PAKISTAN
International Airlines
Great People to Fly With

Secretary-PIACL
PIA Building, Jinnah International Airport, Karachi-75200, PAKISTAN
Ph: 0092-21-99040000 UAN: 0092-21-111-786-786/111-FLY-PIA
www.piac.aero

PAKISTAN
International Airlines
Great People to Fly With

THIRD QUARTERLY REPORT 2017

پاکستان انٹرنیشنل ایئرلائنز کارپوریشن لمیٹڈ

FLEET THROUGH AGES

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CORPORATE PROFILE

As at July 05, 2018

BOARD OF DIRECTORS

Dr Ijaz Munir
Federal Secretary Aviation Division &
Chairman

Mr Atif Aslam Bajwa
Director

Syed Ghazanfar Abbas Jilani
Federal Secretary Economic Affairs Division &
Director

Mr Arif Ahmed Khan
Federal Secretary Finance &
Director

Mr Farrukh H Khan
Director

Mr Tariq Kirmani
Director

Mr Navaid H Malik
Director

Mr Haque Nawaz
Director

Mr Muhammad Ali Tabba
Director

Mr Muhammad Shuaib
Secretary-PIACL

Mr Jawed Mansha
Acting Internal Auditor

EXECUTIVE MANAGEMENT

Mr Musharraf Rasool Cyan
President & Chief Executive Officer

Mr Bilal Munir Sheikh
Chief Commercial Officer

Mr Nayyar Hayat
Chief Financial Officer

Capt Uzair M Khan
Chief Flight Operations

Mrs Asma Bajawa
Chief Human Resource Officer

Mr Zia Qadir Qureshi
Chief Operating Officer

Mr Younus Muhammad Khan
Chief Projects Officer

Mr Amanullah Qureshi
Chief Supply Chain Management Officer

Mr Kashif Rehman Rana
Chief System Officer

Mr Amir Ali
Chief Technical Officer

AVM Soban Nazir Syed
Director Precision Engineering Complex

AVM Noor Abbas
Advisor to President & CEO

Syed Zulqarnain Mehdi
Acting Chief Daily Operations Officer

OTHER CORPORATE INFORMATION

EXTERNAL AUDITORS

Messrs EY Ford Rhodes
Chartered Accountants

Messrs KPMG Taseer Hadi & Co.
Chartered Accountants

SHARE REGISTRAR

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

BANKERS

Al Barakat Bank
Askari Bank Limited
Bank of Punjab
Citi Bank New York
Faysal Bank Limited
Habib Allied International Bank, London
Habib Bank Limited
JS Bank
Mashreq Bank, Dubai
National Bank of Pakistan
Natwest London
Standard Chartered Bank Limited, London
United Bank Limited

REGISTERED OFFICE

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

BOARD'S COMMITTEES

As at July 05, 2018

NAME OF COMMITTEE	MEMBER NAME	
AUDIT COMMITTEE (BAC)	Mr Atif Aslam Bajwa	**Chairman**
	Mr Farrukh H Khan	Member
	Mr Tariq Kirmani	Member
	Mr Haque Nawaz	Member
FINANCE COMMITTEE (BFC)	Mr Arif Ahmed Khan *Federal Secretary Finance*	**Chairman** *(ex-officio)*
	Mr Atif Aslam Bajwa	Member
	Mr Musharraf Rasool Cyan *(President & CEO)*	Member
	Mr Navaid H Malik	Member
	Mr Haque Nawaz	Membe
HR & COMPENSATION COMMITTEE (BHRCC)	Mr Tariq Kirmani	**Chairman**
	Mr Musharraf Rasool Cyan *(President & CEO)*	Member
	Mr Farrukh H Khan	Member
	Mr Navaid H Malik	Member
	Dr Ijaz Munir *(Chairman-PIACL Board)*	Member
PROCUREMENT COMMITTEE (BPC)	Mr Musharraf Rasool Cyan *(President & CEO)*	Member
	Dr Ijaz Munir *(Chairman-PIACL Board)*	Member
	Mr Haque Nawaz	Member
	Mr Muhammad Ali Tabba	Member
COMMERCIAL, OPERATIONS & ENGINEERING COMMITTEE (BCOEC)	Mr Navaid H Malik	**Chairman**
	Mr Musharraf Rasool Cyan *(President & CEO)*	Member
	Mr Tariq Kirmani	Member
	Dr Ijaz Munir *(Chairman-PIACL Board)*	Member

DIRECTORS' REPORT - FOR THE PERIOD ENDED Sept 30, 2017

Dear Shareholders

The Directors of Pakistan International Airlines Corporation Limited are pleased to present the performance report along with the financial statements for the period of nine months ended September 30, 2017. The financial results for the period are summarized below;

(Rs. In Billion)

	2017	2016
Revenue (net)	68.887	67.903
Operating Costs & expenses	(88.054)	(85.569)
Operating Loss	**(19.167)**	**(17.666)**
Finance Cost	(11.322)	(9.439)
Loss Before Taxation	**(30.489)**	**(27.106)**

The Company has managed to sustain the positive trend in revenues as a growth of 1.45% was recoded in Airline revenues as compared to the corresponding period last year.

Global Brent oil prices continued to climb upwards resulting in an increase of 16.78% in the fuel cost as compared to the same period last year. The Organization continues to face liquidity problems which resulted in increased borrowings pushing the finance cost up by 20%. These two major factors contributed towards increase in the loss after taxation as compared to the corresponding period of last year.

Management's focus remained on enhancing the revenues by expanding the customer base of the Airline. Efforts are being made to upgrade the level of on board passenger comfort on our flights, a few initiatives in regards includes cabin refurbishment of entire fleet, improved in-flight meals and revamping of In-Flight Entertainment (IFE) system. Furthermore, extensive special trainings are being conducted for our cabin crew to augment their capacity to serve our valued customers even better. In addition to the above initiatives, management is also working on increasing the frequencies on routes giving better yields, and curtailing or all together shutting down not so profitable sectors. However, during the second and third quarter of the year 2017 comparatively better performance has been witnessed as 2.8% growth in revenues was recorded in comparison to the corresponding period of last year.

PIAIL and Skyroom Limited, subsidiaries of (PIACL) reported net profit of PKR 197.14 million and PKR 10.90 million respectively during the nine months period.

The operating environment in the region remains very challenging as we face excess capacity and falling yields. However, with the current revitalization plan being implemented across the Organization we are hopeful that despite the current downturn, with support of our customers, dedication of our employees and continued support of shareholders as well as Government of Pakistan, we will emerge stronger for the better times ahead.

For and on behalf of the Board

Dr. Ijaz Munir
Chairman

July 5, 2018

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UNCONSOLIDATED FINANCIAL STATEMENTS

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2017

	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		----------Rupees in '000----------		----------US$ in '000----------	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	4	67,820,509	68,831,114	643,296	656,442
- Intangibles		410,103	7,884	3,890	75
		68,230,612	68,838,998	647,186	656,517
Long-term investments		4,576,510	4,569,247	43,409	43,577
Long-term deposits and prepayments		7,588,915	7,032,142	71,983	67,066
Total non current assets		80,396,037	80,440,387	762,578	767,160
CURRENT ASSETS					
Stores and spares		2,639,131	2,556,206	25,033	24,379
Trade debts		8,899,995	8,566,349	84,419	81,697
Advances		2,930,744	2,289,346	27,799	21,833
Trade deposits and prepayments		4,411,778	3,891,575	41,847	37,114
Other receivables	5	8,089,254	8,817,299	76,729	84,091
Short-term investments		19,220	19,220	182	183
Cash and bank balances	6	3,998,840	3,496,492	37,930	33,346
Total current assets		30,988,962	29,636,487	293,939	282,643
TOTAL ASSETS		111,384,999	110,076,874	1,056,517	1,049,803
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Issued, subscribed and paid-up share capital	7	52,345,110	52,345,110	496,508	499,215
Reserves		4,439,549	4,432,287	42,110	42,271
Accumulated losses		(347,536,320)	(316,738,170)	(3,296,477)	(3,020,728)
Total Shareholders' Equity		(290,751,661)	(259,960,773)	(2,757,859)	(2,479,242)
Surplus on revaluation of property, plant and equipment- net		4,780,084	4,752,639	45,340	45,326
NON CURRENT LIABILITIES					
Long-term financing	8	94,529,612	74,829,943	896,639	713,652
Term finance and sukuk certificates	9	17,584,633	25,289,606	166,795	241,187
Liabilities against assets subject to finance lease		2,148,407	5,811,849	20,378	55,428
Advance from a subsidiary		4,209,758	4,208,390	39,931	40,135
Deferred liabilities		31,312,384	29,960,940	297,006	285,737
Total non-current liabilities		149,784,794	140,100,728	1,420,749	1,336,139
CURRENT LIABILITIES					
Trade and other payables	10	141,685,294	130,734,207	1,343,925	1,246,811
Accrued interest	11	13,878,680	13,320,252	131,643	127,035
Provision for taxation - net		563,075	541,326	5,341	5,163
Short-term borrowings	12	34,431,422	34,351,311	326,591	327,608
Current maturities of:					
- Long-term financing		41,383,646	30,412,813	392,535	290,046
- Term finance and sukuk certificates		10,001,180	8,217,603	94,864	78,371
- Liabilities against assets subject to finance lease		5,628,485	7,606,768	53,388	72,546
Total current liabilities		247,571,782	225,184,280	2,348,287	2,147,580
TOTAL LIABILITIES		397,356,576	365,285,008	3,769,036	3,483,719
TOTAL EQUITY AND LIABILITIES		111,384,999	110,076,874	1,056,517	1,049,803
Contingencies and Commitments	13				

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

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Note	Nine months period ended		Quarter ended		Nine months period ended	
		September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited) (Restated)	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited) (Restated)	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited) (Restated)
		Rupees in '000				US$ in '000	
REVENUE - NET	14	**68,887,747**	67,903,607	**25,812,265**	25,680,195	**653,419**	648,364
COST OF SERVICES							
Aircraft fuel		**(22,990,914)**	(19,685,311)	**(7,616,034)**	(7,591,055)	**(218,075)**	(187,961)
Others	15	**(55,048,633)**	(55,256,447)	**(18,326,292)**	(18,586,626)	**(522,151)**	(527,605)
		(78,039,547)	(74,941,758)	**(25,942,326)**	(26,177,681)	**(740,226)**	(715,566)
GROSS (LOSS)		**(9,151,800)**	(7,038,151)	**(130,061)**	(497,486)	**(86,807)**	(67,202)
Distribution costs		**(3,874,962)**	(3,435,962)	**(1,233,245)**	(889,326)	**(36,755)**	(32,808)
Administrative expenses		**(4,455,082)**	(4,814,244)	**(1,398,467)**	(1,587,108)	**(42,258)**	(45,968)
Other provisions and adjustments	16	**(1,605,493)**	(2,829,859)	**(483,228)**	(437,719)	**(15,229)**	(27,020)
Exchange Gain/(loss) - net		**(204,699)**	(95,255)	**(190,114)**	(1,727)	**(1,942)**	(910)
Other income		**124,800**	547,002	**16,599**	315,132	**1,184**	5,223
		(10,015,436)	(10,628,318)	**(3,288,455)**	(2,600,748)	**(95,000)**	(101,483)
LOSS FROM OPERATIONS		**(19,167,236)**	(17,666,468)	**(3,418,516)**	(3,098,234)	**(181,807)**	(168,685)
Finance cost	17	(11,322,040)	(9,439,746)	**(4,152,817)**	(3,176,854)	**(107,393)**	(90,134)
LOSS BEFORE TAXATION		**(30,489,276)**	(27,106,214)	**(7,571,333)**	(6,275,088)	**(289,200)**	(258,819)
Taxation	18	**(325,535)**	(173,363)	**(129,831)**	(128,401)	**(3,088)**	(1,655)
LOSS FOR THE PERIOD		**(30,814,811)**	(27,279,577)	**(7,701,164)**	(6,403,489)	**(292,288)**	(260,474)
LOSS PER SHARE - BASIC AND DILUTED		Rupees				US$	
Loss attributable to:							
'A' class ordinary shares of Rs. 10 each	19	**(5.89)**	(5.21)	**(1.47)**	(1.22)	**(0.06)**	(0.05)
'B' class ordinary shares of Rs. 5 each		**(2.95)**	(2.61)	**(0.74)**	(0.61)	**(0.03)**	(0.03)

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

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Nine months period ended		Quarter ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited)
	----------Rupees in '000----------			
Loss for the period	**(30,814,811)**	(27,279,577)	**(7,701,164)**	(6,403,489)
Other comprehensive income				
Items that will be reclassified subsequently to unconsolidated profit and loss account				
Unrealised gain on re-measurement of available for sale investments	**7,262**	61,220	**3,976**	39,652
Total comprehensive income for the period - loss	**(30,807,549)**	(27,218,357)	**(7,697,188)**	(6,363,837)

Surplus / (deficit) arising on revaluation of property, plant and equipment has been reported in accordance with the requirements of the Companies Ordinance, 1984 (now Companies Act,2017) 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 information.

Chief Executive Officer | **Director**

Chief Executive Officer | **Chief Financial Officer**

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Note	Nine months period ended		Nine months period ended	
		September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
		----------Rupees in '000----------		----------US$ in '000----------	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations after working capital changes	20	(2,379,381)	10,679,171	(22,569)	101,968
Profit on bank deposits received		9,213	47,184	87	451
Finance costs paid		(10,763,612)	(8,275,666)	(102,096)	(79,019)
Taxes paid		(322,690)	(79,440)	(3,061)	(759)
Staff retirement benefits paid		(1,114,511)	(697,334)	(10,571)	(6,658)
Long-term deposits and prepayments - net		(556,773)	3,363,369	(5,281)	32,114
Net cash (used in) / generated from operating activities		(15,127,754)	5,037,284	(143,491)	48,097
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(2,913,061)	(2,026,330)	(27,632)	(19,348)
Purchase of Intangibles		(455,708)	-	(4,324)	-
Proceeds from sale of property, plant and equipment		14,710	396,693	140	3,788
Net cash used in investing activities		(3,354,059)	(1,629,637)	(31,816)	(15,560)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term financing		(18,437,002)	(16,969,899)	(174,880)	(162,034)
Proceeds from long-term financing		48,929,726	24,599,179	464,112	234,880
Repayment of term finance certificates		(5,921,396)	(2,287,619)	(56,165)	(21,843)
Repayment of Short term borrowing		(3,143,081)	-	(29,812)	-
Proceeds from Short term borrowing		3,467,802	-	32,893	-
Repayment of obligations under finance lease		(5,692,498)	(5,367,163)	(53,995)	(51,247)
Net cash generated from/(used in) financing activities		19,203,551	(25,502)	182,153	(244)
Increase in cash and cash equivalents		721,738	3,382,145	6,846	32,293
Cash and cash equivalents at the begning of the period		(51,125)	(1,995,052)	(485)	(19,049)
Cash and cash equivalents at the end of the period		670,613	1,387,093	6,361	13,244
Cash and Cash Equivalents					
Cash and bank balances	6	3,998,840	5,453,192	37,930	52,069
Running finance under mark-up arrangements	12	(3,328,227)	(4,066,099)	(31,569)	(38,825)
		670,613	1,387,093	6,361	13,244

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

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Issued, subscribed, and paid-up share capital	Reserves				Accumulated losses	Total
		Capital reserves	Revenue reserves	Unrealised gain on remeasurement of investments	Subtotal		
	---------- Rupees in '000 ----------						
Balance as at January 1, 2016	52,345,110	2,501,038	1,779,674	93,909	4,374,621	(269,946,703)	(213,226,972)
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)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	33,039	33,039
Balance as at September 30, 2016	52,345,110	2,501,038	1,779,674	155,129	4,435,841	(297,193,241)	(240,412,290)
Balance as at January 1, 2017	52,345,110	2,501,038	1,779,674	151,575	4,432,287	(316,738,170)	(259,960,773)
Total comprehensive income for the period:							
Loss for the period	-	-	-	-	-	(30,814,811)	(30,814,811)
Other comprehensive income for the period	-	-	-	7,262	7,262	-	7,262
Total comprehensive income for the period	-	-	-	7,262	7,262	(30,814,811)	(30,807,549)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	16,661	16,661
Balance as at September 30, 2017	52,345,110	2,501,038	1,779,674	158,837	4,439,549	(347,536,320)	(290,751,661)

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

Chief Executive Officer

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

1. THE CORPORATION AND ITS OPERATIONS

1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (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), or ("PIACL"), 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 Airlines Corporation Act, 1956 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 (now Companies Act 2017).

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. 30,814.81 million (September 30, 2016:Rs. 27,279.577 million) resulting in accumulated losses of Rs. 347,536.320 million as of September 30, 2017 (December 31, 2016: Rs. 316,738.170 million). Further, as of September 30, 2017, current liabilities of the Company exceeded its current assets by Rs. 215,041.119 million (December 31, 2016: Rs.195,547.793 million). Furthermore, the Company has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to this unconsolidated condensed interim financial information.

In order to address the above adverse financial position, the management has made an assessment of the Company's ability to continue as going concern for a period of next 12 months based on the following factors:

a) GoP, being the major shareholder of the Company, through its finance division's letter dated September 02, 2008 communicated that it would extend all maximum support to maintain the Company's going concern status. Accordingly, since then it has been extending support to the Company through the following measures to ensure that the Company continues and sustains in 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, 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; and
- On July 03, 2012, the Economic Coordination Committee (the 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.

b) 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 (the Ministry):

- 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. 11,758 million and Rs 2,945 million as financial assistance to the Company to enable it to make payments, of loan installments, to overdue vendors.

c) 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 the Company 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 aircraft on dry lease and immediately released Rs. 1,297 million for this purpose.

d) During the year ended December 31, 2015, the remaining amount of Rs. 3,974 million out of US$52 million was received by the Company. The Company issued 2,356.54 million shares of Rs 10each amounting to Rs. 23,565.436 million to GoP in lieu of advance against equity. However, the legal formalities for the said issuance are still in process. The Company successfully concluded aGoP, Ex-Im / Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC)guaranteed loan facility of US$ 124.9 million to fund overhauling (refer note 9.7 and 9.10).

e) During the year ended December 31, 2016, the ECC in principle enhanced GoP guarantee limit by Rs. 5,000 million. Further, the Ministry had approved the restructuring of Sukuk Certificates (refer note 9.2).

f) During the period ended June 30, 2017, the ECC in principle enhanced GoP guarantee limit by Rs. 10,500 million.

g) As at June 30, 2017, the Company is operating a fleet size of fleet to a total of 32 aircraft with eleven (11) Boeing 777, eleven (11) A320, five (05) ATR72 and five (05) ATR42 aircraft. The Company is also in the process of acquisition of more aircraft on dry lease for which tenders have been floated.

h) In addition to the above measures taken by the Company and GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Company in consultation with the Ministry. 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'ssupport 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.

In a meeting with honorable Prime Minister of Pakistan dated December 30, 2017 , it was agreed that ;

- GoP guarantee limit will be enhanced by Rs. 20,000 million to meet the expenditures of overhauling of engines during the year 2018;

- Mark-up support will be provided to the extent of Rs. 18,000 million; and

- Short term loans will be converted to long term with with a possibility of grace period.

i) GoP through Privatization Commission, 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 appointed as Financial Advisor. The process of privatization of the Company is in abeyance for the time being due to the restrictions imposed by the Conversion Act.

In view of the above mitigating factors, the management believes that the going concern assumption is appropriate and accordingly, has prepared this unconsolidated condensed interim financial information on a going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This unconsolidated condensed interim financial information of the Company for the nine months period ended September 30, 2017 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the repealed Companies Ordinance, 1984 have been followed (refer note 3.4.10).

2.2 This unconsolidated condensed interim financial information of the Company does not include all of the information required for annual financial statements and therefore, should be read in conjunction with the unconsolidated financial statements of the Company as at and for the year ended December 31, 2016.

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. 105.4266 = US $ 1 (December 31, 2016: Rs. 104.8549 = 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. 105.4266 = US $ 1 (September 30, 2016: Rs. 104.7307 = US $ 1).

3 SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of unconsolidated condensed interim financial information 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 judgments 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 recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the annual unconsolidated financial statements of the Company for the year ended December 31, 2016, except for the changes in accounting estimates as noted in note 4.2.

3.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the annual unconsolidated financial statements of the Company for the year ended December 31, 2016.

3.3 New / revised standards, amendments to approved accounting standards and new interpretations which become effective during the nine month period ended September 30, 2017:

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2017 but are considered not to be relevant or do not have any significant effect on the Company's financial position and are therefore not stated in this unconsolidated condensed interim financial information.

3.4 New standards, amendments to approved accounting standards and new interpretations to existing standard that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after October 01, 2017:

3.4.1 Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial position.

3.4.2 Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial position.

3.4.3 Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 01, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial position.

3.4.4 Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 01, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial position.

3.4.5 IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial position.

3.4.6 IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

3.4.7 IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 01, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. Based on the preliminary assessment of adoption of this standard, if applied at June 30, 2017, there will be no material impact on the financial position of the Company.

3.4.8 IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 01, 2018 and January 01, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

3.4.9 Annual improvements to IFRS standards 2015-2017 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

3.4.9.1 IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

3.4.9.2 IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

3.4.9.3 IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019 and are not likely to have an impact on Company's financial position.

3.4.10 The Companies Ordinance, 1984 was repealed by the enactment of the Companies Act, 2017 (the Act) on May 30, 2017. Securities and Exchange Commission of Pakistan (the Commission) vide its Circular no. 23/2017 dated October 04, 2017 in continuation of its Circular 17 of 2017 dated July 20, 2017 has clarified that the companies whose financial year closes after December 31, 2017, shall prepare financial statements in accordance with the Act. Hence, the provisions of Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after December 31, 2017. The Act requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Act. The application of the Act would have significant impact on the Company's unconsolidated financial statements for the year ending December 31, 2018. The Company would be required to give extended disclosures and change its existing accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – "Property, plant and equipment".

IAS-16 requires that any deficit arising on revaluation of an item of fixed assets is recognized in profit and loss account and any increase in carrying value of an item of fixed assets is recognized in other comprehensive income and accumulated in equity under the heading of surplus reserve.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	**September 30, 2017 (Un-Audited)**	December 31, 2016 (Audited)
		----------Rupees in '000----------	
Operating fixed assets	4.1 & 4.2	**67,808,512**	68,399,232
Capital work-in-progress		**11,997**	431,882
		67,820,509	68,831,114

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

	Nine months period ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
	----------Rupees in '000----------	
Additions / Transfers / Adjustments		
Owned		
Renovation and improvements	**32,210**	50,500
Workshops and hangers	**-**	7,031
Operating ground, catering, communication and meteorological	**-**	3,606
Computer and office automation	**219,048**	26,311
Engineering Equipment Tools	**113,090**	30,246
Furniture & Fixtures	**10,566**	11,700
Motor transport	**3,825**	7,318
Office equipment	**4,990**	450
Precision engineering equipment	**-**	6,948
Other equipment	**-**	5,262
Aircraft fleet / Engines	**2,574,847**	-
Capital spares	**151,749**	163,869
	3,110,325	313,241
Leased:		
Ground Equipment on Leased	**258,444**	-
	3,368,769	313,241
Deletions		
Buildings - on other land	**-**	39,408
Aircraft fleet / Engines - Overhauling	**87,577**	64,855
Operating ground, catering, communication and meteorological equipment	**-**	405
Traffic equipment	**-**	168,520
Furniture, fixtures and fittings	**-**	9,885
Motor transport	**-**	670
Office equipment	**-**	106
Other equipment	**-**	171,737
Capital spares-written off	**14,709**	5,962
	102,286	461,548

4.2 Changes in estimates

As a result of a revaluation exercise conducted by an independent valuer as of December 31, 2016, 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. 131.55 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.

	Note	**September 30, 2017 (Un-Audited)**	December 31, 2016 (Audited)
		----------Rupees in '000----------	
5 OTHER RECEIVABLES			
Considered good			
Claims receivable	5.1	**101,594**	1,352,137
Excise duty		**100,000**	100,000
Sales tax receivable	5.2	**5,107,496**	4,991,669
Receivables from the GoP	5.3	**547,686**	542,501
Others	5.4	**2,232,478**	1,830,992
		8,089,254	8,817,299
Considered doubtful		**216,756**	216,756
Less: provision for doubtful other receivables		**(216,756)**	(216,756)
		8,089,254	8,817,299

5.1 Insurance claim amounting to Rs. 1,258.295 million in respect of aircraft bearing tail number AP-BHO, which was crashed on December 07, 2016, near Havelian Tehsil, Abbottabad has been received by the Company during the period.

5.2 This includes sales tax refundable aggregating Rs. 4,965.094 million (December 31,2016: Rs. 4,965.094 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Company has filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has interalia stated that as the Company is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005.

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

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

5.4 This includes receivable from lessor amounting to Rs. 1,580.843 million (December 31, 2016: Rs. 1,592.043 million) in respect of overhauling incurred by the Company on aircrafts under operating lease as per lease agreement.

6 CASH AND BANK BALANCES

	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		----------Rupees in '000----------	
In hand		**8,914**	11,924
With banks			
- in current accounts	6.1	**3,638,810**	2,777,825
- in deposit accounts	6.2 & 6.3	**351,116**	706,743
		3,989,926	3,484,568
		3,998,840	3,496,492

6.1 This has been adjusted by an aggregate amount of Rs. 1,698.986 million (December 31, 2016: Rs. 1,402.586 million),representing book overdrafts.

6.2 This has been adjusted by an aggregate amount of Rs. 16.453 million (December 31, 2016: Rs. 39.517 million), representing book overdrafts.

6.3 This includes restricted balances amounting to Rs. 440.142 million (December 31, 2016: Rs. 448.885 million).

7 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)		September 30, 2017 (Un-Audited)	December 31, 2016 (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
5,350,750,000	5,350,750,000		**53,500,000**	53,500,000
		Preference share capital		
50,000,000	50,000,000	Preference shares of Rs. 10 each	**500,000**	500,000
5,400,750,000	5,400,750,000		**54,000,000**	54,000,000
		Issued, subscribed and paid up share capital		
		Ordinary share capital		
		'A' class shares of Rs. 10 each		
2,642,351,960	2,642,351,960	Issued for consideration in cash	**26,423,519**	26,423,519
		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
2,356,543,648	2,356,543,648	Issued against advance from GoP	**23,565,436**	23,565,436
5,233,761,118	5,233,761,118		**52,337,610**	52,337,610
		'B' class shares of Rs. 5 each		
1,003,374	1,003,374	Issued for consideration in cash	**5,017**	5,017
		Issued for consideration other than cash		
2,625	2,625	- for acquisition of shares	**13**	13
494,000	494,000	Issued as bonus shares	**2,470**	2,470
1,499,999	1,499,999		**7,500**	7,500
5,235,261,117	5,235,261,117		**52,345,110**	52,345,110

7.1 As at September 30, 2017, the GoP held 4,791,752,087 'A' class ordinary shares and 1,462,515 'B' class ordinary shares (December 31, 2016: 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 instalments/ Mode	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
						----------Rupees in '000----------	
Secured - from Banking Companies							
Askari Bank Limited	Term finance	3,000 PKR	2017 - 2019	36 monthly	8.2	**2,250,000**	3,000,000
AL Baraka Bank (Pakistan) Limited	Islamic Term finance	4,500 PKR	2018-2021	36 monthly	8.2 & 8.3	**4,500,000**	4,500,000
BankIslami Pakistan Limited	Islamic Term finance	1,500 PKR	2019 - 2021	8 quarterly	8.4	**1,500,000**	1,500,000
The Bank of Punjab	Term finance	5,000 PKR	2016 - 2021	60 monthly	8.2	**3,833,333**	4,583,333
The Bank of Punjab	Term finance	5,000 PKR	2016 - 2021	60 monthly	8.2	**3,583,333**	4,250,000
The Bank of Punjab	Demand finance	30,000 PKR	2016-2023	84 Monthly	8.2 & 8.5	**26,743,038**	18,239,524
Faysal Bank Limited	Term finance	2,000 PKR	2015 - 2018	12 quarterly	8.2	**500,000**	1,000,000
Faysal Bank Limited	Term finance	2,000 PKR	2016 - 2019	12 quarterly	8.2	**1,000,000**	1,500,000
Faysal Bank Limited	Islamic Term finance	1,000 PKR	2017 - 2019	12 quarterly	8.2	**750,000**	1,000,000
Faysal Bank Limited	Term finance	4,000 PKR	2017 - 2020	14 quarterly	8.2	**3,714,285**	4,000,000
National Bank of Pakistan	Term finance	3,000 PKR	2016 - 2019	36 monthly	8.7	**2,333,333**	3,000,000
National Bank of Pakistan	Term finance	2,175 PKR	2018 - 2020	12 quarterly	8.2	**2,175,000**	2,175,000
National Bank of Pakistan	Term finance	2,825 PKR	2018 - 2021	12 quarterly	8.2	**2,825,000**	2,825,000
United Bank Limited	Term finance	5,000 PKR	2015- 2020	54 monthly	8.2	**2,777,777**	3,703,704
United Bank Limited	Term finance	1,500 PKR	2016- 2021	54 monthly	8.2	**1,055,555**	1,305,556
National Bank of Pakistan - Bahrain	Syndicate finance	120 USD	2013 - 2023	40 quarterly	8.2 & 8.7	**11,382,558**	11,617,923
Abu Dhabi Islamic Bank	Islamic Term finance	70.7 USD	2016 - 2019	4 half yearly	8.8	**3,154,186**	4,838,240
Citibank, N.A.	Demand finance	82 USD	2006 - 2017	20 half yearly	8.7	-	226,601
Citibank, N.A.	Term finance	54.2 USD	2015 - 2018	8 quarterly	8.8	**584,085**	1,259,314
Citibank, Mashreq	Term finance	120 USD	2016 - 2018	32 monthly	8.9	**5,139,546**	8,650,529
Standard Chartered Bank (Pakistan) Limited	Syndicate finance	137.5 USD	2014 - 2017	33 monthly	8.12	-	436,895
United Bank Limited	Syndicate finance	130 USD	2017-2019	33 monthly	8.13	**10,798,239**	13,631,137
JS BANK	Term finance	15000 PKR	2017-2023	72 Monthly	8.14	**15,000,000**	-
Faysal Bank Limited	Term finance	4000 PKR	2019-2021	36 monthly	8.2	**4,000,000**	-
Soneri Bank Limited	Term finance	5000 PKR	2021-2023	36 Monthly	8.14	**2,500,000**	-
Standard Chartered Bank Limited	Term finance	150 USD	2017-2021	39 Monthly	8.11	**15,813,990**	-
Others - unsecured							
Long-term loan - GoP	Term finance	8,000 PKR	2011 - 2020	16 half-yearly	8.14	**8,000,000**	8,000,000
						135,913,258	105,242,756
Less : Current maturity shown under current liabilities						**(41,383,646)**	(30,412,813)
						94,529,612	74,829,943

8.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2016: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.45% over 1 month KIBOR to 1.65% over 1 month KIBOR (2016: 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% (2016: 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 (2016: 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR).

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

8.3 The finance is secured by way of:

- 1st exclusive hypothecation charge over five engines with 10% margin; and

- Irrevocable assignment instruction from the Company to NIB / Bank of Punjab for transfer of funds to ABPL on fortnightly basis.

8.4 The finance is secured by way of lien over Musharka Assets amounting to Rs. 1500 million and unconditional and irrevocable GoP guarantee for the facility amount.

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

8.6 The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Company amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with the Company's sales routed through collection account NBPAirport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP

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

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

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

8.9 The finance is secured by way of:
- Mortgage over each of the five ATR aircraft and two spares engines purchased, and
- European Credit Agencies / GoP Guarantee.

8.10 The finance is secured against Ex-Im Bank / 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 Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:

- United Bank Limited (UBL); and

- Credit Suisse AG, Singapore Branch

The finance is secured by way of:

- 1st priority security over the master collection account, facility service account;

- legally enforceable assignment of the ticket sales collection for the select BSP agreement sector through IATA with appropriate acknowledgment; and

- Irrevocable and unconditional instruction to IATA and GSA in the Kingdom of Saudi Arabia to pay all proceeds from the sales abroad the Company flights into master collection account. The account bank shall transfer funds received to the master collection account into the facility service account also maintained with the account bank.

8.14 The Company has not paid any installment since due date of installment, i.e. October 23, 2011. The over due principal and markup due as at September 30,2017 is Rs.5,812.5 and Rs.6,566, respectively. The over due principal amount is included in current maturity.

9 TERM FINANCE AND SUKUK CERTIFICATES

Financer	Security	Repayment period	Number of installments	Mark-up	Note	September 30, 2017 (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	**20,785,813**	26,707,209
Sukuk certificates	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR +1.75%	9.2	**6,800,000**	6,800,000
						27,585,813	33507209
Less: current maturity						**(10,001,180)**	(8,217,603)
						17,584,633	25,289,606

9.1 The ECC on July 03, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by 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. 960.661 million after the capitalization of markup accrued on previous PPTFC of Rs. 12,790 million. During the year ended December 31, 2015, the restructuring agreements of both PPTFCs were signed and Pak Brunei Investment Company Limited was approved as trustee of both PPTFCs. Interest payment due as at September 30, 2017 has been paid by the Company during the subsequent period on October 2017.

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 on June 30, 2016. Accordingly, the same was classified as non-current liability.

	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		----------Rupees in '000----------	
10. TRADE AND OTHER PAYABLES			
Trade creditors			
Goods		**18,348,208**	17,661,379
Services		**6,332,044**	5,842,435
Airport related charges		**23,684,950**	20,212,685
		48,365,202	43,716,499
Others			
Accrued liabilities	10.1	**7,489,226**	6,734,863
Advance against transportation (unearned revenue)		**12,228,945**	11,293,754
Obligation for compensated absences		**9,006,823**	8,142,723
Unredeemed frequent flyer liabilities		**755,830**	755,829
Advances from customers		**891,129**	880,683
Payable to employees' provident fund	10.2	**10,574,099**	10,202,468
Unclaimed dividend - Preference shares		**8,492**	8,493
Collection on behalf of others	10.3	**37,975,149**	33,642,194
Customs, Federal excise duty and Sales tax		**2,661,131**	3,592,336
Federal excise duty - International travel		**9,198,914**	8,900,478
Income tax deducted at source		**1,565,751**	1,937,779
Short-term deposits		**964,603**	926,108
		141,685,294	130,734,207

10.1. This includes total management fee upto September 30, 2017 amounting to Rs. 162 million (2016: Rs.122 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.

10.3. This includes taxes payable at foreign stations and amount payable to CAA relating to embarkation, security and infrastructure charges.

	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		----------Rupees in '000----------	
11. ACCRUED INTEREST			
Mark-up / profit payable on:			
- Long-term financing		**6,810,780**	6,528,696
- Term finance certificates		**1,071,427**	1,418,995
- Sukuk certificates		**241,372**	224,953
- Short-term borrowings		**728,445**	664,229
- Provident fund	10.2	**4,640,508**	4,185,344
- Advance from a subsidiary		**385,851**	297,740
- Liabilities against assets subject to finance lease		**297**	295
		13,878,680	13,320,252

12 SHORT-TERM BORROWINGS			
Short-term loans - secured	12.1	**31,103,195**	30,803,694
Running finance under mark-up arrangements	12.2	**3,328,227**	3,547,617
		34,431,422	34,351,311

12.1 Short-term loans - secured

Financier	Security	Expiry date	Facility amount (million)	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
				----------Rupees in '000----------	
Secured from Banking Companies					
Habib Allied International Bank Limited - London	EURO receivables	Continuous	12 USD	**1,243,195**	943,694
			Carried forward	**1,243,195**	943,694

Financier	Security	Expiry date	Facility amount (million)	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
				----------Rupees in '000----------	
From Banking Companies			**Brought forward**	**1,243,195**	943,694
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-17	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-17	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-17	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-17	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-17	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-17	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-17	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-17	2,000 PKR	**2,000,000**	2,000,000
				31,103,195	30,803,694

12.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (December 31, 2016: spread of 1.5% over 3 months KIBOR).The borrowings in foreign currency carry mark-up of 3.5% over 3 months LIBOR (December 31, 2016: a spread of 3.5% over 3 months LIBOR).

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

12.2 Running finance under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million)	Expiry date	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
					----------Rupees in '000----------	
Secured						
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the company for Rs. 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	350 PKR	10.9 PKR	30-Sep-17	**312,067**	321,829
Habib Allied International Bank Limited - London	EURO receivables	3 USD	NIL	On Demand	**-**	315,285
National Bank of Pakistan	First pari passu hypothecation charge of Rs. 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 686 million payable on demand.	575 PKR	61.8 PKR	31-Oct-17	**570,844**	292,031
United Bank Limited	Hypothecation charge of Rs. 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	08 PKR	30-Sep-18	**2,361,093**	2,515,108
Un-secured						
Habib American Bank	-	1.5 USD	0.514 USD	On Demand	**84,223**	103,364
					3,328,227	3,547,617

12.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month KIBOR (December 31,2016: 1.5% to 2.0% over 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 Citi Base Rate (December 31, 2016: spread of 3.5% over 3 month LIBOR and 2% over Citi base Rate).

12.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at September 30, 2017.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There has been no material change in the status of contingencies and commentments as disclosed in notes 14 to the unconsolidated condensed interim financial statements for the half year ended June 30, 2017 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, 2017 (Un-Audited)	December 31, 2016 (Audited)
	----------Rupees in '000----------	
Not later than one year	**7,843,739**	7,235,512
Later than one year but not later than five years	**19,960,137**	25,070,274
Later than five years	**-**	3,737,597
	27,803,876	36,043,383

		Nine months period ended		Quarter ended	
		September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited) Restated	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited) Restated
14 REVENUE - NET	**Note**	---------- Rupees in '000 ----------			
Passenger		**62,615,863**	61,659,458	**23,703,517**	23,243,601
Cargo		**2,884,600**	2,606,348	**1,100,292**	1,149,667
Excess baggage		**525,223**	562,579	**150,890**	191,680
Charter services		**555,032**	450,615	**146,391**	137,822
Engineering services		**407,866**	810,879	**225,845**	219,701
Handling and related services		**240,625**	446,418	**103,057**	278,902
Mail		**159,541**	206,318	**48,932**	71,825
Others		**1,498,997**	1,160,992	**333,341**	386,997
		68,887,747	67,903,607	**25,812,265**	25,680,195
15 COST OF SERVICES - others					
Salaries, wages and allowances		**11,291,813**	11,368,628	**3,648,884**	3,800,949
Welfare and social security costs		**1,541,637**	1,786,383	**471,848**	563,940
Retirement benefits		**1,555,485**	1,540,295	**513,210**	550,580
Compensated absences		**623,360**	595,903	**211,368**	174,198
Legal and professional charges		**24,321**	33,009	**9,572**	16,251
Stores and spares consumed		**677,801**	986,789	**239,866**	248,564
Maintenance and overhaul		**6,683,602**	7,392,639	**2,383,819**	1,995,237
Flight equipment rental		**8,251,200**	5,608,745	**2,837,811**	2,502,432
Landing and handling		**11,414,901**	11,182,091	**3,782,181**	4,079,750
Passenger services		**2,154,079**	2,340,963	**640,080**	780,822
Crew layover		**2,220,457**	2,080,853	**731,352**	744,539
Communication		**2,566,599**	2,533,336	**788,273**	788,925
Insurance		**711,730**	761,337	**267,852**	255,943
Rent, rates and taxes		**523,270**	578,057	**148,540**	200,549
Printing and stationery		**66,041**	114,390	**14,262**	37,503
Depreciation		**3,860,693**	4,977,221	**1,341,020**	1,535,677
Amortisation on intangibles		**4,279**	1,046	**274**	336
Staff training		**73,976**	76,131	**40,440**	43,330
Utilities		**28,748**	28,170	**10,328**	10,870
Others	15.1	**774,641**	1,270,461	**245,312**	256,231
		55,048,633	55,256,447	**18,326,292**	18,586,626

15 This includes an amount of Rs. Nil (September 30, 2016: Rs. 250.035 million) pertaining to late return fees and customer induced damages in respect of engineering and maintenance contract.

	Nine months period ended		Quarter ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited)
16 OTHER PROVISIONS AND ADJUSTMENTS - NET	---------- Rupees in '000 ----------			
Property, plant and equipment				
- aircraft fleet written off - net of insurance claim				
- loss on disposal of aircraft fleet	-	64,855	**-**	-
- deficit released from surplus on aircraft written off	**63,009**	553,850	**-**	-
- other assets written off	-	292,653	-	-
	63,009	911,358	**-**	-
Provision for slow moving and obsolete spares	**282,670**	73,962	**109,524**	555
Provision for doubtful debts	**350,000**	323,104	**150,000**	100,915
Late payment surcharge on fuel	**909,073**	1,344,293	**222,963**	334,415
Provision against doubtful deposits	**-**	125,736	**-**	-
Provision / (reversal) against doubtful advances	**-**	8,026	**-**	1,834
Provision / (reversal) against CWIP	**-**	2,650	**-**	-
Reversal of provision for other receivable	**-**	12,814	**-**	-
Others	**741**	27,916	**741**	-
	1,605,493	2,829,859	**483,228**	437,719

	Nine months period ended		Quarter ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited)
	---------- Rupees in '000 ----------			
17 FINANCE COSTS				
Mark-up on:				
- long-term financing	**6,013,090**	3,975,832	**2,162,144**	1,400,493
- term finance certificates	**1,305,665**	1,879,388	**402,928**	604,070
- short term borrowing	**1,927,232**	2,003,371	**676,911**	674,391
- advance from a subsidiary	**88,034**	70,694	**32,128**	24,131
	9,334,021	7,929,285	**3,274,111**	2,703,085
Profit on sukuk certificates	**399,765**	418,396	**135,404**	138,832
Interest on liabilities against assets subject to finance lease	**192,166**	233,551	**58,862**	68,601
Interest on provident fund	**455,462**	450,948	**154,517**	154,578
Arrangement, agency and commitment fee	**685,224**	238,461	**421,625**	42,956
Discounting on deposits	**(30,832)**	(63,542)	**(10,477)**	(10,196)
Amortisation of prepaid exposure fee	**189,213**	191,622	**62,081**	63,230
Bank charges, guarantee commission and other related cha	**97,021**	41,025	**56,694**	15,768
	11,322,040	9,439,746	**4,152,817**	3,176,854
18 TAXATION				
Current	**344,439**	339,518	**129,062**	128,401
Deferred	**(18,904)**	(166,155)	**-**	-
	325,535	173,363	**129,062**	128,401

There has been no material change in the status of tax contingencies as disclosed in notes 19.1 to the unconsolidated financial statements for the Half year ended June 30 ,2017

19 LOSS PER SHARE - BASIC AND DILUTED	Nine months period ended		Quarter ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited)
	---------- Rupees in '000 ----------			
Loss for the period	**(30,814,811)**	(27,279,577)	**(7,701,164)**	(6,403,489)
Weighted average number of ordinary shares outstanding	**5,234,511,117**	5,234,511,117	**5,234,511,117**	5,234,511,117
Loss attributable to:				
- 'A' class ordinary shares (Rupees)	**(5.89)**	(5.21)	**(1.47)**	(1.22)
- 'B' class ordinary shares (Rupees)	**(2.95)**	(2.61)	**(0.74)**	(0.61)

There were no dilutive potential ordinary shares outstanding as at September 30, 2017 and 2016.

	Nine months period ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
	----------Rupees in '000----------	
20 CASH GENERATED FROM OPERATIONS		
Loss before tax	**(30,489,276)**	(27,106,214)
Adjustments for:		
Depreciation	**3,908,956**	4,998,653
Loss on disposal of property, plant and equipment	**-**	64,855
Amortization of intangibles	**53,489**	13,080
Provision for slow moving stores spares	**282,670**	73,962
Provision for employees' benefits	**3,390,657**	3,274,937
Provision for doubtful debts	**350,000**	323,104
Provision / (reversal) against doubtful advances	**-**	8,026
Provision against doubtful deposits	**-**	125,736
Reversal of provision for other receivable	**-**	12,814
Finance costs	**11,322,040**	9,439,746
Property, plant and equipment written off	**-**	292,653
Unrealised exchange (gain)/loss	**204,699**	95,255
Profit on bank deposits	**(9,213)**	(47,184)
Deficit released on write off of aircraft	**63,009**	553,850
	(10,922,969)	(7,876,727)

	Nine months period ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
	----------Rupees in '000----------	
Working capital changes :		
(Increase) / Decrease in stores and spares	**(365,595)**	(190,294)
(Increase) / Decrease in trade debts	**(683,646)**	1,158,602
(Increase) in advances	**(641,398)**	(366,226)
(Increase) in trade deposits and prepayments	**(520,203)**	(2,880,630)
Decrease in other receivables	**728,045**	(617,023)
Increase in trade and other payables	**10,026,385**	21,451,469
	8,643,588	18,555,898
Cash generated from operations	**(2,379,381)**	10,679,171

21 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Corporation 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, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
	----------Rupees in '000----------	
Skyrooms (Private) Limited – Subsidiary		
Payments made against in-transit passengers	**190,778**	116,799
Sale of motor vehicle	**-**	1,833
PIA Investments Limited - Subsidiary		
Management Fee expense	**49,578**	32,547
Finance cost on advance	**100,075**	46,563
Minhal France S.A -Subsidiary		
Management fee income	**51,696**	51,767
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary		
Charges in respect of courier services	**81**	122
Retirement funds		
Contribution to provident Fund and other	**2,910,851**	2,732,139
Interest on Loan from pension / provident fund	**384,756**	443,547
Profit oriented state-controlled entities - common ownership		
Purchase of Fuel	**8,845,166**	7,212,647
Insurance premium	**836,735**	752,592
Finance cost charged	**3,167,967**	3,434,787
Airport Related charges	**10,613,945**	9,577,928
Late payment interest	**975,238**	1,514,817
GoP - Major shareholder		
Finance cost charged	**595,068**	598,356
Key management personnel		
Salaries, wages and other benefits	**124,286**	113,958

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

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

22 Financial risk factors

The Company's 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.

This unconsolidated 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 Company's annual unconsolidated financial statements as at December 31, 2016. There have been no changes in any risk management policies since the year end.

22.2 Fair value estimation

As at September 30, 2017, Company's all assets and liabilities are carried at cost except for those mentioned below:

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

b) The Company classifies long-term investments in listed companies measured in the balance sheet at fair values; and

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

23 CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, for the purpose of better presentation and comparison.

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 JULY 05, 2018

Chief Executive Officer

Director

Chief Executive Officer

Chief Finance Officer

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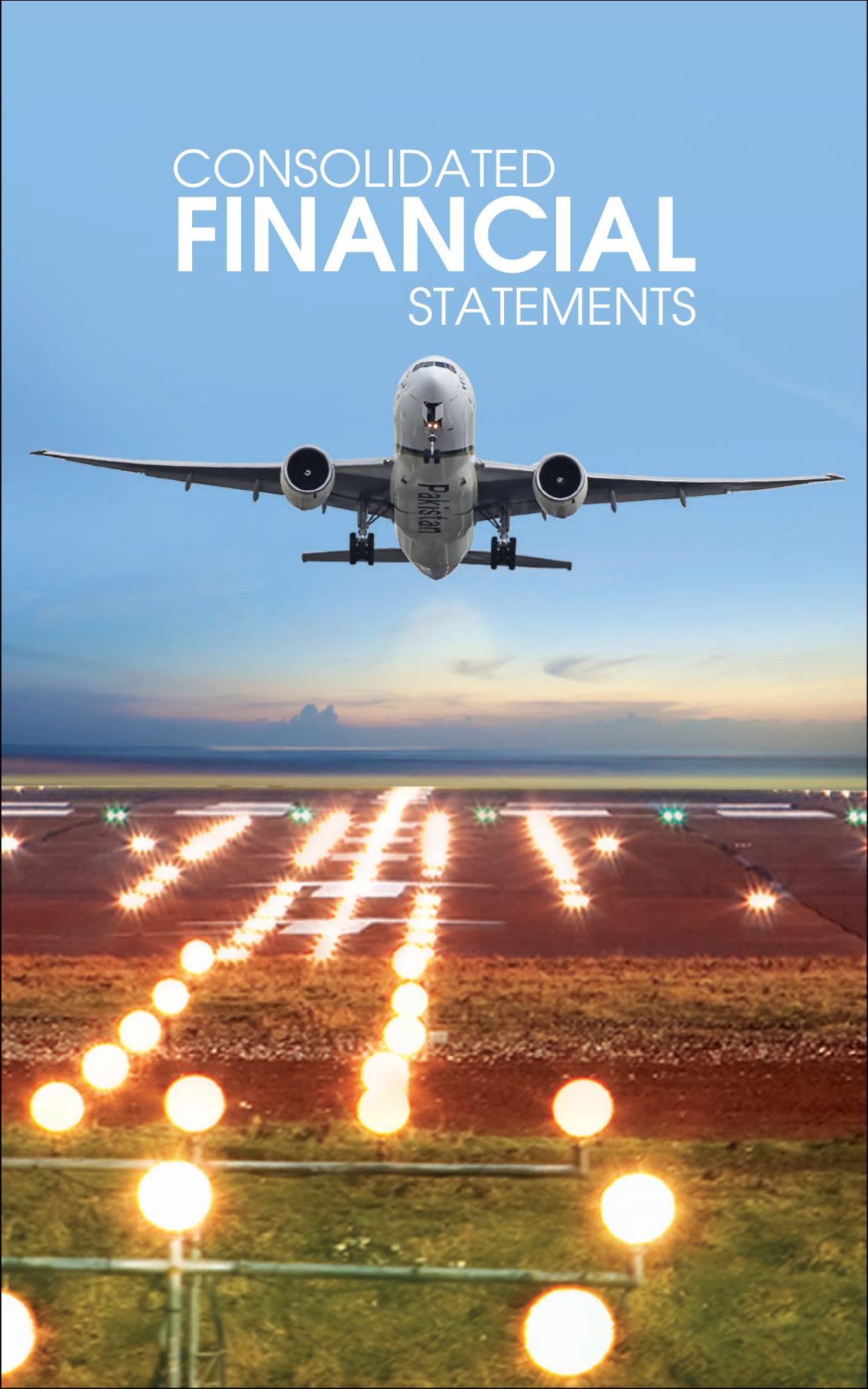
CONSOLIDATED
FINANCIAL
STATEMENTS



PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2017

	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		---------- Rupees in '000 ----------		---------- US$ in '000 ----------	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	4	**163,014,658**	160,599,713	**1,546,238**	1,531,638
- Intangibles		**3,846,614**	3,444,521	**36,486**	32,850
		166,861,272	164,044,234	**1,582,724**	1,564,488
Long-term investments		**229,621**	221,960	**2,178**	2,117
Receivable from Centre Hotel		**796,415**	792,096	**7,554**	7,554
Long-term loans and advances		**-**	520	**-**	5
Long-term deposits and prepayments		**9,146,367**	9,329,709	**86,756**	88,977
Total non-current assets		**177,033,674**	174,388,519	**1,679,212**	1,663,141
CURRENT ASSETS					
Stores and spares		**2,686,097**	2,598,318	**25,478**	24,780
Trade debts		**9,497,935**	9,218,662	**90,090**	87,918
Short-term loans and advances		**2,932,738**	2,291,635	**27,818**	21,855
Trade deposits and prepayments		**5,268,893**	4,516,497	**49,977**	43,074
Other receivables	5	**8,614,891**	9,070,706	**81,715**	86,507
Short-term investments		**19,220**	24,981	**182**	238
Taxation - net		**198,137**	240,497	**1,879**	2,294
Cash and bank balances	6	**9,480,032**	8,223,821	**89,921**	78,430
Total Current assets		**38,697,943**	36,185,117	**367,060**	345,096
TOTAL ASSETS		**215,731,617**	210,573,636	**2,046,272**	2,008,237
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		**52,345,110**	52,345,110	**496,508**	499,215
Reserves		**4,332,353**	4,325,091	**41,094**	41,248
Accumulated losses		**(338,170,966)**	(307,580,570)	**(3,207,644)**	(2,933,392)
Attributable to the Holding company's shareholders		**(281,493,503)**	(250,910,369)	**(2,670,042)**	(2,392,929)
Non-controlling interest		**1,801,350**	1,774,904	**17,086**	16,927
TOTAL EQUITY		**(279,692,153)**	(249,135,465)	**(2,652,956)**	(2,376,002)
Surplus on revaluation of operating fixed Assets - Net of Tax		**48,525,040**	48,260,378	**460,272**	460,259
NON-CURRENT LIABILITIES					
Long-term financing	7	**109,178,319**	89,339,698	**1,035,586**	852,032
Term finance and sukuk certificates	8	**17,584,633**	25,289,606	**166,795**	241,187
Liabilities against assets subject to finance lease		**2,148,407**	5,811,849	**20,378**	55,428
Long-term deposits		**49,752**	84,646	**472**	807
Deferred taxation		**35,605,436**	33,512,827	**337,727**	319,611
Deferred liabilities		**32,488,547**	30,124,728	**308,163**	287,299
Total Non current liabilities		**197,082,840**	184,163,354	**1,869,384**	1,756,364
CURRENT LIABILITIES					
Trade and other payables	9	**144,286,840**	132,952,903	**1,368,600**	1,267,970
Accrued interest		**13,520,313**	13,052,047	**128,244**	124,477
Provision for taxation		**564,002**	542,149	**5,350**	5,170
Short-term borrowings	10	**34,431,422**	34,351,311	**326,591**	327,608
Current maturities of:				**-**	-
- Long-term financing	7	**41,383,646**	30,562,588	**392,535**	291,475
- Term finance and sukuk certificates		**10,001,180**	8,217,603	**94,864**	78,371
- Liabilities against assets subject to finance lease		**5,628,485**	7,606,768	**53,388**	72,545
Total current liabilities		**249,815,890**	**227,285,369**	**2,369,572**	**2,167,616**
TOTAL LIABILITIES		**446,898,730**	411,448,723	**4,238,956**	3,923,980
TOTAL EQUITY AND LIABILITIES		**215,731,617**	210,573,636	**2,046,272**	2,008,237
CONTINGENCIES AND COMMITMENTS	11				

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

Chief Financial Officer

Director

Chief Executive Officer

Chief Executive Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT & LOSS ACCOUNT
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Note	Nine months period ended		Quarter Ended		Nine months period ended	
		September 30, 2017 (Un-Audited)	September 30, 2016 (un-audited) (Restated)	September 30, 2017 (un-audited)	September 30, 2016 (un-audited) (Restated)	September 30, 2017 (Un-Audited)	September 30, 2016 (un-audited) (Restated)
		Rupees in '000				US$ in '000	
REVENUE - NET	12	**78,353,725**	77,542,971	**29,260,982**	29,379,648	**743,206**	740,403
COST OF SERVICES							
Aircraft fuel		**(22,990,914)**	(19,685,311)	**(7,616,034)**	(7,591,055)	**(218,075)**	(187,961)
Others	13	**(59,956,991)**	(60,204,564)	**(20,044,621)**	(20,508,256)	**(568,708)**	(574,851)
		(82,947,905)	(79,889,875)	**(27,660,655)**	(28,099,311)	**(786,783)**	(762,812)
GROSS PROFIT		**(4,594,180)**	(2,346,904)	**1,600,328**	1,280,337	**(43,577)**	(22,409)
Distribution costs		**(4,262,805)**	(4,002,547)	**(1,354,345)**	(1,066,775)	**(40,434)**	(38,217)
Administrative expenses		**(7,873,440)**	(8,110,941)	**(2,607,808)**	(2,766,249)	**(74,682)**	(77,446)
Other provisions and adjustments	14	**(1,605,493)**	(2,829,859)	**(483,228)**	(437,719)	**(15,229)**	(27,020)
Exchange loss - net		**(206,763)**	(97,648)	**(187,932)**	(4,920)	**(1,961)**	(932)
Other operating income		**267,470**	669,065	**68,494**	357,734	**2,537**	6,388
		(13,681,031)	(14,371,930)	**(4,564,820)**	(3,917,929)	**(129,769)**	(137,226)
LOSS FROM OPERATIONS		**(18,275,211)**	(16,718,834)	**(2,964,492)**	(2,637,593)	**(173,346)**	(159,636)
Finance costs	15	**(11,704,910)**	(9,767,953)	**(4,287,820)**	(3,288,414)	**(111,024)**	(93,267)
LOSS BEFORE TAXATION		**(29,980,122)**	(26,486,787)	**(7,252,312)**	(5,926,006)	**(284,370)**	(252,903)
Taxation	16	**(583,829)**	(389,780)	**(249,812)**	(182,796)	**(5,538)**	(3,722)
LOSS FOR THE PERIOD		**(30,563,950)**	(26,876,567)	**(7,502,124)**	(6,108,802)	**(289,908)**	(256,625)
Attributable to:							
Equity holders of the Holding company		**(30,590,396)**	(26,879,402)	**(7,494,034)**	(6,110,749)	**(290,158)**	(256,653)
Non-controlling interest		**26,446**	2,835	**(8,089)**	1,947	**251**	27
		(30,563,950)	(26,876,567)	**(7,502,124)**	(6,108,802)	**(289,908)**	(256,625)
LOSS PER SHARE - BASIC AND DILUTED		Rupees				US$	
Loss attributable to:							
- "A' class Ordinary shares of Rs 10 each	17	**(5.84)**	(5.13)	**(1.43)**	(1.17)	**(0.06)**	(0.05)
- "B' class Ordinary shares of Rs 5 each	17	**(2.92)**	(2.57)	**(0.72)**	(0.59)	**(0.03)**	(0.02)

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

Chief Financial Officer

Director

Chief Executive Officer

Chief Executive Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Nine months period ended		Quarter ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (un-audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (un-audited)
	----------Rupees in '000----------			
Loss for the period	**(30,563,950)**	(26,876,567)	**(7,502,124)**	(6,108,802)
Other comprehensive income				
Unrealised loss on re-measurement of available for sale investments	**7,262**	61,220	**3,976**	39,652
Total comprehensive income	**(30,556,688)**	(26,815,347)	**(7,498,148)**	(6,069,150)
Attributable to:				
Equity holders of the Holding company	**(30,583,134)**	(26,818,182)	**(7,490,058)**	(6,071,097)
Non-controlling interest	**26,446**	2,835	**(8,089)**	1,947
	(30,556,688)	(26,815,347)	**(7,498,148)**	(6,069,150)

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 Financial Officer

Chief Executive Officer

Director

Chief Executive Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Note	Nine months period ended		Nine months period ended	
		September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited)
		---------- Rupees in '000 ----------		----------US$ in '000----------	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	18	**(1,475,586)**	11,822,288	**(13,996)**	112,883
Profit on bank deposits received		**9,213**	47,184	**87**	450
Finance costs paid		**(11,236,644)**	(8,674,353)	**(106,583)**	(82,825)
Taxes paid		**(538,519)**	(320,618)	**(5,108)**	(3,061)
Staff retirement benefits paid		**(1,075,641)**	(700,689)	**(10,203)**	(6,690)
Long-term deposits and prepayments - net		**649,719**	3,303,962	**6,163**	31,547
Net cash (used in) / generated from operating activities		**(13,667,459)**	5,477,775	**(129,640)**	52,303
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(4,060,947)**	(2,203,104)	**(38,519)**	(21,035)
Proceeds from sale of operating fixed assets		**14,710**	396,693	**139**	3,787
Currency translation differences		**-**	75,736	**-**	723
Net cash used in investing activities		**(4,046,237)**	(1,730,675)	**(38,380)**	(16,525)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of long-term financing		**(18,476,809)**	(17,347,332)	**(175,258)**	(165,637)
Proceeds from long-term financing		**48,929,726**	24,599,179	**464,112**	234,880
Repayment of term finance certificates		**(5,921,396)**	(2,287,619)	**(56,167)**	(21,842)
Repayment of short term borrowing		**(3,168,301)**	-	**(30,052)**	-
Proceeds from short term borrowing		**3,467,802**	-	**32,893**	-
Repayment of obligations under finance lease - net		**(5,641,725)**	(5,367,163)	**(53,513)**	(51,247)
Net cash generated from financing activities		**19,189,297**	(402,935)	**182,015**	(3,846)
Increase in cash and cash equivalents		**1,475,601**	3,344,165	**13,995**	31,932
Cash and cash equivalents at the beginning of the period		**4,676,204**	2,988,885	**44,357**	28,538
Cash and cash equivalents at the end of the period		**6,151,805**	6,333,050	**58,352**	60,470
Cash and bank balances	6	**9,480,032**	10,399,149	**89,921**	99,294
Short-term borrowings	10	**(3,328,227)**	(4,066,099)	**(31,569)**	(38,824)
		6,151,805	6,333,050	**58,352**	60,470

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

Chief Financial Officer

Chief Executive Officer

Director

Chief Executive Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Attributable to the Holding company's shareholders									
		Reserves								
	Issued, subscribed, and paid-up capital	Capital reserves	Revenue reserves	Unrealised loss on remeasur-ement of investments	Foreign currency translation reserves	Other reserves	Sub Total	Accumulated loss	Non-controlling interest	Total
	Rupees in '000									
Balance as at January 1, 2016	**52,345,110**	**2,501,038**	**1,779,674**	**93,908**	**(13,524)**	**34,388**	**4,395,484**	**(261,532,285)**	**1,657,742**	**(203,133,949)**
Total comprehensive income for the period:										
- Loss for the period	-	-	-	-	-	-	-	(26,879,402)	2,835	(26,876,567)
- Other comprehensive income for the period:										
- Currency translation differences	-	-	-	-	-	-	-	-	-	-
- Unrealised loss on re-measurement of investments	-	-	-	61,220	-	-	61,220	-	-	61,220
Total comprehensive income for the period transferred to equity	-	-	-	61,220	-	-	61,220	(26,879,402)	2,835	(26,815,347)
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	33,039	-	33,039
Balance as at June 30, 2016	**52,345,110**	**2,501,038**	**1,779,674**	**155,128**	**(13,524)**	**34,388**	**4,456,704**	**(288,378,648)**	**1,660,577**	**(229,916,257)**
Balance as at January 1, 2017	**52345110**	**2501038**	**1779674**	**151574**	**-142918**	35,723	4,325,091	(307,580,570)	1,774,904	(249,135,465)
- Loss for the period	-	-	-	-	-	-	-	(30,590,396)	26,446	(30,563,950)
- Other comprehensive income for the period:										
- Currency translation differences	-	-	-	-	-	-	-	-	-	-
- Unrealised gain on re-measurement of investments	-	-	-	7,262	-	-	7,262	-	-	7,262
Total comprehensive income for the period transferred to equity	-	-	-	7,262	-	-	7,262	(30,590,396)	26,446	(30,556,688)
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-		-	-
Balance as at September 30, 2017	**52,345,110**	**2,501,038**	**1,779,674**	**158,836**	**(142,918)**	**35,723**	**4,332,353**	**(338,170,966)**	**1,801,350**	**(279,692,153)**

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

Chief Financial Officer

Director

Chief Executive Officer

Chief Executive Officer

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

The principal activity of the Holding Companyis 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 Companyis 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 2016: 100%). Following are the details of PIAIL's subsidiaries:

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 - Antilles	See note (A) below	100	100
• RHC Operating LLC	State of Delaware, USA	Owner of Roosevelt Hotel, New York	100	100
• Minhal France S.a.r.l.	Luxembourg	See note (B)	100	100
• Minhal France B.V.	Netherlands	See note (B)	100	100
• Minhal France S.A. (MFSA)	France	Owner of Scribe Hotel, Paris	90	90
• PIA Hotels Limited	British Virgin Islands	See note (B)	100	100
• PIA Fuel Management Limited	British Virgin Islands	See note (A)	100	100

• Avant Hotels (Private) Limited	Pakistan	See note (C)	62.5	62.5

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

Note (B): These companies are intermediary holding companies except PIA Hotels Limited and PAL which are dormant companies.
Note (C): Avant Hotels (Private) Limited (Avant) is a joint venture between PIAIL and Pakistan Cricket Board (PCB) being subscribers to 62.5% and 37.5% respectively of Avant's shares.

PIAIL has been consolidated in these consolidated financial statements on the basis of its consolidated financial statements for the period ended September 30, 2017.

Skyrooms (Private) Limited (SRL) was incorporated on May 20, 1975 in Pakistan as a private limited company under the Companies Act, 1913 (now repealed Companies Ordinance, 1984). SRL owns and manages Airport Hotel, Karachi. SRL is a wholly owned subsidiary of the Holding Company. SRL has been consolidated on the basis of its management accounts for the period ended September 30, 2017 as the same is not considered to be material to these consolidated financial statements.

Sabre Travel Network Pakistan (Private) Limited (Sabre) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares, under the repealed Companies Ordinance, 1984.Sabre markets and distributes a computer reservation system to subscribers in Pakistan, under a sub-distribution agreement with Sabre Asia Pacific (Pte.) Limited (Sabre TN APAC) (an associated Company and joint venture partner), that incorporates a software package which performs various functions including real-time airlines seat reservations, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding Company's controlling interest in Sabre is 70%. Sabre has been consolidated on the basis of its unaudited financial statements period ended September 30, 2017 as the same is not considered material to the consolidated financial statements.

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

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

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.

Associate

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

1.2 During the current period, the Group incurred a net loss of Rs. 30,563.950 million (September 30, 2016 Rs. 26,876.576 million) resulting in accumulated loss of Rs. 338,170.966 million as of September 30, 2017 (December 31, 2016: Rs. 307,580.570 million). Further, as of September 30, 2017, current liabilities of the Group exceeded its current assets by Rs. 211,117.947 million (December 31, 2016: Rs.191,100.252 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 uncondensed interim 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, 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:

In order to address the above adverse financial position, the management has made an assessment of the Company's ability to continue as going concern for a period of next 12 months based on the following factors:

a) 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 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, 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 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.

b) 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 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 (the Ministry):

- 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 13.500 million;
- Additional funding to provide fiscal space to the Holding company mounting 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. 11,758 million and Rs 2,945 million as financial assistance to the Holding Company to enable it to make payments, of loan installments, to overdue vendors.

c) 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 and ;
- Funds of US$ 52 million for acquisition of aircrafts on dry lease and immediately released Rs. 1,297 million for this purpose.

d) During the year ended December 31, 2015, the remaining amount of Rs. 3,974 million out of US$52 million was received by the Holding Company. The Holding Company issued 2,356.54 million shares of Rs 10 each amounting to Rs. 23,565.436 million to GoP in lieu of advance against equity. However, the legal formalities for the said issuance are still in process. The Holding Company successfully concluded a GoP, Ex-Im / Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) guaranteed loan facility of US$ 124.9 million to fund overhauling (refer note 9.7 and 9.10).

e) During the year ended December 31, 2016, the ECC in principle enhanced GoP guarantee limit by Rs. 5,000 million. Further, the Ministry had approved the restructuring of Sukuk Certificates (refer note 9.2).

f) During the period ended June 30, 2017, the ECC in principle enhanced GoP guarantee limit by Rs. 10,500 million.

g) As at September 30, 2017, the Holding Company is operating a fleet size of fleet to a total of 32 aircraft with eleven (11) Boeing 777, eleven (11) A320, five (05) ATR72 and five (05) ATR42 aircraft. The Holding Company is also in the process of acquisition of more aircraft on dry lease for which tenders have been floated.

h) In addition to the above measures taken by the Holding Company and GoP, as instructed by the Board of Directors, management is in the process of updating the Strategic Business Plan of the Holding Company in consultation with the Ministry. 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.

During the period a meeting held with honorable Prime Minister of Pakistan, it was agreed that ;

- GoP guarantee limit will be enhanced by Rs. 20,000 million to meet the expenditures of overhauling of engines during the year 2018;

- Mark-up support will be provided to the extent of Rs. 18,000 million; and

- Short term loans will be converted to long term with with a possibility of grace period.

On May 11, 2018, the ECC in principle enhanced GoP guarantee by Rs. 20,000 million Furthermore, mark-up support of Rs. 18,000 million has been approved in the Finance Act, 2018. Also, conversion of short term loans to long term is in process.

i) GoP through Privatization Commission, 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 appointed as Financial Advisor. The process of privatization of the Holding Company is in abeyance for the time being due to the restrictions imposed by the Conversion Act.

In view of the above mitigating factors, the management believes that the going concern assumption is appropriate and accordingly, has prepared this consolidated condensed interim financial information on a going concern basis.

2 BASIS OF PREPARATION

2.1 This consolidated condensed interim financial statements of the Hodling company for the nine months period ended September 30, 2017 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the repealed Companies Ordinance, 1984 have been followed (refer note 3.4.10).

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 Company's annual consolidated financial statements for the year ended December 31, 2016.

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 105.4266 = US $ 1 (December 31, 2016: Rs 104.8549 = 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 105.4266 = US $ 1 (September 30, 2017: Rs 104.7370 = 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 Corporation for the year ended December 31, 2016, except for the changes in accounting estimates as stated in note 4.2.

Judgments and estimates made by the management in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the annual consolidated financial statements of the Company for the year ended December 31, 2016, except for the changes in accounting estimates as noted in note 4.2.

3.2 The Corporation's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended December 31, 2016.

3.3 New / revised standards, amendments to approved accounting standards and new interpretations which become effective during the nine month period ended September 30, 2017:

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 Corporation's operations and are, therefore, not disclosed in these condensed interim financial statements.

There are new and amended standards and interpretations that are mandatory for accounting periods beginning January 01, 2017 but are considered not to be relevant or do not have any significant effect on the Holding Company's financial position and are therefore not stated in this consolidated condensed interim financial information.

3.4 New standards, amendments to approved accounting standards and new interpretations to existing standard that are not yet effective and have not been early adopted by the Holding Company:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after October 1, 2017:

3.4.1 Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Holding Company's financial position.

3.4.2 Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Holding Company's financial position.

3.4.3 Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 01, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Holding Company's financial position.

3.4.4 Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 01, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Holding Company's financial position.

3.4.5 IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Holding Company's financial position.

3.4.6 IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 01, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

3.4.7 IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 01, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Holding Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. Based on the preliminary assessment of adoption of this standard, if applied at September 30, 2017, there will be no material impact on the financial position of the Holding Company.

3.4.8 IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 01, 2018 and January 01, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

3.4.9 Annual improvements to IFRS standards 2015-2017 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

3.4.9.1 IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

3.4.9.2 IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

3.4.9.3 IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019 and are not likely to have an impact on Company's financial position.

3.4.10 The Companies Ordinance, 1984 was repealed by the enactment of the Companies Act, 2017 (the Act) on May 30, 2017. Securities and Exchange Commission of Pakistan (the Commission) vide its Circular no. 23/2017 dated October 04, 2017 in continuation of its Circular 17 of 2017 dated July 20, 2017 has clarified that the companies whose financial year closes after December 31, 2017, shall prepare financial statements in accordance with the Act. Hence, the provisions of Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after December 31, 2017. The Act requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Act. The application of the Act would have significant impact on the Company's consolidated financial statements for the year ending December 31, 2018. The Company would be required to give extended disclosures and change its existing accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – "Property, plant and equipment".

IAS-16 requires that any deficit arising on revaluation of an item of fixed assets is recognised in profit and loss account and any increase in carrying value of an item of fixed assets is recognised in other comprehensive income and accumulated in equity under the heading of surplus reserve.

		Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
			---------- Rupees in '000 ---------	
4	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	4.1 & 4.2	**162,864,006**	159,860,327
	Capital work-in-progress		**150,652**	739,386
			163,014,658	160,599,713

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

	Nine months period ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
	---------- Rupees in '000 ---------	
Additions / Transfers / Adjustments		
Owned		
Workshops and hangers	**-**	7,031
Renovation and improvements	**32,210**	50,500
Operating ground, catering, communication and meteorological	**-**	-
Meteorological equipment	**-**	3,606
Engineering equipment and tools	**-**	30,246
Vehicle	**-**	-
Furniture, fixtures and fittings	**10,566**	11,700
Intangibles	**-**	-
Motor Transport	**3,825**	7,318
Office equipment	**4,990**	450
Computer and office automation	**219,048**	26,311
Precision engineering equipment	**113,090**	6,948
Other equipment	**-**	5,262
Aircraft fleet / Engines	**2,574,847**	
Capital spares	**151,749**	163,869
	3,110,325	313,241
Leased - aircraft fleet / engines overhauling		
Ground Equipment on Leased	**258,444**	-
	3,368,769	**313,241**
Deletions / write off net book value		
Owned		
Buildings on leasehold land	**-**	39,408
Aircraft fleet	**87,577**	64,855
equipment	**-**	405
Traffic equipment	**-**	168,520
Furniture, fixtures and fittings	**-**	9,885
Motor transport	**-**	670
Office equipment	**-**	106
Other equipment	**-**	171,737
Capital spares	**14,709**	5,962
	102,286	461,548

4.2 As a result of a revaluation exercise conducted by an independent valuer as of December 31, 2016, 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. 131.55 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.

	Note	**September 30, 2017 (Un-Audited)**	December 31, 2016 (Audited)
		---------- Rupees in '000 ----------	
5 OTHER RECEIVABLES			
Considered good			
Claims receivable	5.1	**101,594**	1,352,137
Excise duty		**100,000**	100,000
Sales tax receivable	5.2	**5,107,496**	4,991,669
Rental income		**174,159**	173,214
Receivable from GoP	5.3	**547,686**	542,501
Others	5.4	**2,583,956**	1,911,185
		8,614,891	9,070,706
Considered doubtful		**216,756**	216,756
Less: provision for doubtful other receivables		**(216,756)**	(216,756)
		-	-
		8,614,891	9,070,706

5.1 This includes insurance claim amounting to Rs. 1,258.295 million (2015: Rs. Nil) in respect of aircraft bearing tail number AP-BHO, which was crashed on December 07 , 2016, near Havelian Tehsil, Abbottabad. Subsequently, amount of Rs. 1,069.016 million was received from the insurance company.

5.2 This includes sales tax refundable aggregating Rs. 4,965.094 million (2016: Rs. 4,965.094 million) representing unadjusted portion of input tax under Sales Tax Act, 1990 (the Act). The Holding Company has filed application for refunds of input sales tax up to December 31, 2011. In response, ACIR, Large Taxpayers Unit (LTU) through a letter has interalia stated that as the 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 advisor believes that apportionment rule is not applicable in the subject case interalia, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(1)/2006, which is applicable to the Holding Company being registered as a Service Provider in transportation business and registered as service provider under the Act. The management has represented its view to the tax authorities. Therefore, the management is confident that sales tax was not payable on such imports and the amounts collected from the Company at the import stage shall be eventually recovered / adjusted.

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

5.4 This includes receivable from lessor amounting to Rs. 1,580.843 million (2016: Rs. 1,592.043) in respect of overhauling incurred by the Holding Company on aircrafts under operating lease as per lease agreement.

	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		---------- Rupees in '000 ----------	
6 CASH AND BANK BALANCES			
In hand		**12,418**	29,051
In transit		**33,391**	15,417
		45,809	44,468
With banks:			
- in current accounts	**6.1**	**4,767,649**	3,411,774
- in savings accounts	**6.2 & 6.3**	**4,666,575**	4,767,579
		9,434,223	8,179,353
		9,480,032	8,223,821

6.1 This has been adjusted by an aggregate amount of Rs. 1,698.986 million (December 31, 2016: Rs. 1,402.586 million),representing book overdrafts.

6.2 This has been adjusted by an aggregate amount of Rs. 16.453 million (December 31, 2016: Rs. 39.517 million), representing book overdrafts.

6.3 This includes restricted balances amounting to Rs. 440.142 million (December 31, 2016: Rs. 448.885 million).

7 LONG-TERM FINANCING

Financier	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
Secured - from Banking Companies						---------- Rupees in '000 ----------	
Askari Bank Limited	Term finance	3,000 PKR	2017 - 2019	36 monthly	7.2	**2,250,000**	3,000,000
Bank Al Baraka	Islamic Term finance	4,500 PKR	2018-2021	36 monthly	7.2 & 7.11	**4,500,000**	4,500,000
BankIslami Pakistan Limited	Islamic Term finance	1,500 PKR	2019 - 2021	8 quarterly	7.3	**1,500,000**	1,500,000
The Bank of Punjab	Term finance	5,000 PKR	2016 - 2021	60 monthly	7.2	**3,833,333**	4,583,333
The Bank of Punjab	Term finance	5,000 PKR	2016 - 2021	60 monthly	7.2	**3,583,333**	4,250,000
The Bank of Punjab	Demand finance	30,000 PKR	2016-2023	84 Monthly	7.2 & 7.12	**26,743,038**	18,239,524
Faysal Bank Limited	Term finance	2,000 PKR	2015 - 2018	12 quarterly	7.2	**500,000**	1,000,000
Faysal Bank Limited	Term finance	2,000 PKR	2016 - 2019	12 quarterly	7.2	**1,000,000**	1,500,000
Faysal Bank Limited	Islamic Term finance	1,000 PKR	2017 - 2019	12 quarterly	7.2	**750,000**	1,000,000
Faysal Bank Limited	Term finance	4,000 PKR	2017 - 2020	14 quarterly	7.2	**3,714,285**	4,000,000
National Bank of Pakistan	Term finance	3,000 PKR	2016 - 2019	36 monthly	7.4	**2,333,333**	3,000,000
National Bank of Pakistan	Term finance	2,175 PKR	2018 - 2020	12 quarterly	7.2	**2,175,000**	2,175,000
National Bank of Pakistan	Term finance	2,825 PKR	2018 - 2021	12 quarterly	7.2	**2,825,000**	2,825,000
United Bank Limited	Term finance	5,000 PKR	2015- 2020	54 monthly	7.2	**2,777,777**	3,703,704
United Bank Limited	Term finance	1,500 PKR	2016- 2021	54 monthly	7.2	**1,055,555**	1,305,556
National Bank of Pakistan - Bahrain	Syndicate finance	120 USD	2013 - 2023	40 quarterly	7.2	**11,382,558**	11,617,923
Abu Dhabi Islamic Bank	Islamic Term finance	70.7 USD	2016 - 2019	4 half yearly	7.5	**3,154,186**	4,838,240
			Balance carried forward			**74,077,398**	**73,038,280**

Financier	Type of facility	Facility amount (million)	Repayment period	Number of installments / Mode	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
						---------- Rupees in '000 ----------	
				Balance brought forward		**74,077,398**	**73,038,280**
Citibank, N.A.	Demand finance	82 USD	2006 - 2017	20 half yearly	7.7	**-**	226,601
Citibank, N.A.	Term finance	54.2 USD	2015 - 2018	8 quarterly	7.8	**584,085**	1,259,314
Citibank, Mashreq	Term finance	120 USD	2016 - 2018	32 monthly	7.1	**5,139,546**	8,650,529
Standard Chartered Bank (Pakistan) Limited	Syndicate finance	137.5 USD	2014 - 2017	33 monthly	7.1	**-**	436,895
United Bank Limited	Syndicate finance	130 USD	2017-2019	33 monthly	7.13	**10,798,239**	13,631,137
JS BANK	Term finance	15000 PKR	2017-2023	72 Monthly	7.14	**15,000,000**	-
Faysal Bank Limited	Term finance	4000 PKR	2019-2021	36 monthly		**4,000,000**	-
Soneri Bank Limited	Term finance	5000 PKR	2021-2023	36 Monthly		**2,500,000**	-
Standard Chartered Bank Limited	Term finance	150 USD	2017-2021	39 Monthly		**15,813,990**	-
Unsecured - Holding Company							
Long term loan - GoP	Term Finance	Rs 8,000	2011 - 2020	16 half yearly	7.1	**8,000,000**	8,000,000
PIAIL							
Hong Kong Shanghai Banking Corporation	Loan	28.867 Euro	2004-2017			**-**	149,775
JP Morgan Chase	Loan	140 USD	2011-2016			**14,648,707**	14,509,755
						150,561,965	119,902,286
Current maturity shown under current liabilities						**(41,383,646)**	(30,562,588)
						109,178,319	89,339,698

7.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (December 31, 2016: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.45% over 1 month KIBOR to 1.65% over 1 month KIBOR (2016: 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, 2016: 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, 2016: 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR).

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

7.3 The finance is secured by way of:
- 1st exclusive hypothecation charge over five engines with 10% margin; and
- Irrevocable assignment instruction from the Holding Company to NIB / Bank of Punjab for transfer of funds to ABPL on fortnightly ba

7.4 The finance is secured by way of lien over Musharka Assets amounting to Rs. 1500 million and unconditional and irrevocable GoP guarantee for the facility amount.

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

7.6 The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Company amounting to Rs. 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with the Company's sales routed through collection account NBP Airport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP. Furthermore, principal amounting to Rs. 83.33 million due as at June 30, 2017 which has been paid by the Company during the extended period on July 12, 2017.

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

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

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

7.9 The finance is secured by way of:

- Mortgage over each of the five ATR aircraft and two spares engines purchased, and
- European Credit Agencies / GoP Guarantee.

7.10 The finance is secured against Exim Bank / 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.

The finance is secured by way of Lien over IATA routed PIACL sales, receivable or assignment.

- 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 Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:

- United Bank Limited (UBL) and

- Credit Suisse AG,Singapore Branch

The finance is secured by way of:

- 1st priority security over the master collection account, facility service account.

- Legally enforceable assignment of the ticket sales collection for the select BSP agreement sector through IATA with appropriate acknowledgment, and

- irrevocable and uncondional instruction to IATA and GSA in the Kingdom of Saudi Arabia to pay all proceeds from the sales abroad PIA fights into master collection account. The account bank shall transfer funds received to the master into the facility service account also maintained with the account bank.

7.14 The Holding Company has not paid any installment since due date of installment, i.e. October 23, 2011. The over due principal and markup due as at September 30,2017 is Rs.5,812.5 and Rs.6,566, respectively. The over due principal amount is included in current maturity.

8 TERM FINANCE AND SUKUK CERTIFICATES

	Security	Note	Repayment period	Number of Installments	Mark-up	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
						---------- Rupees in '000 ----------	
Term finance certificates	GoP Guarantee	8.1	2014 - 2020	16 Quarterly	6 month KIBOR + 1.25%	**20,785,813**	26,707,209
Sukuk certificates	GoP Guarantee	8.2	October 20, 2019	Bullet	6 month KIBOR + 1.75%	**6,800,000**	6,800,000
						27,585,813	33,507,209
Less: Current maturity						**(10,001,180)**	(8,217,603)
						17,584,633	25,289,606

8.1 The ECC on July 03, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by 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. 960.661 million after the capitalization of markup accrued on previous PPTFC of Rs. 12,790 million. During the year ended December 31, 2015, the restructuring agreements of both PPTFCs were signed and Pak Brunei Investment Holding Company Limited was approved as trustee of both PPTFCs. Interest payment due as at September 30, 2017 has been paid by the Holding Company during the subsequent period on October 2017.

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

9 TRADE AND OTHER PAYABLES

	Note	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		---------- Rupees in '000 ----------	
Trade creditors			
Goods		**18,761,290**	17,661,379
Services		**6,332,044**	5,866,762
Airport related charges		**23,684,950**	20,212,685
Others		**8,800**	509,384
		48,787,085	44,250,210
Other Liabilities			
Accrued liabilities	9.1	**8,514,742**	7,973,015
Advance against transportation (unearned revenue)		**12,228,945**	11,293,754
Obligation for compensated absences- Holding company		**9,006,823**	8,142,723
Unredeemed frequent flyer liabilities		**755,830**	755,829
Advance from customers		**891,129**	880,683
Amount due to Associate undertaking		**726,949**	222,496
Advances and deposits		**247,680**	187,803
Earnest money		**849**	1,083
Payable to Holding company employees' provident fund	9.2	**10,574,099**	10,202,468
Unclaimed dividend - Preference shares		**8,492**	8,493
Collection on behalf of others	9.3	**37,975,149**	33,642,194
Customs and federal excise duty		**2,661,131**	3,592,336
Capital value tax		**9,198,914**	8,900,478
Income tax deducted at source		**1,570,548**	1,939,654
Sales tax payable		**2,978**	4,211
Bed tax		**733**	694
Payable to EOBI/SESSI		**583**	657
Short-term deposits		**964,603**	926,108
Others		**169,579**	28,014
		144,286,840	132,952,903

9.1 This includes total management fee upto September 30, 2017 amounting to Rs. 162 million (2016: Rs.122 million) payable to PIA Investments Limited, a subsidiary company.

9.2 This represents amount deducted from employees on account of contribution to Provident Fund, the Holding Company's own contribution and deductions from employees on account of loan recoveries on behalf of Provident Fund which is payable to Pakistan International Airlines Corporation Provident Fund (PF),which could not be paid to the PF within 15 days as required by Section 227 of the repealed Companies Ordinance, 1984 due to the liquidity constraints. Hence, mark-up thereon have been accrued based on the discount rate as announced by the State Bank of Pakistan upto 19 April and there after based on 1 month KIBOR.

9.3 This includes taxes payable at foreign stations and amount payable to CAA relating to embarkation, security and infrastructure charges.

10 SHORT-TERM BORROWINGS - secured

		September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
		---------- Rupees in '000 ----------	
Short-term loans - secured	10.1	**31,103,195**	30,803,694
Running finance under mark-up arrangements	10.2	**3,328,227**	3,547,617
		34,431,422	34,351,311

10.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Expiry date	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
From Banking Companies				---------- Rupees in '000 ---------	
Habib Allied International	EURO receivables	12 USD	Continuous	**1,243,195**	943,694
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.	5,000 PKR	31-Oct-17	**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.	5,000 PKR	31-Oct-17	**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.	5,000 PKR	31-Oct-17	**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.	4,360 PKR	31-Oct-17	**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.	3,500 PKR	31-Oct-17	**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.	3,000 PKR	31-Oct-17	**3,000,000**	3,000,000
			Carried forward	**27,103,195**	26,803,694

Financier	Security	Facility amount (million)	Expiry date	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
From Banking Companies				---------- Rupees in '000 ---------	
		Brought forward		**27,103,195**	26,803,694
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.	2,000 PKR	31-Oct-17	**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.	2,000 PKR	31-Oct-17	**2,000,000**	2,000,000
JS BANK LTD		USD 15 M	30-Sep-17	**-**	**-**
				31,103,195	**30,803,694**

10.1.1 The borrowings in PKR carry mark-up with a spread of 1.5% over 3 months KIBOR (December 31, 2016: spread of 1.5% over 3 months KIBOR).The borrowings in foreign currency carry mark-up of 3.5% over 3 months LIBOR (December 31, 2016: a spread of 3.5% over 3 months LIBOR).

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

10.2 Running finance under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million)	Expiry date	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
Secured					---------- Rupees in '000 ---------	
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets or present and future receivables of the company for Rs. 2,800 million including 25% margin or as per SBP requirement, whichever is higher.	350 PKR	10.9 PKR	30-Sep-17	**312,067**	321,829
National Bank of Pakistan	First pari passu hypothecation charge of Rs. 766.667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. Further, a promissory note has been issued in the name of NBP amounting to Rs. 686 million payable on demand.	575 PKR	61.8 PKR	31-Oct-17	**570,844**	292,031
			Carried forward		**882,911**	**613,860**

Banks	Unavailed credit (million)	Facility amount (million)	Security	Expiry date	September 30, 2017 (Un-Audited)	December 31, 2016 (Audited)
					---------- Rupees in '000 ---------	
			Brought forward		**882,911**	613,860
United Bank Limited - Karachi	Hypothecation charge of Rs. 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.	2,570 PKR	08 PKR	31-Jul-17	**2,361,093**	2,515,108
Habib Allied International Bank Limited - London	-	3 USD	EURO R/A	On Demand	**-**	315,285
Un-secured						
Habib American Bank	-	0.6 USD	1.5 USD	On Demand	**84,223**	103,364
					3,328,227	3,547,617

10.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month KIBOR (2016: 1.5% to 2.0% over 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% (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 Citi Base Rate (2016: spread of 3.5% over 3 month LIBOR and 2% over Citi base Rate).

10.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at September 30, 2017.

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

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There has been no material change in the status of contingencies and commentments as disclosed in notes 14 to the unconsolidated condensed interim financial statements for the half year ended June 30, 2017 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, 2017 (Un-Audited)	December 31, 2016 (Audited)
	----------Rupees in '000----------	
Not later than one year	**7,843,739**	7,235,512
Later than one year but not later than five years	**19,960,137**	25,070,274
Later than five years	**1,973,013**	3,737,597
	27,803,876	36,043,383

	Note	Nine months period ended		Quarter ended	
		September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited) (Restated)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited) (Restated)
		----------Rupees'000----------			
12 REVENUE - Net					
Passenger		**62,615,863**	61,659,458	**23,703,517**	23,243,601
Cargo		**2,884,600**	2,606,348	**1,100,292**	1,149,667
Excess baggage		**525,223**	562,579	**150,890**	191,680
Charter		**555,032**	450,615	**146,391**	137,822
Engineering services		**407,866**	810,879	**225,845**	219,701
Handling and related services		**240,625**	446,418	**103,057**	278,902
Mail		**159,541**	206,318	**48,932**	71,825
Room, food and beverages sales		**8,150,389**	8,520,610	**3,004,225**	3,076,809
Others		**2,814,586**	2,279,746	**777,834**	1,009,640
		78,353,725	77,542,971	**29,260,982**	29,379,648
13 COST OF SERVICES - Others					
Salaries, wages and allowances		**14,962,840**	15,028,370	**4,948,242**	5,068,585
Welfare and social security costs		**1,570,128**	1,810,899	**482,176**	572,024
Retirement benefits		**1,555,485**	1,540,295	**513,210**	550,580
Compensated Absences		**623,360**	595,903	**211,368**	174,198
Legal and professional charges		**24,321**	33,009	**9,572**	16,251
Stores and spares consumed		**677,801**	986,789	**239,864**	248,564
Repair, Maintenance and overhaul		**6,692,935**	7,415,262	**2,387,185**	2,005,545
Flight equipment rental		**8,251,200**	5,608,745	**2,837,811**	2,502,432
Landing and handling		**11,414,901**	11,182,091	**3,782,181**	4,079,750
Passenger services		**2,154,079**	2,340,963	**640,080**	780,822
Crew layover		**2,220,457**	2,080,853	**731,352**	744,539
Staff training		**73,976**	76,131	**40,440**	43,330
Food cost		**427,608**	474,601	**137,708**	188,210
Utilities		**54,450**	55,851	**19,451**	20,307
Communication		**2,582,587**	2,548,343	**794,004**	794,647
Insurance		**711,804**	761,411	**267,877**	255,968
Rent, rates and taxes		**531,590**	592,674	**151,353**	205,425
Printing and stationery		**66,308**	114,784	**14,305**	37,580
Amortization		**5,485**	10,143	**634**	3,356
Depreciation		**3,879,666**	4,983,207	**1,347,959**	1,537,673
Others	13.1	**1,476,011**	1,964,240	**487,850**	678,469
		59,956,991	**60,204,564**	**20,044,621**	20,508,256

13.1 This includes an amount of Rs. Nil (September 30, 2016: Rs. 250.035 million) pertaining to late return fees and customer induced damages in respect of engineering and maintenance contract.

	Nine months period ended		Quarter ended	
	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited)
	----------Rupees'000----------			
14 OTHER PROVISIONS AND ADJUSTMENTS				
Property, plant and equipment				
- loss on disposal of aircraft fleet	63,009	64,855	-	-
- deficit released from surplus on aircraft disposed off	-	553,850	-	-
- other assets written off	-	292,653	-	-
Provision for slow moving and obsolete spares	**282,670**	73,962	**109,524**	555
Provision against doubtful debts	**350,000**	323,104	**150,000**	100,915
Provision against doubtful advances	-	8,026	-	1,834
Provision against doubtful deposits	-	125,736	-	-
Provision / (reversal) against CWIP	-	2,650	-	-
Against other receivable	-	12,814	-	-
Late Payment surcharge on fuel	**909,073**	1,344,293	**222,963**	334,415
Others	**741**	27,916	**741**	-
	1,605,493	2,829,859	**483,228**	437,719
15 FINANCE COSTS				
Mark-up on:				
- long term financing	**6,395,953**	4,304,032	**1,598,534**	1,512,051
- short term borrowings	**1,927,232**	2,003,371	**676,911**	674,391
- advance from a subsidiary	**88,034**	70,694	**32,128**	24,131
	8,411,219	6,378,097	**2,307,573**	2,210,573
Return on term finance certificates	**1,305,665**	1,879,388	**402,928**	604,070
Profit on sukuk certificates	**399,765**	418,396	**399,765**	138,832
Interest on liabilities against assets subject to finance leases	**192,166**	233,551	**65,034**	68,600
Interest to pension / provident fund	**455,462**	450,948	**455,462**	154,579
Discounting on deposits	**(30,832)**	(63,542)	**(10,477)**	(10,196)
Arrangement, agency and commitment fee	**685,224**	238,461	**421,625**	42,956
Bank charges, guarantee commission and other related	**97,028**	41,032	**97,028**	15,770
Others	**189,213**	191,622	**148,881**	63,230
	11,704,910	9,767,953	**4,287,820**	3,288,414
16 TAXATION				
Current - for the period	**602,733**	555,935	**249,812**	182,796
Deferred	**(18,904)**	(166,155)	**-**	-
	583,829	389,780	**249,812**	182,796

16.1 There has been no material change in the status of tax contingencies as disclosed in notes 19.1 to the unconsolidated financial statements for the Half year ended June 30 ,2017

	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)	**September 30, 2017 (Un-Audited)**	September 30, 2016 (Un-Audited)
	----------Rupees'000----------			
17 LOSS PER SHARE - BASIC AND DILUTED				
Loss after taxation	**(30,563,950)**	(26,876,567)	**(7,502,124)**	(6,108,802)
Weighted average number of ordinary shares outstanding	**5,234,511,117**	5,234,511,117	**5,234,511,117**	5,234,511,117
Loss attributable to:				
A' class ordinary shares	**(5.84)**	(5.13)	**(1.43)**	(1.17)
B' class ordinary shares	**(2.92)**	(2.57)	**(0.72)**	(0.59)

There were no dilutive potential ordinary shares outstanding as at September 30, 2017 and 2016.

		September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
		----------Rupees in '000 ----------	
18	**CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES**		
	Loss before taxation	**(29,980,122)**	(26,486,787)
	Adjustments for non cash items:		
	Depreciation	**3,978,428**	5,004,853
	Gain on disposal of property, plant and equipment	**-**	64,855
	Amortization	**65,481**	24,148
	Provision for slow moving stores and spares	**282,670**	73,962
	Provision / (reversal) against doubtful advances	**-**	8,026
	Provision for employees' benefits	**3,390,657**	3,274,937
	Provision for doubtful debts	**350,000**	323,104
	Provision against doubtful deposits	**-**	125,736
	Reversal of provision for other receivable	**-**	12,814
	Finance costs	**11,704,910**	9,767,953
	Unrealized exchange (gain)/loss	**206,763**	97,647
	Deficit released on write off of aircraft	**63,009**	553,850
	Profit on bank deposits	**(9,213)**	(47,184)
	Cash generated from operations before working capital changes	**(9,947,416)**	(7,202,086)
	Working capital changes:		
	Increase in stores and spare parts	**(370,449)**	(196,523)
	Increase / (decrease) in trade debts	**(629,273)**	895,463
	Increase in advances	**(641,103)**	(361,500)
	Increase in trade deposits and prepayments	**(752,396)**	(2,420,376)
	Decrease / (Increase) in other receivables	**455,815**	(870,822)
	Increase in trade and other payables	**10,409,236**	21,978,131
		8,471,830	19,024,373
	Cash generated from operations after working capital changes	**(1,475,586)**	11,822,287

19 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Corporation 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 consolidated condensed interim financial statements are as follows:

	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
	----------Rupees in '000 ----------	
Retirement funds		
Contribution to provident Fund and other	**2,910,851**	3,732,139
Interest on Loan from pension / provident fund	**384,756**	443,547
Profit oriented state-controlled entities - common ownership		
Purchase Fuel	**8,845,166**	7,212,647
Insurance Preminum	**836,735**	752,592
Finance Cost Charged	**3,167,967**	3,434,787
Late Payment Interest	**975,238**	1,514,817

	September 30, 2017 (Un-Audited)	September 30, 2016 (Un-Audited)
	----------Rupees in '000 ----------	
GoP - Major shareholder		
Finance cost charged	**595,068**	598,356
Key management personnel		
Salaries, wages and other benefits	**124,286**	113,958

19.1 The Holding Company 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 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 Holding Company's annual financial statements as at December 31, 2016. There have been no changes in any risk management policies since the year end.

20.2 Fair value estimation

As at September 30, 2017, Company's all assets and liabilities are carried at cost except for those mentioned below:

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

b) The Holding Company classifies long-term investments in listed companies measured in the balance sheet at fair values; and

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

21 CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, for the purpose of better presentation and comparison.

22 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on JULY 05, 2018 by the Board of Directors of the Holding company.

Chief Fiinancial Officer

Chief Executive Officer

Director

Chief Executive Officer