences	-	-	-	-	-	-	-	-	-	-	-
- Unrealized gain on re-measurement of investments	-	-	-	-	(7,200)	-	-	(7,200)	-	-	(7,200)
Total comprehensive income for the period transferred to equity	-	-	-	-	(7,200)	-	-	(7,200)	(24,311,907)	7,910	(14,394,147)
Reserve on revaluation	-	-	-	-	-	-	-	-	-	-	-
Reserve on revaluation of operating fixed assets realized during the period on account of treatment: Depreciation-charged: Depreciation - net of tax	-	-	-	-	-	-	-	-	-	-	-
Transaction with minority: Advance against equity from Gulf	-	-	-	-	-	-	-	-	8,000	-	8,000
Balances as at September 30, 2018	8,800,110	-	2,897,208	1,176,454	85,000	(11,000)	95,000	4,000,000	(209,111,807)	1,007,910	284,110,000

As ordered under Section 177 of the Companies Act, 2017, the following are the members of the Board of Directors:


 M. Yousaf Raza Gillani
 Chairman


 M. Yousaf Raza Gillani
 Chairman


 M. Yousaf Raza Gillani
 Chairman


 M. Yousaf Raza Gillani
 Chairman

1. THE GROUP AND ITS OPERATIONS

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

Pakistan International Airlines Holding company

Pakistan International Airlines Holding company (the Holding company) was incorporated on January 10, 1955 under the Pakistan International Airlines Holding company Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Holding company Act, 1956 (the Act). The shares of the Holding company are quoted on Pakistan Stock Exchanges of Pakistan. 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. Subsequent to period ended March 31, 2016, the Holding Company has converted from a statutory Holding Company into a public limited company by shares, Pakistan International Airlines Holding Company Limited (PIACL), with effect from April 19, 2016 through Act no. XXV of 2016 'The Pakistan International Airlines Holding Company (Conversion) Act, 2016' (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Airlines Holding Company Act 1956 and the Holding Company will now be governed under the 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.

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 and is currently registered in British Virgin Islands. During 1986 PIAIL was registered under International Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act, 2012) as a company limited by shares. The principal activities are to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. The Holding company's controlling interest in PIAIL, is 100% (December 2014: 100%). Following are the details of PIAIL's subsidiaries:

	Location	Nature of business	Effective ownership and voting power of PIAIL (%)	Effective ownership and voting power of the Holding company (%)
•	Roosevelt Hotel Holding company, N.V. (RHC)	Netherlands - Artilles	See note (B) below	100
•	RHC Operating LLC	State of Delaware, USA	Owner of Roosevelt Hotel, New York	100
•	Mihral France (Curacao) N.V. [Formerly Mihral France (Curacao) N.V.]	Luxembourg	See note (A)	100
•	Mihral France B.V.	Netherlands	See note (A)	100
•	Mihral France S.A. (MFSA)	France	Owner of Scirbe Hotel, Paris	90
•	PIA Fuel Management Limited	British Virgin Islands	See note (A)	100
•	PIA Aviation Limited (PAL)	British Virgin Islands	See note (A)	100
•	Avant Hotels (Private) Limited	Pakistan	See note (C)	62.5

Note (A): Roosevelt Hotel Holding company N.V. (RHC) is the intermediary Holding company and a sole member of RHC Operating LLC, a company which owns the Roosevelt Hotel. In 2004, to comply with the requirement of loan, RHC transferred the net operating assets of the Hotel to RHC Operating LLC.

Note (B): During the year ended December 31, 2010, the Mihral France (Curacao) N.V. was relocated to Luxembourg resulting in its change of name to Mihral France S.a.r.l.

PIAIL has been consolidated in these consolidated financial statements on the basis of its audited consolidated financial statements for the period ended September 30, 2016.

Skynross (Private) Limited (SRL) was incorporated on May 20, 1975 in Pakistan as a private limited company under the Companies Ordinance, 1984. SRL runs and manages 'Airport Hotel', Karachi. SRL is a wholly owned subsidiary of the Holding company.

The subsidiaries of the Holding company, **PIA Holding Company (Private) Limited**, **PIA Shaver Poultry Breeding Farms (Private) Limited** and **PIA Hotel 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, not consolidated in these financial statements.

Special Purpose Entities (SPE) formed for acquiring aircraft have not been consolidated in these financial statements as the share Holding Company, controlling interest, risk and rewards of SPE rests with the 'trustees' representing foreign banks.

Abacus Distribution Systems Pakistan (Private) Limited (Abacus) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares under the Companies Ordinance, 1984. The registered office of Abacus is situated at Karachi. Abacus markets and distributes a computer reservation system which incorporates a software package that performs various functions including real time airline seat reservation, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding company's interest in Abacus is 70% which will increase to 75% over a period of nine years ending in year 2014. Abacus was never consolidated on the basis of its audited financial statements as the same is not considered to be material to these consolidated financial statements.

Associate

Mehal Incorporated (Mehal), 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 Mehal 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's interest in the company is 40%.

- 1.2 During the current period, the Group incurred a net loss of Rs. 26,876,567 million (September 30, 2015: Rs.18,505,392 million) resulting in accumulated losses of Rs. 286,378,648 million as of September 30, 2016 (December 31, 2015: Rs. 261,532,285 million). Further, as of September 30, 2016, current liabilities of the Company exceeded its current assets by Rs. 188,777,450 million (December 31, 2015: Rs. 175,754,096 million). Furthermore, the Holding Company has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to these consolidated financial statements.

The Government of Pakistan (GoP), being the majority shareholder of the Holding company, had through its finance division's letter dated September 02, 2006 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 it (the Holding company) continues and sustains in the long-term as a viable business entity:

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Holding company. In this respect, amounts aggregating to Rs. 11,276 million have been provided to the Holding company towards equity since the year ended December 31, 2006;
- During the years ended December 31, 2009 and 2010, the GoP provided long-term financing aggregating to Rs. 8,000 million to meet working capital requirements of the Holding company;
- Issuance / renewal of guarantees to financial institutions, both local and foreign, so as to enable the Holding company to raise / rollover funds;
- On July 03, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs. 12,790 million along with conversion of certain short term loans amounting to Rs. 20,700 million into new term finance certificates (refer note 9.10 and 13) which was converted during the year ended December 31, 2015.

During the year ended December 31, 2013, the Holding company also presented a proposal for financing support required along with its interim business plan to the Economic Coordination Committee (ECC) during its meeting held on February 26, 2013. The ECC approved the following financing support proposal subject to the condition that the timeline will be fixed for repayment of loans and there will be quarterly monitoring of the Holding company's business plan by the Ministry of Finance:

- New loans / guarantees for repayment of loans amounting to Rs. 11.1 billion becoming due in the year 2013;
- Rollover / extension of GoP guarantees amounting to approximately Rs. 51,160 million;
- New guarantees against loans already taken on the basis of letter of comfort amounting to Rs 13.5 billion;
- Additional funding to provide fiscal space to the Holding company amounting to Rs 12 billion; and
- Funds of US \$ 52 million for acquisition of narrow body aircraft on dry lease.

Consequent to the above approval, the GoP provided Rs. 11,758 million and Rs. 2,945 million as financial assistance to the company to enable it to make payments, of loan instalments, to overdue vendors.

Consequent to the above approval, the GoP provided Rs. 11,758 million and Rs 2,945 million as financial assistance to the Holding company to enable it to make payments, of loan instalments, to overdue vendors including payments to Exim Bank Guaranteed loan instalments.

During the year ended December 31, 2014 the ECC in principle approved the following financial measures for the Holding Company:

- Issuance of GoP guarantees amount to Rs. 14,000 million enabling PIA for acquisition of loans from different banks to cater immediate funding requirements;
- Issuance of GoP guarantees to the extent the Holding Company pays its guaranteed loans;
- Funds of US\$ 52 million for acquisition of aircrafts on dry lease and immediately released Rs. 1,297 million for this purpose.

During the year ended December 31, 2014 the ECC in principle approved issuance of fresh guarantees to the extent the Holding company pays off its GoP Guaranteed loan and approved issuance of GoP Guarantees amounting to Rs. 14 billion for acquisition of loans from different banks to cater immediate funding requirements. ECC also in principle approved funds amounting to USD 52 million for acquisition of aircraft on dry lease and immediately released Rs. 1,297 million for this purpose. During the period, the remaining amount of Rs. 3,974 million has been received by the Holding company.

During the year ended December 31, 2015, the remaining amount of Rs. 3,974 million out of US\$ 52 million was received by the Holding Company. The Holding Company issued 2,356.54 million shares of Rs 10 each amounting to Rs. 23,566.436 million to the GoP in lieu of advance against equity. However the legal formalities for the said issuance are still in process.

During the period ended June 30, 2016, ECC in principle enhanced the GoP guarantee limit by Rs. 5,000 million.

As at September 30, 2016 the Holding Company is operating a fleet size of fleet to a total of 37 aircraft with eleven (11) 777, eleven (11) A320, four (04) A310, five (05) ATR72 and six (06) ATR42 aircrafts. The Holding Company is also in the process of acquisition of more aircraft on dry lease and tenders have been floated for acquisition of four wide body and four narrow body aircraft.

In addition to the above measures taken by the Holding Company and the GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Holding Company. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from non-core activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircraft on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

Further, during the year ended December 31, 2015, the Ministry of Finance has approved the restructuring of Sukuk Certificates and it is at final stage of completion. The Holding Company successfully concluded a GoP, EXIM/ICIEC's guaranteed loan facility of USD 124.9 million to fund overhauling (refer note 9).

The GoP through Privatization Commission, has also initiated the process of restructuring the Holding company leading to private sector participation in the core operations of the Holding company, and for this purpose a consortium has been appointed as Financial Advisor. In view of the above, management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these consolidated financial statements on a going concern basis.

2 BASIS OF PREPARATION

- 2.1 These consolidated condensed interim financial statements of the Holding company for the nine months period ended September 30, 2016 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance), in case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.
- 2.2 These consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Holding company's annual consolidated financial statements for the year ended December 31, 2015.
- 2.3 The US \$ amounts reported in the consolidated condensed interim balance sheet, consolidated condensed interim profit and loss account and consolidated condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of these consolidated condensed interim financial statements. The US \$ amounts in the consolidated condensed interim balance sheet have been translated into US \$ at the rate of Rs 104.730 = US \$ 1 (December 31, 2015: Rs 104.8715 = US \$ 1). The US \$ amounts in consolidated condensed interim profit and loss account and consolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs 104.7307 = US \$ 1 (September 30, 2015: Rs 104.5704 = US \$ 1).

3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies, estimates, judgments and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Holding company for the year ended December 31, 2014, except for the changes in accounting estimates as stated in note 4.2.
- 3.2 The Holding company's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended December 31, 2015.
- 3.3 **New / revised standards, amendments to approved accounting standards and new interpretations which become effective during the nine month period ended September 30, 2016:**
There were certain amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the Holding company's operations and are, therefore, not disclosed in these condensed interim financial statements.
- 3.4 **New / revised standards, amendments to approved accounting standards and new interpretations published but are not effective:**

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning after January 1, 2016 but are considered not to be relevant or will not have any significant effect on the Holding company's operations and are, therefore, not detailed in these condensed interim financial statements.

3.5 Restatement of comparatives and reclassifications

As stated in note 2.8 to the annual financial statements for the year ended December 31, 2015, effective from December 1, 2014 the Holding Company changed its accounting policy in relation to its investments in subsidiaries from costs to 'fair values' and classified as available for sale investment in accordance with International Accounting Standard 39 'Financial instruments: Recognition and measurement' (IAS 39). The exercise to determine the fair values of its investments in subsidiaries has not yet been concluded due to practical difficulties. The management based on exercise results to date considered that it is impracticable to determine the fair values of the investment in subsidiaries due to unquoted investments with substantial accuracy as required by IAS 39 which states that 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. As a result of this, the management has reverted back to previous policy and investment in subsidiaries are now carried at cost less impairment, if any, with retrospective effect.

These were corrected in accordance with the requirements of IAS-8, 'Accounting Policies, Changes in Accounting Estimates and Errors' in the consolidated financial statements for the year ended December 31, 2015 with retrospective effect. The effect of these on comparatives are as below:

		September 30, 2015 (Un-Audited) (Rupees in '000)
Effect on consolidated profit and loss account		
Increase in deferred tax income		(1,221,825)
Correction of errors		
Effect on consolidated 'other comprehensive income'		
Reversal of loss on remeasurement of investment in subsidiaries		(302,323)
Impact of deferred tax on remeasurement of investment in subsidiaries		1,221,825
		919,502
Total consolidated comprehensive income		(302,323)
Net effect to consolidated equity		(302,323)
		September 30, 2015 (Un-Audited) (Rupees in '000)
From	To	
Administration expenses: Welfare and social security costs	Cost of services - Others: Welfare and social security costs	1,014,586
Administration expenses: Welfare and social security costs	Distribution costs: Welfare and social security costs	104,278

		September 30, 2016	December 31, 2015
	Note	(Un-Audited)	(Audited)
		Rupees in '000	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1 & 4.2	132,974,973	137,737,718
Capital work-in-progress		1,864,897	390,769
		<u>134,839,780</u>	<u>138,098,487</u>

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

	Nine months period ended	
	September 30, 2016	September 30, 2015
	(Un-Audited)	(Un-Audited)
	Rupees in '000	
Additions / Transfers / Adjustments		
Owened		
Workshops and hangers	7,031	136
Renovation and improvements	50,500	9,020
Aircraft fleet / engines overhauling	-	824,382
Operating ground, catering, communication and meteorological equipment	3,686	3,137
Engineering equipment and tools	30,246	1,282
Traffic equipment	-	4,922
Furniture, fixtures and fittings	11,790	10,075
Motor transport	7,318	-
Precision engineering equipment	6,948	120
Office equipment	450	-
Computer and office automation	20,311	-
Other equipment	5,282	21,149
Capital spares	163,889	78,804
	<u>313,241</u>	<u>853,034</u>
<i>Leased aircraft fleet</i>	-	816,066
	<u>313,241</u>	<u>1,769,120</u>
Deletions / write off net book value		
Owened		
Buildings on leasehold land	39,408	-
Renovation and improvements	-	-
Aircraft fleet	64,855	-
Operating ground, catering, communication and meteorological	405	-
Engineering equipment and tools *	-	-
Aircraft fleet / Engines overhauling	-	124,266
Furniture, Fixtures and fitting	9,885	36
Motor transport	679	1,562
Computer and Office Automation	-	184
Office equipment	106	-
Traffic equipment	169,520	-
Other equipment	171,737	-
Capital spares - written off	5,962	1,997
	<u>461,548</u>	<u>128,045</u>

4.2 As at December 31, 2015, the aircraft fleet included eight A-310 aircrafts including spare engines which were stated at revalued amount of Rs. 1,815,664 million on which an aggregate surplus of Rs. 27,165 million appearing in the surplus on revaluation of fixed assets.

During the period ended September 30, 2016, four A-310 aircraft have been grounded / retired from operation due to old aged and requirements of major improvements and modification. Accordingly, the carrying value of these four airframe of A-310 aircrafts of Rs. 64,855 million have been credited while debiting the consolidated condensed interim profit and loss account by Rs. 618,705 million including the release of deficit from equity of Rs. 553,850 million, without taking its effects on related capital spares and stores and spares. As a result, as at June 30, 2016, the aircraft fleet included four A-310 aircraft including spares engines at the carrying value of Rs. 1,977,797 million on which an aggregate surplus of Rs. 587,050 million is appearing in the surplus on revaluation of fixed assets. As at June 30, 2016, the carrying value of related capital spares and stores and spares is Rs. 409,426 million and Rs. 599,722 million respectively due to old aged and requirements of major improvements and modification. Accordingly, the carrying value of these four airframe of A-310 aircrafts of Rs. 64,855 million have been credited while debiting the unconsolidated condensed interim profit and loss account by Rs. 618,705 million including the release of deficit from equity of Rs. 553,850 million, without taking its effects on related capital spares and stores and spares.

As a result, as at September 30, 2016, the aircraft fleet included four A-310 aircraft including spares engines at the carrying value of Rs. 1,977.797 million on which an aggregate surplus of Rs. 567.058 million is appearing in the surplus on revaluation of fixed assets. As at June 30, 2016, the carrying value of related capital spares and stores and spares is Rs. 409.425 million and Rs. 589.722 million respectively.

In order to keep remaining four aircraft flying beyond December, 31 2016 major investment and modifications to the structure were needed which have not been considered feasible by the Company's management due to their old age. Hence it had been decided by the management subsequent to period to ground / retire from operation these remaining four A-310 aircraft.

Accordingly, in order to fetch a good market price, an international tender was floated for these four A-310 which appeared in July 31, 2016 for bid opening on August 31, 2016. However, no bids were received and the exercise was floated on November 09, 2016 for bid opening on December 13, 2016 only single bid for one A-310 (without engines) at Euro 47,500 with the intention to park it in the Leipzig/Halle Airport, Germany. Accordingly, aircraft A-310, AP-BEQ was transported on November 25, 2016 before the completion of formal bidding procedures. Therefore, the inquiry in respect of sale of A-310, AP-BEQ has been initiated, the outcome of which is pending to date.

The management is of the view that the fair value of remaining four A-310 aircrafts including spares engines as at September 30, 2016 could not be determined till the time of completion of inquiry. Therefore, the management has not carried out any exercise to assess that whether remaining four A-310 aircrafts including spares engines, related capital spares and stores and spares are stated at their recoverable amount as at June 30, 2016 in accordance with the requirements of International Accounting Standard (IAS 36) 'Impairment of Assets' and the Company's accounting policy for impairment and accordingly adjustment, if any, in this respect has not been made in these unconsolidated condensed interim financial information for the period ended September 30, 2016.

4.3 Change in Estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2015, the useful lives of aircraft fleet have been reassessed. In addition, management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current period. Had there been no change in useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the period would have been higher by Rs 131.55 million, whereas the effect on future periods is impracticable to ascertain considering subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

Note	September 30,	December 31,
	2016 (Un-Audited)	2015 (Audited)
Rupees in '000		
5 OTHER RECEIVABLES		
Considered good		
Claims receivable	10,598	8,749
Excise duty	100,000	100,000
Sales tax receivable	5.1 4,970,191	5,217,908
Rental income	189,602	189,657
Receivable from GoP	5.2 816,135	470,040
Others	5.3 1,417,865	459,539
	7,363,991	6,445,893
Considered doubtful		
Less: provision for doubtful other receivables	-	194,334
	-	(194,334)
	-	-
	7,363,991	6,445,893

5.1 This includes sales tax refundable aggregating Rs 4,768,030 million (December 31, 2014: Rs. 4,781,619 million) representing unadjusted portion of input tax under Sales Tax Act, 1990. The Holding company has filed application for refunds upto December 31, 2011. In response, Additional Commissioner IR, LTU through a letter has intimated 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.

The Holding company in consultation with its tax adviser believes that apportionment rule is not applicable in the subject case intaxila, 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. The management has represented before the FBR its view and subsequently no adverse inference has been communicated on the matter. 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.

5.2 This represents receivable in respect of charter revenue, maintenance and other charges.

5.3 This includes receivable from supplier amounting to Rs. 841.081 million (December 31, 2015: Rs. 211.566 million) and receivable from Mihal France S.A. - a sub-subsidiary company, amounting to Rs. 101.288 million (December 31, 2015: Rs. 66.112 million).

		September 30, 2016 (Un- Audited)	December 31, 2015 (Audited)
	Note	Rupees in '000	
6 CASH AND BANK BALANCES			
In hand		22,251	34,594
In Transit		11,676	8,871
		<u>33,927</u>	<u>33,465</u>
With banks			
- in current accounts	6.1	5,498,067	2,703,470
- in savings accounts	6.2 & 6.3	4,065,155	4,089,301
		<u>16,368,222</u>	<u>7,091,777</u>
		<u>16,368,148</u>	<u>7,025,242</u>

6.1 This has been adjusted by an aggregate amount of Rs. 1,454,397 million (December 31, 2015: Rs. 2,025,585 million), representing bank overdrafts.

6.2 This has been adjusted by an aggregate amount of Rs. 3,165 million (December 31, 2015: Rs. 323,526 million), representing bank overdrafts.

6.3 These include restricted balances amounting to Rs. 220 million (December 31, 2015: Rs. 14,271 million).

7 LONG-TERM FINANCING

Financier	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	Note	September 30, 2016 (Un- Audited)	December 31, 2015 (Audited)
						Rupees in '000	
Secured - from							
Abu Dhabi Islamic Bank	Islamic Term finance	US\$ 70.7	2016 - 2018	4 half yearly	6.7	4,815,882	3,783,613
Askari Bank Limited	Term Finance	PKR 3000	2017-2019	36 Monthly	6.2	3,000,000	3,000,000
BankIslam Pakistan Limited (transferred from KASB Bank Limited)	Islamic Term finance	PKR 1500	2019-2021	6 Quarterly	6.3	1,500,000	-
Bank of Punjab	Term Finance	PKR 3000	2016-2021	60 Monthly	6.2	4,500,000	-
Bank of Punjab	Term Finance	PKR 3000	2016-2021	60 Monthly	6.2	4,833,333	-
Citi Maafrq	Term Finance	US \$ 120	2016 - 2019	32 monthly	6.11	9,818,297	12,094,580
Citi NA	Term Finance	US \$ 54.2	2015-2018	8 Quarterly	6.10	1,455,339	1,084,376
Citibank, N.A.	Demand Finance	US \$82	2006 - 2017	20 half yearly	6.9	491,637	890,477
Citibank, N.A.	Islamic Finance	US \$120 & AED 36.75	2014 - 2016	33 monthly	6.8	826,589	4,545,499
Faysal Bank Limited	Term Finance	PKR 2,000	2013 - 2016	36 monthly	6.2	-	383,879
Faysal Bank Limited	Term Finance	PKR 2000	2016-2019	12 Quarterly	6.2	1,719,887	2,000,000
Faysal Bank Limited	Islamic Term finance	PKR 1000	2017-2019	12 Quarterly	6.2	1,000,000	1,000,000
Faysal Bank Limited	Term Finance	PKR 2000	2015 - 2018	12 Quarterly	6.2	1,333,333	1,631,676
Faysal Bank Limited	Term Finance	PKR 4000	2017 - 2020	14 Quarterly	6.2	4,000,000	-
National Bank of Pakistan	Term Finance	PKR 3000	2016-2019	36 Monthly	6.5	3,000,000	3,000,000
National Bank of Pakistan - Bahrain	Syndicate Finance	US \$ 120	2013 - 2023	40 Quarterly	6.6	11,726,161	11,055,361
National Bank of Pakistan	Term Finance	PKR 2175	2019-2020	12 Quarterly	6.2	2,175,000	2,074,577
National Bank of Pakistan	Term Finance	PKR 2825	2016 - 2021	12 Quarterly	6.2	2,825,000	-
NIB Bank Limited	Term Finance	PKR 10000	2015-2020	60 Monthly	6.2	7,666,667	9,198,667
Standard Chartered Bank Limited	Syndicate Finance	US \$ 137.5	2014-2017	33 Monthly	6.12	1,745,475	5,680,540
Askari Bank limited	Leasing	PKR 500	2016-2020	48 monthly	6.4	110,289	-
Bank Al Baraka	Islamic Finance	PKR 4500	2019-2021	36 Monthly	6.2	4,500,000	-
UBL	Term Finance	PKR 1500	2016 - 2021	54 monthly	6.2	1,388,889	1,500,000
UBL	Term Finance	PKR 50000	2015-2020	54 monthly	6.2	3,981,481	4,514,815
Others - unsecured							
Long term loan - GoP	Term Finance	PKR 8000	2011 - 2020	18 half yearly	6.1	8,000,000	8,000,000
						<u>66,362,676</u>	<u>77,361,266</u>

Financier	Type of facility	Facility amount (million)	Number of installments / Mode	September 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
				----- Rupees in '000 -----	
Balance brought forward				86,382,679	77,301,250
PIAIL					
Hong Kong Shanghai Banking Corporation	Loan	28,997 Euro	2004-2017	568,572	563,876
JP Morgan Chase	Loan	140 USD	2011-2016	14,174,481	14,440,907
				101,125,732	92,326,035
				(26,738,885)	(27,963,991)
				74,386,847	64,362,044

Current maturity shown under current liabilities

- 7.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (December 31, 2015: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR (December 31, 2015: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 5.28% (December 31, 2015: 5.28%) whereas variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4.00% over 1 month LIBOR (December 31, 2015: 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR). Borrowings in AED carry variable markup with spread of 4% over 3 month EIBOR (December 31, 2015: 4% over 3 month EIBOR).
- 7.2 The finance are secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.
- 7.3 The facility is converted from short term loan to long term financing on diminishing Musharakah basis. The finance is secured by way of lien over Musharakah Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for an amount.
- 7.4 The Finance is obtained in order to lease Equipment Secured through GoP Guarantee for loan outstanding at any given point of time.
- 7.5 The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Corporation 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 Corporation's sales routed through collection account NBP Airport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, therefore said ranking charge has been released by NBP.
- 7.6 The following are the participating banks in this syndicated finance facility:
 - National Bank of Pakistan (NBP) - Bahrain; and
 - Habib Bank Limited (HBL)
- 7.7 The finance is secured against ICIEC/ GoP guarantee for loans outstanding at any given point of time.
- 7.8 The facility is obtained from consortium of financial institutions in which Citibank N.A. is the investment agent. The finance is secured by way of collection routed through the offshore account maintained with Citibank N.A. London Branch.
- 7.9 The finance is secured by way of:
 - Mortgage over each of the six ATR aircrafts and two spares engines purchased, and
 - European Credit Agencies / GoP Guarantees.
- 7.10 The finance is secured against EXIM / GoP guarantee for loan outstanding at any given point of time.
- 7.11 The finance is secured by way of collection routed through the offshore bank account maintained with Citi Mashreq.
- 7.12 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.
- 7.13 The Corporation has not paid any installment since due date of installment, i.e. October 23, 2011. The over due principal and markup due as at September 30, 2016 is Rs 4,812 million and Rs. 5,698.36 million, respectively. The over due principal amount is included in current maturity.

8 TERM FINANCE AND SUKUK CERTIFICATES

	Security	Note	Repayment period	Number of Installment	Mark-up	September 30 2016 (Un-Audited)	December 31 2015 (Audited)
						----- Rupees in '000 -----	
Term finance certificates	GoP Guarantee	8.1	2014 - 2020	16 Quarterly	6 month KIBOR + 1.25%	36,816,009	32,870,410
Term finance certificates (Zero Coupon)	GoP Guarantee	8.1	2014-2016	4 half-yearly	-	-	233,218
Sukuk certificates	GoP Guarantee	8.2	October 20, 2014	Bullet	6 month KIBOR + 1.75%	6,800,000	6,800,000
						37,616,009	39,903,628
Less: Current maturity						(10,272,056)	(13,196,419)
						27,343,953	26,707,209

8.1 Principal amounting to PKR 2,054 Million was due at Sep-30,2016, subsequent to the period end paid by Corporation.

8.2 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 along with other terms of Sukuk Certificates, with the assistance of the Ministry. 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 has approved the restructuring and new agreement has been signed as at June 28, 2016. Accordingly, the same has been classified as non-current liability.

Note	September 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	Rupees in '000	
9 TRADE AND OTHER PAYABLES		
Trade creditors		
Goods	18,732,801	15,807,236
Services	6,377,319	4,332,596
Airport related charges	19,366,572	16,525,429
Others	7,445	377,862
	<u>44,484,136</u>	<u>37,043,123</u>
Other Liabilities		
Accrued liabilities	11,517,755	6,088,566
Advance against transportation (unearned revenue)	10,547,215	10,864,375
Obligation for compensated absences- Holding company	7,213,250	6,385,556
Unredeemed frequent flyer liabilities	744,014	744,008
Advance from customers	1,441,751	1,007,858
Amount due to Associate undertaking	314,954	189,096
Advances and deposits	272,831	219,085
Earnest money	1,083	999
Payable to Holding company employees' provident fund	9.1	10,691,939
Unclaimed dividend - Preference shares	8,493	8,493
Collection on behalf of others	31,552,010	24,608,025
Customs and federal excise duty	3,672,304	2,855,999
Federal excise duty - International travel	8,726,252	7,811,194
Income tax deducted at source	1,091,186	1,328,163
Sales tax payable	2,894	5,303
Bed tax	694	682
Payable to EDB/SESSI	647	565
Short-term deposits	902,605	859,715
Others	153,559	42,468
	<u>133,339,573</u>	<u>110,533,748</u>
9.1 These amounts are payable to Pakistan International Airlines Holding company Employees' Provident Fund (EPF) and carry mark-up based on the discount rate announced by the State Bank of Pakistan, which could not be paid to the EPF in accordance with section 227 of the Companies Ordinance, 1984 due to the liquidity constraints.		
10 SHORT-TERM BORROWINGS - secured		
Short-term loans - secured	10.1	30,802,556
Running finance under mark-up arrangements	10.2	4,066,099
		<u>34,868,655</u>
		<u>32,303,644</u>
		<u>4,636,357</u>
		<u>36,940,201</u>

10.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Expiry date	September 30, 2016	December 31, 2015
				(Un-Audited)	(Audited)
From Banking Companies					
	Note			Rupees in '000	
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Oct-16	5,000,000	5,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Oct-16	5,000,000	5,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Oct-16	5,000,000	5,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	4,360 PKR	31-Oct-16	4,360,000	4,360,000
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	31-Oct-16	3,500,000	3,500,000
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	31-Oct-16	3,000,000	3,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Oct-16	2,000,000	2,000,000
National Bank of Pakistan	Unconditional irrevocable continuing GOP Guarantee; ten / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Oct-16	2,000,000	2,000,000
BankIslami Pakistan Limited (transferred from KASB Bank Limited)	10.1.2 GOP Guarantee and also covered by 1st Part Passu charge over receivables with 25% margin.	1,500 PKR	13-May-15	-	1,500,000
Hatib Ailed International Bank Limited - London	10.1.3 EURO receivables	4 & 5 USD	Continuous	942,556	943,844
				30,902,556	32,933,844

10.1.1 The borrowings in PKR carry mark-up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (2014: spread of 0.85% to 2.0% over 1 month and 3 months KIBOR respectively). The borrowings in foreign currency carry mark-up of 3.75% over 3 month LIBOR (2014: a spread of 4% to 5.75% over 1 month and 3 months LIBOR).

10.1.2 Loan liability has been transferred from KASB Bank Limited to Bank Islami Limited as per the approval of State Bank of Pakistan. The loan liability transferred from short term to long term on Diminishing mushaka basis.

10.1.3 The agreements of these borrowings have expired either during the year or subsequent to the year-end and the Company is currently in the process of renewal of these loans with the financiers.

Raising finance under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million) Note 13.2.2	Expiry date	September 30, 2016 (Un-Audited) —Rupees in '000—	December 31, 2015 (Audited)	
Secured	Note						
The Bank of Punjab	10.2.4	Ranking charge on present and future stocks and stock debts of Mijaur Azad Jamina Kashmir (AJK) for PKR 734 million including 25% margin. Irrevocable undertaking to route all collection in Mijaur, AJK from BOP counter.	550 PKR	550 PKR	30-Jun-16	-	503,669
Habb Bank Limited		Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the company for PKR 2,500 million including 25% margin or as per SGP requirement, whichever is higher.	350 PKR	46 PKR	30-Sep-16	304,321	288,496
National Bank of Pakistan		First pari passu hypothecation charge of PKR 766,957 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. 636 million payable on demand.	575 PKR	-	31-Oct-16	581,355	440,941
United Bank Limited - Karachi		Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	140 PKR	31-Jul-17	2,436,962	2,244,436
Habb Allied International Bank Limited - London	10.2.3	EURO receivables	3 USD	0.03 USD	On Demand	315,046	314,853
Un-secured							
Habb American Bank	10.2.3	-	1.5 USD	0.4 USD	On Demand	126,169	108,661
Citibank N.A.	10.2.3	-	3 USD	-	On Demand	314,166	314,615
Citibank N.A.	10.2.3		4 USD	-	Temporary Line	-	418,486
					4,066,069	4,636,357	

19.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month KIBOR (December 31, 2015: 1.5% to 2.0% over 1 month and 3months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25%(December 31, 2015: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 3 month LIBOR and 2% over Citibank Rate (December 31, 2015: spread of 3.5% over 3 month LIBOR and 2% over Citibank Rate).

19.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at September 30, 2016.

19.2.3 The agreements of these facility has expired subsequent to the year end and the Company is currently in the process of renewal of the facility with the respective banks.

19.2.4 The Facility have been fully paid by the holding Company as at June 30, 2016.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There has been no material change in the status of contingencies as disclosed in notes 11 to the consolidated condensed interim financial statements for the half year ended June 30, 2016, except followings;

The amount of future payments in operating lease arrangement relating to aircrafts 777-200 ER, 737-800, A 320-232 and A 320-200 and the period in which these payments will become due is as follows:

	September 30 2016 (Un-Audited) —Rupees in '000—	December 31 2015 (Audited)
Not later than one year	6,893,230	7,575,917
Later than one year but not later than five years	26,462,062	29,980,899
Later than five years	496,610	6,559,625
	33,851,902	44,116,441

	Nine months period ended		Quarter Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
	Rupees '000			
12 REVENUE - Net				
Passenger	61,659,458	63,884,735	23,243,691	21,432,536
Cargo	2,606,348	2,684,193	1,149,667	853,002
Excess baggage	562,579	569,100	191,680	179,815
Charter	450,615	282,607	137,822	81,248
Engineering services	810,879	291,583	219,791	72,481
Handling and related services	446,418	384,997	278,992	110,828
Mail	206,318	178,027	71,825	59,021
Room, food and beverages sales	8,520,610	9,053,925	3,876,899	3,381,832
Others	3,279,746	1,934,294	1,809,640	821,819
	<u>77,542,971</u>	<u>79,263,461</u>	<u>29,379,646</u>	<u>26,792,582</u>

	Nine months period ended		Quarter Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
	Rupees '000			
		(Restated)		(Restated)

13 COST OF SERVICES - Others

Salaries, wages and allowances	15,028,409	11,836,447	5,968,624	4,066,818
Welfare and social security costs	1,810,899	1,183,759	572,024	1,066,677
Retirement benefits	1,540,228	1,576,517	550,513	524,376
Compensated Absences	995,940	294,254	174,235	98,085
Legal and professional charges	33,009	30,263	16,231	2,504
Stores and spares consumed	986,789	791,089	248,564	311,539
Repair, Maintenance and overhaul	7,415,262	3,648,134	2,905,545	1,825,310
Flight equipment rental	5,666,745	5,145,094	2,502,432	2,003,836
Landing and handling	11,182,091	8,966,757	4,879,750	2,928,356
Passenger services	2,340,963	1,946,746	780,822	645,908
Crew layover	2,060,853	1,842,369	744,539	650,612
Staff training	76,131	115,193	43,330	63,943
Food cost	474,601	410,381	188,210	128,058
Utilities	55,851	48,932	20,387	11,579
Communication	2,548,343	2,301,152	794,647	745,950
Insurance	761,411	821,087	255,968	268,863
Rent, rates and taxes	592,674	551,775	205,425	129,282
Printing and stationery	114,784	171,893	37,580	68,217
Amortization	10,143	17,286	3,356	5,821
Depreciation	4,983,207	4,448,003	1,537,673	1,500,715
Others	1,985,214	2,450,378	699,443	323,210
	<u>60,225,547</u>	<u>48,620,521</u>	<u>20,529,239</u>	<u>17,169,559</u>

14 OTHER PROVISIONS AND ADJUSTMENTS

Property, plant and equipment				
- loss on disposal of aircraft fleet	64,855	-	-	-
- deficit released from surplus on aircraft disposed off	553,850	36,272	-	85
- other assets written off	282,653	-	-	-
	<u>911,358</u>	<u>36,272</u>	<u>-</u>	<u>85</u>
Provision for slow moving and obsolete spares	73,962	654,704	555	54
Provision for doubtful debts	323,104	480,837	100,915	150,000
Provision against doubtful advances	8,026	167,540	1,834	-
Provision against doubtful deposits	125,736	-	-	-

Provision / (reversal) against CWIP
 Provision against other receivable
 Late payment surcharge on fuel
 Others

Nine months period ended		Quarter Ended	
September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)
2,650	-	-	-
12,814	-	-	-
1,344,293	1,501,614	334,415	206,958
27,916	33,114	-	-
2,829,659	2,874,081	437,719	357,097

Nine months period ended		Quarter Ended	
September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited)
4,304,032	3,081,667	1,512,651	1,125,961
1,879,388	2,458,414	604,670	751,985
2,063,371	2,721,981	674,391	764,335
70,694	57,838	24,131	20,419
8,257,485	8,319,998	2,814,643	2,662,700

15 FINANCE COSTS

Mark-up on:

- long term financing

Return on term finance certificates

- short term borrowings

- advance from a subsidiary

Profit on sukuk certificates

Interest on liabilities against assets subject to finance leases

Interest to pension / provident fund

Discounting on deposits

Arrangement, agency and commitment fee

Bank charges, guarantee commission and other related charges

Amortisation of prepaid expense fee

Nine months period ended		Quarter Ended	
September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited)
4,304,032	3,081,667	1,512,651	1,125,961
1,879,388	2,458,414	604,670	751,985
2,063,371	2,721,981	674,391	764,335
70,694	57,838	24,131	20,419
8,257,485	8,319,998	2,814,643	2,662,700
418,396	536,082	138,632	164,713
233,551	327,504	68,601	89,778
450,948	542,594	154,578	167,690
(63,542)	(7,281)	(16,196)	-
238,461	269,629	42,956	-
41,032	143,708	15,770	87,048
191,622	194,782	63,230	110,505
9,767,953	10,327,016	3,286,414	3,262,434

Nine months period ended		Quarter Ended	
September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)
555,935	629,912	182,796	256,773
(166,155)	42,148	-	-
389,780	672,060	182,796	256,773

16 TAXATION

Current

Deferred

Note

16.1

Nine months period ended		Quarter Ended	
September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)
555,935	629,912	182,796	256,773
(166,155)	42,148	-	-
389,780	672,060	182,796	256,773

16.1 Current

There has been no change in the status of contingencies as disclosed in notes 38.1 to the annual consolidated financial statements for the year ended December 31, 2015.

Nine months period ended		Quarter ended	
September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)
(26,876,567)	(18,505,392)	(6,108,862)	(5,743,304)

17 LOSS PER SHARE

- BASIC AND DILUTED

Loss after taxation

Weighted average number of ordinary shares outstanding

Loss attributable to:

A' class ordinary shares

B' class ordinary shares

Nine months period ended		Quarter ended	
September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)	September 30, 2016 (Un-Audited)	September 30, 2015 (Un-Audited) (Restated)
(26,876,567)	(18,505,392)	(6,108,862)	(5,743,304)
— No. of ordinary shares —			
5,234,511,117	5,046,558,127	5,234,511,117	5,234,511,117
— Rupees —			
(5.13)	(3.67)	(1.17)	(1.10)
(2.57)	(1.84)	(0.89)	(0.85)

17.1 Since the 'advance against equity' is convertible into ordinary share capital of the Holding company, its impact has been taken into account while calculating 'earnings per share - basic' i.e. loss per share, as the shares against such advance will be issued at par.

17.2 The weighted average number of shares as at September 30, 2016, exceeds the number of authorised shares of the Holding company due to the reason mentioned in note 7.

17.3 There were no dilutive potential ordinary shares outstanding as at September 30, 2016 and 2015.

Nine months period ended	
September 30, 2016	September 30, 2015
(Un-Audited)	(Un-Audited) (Restated)
— Rupees in '000 —	

18 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

Loss before taxation	(26,486,787)	(17,833,332)
Adjustments for non cash items:		
Depreciation	5,004,853	4,866,437
Gain on disposal of property, plant and equipment	84,855	(187,564)
Amortization	24,148	20,233
Provision for slow moving stores and spares	73,962	654,704
Provision for employees' benefits	3,274,837	3,270,059
Provision for doubtful debts	323,104	480,837
Provision / (reversal) against doubtful advances	8,026	-
Provision against doubtful deposits	125,736	-
Provision against other receivable	12,814	-
Finance costs	9,787,953	10,327,016
Unrealised exchange (gain)/loss	97,648	2,004,006
Deficit released on write off of aircraft	553,850	36,272
Profit on bank deposits	(47,184)	(27,702)
Cash generated from operations before working capital changes	(7,202,085)	3,611,566
Working capital changes:		
Decrease / (increase) in stores and spare parts	(196,523)	(75,267)
Increase / (decrease) in trade debts	895,463	918,154
Decrease / (increase) in advances	(361,500)	(976,558)
Decrease in trade deposits and prepayments	(2,420,376)	(844,238)
Increase in other receivables	(870,822)	(725,182)
Increase / (decrease) in trade and other payables	21,978,131	5,385,858
	19,024,373	3,682,767
Cash generated from operations	11,822,288	7,294,333

19 TRANSACTIONS WITH RELATED PARTIES

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

Nine months period ended	
September 30, 2016	September 30, 2015
(Un-Audited)	(Un-Audited)
— Rupees in '000 —	

Skyrooms (Private) Limited – Subsidiary

Payments made against in-transit passengers	116,799	-
Advances extended	1,833	-

PJA Investments Limited - Subsidiary

Management fee expense	32,547	-
Finance cost on advance	46,563	-
Advance received	-	-

Minhal France S.A. - Sub-subsidiary

Management fee income	51,767	-
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Abacus Distribution Systems Pakistan

(Private) Limited - Subsidiary		
Charges in respect of courier services	122	-

Retirement funds

Contribution to Provident fund	3,732,199	306,758
Interest on loans from provident fund	443,547	491,709

Profit oriented state - controlled entities - common ownership

Purchase fuel	7,212,647	13,544,804
Insurance Premium	752,592	796,763
Late Payment Surcharge	1,514,817	-
Finance cost charged	3,434,787	4,061,686

	Nine months period ended	
	September 30, 2016	September 30, 2015
	(Un-Audited)	(Un-Audited)
	Rupees in '000	
GoP - Major shareholder		
Finance cost charged	598,356	598,356
Advance against equity from GoP	-	3,974,371
Hajj revenue	-	2,010,128
Key management personnel		
Salaries, wages and others benefits	113,958	124,048

- 19.1 The Holding Company's sales of transportation services to subsidiaries, associates, directors and key management personnel are not determinable.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

20.1 Financial risk factors

The Holding Company activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk.

These consolidated condensed interim financial information do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the holding company's annual financial statements as at December 31, 2015. There have been no changes in any risk management policies since the year end.

20.2 Fair value estimation

As at September 30, 2016, Company's all assets and liabilities are carried at cost except for those mentioned below:

- The Holding Company's leasehold land, buildings on leasehold land and airfleet are stated at revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and subsequent accumulated impairment losses, if any;
- The Company classifies long-term investments in listed companies measured in the balance sheet at fair values; and
- The carrying value of all financial and non-financial assets and liabilities measured at other than cost in these consolidated condensed interim financial information approximate their fair values.

21 General

21.1 Non adjusting events after balance sheet date

On December 07, 2016, one of the aircraft (ATR-42) of the Corporation bearing tail number AP-BHO, operating on Flight No. PK - 661, was crashed near Havelian Tehsil, Abbotabad. Investigations for the identification of the reason for the crash are still in process. Further, insurance claim for the damage has been lodged by the holding company.

22 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on May 10, 2017 by the Board of Directors of the Holding company.


Chief Executive Officer


Director


Chief Executive Officer


Chief Financial Officer



VISION
AMBITION

Secretary - PIACL

PIA Building, Jinnah International Airport, Karachi - 75200, Pakistan.

UAN: 111-786-786 / 111-FLY-PIA

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COOPERATION