

 **PAKISTAN**
International Airlines
Great People to Fly With

HALF YEARLY REPORT 2016



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CORPORATE PROFILE (As at May 10, 2017)

BOARD OF DIRECTORS

Mr Muhammad Irfan Elahi
Chairman & Federal Secretary Aviation Division

Mr Ghiasuddin Ahmed
Director

Malik Nazir Ahmed
Director

Syed Yawar Ali
Director

Mr Aslam Khaliq
Director

Dr Waqar Masood Khan
Director

Mr Navaid H Malik
Director

Mr Yousaf Waqar
Director

Mr Muhammad Shuaib
Secretary-PIACL

Mr Jawed Mansha
Acting Internal Auditor

EXECUTIVE MANGEMENT

Mr Nayyar Hayat
Acting Chief Executive & Chief Financial Officer

Mr Bernd Hildenbrand
Chief Operating Officer

Wg Cdr (Retd) Raheel Ahmed
Chief Human Resource Officer

Mr Amir Ali
Chief Technical Officer

Capt Naveed Ahmed Aziz
Chief Safety & Quality Assurance

Capt Uzair Khan
Chief Flight Operations

Chaudhry Muhammad Azhar Nawaz
Chief Information Officer

AVM Rizwan Pasha
Director- Precision Engineering Complex

Mr Younus Muhammad Khan
Director-Projects ISB & LHE Airports

Mr Amanullah Qureshi
Project Controller Ground Handling Equipment

Mr Omar Razzaq
Incharge Supply Chain Management

Mr Tahir Niaz
Acting Chief Commercial Officer

Mr Zulfiqar Ahmed Shaikh
Acting Chief Corporate Development Officer

Mrs Ghazala Rashid
Director-President Al-Shifa Trust

Mr Rashid Ahmed
Executive Director Skyrooms Private Limited

Mr Aijaz Mazhar
Director

Mr Khurram Mushtaq
Director

EXTERNAL AUDITORS

Messrs EY Ford Rhodes
Chartered Accountants

Messrs KPMG Taseer Hadi & Co.
Chartered Accountants

SHARES REGISTRAR

Central Depository Company of Pakistan Limited (CDCPL)

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

HEAD OFFICE

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

BOARD OF DIRECTORS' COMMITTEES

(As at May 10, 2017)

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

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 six months ended June 30, 2016. The financial results for the period are summarized below;

	(Rs. In Billion)	
	2016	2015
		<i>(Restated)</i>
Revenue (net)	42.223	46.153
Operating Costs & expenses		
Fuel Cost	12.094	14.996
Other Cost of Services	36.669	29.453
Distribution & Admin Expenses	5.773	4.912
Exchange Loss	0.093	0.502
Other Income & Adjustments	2.160	2.006
Operating Loss	14.568	5.715
Finance Cost	6.262	6.802
Loss Before Taxation	20.831	12.517
Loss After Taxation	20.876	14.012

Globally airline revenues witnessed a decline of 1.3% year on year in the first half of 2016, while total number of airline passengers worldwide declined by 1.4% during the same period.

PIACL witnessed a negative impact on revenue mainly due to strike and complete shutdown of operations during the month of February 2016 for almost ten days, along with reduction in yield due to market forces net revenue decreased by 8.51%.

Combined effect of downward trend in fuel prices and impact of replacement of aging fleet with fuel efficient aircraft resulted in almost 19% decline in fuel cost in comparison to the corresponding period of last year. Due to reduction in KIBOR finance cost decreased by 7.93%. Other cost of services increased by almost 25% mainly due to increase in lease rentals on account of inductions of new aircraft on lease and increase in salaries and wages.

Three narrow and two wide body aircraft were inducted in the fleet during the period under review which resulted in increase of ASKs (Available Seat Kilometers) by 13.34%.

For the period under review external auditors have opined that the management has not carried out any exercise to assess the impairment testing of remaining four A-310 aircraft at June 30, 2016. However, keeping in view the operational requirements subsequent to the

period under review two A-310 aircraft are being brought back into service for which management has initiated the process for seeking necessary approval from Aviation Division.

In line with the markets trend for forecasted growth and to bring in efficiency in operations management has decided to phase out old aircraft and replace more narrow body aircraft which will help in enhancing the brand image by giving better frequency and connectivity to the passengers.

Moreover management is focusing on increasing the customer base, through bilateral sharing agreements with major airlines coupled with other measures including but not limited to fleet and routes rationalization focusing on E-Commerce, these measures will help us to increase our revenue which is key to operational efficiency.

PIA Investment Limited (a subsidiary) achieved a net profit of PKR 88.4 million while Skyroom Limited (a subsidiary) made a net profit of PKR 7.95 million during the six months period.

We are hopeful that despite the current downturn, with the induction of modern, fuel efficient aircraft, dedication of our employees and continued support of shareholders as well as government of Pakistan, we will emerge stronger for the good times ahead.

For and on behalf of the Board



Muhammad Irfan Elahi
Chairman-PIACL

May 10, 2017



UNCONSOLIDATED

FINANCIAL

STATEMENT

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of **Pakistan International Airlines Corporation Limited** (the Company) as of **June 30, 2016** and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts (here-in-after referred to as the "interim financial information") for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As more fully explained in note 4.2 to the unconsolidated condensed interim financial information which describe that all A-310 aircraft have been grounded / retired from operation due to old aged and requirements of major improvements and modification during the current and subsequent period ended June 30, 2016. The tendering process was commenced immediately after period end and no bids were received. This situation along with other factors disclosed in the said note indicate possible impairment in remaining four A-310 aircraft as at June 30, 2016. The carrying value of remaining four A-310 aircraft including spare engines, related capital spares and stores and spares as at June 30, 2016 is Rs. 1,977.797 million, Rs. 409.426 million and Rs. 599.722 million, respectively. The management has not carried out any exercise to assess that whether remaining four A-310 aircraft including spares engines, related capital spares and stores and spares are stated at their recoverable amount as at June 30, 2016 in accordance with the requirements of International Accounting Standard (IAS 36) "Impairment of Assets" and the Company's accounting policy for impairment. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respect, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matters

We draw attention to the following notes to the unconsolidated condensed interim financial statements:

- i. note 1.2 which states that during the current period, the Company incurred a net loss of Rs. 20,876.086 million, resulting in accumulated losses of Rs. 290,789.750 million as of June 30, 2016, and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 186,228.703 million. These conditions along with other factors disclosed in the abovementioned note indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.
- ii. note 11.2 which states that the Pakistan International Airlines Corporation Provident Fund's contribution of Rs. 10,190.087 million along with mark-up thereon of Rs. 3,824.924 million were not deposited by the Company within stipulated time as required by Section 227 of the Companies Ordinance, 1984.

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

Other matters

The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2016 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2016.

EY Ford Rhodes
Chartered Accountants

Engagement Partner
Khurram Jameel

Date:
Place: Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner
Muhammad Nadeem

	June 30, 2016 (Un-Audited) ----- (Rupees in '000) -----	December 31, 2015 (Audited) ----- (Rupees in '000) -----	June 30, 2016 (Un-Audited) ----- (US\$ in '000) -----	December 31, 2015 (Audited) ----- (US\$ in '000) -----
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ASSETS

NON - CURRENT ASSETS

Fixed assets

- Property, plant and equipment
 - Intangibles

4	73,827,787	76,602,307	704,930	730,440
	16,822	45,645	161	435
	<u>73,844,609</u>	<u>76,647,952</u>	<u>705,091</u>	<u>730,875</u>

Long-term investments

Long-term advances

Long-term deposits and prepayments

Total non - current assets

5	4,533,149	4,511,581	43,284	43,020
	-	-	-	-
	6,942,410	9,602,902	66,288	91,569
	<u>85,320,168</u>	<u>90,762,435</u>	<u>814,663</u>	<u>865,464</u>

CURRENT ASSETS

Stores and spares

Trade debts

Advances

Trade deposits and short-term prepayments

Other receivables

Short-term investments

Cash and bank balances

Total current assets

6	3,063,481	3,039,872	29,251	28,986
	5,937,696	9,294,690	56,695	88,629
	1,591,190	1,574,020	15,193	15,009
	4,984,788	2,355,635	47,596	22,462
6	6,850,714	6,154,674	65,413	58,688
	19,220	19,220	184	183
7	5,291,092	2,641,305	50,521	25,187
	27,738,181	25,079,416	264,853	239,144

TOTAL ASSETS

	<u>113,058,349</u>	<u>115,841,851</u>	<u>1,079,516</u>	<u>1,104,608</u>
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EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Issued, subscribed and paid-up share capital

Reserves

Accumulated losses

Total shareholders' equity

8	52,345,110	52,345,110	499,807	499,136
	4,396,189	4,374,621	41,976	41,714
	(290,789,750)	(269,946,703)	(2,776,547)	(2,574,071)
	<u>(234,048,451)</u>	<u>(213,226,972)</u>	<u>(2,234,764)</u>	<u>(2,033,221)</u>

Surplus on revaluation of property, plant
 and equipment - net

	5,218,546	4,863,889	49,828	46,380
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NON - CURRENT LIABILITIES

Long-term financing

Term finance and sukuk certificates

Liabilities against assets subject to finance lease

Advance from a subsidiary

Deferred liabilities

Total non - current liabilities

9	58,971,990	49,766,421	563,082	474,547
10	29,398,410	26,707,209	280,705	254,666
	9,470,295	13,218,479	90,425	126,045
	4,203,405	4,209,056	40,135	40,135
	25,877,270	24,732,719	247,084	235,838
	<u>127,921,370</u>	<u>118,633,884</u>	<u>1,221,431</u>	<u>1,131,231</u>

CURRENT LIABILITIES

Trade and other payables

Accrued interest

Provision for taxation

Short-term borrowings

Current maturities of:

- Long-term financing

- Term finance and sukuk certificates

- Liabilities against assets subject to finance lease

Total current liabilities

11	121,890,270	108,498,696	1,163,845	1,034,588
12	11,889,817	11,965,110	113,528	114,093
	386,145	231,779	3,687	2,210
13	34,826,912	36,940,201	332,538	352,242
9	27,331,365	27,534,829	260,968	262,557
10	10,272,000	13,196,419	98,080	125,834
	7,370,375	7,204,016	70,375	68,694
	<u>213,966,884</u>	<u>205,571,050</u>	<u>2,043,021</u>	<u>1,960,218</u>

TOTAL LIABILITIES

	<u>341,888,254</u>	<u>324,204,934</u>	<u>3,264,452</u>	<u>3,091,449</u>
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TOTAL EQUITY AND LIABILITIES

	<u>113,058,349</u>	<u>115,841,851</u>	<u>1,079,516</u>	<u>1,104,608</u>
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Contingencies and commitments

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* The annexed notes 1 to 25 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 (Un-Audited)

For the six months period ended June 30, 2016


	Note	Six months period ended		Quarter ended		Six months period ended	
		June 30, 2016	June 30, 2015 (Restated)	June 30, 2016	June 30, 2015 (Restated)	June 30, 2016	June 30, 2015 (Restated)
		(Rupees in '000)				(US\$ in '000)	
Revenue - net	15	42,223,412	46,153,366	19,978,092	20,277,963	402,935	453,383
Cost of services		(12,094,256)	(14,996,409)	(6,967,398)	(7,447,912)	(115,415)	(147,316)
Aircraft fuel		(36,669,820)	(29,453,045)	(20,245,327)	(16,897,285)	(349,938)	(289,329)
Others	16	(48,764,076)	(44,449,454)	(27,212,725)	(24,345,197)	(465,353)	(436,645)
Gross (loss) / profit		(6,540,664)	1,703,912	(7,234,633)	(4,067,234)	(62,418)	16,738
Distribution costs		(2,546,636)	(2,337,634)	(1,291,449)	(1,119,799)	(24,302)	(22,964)
Administrative expenses		(3,227,135)	(2,573,375)	(1,709,933)	(805,351)	(30,796)	(25,279)
Other provisions and adjustments	17	(2,392,140)	(2,516,984)	(1,404,718)	2,516,586	(22,828)	(24,725)
Exchange (loss) / gain - net		(93,528)	(501,865)	(109,334)	184,702	(893)	(4,930)
Other operating income		231,871	511,172	75,248	466,021	2,213	5,021
		(8,027,568)	(7,418,686)	(4,440,186)	1,242,159	(76,606)	(72,877)
Loss from operations		(14,568,232)	(5,714,774)	(11,674,819)	(2,825,075)	(139,024)	(56,139)
Finance costs	18	(6,262,892)	(6,802,388)	(3,115,180)	(3,429,153)	(59,766)	(66,823)
Loss before taxation		(20,831,124)	(12,517,162)	(14,789,999)	(6,254,228)	(198,790)	(122,962)
Taxation	19	(44,962)	(272,915)	66,265	439,608	(429)	(2,681)
Loss for the period		(20,876,086)	(12,790,077)	(14,723,734)	(5,814,620)	(199,219)	(125,643)
Loss per share - basic and diluted		(Rupees) (Restated)		(Rupees) (Restated)		(US\$) (Restated)	
'A' class ordinary shares of Rs. 10 each	20	(3.99)	(2.58)	(2.81)	(1.15)	(0.04)	(0.03)
'B' class ordinary shares of Rs. 5 each	20	(2.00)	(1.29)	(1.41)	(0.58)	(0.02)	(0.02)

The annexed notes 1 to 25 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 (Un-Audited)
 For the six months period ended June 30, 2016

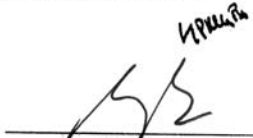
	Six months period ended		Quarter ended	
	June 30, 2016	June 30, 2015 <i>(Restated)</i>	June 30, 2016	June 30, 2015 <i>(Restated)</i>
	----- <i>(Rupees in '000)</i> -----			
Loss for the period	(20,876,086)	(12,790,077)	(14,723,734)	(5,814,620)
Other comprehensive income				
<i>Items that will be reclassified subsequently to unconsolidated profit and loss account</i>				
Unrealised gain on remeasurement of available for sale investments	21,568	1,729	13,787	1,729
Total comprehensive income for the period - loss	<u><u>(20,854,518)</u></u>	<u><u>(12,788,348)</u></u>	<u><u>(14,709,947)</u></u>	<u><u>(5,812,891)</u></u>

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

The annexed notes 1 to 25 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 Statement (Un-Audited)
 For the six months period ended June 30, 2016

	Note	Six months period ended		Six months period ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		(Rupees in '000)		(US\$ in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	21	4,720,351	7,227,039	45,046	70,994
Profit on bank deposits received		36,716	16,821	350	165
Finance costs paid		(6,098,189)	(6,405,800)	(58,195)	(62,926)
Taxes paid		(56,751)	(359,077)	(542)	(3,527)
Employee benefits paid		(463,602)	(390,930)	(4,424)	(3,840)
Long-term deposits and prepayments - net		2,581,016	(1,173,589)	24,630	(11,529)
Net cash from / (used in) operating activities		719,541	(1,085,536)	6,865	(10,663)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,048,901)	(1,091,277)	(10,009)	(10,720)
Proceeds from sale of property, plant and equipment		1,106	316,837	11	3,112
Net cash used in investing activities		(1,047,795)	(774,440)	(9,998)	(7,608)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts of advance against equity from the GoP		-	3,974,371	-	39,042
Repayments of long-term financing		(11,539,401)	(5,783,417)	(110,119)	(56,813)
Proceeds from long-term financing		19,086,395	9,608,301	182,140	94,386
Receipts of advance from a subsidiary		-	301,359	-	2,960
Repayments of short term borrowings		-	(1,524,162)	-	(14,972)
Repayment of term finance certificates		(233,218)	-	(2,226)	-
Repayments of obligations under finance lease - net		(3,724,134)	(5,096,454)	(35,539)	(50,064)
Net cash from financing activities		3,589,642	1,479,998	34,256	14,539
Increase / (decrease) in cash and cash equivalents		3,261,388	(379,978)	31,123	(3,732)
Cash and cash equivalents at beginning of the period		(1,995,052)	(2,572,418)	(19,038)	(25,270)
Effects of exchange rate changes on cash and cash equivalents		420	(4,640)	4	(46)
Cash and cash equivalents at the end of the period		1,266,756	(2,957,036)	12,089	(29,048)
Cash and cash equivalents					
Cash and bank balances	7	5,291,092	2,167,429	50,493	21,292
Running finances under mark-up arrangements	13.2	(4,024,336)	(5,124,465)	(38,404)	(50,340)
		1,266,756	(2,957,036)	12,089	(29,048)

The annexed notes 1 to 25 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 (Un-Audited)
 For the six months period ended June 30, 2016

	Issued, subscribed and paid-up share capital	Advance against equity from Government of Pakistan (GoP)	Reserves			Subtotal	Accumulated losses	Total
			Capital reserves	Revenue reserves	Unrealised gain on revaluation of investments			
(Rupees in '000)								
Balance as at December 31, 2014 - as previously reported	28,779,674	19,591,065	2,501,038	1,779,674	22,775,869	27,056,581	(226,838,884)	(151,411,564)
Effect of restatement - note 3.5	-	-	-	-	(22,693,199)	(22,693,199)	(8,077,241)	(30,770,440)
Balance as at December 31, 2014 - as restated	28,779,674	19,591,065	2,501,038	1,779,674	82,670	4,363,382	(234,916,125)	(182,182,004)
Total comprehensive income for the six months period ended June 30, 2015:								
Loss for the period	-	-	-	-	-	-	(12,790,077)	(12,790,077)
Other comprehensive income for the period	-	-	-	-	1,729	1,729	-	1,729
Total comprehensive income for the period - loss	-	-	-	-	1,729	1,729	(12,790,077)	(12,788,348)
Surplus on revaluation of property, plant and equipment realised during the period on account of reduced depreciation charged thereon - net of tax								
	-	-	-	-	-	-	(12,457)	(12,457)
Transactions with owners:								
Advance against equity from GoP	-	3,974,371	-	-	-	-	-	3,974,371
Balance as at June 30, 2015 - as restated	28,779,674	23,565,436	2,501,038	1,779,674	84,399	4,365,111	(247,718,659)	(191,008,438)
Balance as at December 31, 2015	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 six months period ended June 30, 2016:								
Loss for the period	-	-	-	-	-	-	(20,876,086)	(20,876,086)
Other comprehensive income for the period	-	-	-	-	21,568	21,568	-	21,568
Total comprehensive income for the period - loss	-	-	-	-	21,568	21,568	(20,876,086)	(20,854,518)
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 June 30, 2016	52,345,110	-	2,501,038	1,779,674	115,477	4,396,189	(290,789,750)	(234,048,451)

The annexed notes 1 to 25 form an integral part of these unconsolidated condensed interim financial information.


 Chief Executive Officer


 Chief Executive Officer

19/06/2016


 Director


 Chief Financial Officer

1. THE COMPANY 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), through Act no. XV of 2016 'The Pakistan International Airlines Corporation (Conversion) Act, 2016, (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Corporation Act, 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.

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. 20,876.086 million (June 30, 2015: Rs. 12,790.077 million) resulting in accumulated losses of Rs. 290,789.750 million as of June 30, 2016 (December 31, 2015: Rs. 269,946.703 million). Further, as of June 30, 2016, current liabilities of the Company exceeded its current assets by Rs. 186,228.703 million (December 31, 2015: Rs. 180,491.634 million). Furthermore, the Company has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to these unconsolidated condensed interim financial information.

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 the Company continues and sustains in the long-term as a viable business entity:

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Company. In this respect, amounts aggregating to Rs. 11,276 million have been provided to the Company towards equity since the year ended December 31, 2008;
- During the years ended December 31, 2009 and 2010, the GoP provided long-term financing aggregating to Rs. 8,000 million to meet working capital requirements of the Company;
- Issuance / renewal of guarantees to financial institutions, both local and foreign, so as to enable the Company to raise / rollover funds;



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- On July 03, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs. 12,790 million along with conversion of certain short term loans amounting to Rs. 20,700 million into new term finance certificates which were converted during the year ended December 31, 2015.

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

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

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

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

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

During the year ended December 31, 2015, the remaining amount of Rs. 3,974 million out of US\$ 52 million was received by the Company. The Company issued 2,356.54 million shares of Rs 10 each amounting to Rs. 23,565.436 million to the GoP in lieu of advance against equity. However the legal formalities for the said issuance are still in process.

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

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




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

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

2. BASIS OF PREPARATION

- 2.1 These unconsolidated condensed interim financial information of the Company for the six months period ended June 30, 2016 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.
- 2.2 These unconsolidated condensed interim financial information do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Company's annual unconsolidated financial statements for the year ended December 31, 2015.
- 2.3 The US \$ amounts reported in the unconsolidated condensed interim balance sheet, unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of these unconsolidated condensed interim financial information. The US \$ amounts in the unconsolidated condensed interim balance sheet have been translated into US \$ at the rate of Rs. 104.7307 = US \$ 1 (December 31, 2015: Rs. 104.8715 = US \$ 1). The US \$ amounts in unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs. 104.7896 = US \$ 1 (June 30, 2015: Rs. 101.7978 = US \$ 1).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant Accounting Estimates, Judgements, 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 judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.



Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial 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, 2015, except for the changes in accounting estimates as noted in note 4.3.

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

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

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

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

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning after January 01, 2016 but are considered not to be relevant or will not have any significant effect on the Company's position and are, therefore, not stated in these unconsolidated condensed interim financial information.

3.5 **Restatement of comparatives and reclassifications**

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

During the year ended December 31, 2015, the exercise to determine the fair values of its investments in subsidiaries was not concluded due to practical difficulties. The management based on exercise results considered that it is impracticable to determine the fair value of the investment in subsidiaries due to unquoted investments with substantial accuracy as required by IAS 39 which states that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of this, the management had reverted back to previous policy i.e. cost, and investment in subsidiaries are again carried at cost less impairment, if any, with retrospective effect.

The above change had been corrected in accordance with the requirements of IAS-8, 'Accounting Policies, Changes in Accounting Estimates and Errors' in the unconsolidated financial statements for the year ended December 31, 2015 with retrospective effect. The effect of these on comparatives of unconsolidated condensed interim financial information are as below:



Effect on unconsolidated profit and loss account

Increase in deferred tax income (1,221,825)

Effect on unconsolidated 'other comprehensive income'

Reversal of loss on remeasurement of investment in subsidiaries (302,323)

Impact of deferred tax on remeasurement of investment in subsidiaries 1,221,825

919,502

Total unconsolidated comprehensive income (302,323)**Net effect to unconsolidated equity** (302,323)**June 30, 2015****(Un-Audited)****(Rupees)****Effect on loss per share**

Increase in loss attributable to:

'A' class ordinary shares of Rs. 10 each (0.25)

'B' class ordinary shares of Rs. 5 each (0.13)

As stated in note 2.7 to the annual financial statements for the year ended December 31, 2015, certain reclassifications were made and accordingly the same has been reclassified in the unconsolidated condensed interim profit and loss account for the period ended June 30, 2015 for better presentation, which are summarised below with their respective amounts:

June 30, 2015
(Un-Audited)
(Rupees in '000)

From	To	
Administration expenses: Welfare and social security costs	Cost of services - Others: Welfare and social security costs	1,014,596
Administration expenses: Welfare and social security costs	Distribution costs: Welfare and social security costs	104,278

4. PROPERTY, PLANT AND EQUIPMENT

	June 30,	December 31,
	2016	2015
	(Un-Audited)	(Audited)
	(Rupees in '000)	
	<i>Note</i>	
Operating fixed assets	<i>4.1, 4.2 & 4.3</i>	
- owned	22,720,193	23,799,446
- leased	50,078,315	52,605,356
	72,798,508	76,404,802
Capital work-in-progress	1,029,279	197,505
	73,827,787	76,602,307




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

	Six months period ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
	(Rupees in '000)	
Additions / Transfers / Adjustments		
<i>Owned</i>		
Workshops and hangers	7,031	135
Renovation and improvements	50,500	8,582
Aircraft fleet	-	824,382
Operating ground, catering, communication and meteorological equipment	3,606	3,137
Engineering equipment and tools	30,246	2,979
Traffic equipment	-	4,922
Furniture, fixtures and fittings	11,700	9,146
Motor transport	7,318	-
Office equipment	450	120
Computer and office automation	26,311	14,056
Precision engineering equipment	6,948	-
Other equipment	5,262	20,241
Capital spares	163,869	41,302
	<u>313,241</u>	<u>929,002</u>
<i>Leased aircraft fleet</i>	-	816,086
	<u>313,241</u>	<u>1,745,088</u>
Deletions / write offs net book value / Adjustments		
<i>Owned</i>		
Buildings - on other land	39,408	-
Aircraft fleet	64,855	124,266
Operating ground, catering, communication and meteorological equipment	405	-
Traffic equipment	168,520	-
Furniture, fixtures and fittings	9,885	36
Motor transport	670	1,598
Office equipment	106	-
Computer and office automation	-	184
Other equipment	171,737	-
Capital spares	5,962	1,997
	<u>461,548</u>	<u>128,081</u>

4.2 As at December 31, 2015, the aircraft fleet included eight A-310 aircraft including spare engines which were stated at revalued amount of Rs. 1,815.664 million on which an aggregate surplus of Rs. 27.165 million appearing in the surplus on revelation of fixed assets.

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During the period ended June 30, 2016, four A-310 aircraft have been grounded / retired from operation due to old aged and requirements of major improvements and modification. Accordingly, a loss of Rs. 618.705 million has been recorded in these unconsolidated condensed interim profit and loss account which comprise of carrying value of four airframes of A-310 aircraft of Rs. 64.855 million and a release of deficit from equity of Rs. 553.850 million, without taking its effects on related capital spares and stores and spares. As a result, as at June 30, 2016, the aircraft fleet included four A-310 aircraft including spare engines at the carrying value of Rs. 1,977.797 million on which an aggregate surplus of Rs. 567.058 million is appearing in the surplus on revaluation of fixed assets. As at June 30, 2016, the carrying value of related capital spares and stores and spares is Rs. 409.426 million and Rs. 599.722 million respectively.

In order to keep remaining four aircraft flying beyond December 31, 2016, major investments and modifications to the structure were needed which have not been considered feasible by the Company's management due to their old age. Hence, it had been decided by the management subsequent to period end to ground / retire from operation these remaining four A-310 aircraft. Accordingly, an international tender was floated for these four A-310s in July 2016, however, no bids were received. Another international tender was floated in November 2016 for which only single bid received for one A-310 (without engines) at Euros 47,500. Accordingly, one aircraft (A310, AP-BEQ) was transported to Germany in November 2016 before the completion of formal bidding procedures. The inquiry in respect of this transported aircraft has been initiated, the outcome of which is pending to date.

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

4.3 Changes in estimates

As a result of a revaluation exercise conducted by an independent valuer as of December 31, 2015, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current period. Had there been no change in the useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the current period would have been higher by Rs. 226.508 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.



5. LONG-TERM DEPOSITS AND PREPAYMENTS

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
Note	(Rupees in '000)	
Deposits		
<i>Considered good</i>		
Aircraft fleet lease deposits	5,006,960	5,695,518
Maintenance reserve	1,555,187	1,553,980
Engine maintenance	83,785	83,854
Rent	-	68,875
Utilities	-	266
Aircraft fuel	-	17,644
Deposit to service providers	73,410	73,011
Guarantee deposit	-	1,792,784
Others	-	41,895
	<u>6,719,342</u>	<u>9,327,827</u>
<i>Considered doubtful</i>		
Less: provision against doubtful deposits	<u>315,197</u>	<u>189,461</u>
	<u>(315,197)</u>	<u>(189,461)</u>
	<u>-</u>	<u>-</u>
	<u>6,719,342</u>	<u>9,327,827</u>
Prepayments		
Exposure fee to support financing	<u>456,769</u>	<u>501,177</u>
Less: current portion	<u>(233,701)</u>	<u>(226,102)</u>
	<u>223,068</u>	<u>275,075</u>
	<u>6,942,410</u>	<u>9,602,902</u>

- 5.1 This represents foreign currency deposit which has been maintained by a commercial bank on behalf of the collection agent on the basis of agreement between the Company and the collection agent. The deposit is due to be matured on October 27, 2016 and carries markup at a rate of 0.75% per annum. Accordingly, the same has been classified as current assets in trade deposits and prepayments.

6. OTHER RECEIVABLES

<i>Considered good</i>		
Claims receivable	8,621	8,749
Excise duty	100,000	100,000
Sales tax receivable	5,077,788	5,217,908
Receivable from the GoP	616,135	470,040
Others	1,048,170	357,977
	<u>6,850,714</u>	<u>6,154,674</u>
<i>Considered doubtful</i>		
Less: provision for doubtful other receivables	<u>207,148</u>	<u>194,334</u>
	<u>(207,148)</u>	<u>(194,334)</u>
	<u>-</u>	<u>-</u>
	<u>6,850,714</u>	<u>6,154,674</u>

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6.1 This includes sales tax refundable, aggregating Rs. 4,965,094 million (December 31, 2015: Rs. 4,965,094 million), representing unadjusted portion of input tax under Sales Tax Act, 1990. The Company has filed application for refunds upto December 31, 2011. In response, Additional Commissioner IR, LTU through a letter has interalia stated that as the Company is engaged in both domestic and international air travel, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005.

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

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

6.3 This includes receivable from supplier amounting to Rs. 841,081 million (December 31, 2015: Rs. 211,566 million) and receivable from Minhal France S.A. - a sub-subsidiary company, amounting to Rs. 101,288 million (December 31, 2015: Rs. 66,112 million).

7. CASH AND BANK BALANCES

		June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	Note	(Rupees in '000)	
In hand			
With banks		17,341	6,527
- in current accounts	7.1	2,716,828	2,315,747
- in deposit accounts	7.2 & 7.3	2,556,923	319,031
		<u>5,273,751</u>	<u>2,634,778</u>
		<u>5,291,092</u>	<u>2,641,305</u>

7.1 This has been adjusted by an aggregate amount of Rs. 1,454,397 million (December 31, 2015: Rs. 2,025,555 million), representing book overdrafts.

7.2 This has been adjusted by an aggregate amount of Rs. 3,165 million (December 31, 2015: Rs. 323,528 million), representing book overdrafts.

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

8. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)		June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
(No. of shares)			(Rupees in '000)	
Authorised capital				
Ordinary share capital				
5,349,250,000	5,349,250,000	'A' class shares of Rs. 10 each	53,492,500	53,492,500
<u>1,500,000</u>	<u>1,500,000</u>	'B' class shares of Rs. 5 each	7,500	7,500
5,350,750,000	5,350,750,000		<u>53,500,000</u>	53,500,000
Preference share capital				
<u>50,000,000</u>	50,000,000	Preference shares of Rs. 10 each	500,000	500,000
<u>5,400,750,000</u>	<u>5,400,750,000</u>		<u>54,000,000</u>	<u>54,000,000</u>
Issued, subscribed and paid up share capital				
Ordinary share capital				
2,642,351,957	2,642,351,957	'A' class shares of Rs. 10 each	26,423,519	26,423,519
		Issued for consideration in cash		
931,028	931,028	- for acquisition of shares	9,310	9,310
233,934,482	233,934,482	Issued as bonus shares	2,339,345	2,339,345
<u>2,356,543,648</u>	<u>2,356,543,648</u>	Issued against advance from GoP	<u>23,565,436</u>	<u>23,565,436</u>
5,233,761,115	5,233,761,115		<u>52,337,610</u>	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
<u>494,000</u>	<u>494,000</u>	Issued as bonus shares	<u>2,470</u>	2,470
1,499,999	1,499,999		7,500	7,500
<u>5,235,261,114</u>	<u>5,235,261,114</u>		<u>52,345,110</u>	<u>52,345,110</u>

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

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Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of instalments / mode	June 30, 2016 (Un-Audited) (Rupees in '000)	December 31, 2015 (Audited) (Rupees in '000)
Secured - from banking companies							
Askari Bank Limited	9.2	Term finance	3,000 PKR	2017 - 2019	36 monthly	3,000,000	3,000,000
BankIslami Pakistan Limited (transferred from KASB Bank Limited)	9.3	Islamic Term finance	1,500 PKR	2019 - 2021	8 quarterly	1,500,000	-
The Bank of Punjab	9.2	Term finance	5,000 PKR	2016 - 2021	60 monthly	5,000,000	-
The Bank of Punjab	9.2	Term finance	5,000 PKR	2016 - 2021	60 monthly	4,750,000	-
Faysal Bank Limited	9.2	Term finance	2,000 PKR	2013 - 2016	36 monthly	-	388,879
Faysal Bank Limited	9.2 & 9.4	Term finance	2,000 PKR	2015 - 2018	12 quarterly	1,372,333	1,831,676
Faysal Bank Limited	9.2	Term finance	2,000 PKR	2016 - 2019	12 quarterly	1,833,333	2,000,000
Faysal Bank Limited	9.2	Islamic Term finance	1,000 PKR	2017 - 2019	12 quarterly	1,000,000	1,000,000
Faysal Bank Limited	9.2	Term finance	4,000 PKR	2017 - 2020	14 quarterly	4,000,000	-
National Bank of Pakistan	9.5	Term finance	3,000 PKR	2016 - 2019	36 monthly	3,000,000	3,000,000
National Bank of Pakistan	9.2	Term finance	2,175 PKR	2018 - 2020	12 quarterly	2,175,000	2,074,577
National Bank of Pakistan	9.2	Term finance	2,825 PKR	2018 - 2021	12 quarterly	2,825,000	-
NIB Bank Limited	9.2	Term finance	10,000 PKR	2015 - 2020	60 monthly	8,166,667	9,166,667
United Bank Limited	9.2	Term finance	5,000 PKR	2015 - 2020	54 monthly	4,259,259	4,814,815
United Bank Limited	9.2	Term finance	1,500 PKR	2016 - 2021	54 monthly	1,472,222	1,500,000
National Bank of Pakistan - Bahrain	9.2 & 9.6	Syndicate finance	120 USD	2013 - 2023	40 quarterly	11,813,623	11,955,351
Abu Dhabi Islamic Bank	9.7	Islamic Term finance	70.7 USD	2016 - 2018	4 half yearly	4,725,138	3,783,813
Citibank, N.A.	9.8	Islamic Term finance	120 USD & 36.73 AED	2014 - 2016	33 monthly	2,064,225	4,545,499
Citibank, N.A.	9.9	Demand finance	82 USD	2006 - 2017	20 half yearly	517,995	890,477
Citibank, N.A.	9.10	Term finance	54.2 USD	2015 - 2018	8 quarterly	777,192	1,084,376
Citibank, Mashreq	9.11	Term finance	120 USD	2016 - 2018	32 monthly	10,996,723	12,584,580
Standard Chartered Bank (Pakistan) Limited	9.12	Syndicate finance	137.5 USD	2014 - 2017	33 monthly	3,054,645	5,680,540
Others - unsecured							
Long-term loan - GoP	9.13	Term finance	8,000 PKR	2011 - 2020	16 half-yearly	8,000,000	8,000,000
						86,303,355	77,301,250
Current maturity shown under current liabilities						(27,331,365)	(27,534,829)
						58,971,990	49,766,421

- 9.1 Borrowings in PKR comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (December 31, 2015: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR (December 31, 2015: spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR). Borrowings in US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 5.28% (December 31, 2015: 5.28%) whereas variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4.00% over 1 month LIBOR (December 31, 2015: 0.7% over 3 month LIBOR to 4.00% over 1 month LIBOR). Borrowings in AED carry variable markup with spread of 4% over 3 month EIBOR (December 31, 2015: 4% over 3 month EIBOR).
- 9.2 The finances are secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.
- 9.3 The facility is converted from short term loan to long term financing on Diminishing Musharakah basis. The finance is secured by way of lien over Musharakah Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 9.4 Principal amounting to Rs. 39 million due as at June 30, 2016 which has been paid by the Company during the extended period on July 11, 2016.
- 9.5 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.

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

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

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

9.8 The facility is obtained from consortium of financial institutions in which Citibank N.A. is the investment agent. The finance is secured by way of collection routed through the offshore account maintained with Citibank N.A. London Branch.

9.9 The finance is secured by way of:

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

9.10 The finance is secured against EXIM / GoP guarantee for loan outstanding at any given point of time.

9.11 The finance is secured by way of collection routed through the offshore bank account maintained with Citi Mashreq.

9.12 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.

9.13 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 June 30, 2016 is Rs 4,562.50 million and Rs. 5,496.71 million, respectively. The over due principal amount is included in current maturity.

10. TERM FINANCE AND SUKKUK CERTIFICATES

	Security	Repayment period	Number of installments	Mark-up	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)	
	Note				(Rupees in '000)		
Term finance certificates	10.1	GoP Guarantee	2014 - 2020	16 Quarterly	6 month KIBOR +1.25%	32,870,410	32,870,410
Term finance certificates (Zero Coupon)		GoP Guarantee	2014-2016	4 half-yearly	-	-	233,218
Sukuk certificates	10.2	GoP Guarantee	October 20, 2019	Bullet	6 month KIBOR +1.75%	6,800,000	6,800,000
Less: current maturity					39,670,410	39,903,628	
					<u>(10,272,000)</u>	<u>(13,196,419)</u>	
					<u>29,398,410</u>	<u>26,707,209</u>	

10.1 Economic Coordination Committee (ECC) on July 3, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by Ministry of finance (the Ministry). On December 01, 2014, the Ministry approved the terms and conditions of new TFCs, amounting Rs. 32,870 million, including the conversion of short term loan of Rs. 20,080 million on the terms, applicable from February 20, 2014. Further, the Ministry also approved the issuance of a Zero Coupon Privately Placed Term Finance Certificates (PPTFCs) of Rs. 960.661 million after the capitalisation 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 Brunel Investment Company Limited was approved as trustee of both PPTFCs. Principal repayment amounting to Rs. 2,054 million due as at June 30, 2016 has been paid by the Company during extended period on August 31, 2016.

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

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11. TRADE AND OTHER PAYABLES

		June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	Note	(Rupees in '000)	
Trade creditors			
Goods		16,456,468	15,807,236
Services		5,449,824	4,322,860
Airport related charges		<u>18,454,640</u>	<u>16,525,429</u>
		<u>40,360,932</u>	<u>36,655,525</u>
Accrued liabilities	11.1	6,740,379	4,900,439
Advance against transportation (unearned revenue)		12,153,237	10,864,375
Obligation for compensated absences		6,971,258	6,385,556
Unredeemed frequent flyer liabilities		744,031	744,008
Advances from customers		1,008,827	1,007,858
Payable to the employees' provident fund	11.2	10,190,087	10,470,475
Unclaimed dividend - Preference shares		8,493	8,493
Collection on behalf of others		29,707,022	24,608,025
Customs, federal excise duty and sales tax		3,575,149	2,855,999
Federal excise duty - International travel		8,657,663	7,811,194
Income tax deducted at source		876,907	1,327,034
Short-term deposits		<u>896,285</u>	<u>859,715</u>
		<u>121,890,270</u>	<u>108,498,696</u>

11.1 This includes Rs. 96.214 million (December 31, 2015: Rs. 62.806 million) payable to PIA Investments Limited, a subsidiary company.

11.2 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.

12. ACCRUED INTEREST

Mark-up / profit payable on:

- long-term financing		6,024,923	5,465,941
- term finance certificates		911,668	1,625,374
- sukuk certificates		227,524	432,216
- short-term borrowings		652,793	711,296
- provident fund	11.2	3,824,924	3,528,554
- advance from a subsidiary		<u>247,985</u>	<u>201,729</u>
		<u>11,889,817</u>	<u>11,965,110</u>




13. SHORT-TERM BORROWINGS

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
Short-term loans - secured	30,802,576	32,303,844
Running finances under mark-up arrangements	4,024,336	4,636,357
	<u>34,826,912</u>	<u>36,940,201</u>

13.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Expiry date	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
From Banking Companies				(Rupees in '000)	
	<i>Note</i>				
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-Jul-16	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-Jul-16	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-Jul-16	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-Jul-16	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-Jul-16	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-Jul-16	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.	2,000 PKR	31-Jul-16	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-Jul-16	2,000,000	2,000,000
BankIslami Pakistan Limited (transferred from KASB Bank Limited)	13.1.2 GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin.	1,500 PKR	13-May-15	-	1,500,000
Habib Allied International Bank Limited - London	13.1.3 EURO receivables	4 & 5 USD	Continuous	942,576	943,844
				<u>30,802,576</u>	<u>32,303,844</u>




- 13.1.1 The borrowings in PKR carry mark-up with a spread of 0.9% to 1.5% over 3 month KIBOR (December 31, 2015: spread of 0.9% to 2.0% over 3 months KIBOR). The borrowings in foreign currency carry mark-up of 3.5% over 3 month LIBOR (December 31, 2015: a spread of 3.5% over 3 months LIBOR).
- 13.1.2 Loan liability has been transferred from KASB Bank Limited to Bank Islami Limited as per the approval of State Bank of Pakistan. The loan liability transferred from short term to long term on Diminishing musharka basis.
- 13.1.3 The agreements of these borrowings have expired either during the year or subsequent to the year-end and the Company is currently in the process of renewal of these loans with the financiers.

13.2 Running finances under mark-up arrangements

Banks	Security <i>Note</i>	Facility amount (million)	Unavailed credit (million) Note 13.2.2	Expiry date	June 30, 2016 (Un-Audited) (Rupees in '000)	December 31, 2015 (Audited)
Secured						
The Bank of Punjab	Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for Rs. 734 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BOP counter.	550 PKR	550 PKR	30-Jun-16	-	503,869
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	0.04 PKR	30-Sep-16	349,969	288,496
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	135 PKR	31-Jul-16	439,799	440,941
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	72 PKR	31-Jul-16	2,497,499	2,244,436
Habib Allied International	13.2.3 EURO receivables	3 USD	0.03 USD	On Demand	310,030	314,853
					3,597,297	3,792,595
Un-secured						
Habib American Bank	13.2.3 -	1.5 USD	0.4 USD	On Demand	112,847	109,661
Citibank N.A.	13.2.3 -	3 USD	-	On Demand	314,192	314,615
Citibank N.A.	13.2.3 -	4 USD	4 USD	Temporary Line	-	419,486
					4,024,336	4,636,357

- 13.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month KIBOR (December 31, 2015: 1.5% to 2.0% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% (December 31, 2015: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 3 month LIBOR and 2% over Citi Base Rate (December 31, 2015: spread of 3.5% over 3 month LIBOR and 2% over Citi Base Rate).
- 13.2.2 Unavailed credit represents the difference between the facility amount and the closing balance as at June 30, 2016.
- 13.2.3 The agreements of these facility has expired subsequent to the year end and the Company is currently in the process of renewal of the facility with the respective banks.

14.1 Contingencies

There has been no material change in the status of contingencies as disclosed in notes 29.1 to the annual unconsolidated financial statements for the year ended December 31, 2015, except for the following:

- a) The Company is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. The management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in these unconsolidated condensed interim financial information against these claims amounting to Rs.8,841.740 million (December 31, 2015: Rs.7,918.940 million).
- b) The Deputy Commissioner Inland Revenue (DCIR) passed the order and raised a demand of Rs. 24.086 million while disallowing the partial input tax claimed on the contention that the Company has claimed additional input tax in the sales tax returns for the periods February 2014, March 2014 and July 2014. The management has filed an appeal before DCIR against the said order. The matter is pending for adjudication. The Company is confident that this matter will ultimately be decided in its favour, hence no provision is made in these unconsolidated condensed interim financial information in this respect.
- c) The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As at June 30, 2016, the excessive amounts claimed by CAA are not acknowledged by the Company aggregated to Rs. 9,429.076 million (December 31, 2015: Rs. 8,642,635 million) including late payment surcharge and interest thereon amounting to Rs. 6,120.59 million (December 31, 2015: Rs. 4,976.653 million). In view of the understanding reached through a Memorandum of Understanding (MoU) which was concluded in the meeting held on January 24, 2011 between the representatives of the Company and CAA, the management does not accept the higher amounts being claimed by CAA.

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

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

- d) Claims against the Company not acknowledged as debt amount to Rs. Nil (December 31, 2015: Rs. 903.317 million).
- e) Contingencies relating to income tax matters are disclosed in note 19.1.2.




14.2 Commitments

- a) Commitments for capital expenditure amounted to Rs. 479.16 million (December 31, 2015: Rs. 852.90 million).
- b) Outstanding letters of credit amounted to Rs. 1,788.06 million (December 31, 2015: Rs. 3,607.65 million).
- c) Outstanding letters of guarantee amounted to Rs. 3,697.25 million (December 31, 2015: Rs. 182.21 million).
- d) The Company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to USD 1,527.904 million (December 31, 2015: USD 1,527.904 million) equivalent to Rs. 160,018.455 million (December 31, 2015: Rs. 160,233.584 million) based on catalogue prices. The Company has not made certain payments on its due dates as per the terms of the agreement. Therefore, the execution of the agreement is yet to be made.
- (e) The amount of future payments in operating lease arrangement relating to aircraft 777-200 ER, 737-800, A320-232 and A320-200 and the period in which these payments will become due is as follows:

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
Not later than one year	6,893,375	7,575,917
Later than one year but not later than five years	30,060,851	29,980,859
Later than five years	7,579,921	6,559,685
	<u>44,534,147</u>	<u>44,116,461</u>

15. REVENUE - NET

	Six months period ended		Quarter ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
	(Rupees in '000)			
Passenger	38,415,857	42,452,199	18,185,738	18,435,322
Cargo	1,456,681	1,831,191	736,976	1,016,106
Excess baggage	370,899	389,285	165,797	145,010
Charter services	312,793	201,359	166,902	102,803
Engineering services	591,178	219,102	169,853	74,713
Handling and related services	167,516	274,169	71,386	130,717
Mail	134,493	119,006	70,349	61,850
Others	773,995	667,055	411,091	311,442
	<u>42,223,412</u>	<u>46,153,366</u>	<u>19,978,092</u>	<u>20,277,963</u>

16. COST OF SERVICES - OTHERS

Salaries, wages and allowances	7,567,679	5,592,802	4,072,135	2,769,476
Welfare and social security costs	1,222,443	1,112,873	675,847	1,098,719
Retirement benefits	989,715	1,052,141	505,798	718,675
Compensated absences	421,705	196,169	210,834	130,694
Legal and professional charges	16,758	27,759	5,917	17,371
Stores and spares consumed	738,225	479,550	512,871	258,518
Maintenance and overhaul	5,397,402	2,001,470	3,415,521	1,272,421
Flight equipment rental	3,106,313	4,236,592	1,701,281	2,452,453
Landing and handling	7,102,341	6,058,401	3,733,994	3,066,925
Passenger services	1,560,141	1,300,838	823,310	675,137
Crew layover	1,336,314	1,191,757	725,509	508,674
Staff training	32,801	51,350	17,668	35,854
Utilities	17,300	7,448	10,161	1,742
Communication	1,744,411	1,543,876	1,071,361	1,525,258
Insurance	505,394	551,175	225,996	284,688
Rent, rates and taxes	702,362	413,872	548,989	270,203
Printing and stationery	76,887	103,163	34,423	57,861
Depreciation	3,441,544	2,935,699	1,931,106	1,373,518
Amortisation of intangibles	710	10,631	(3,470)	10,198
Others	689,375	585,479	26,076	368,900
	<u>36,669,820</u>	<u>29,453,045</u>	<u>20,245,327</u>	<u>16,897,285</u>

- 16.1 This includes an amount of Rs. 250.035 million (June 30, 2015: Nil) pertaining to late return fees and customer induced damages in respect of engineering and maintenance contract.

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17. OTHER PROVISIONS AND ADJUSTMENTS

	Note	Six months period ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
		----- (Rupees in '000) -----			
Property, plant and equipment					
- loss on disposal of aircraft fleet	4.2	64,855	-	64,855	-
- deficit released from surplus on aircraft disposed off	4.2	553,850	36,187	553,850	36,187
- other assets written off		292,653	-	292,653	-
		911,358	36,187	911,358	36,187
Provision for slow moving and obsolete spares		73,407	654,650	72,715	654,451
Provision for doubtful debts		222,189	330,837	72,189	330,837
Provision against doubtful advances		6,192	167,540	6,192	167,540
Provision against doubtful deposits		125,736	-	125,736	-
Provision / (reversal) against CWIP		2,650	-	(415,715)	-
Provision against other receivable		12,814	-	12,814	-
Late payment surcharge on fuel		1,009,878	1,294,656	591,513	1,294,457
Others		27,916	33,114	27,916	33,114
		2,392,140	2,516,984	1,404,718	2,516,586

18. FINANCE COSTS

Mark-up on:					
- long-term financing		2,575,339	1,723,515	1,354,861	957,628
- term finance certificates		1,275,318	1,706,429	621,314	1,369,336
- short-term borrowings		1,328,980	1,957,646	638,873	325,179
- advance from a subsidiary		46,563	37,517	23,384	37,517
		5,226,200	5,425,107	2,638,432	2,689,660
Profit on sukuk certificates		279,564	371,369	138,172	171,170
Interest on liabilities against assets subject to finance lease		164,950	227,726	81,985	108,892
Discounting income on deposits		(53,346)	(7,281)	(49,997)	(7,281)
Interest on provident fund		296,370	374,904	122,441	180,722
Arrangement, agency and commitment fee		195,505	269,629	113,464	201,489
Amortisation of prepaid exposure fee		128,392	121,794	59,124	75,586
Bank charges, guarantee commission and other related charges		25,257	19,140	11,559	8,915
		6,262,892	6,802,388	3,115,180	3,429,153

19. TAXATION

	Note	Six months period ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
		----- (Rupees in '000) -----			
Current	19.1	211,117	230,767	99,890	101,390
Deferred	19.2	(166,155)	42,148	(166,155)	(540,998)
		44,962	272,915	(66,265)	(439,608)

19.1 Current

19.1.1 In the view of tax loss for the year, provision for minimum taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001.

Minimum tax rate under section 113 of Income Tax Ordinance 2001 (I.T.O.) for Tax Year 2015 is 1% of turnover, however the rate for Company is 0.5% in accordance with the Division IX of First Schedule of I.T.O. 2001.

19.1.2 There has been no change in the status of contingencies as disclosed in note 37.1 to the annual unconsolidated financial statements for the year ended December 31, 2015, except for the following:

- a) During the period ended June 30, 2016, the Additional Commissioner Inland Revenue (ACIR) has issued an amended orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax year 2010 and raised a demand of Rs.143.075 million, disallowing the depreciation claimed on leased aircraft and other provisions of Rs.12,810 million. The Company has filed appeal before ACIR against the said order, however, the matter is still pending for adjudication. The Company is confident that this issue will ultimately be decided in its favour and the amount will be recovered.

- b) Tax department of Afghanistan has audited income tax return of PIACL Kabul for the tax year 2006 to 2013 and raised demand of AFN 66 million (equivalent to Rs. 101.059 million) as corporate tax along with penalty of AFN 144 million (equivalent to Rs. 220.493 million) on the contentions that the Company has not declared international sales in their tax returns. The Company has paid AFN 40 million (equivalent to Rs. 61.248 million) under protest and filed an appeal in Commercial Court in Kabul, Afghanistan which is pending for adjudication. The management believes that the case will be decided in the favor of Company and no further payment will be required. Accordingly, no provision has been made in these unconsolidated condensed interim financial information in this regard.

19.2 Deferred

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
Deferred tax credits:		
Accelerated tax depreciation	16,346,763	16,581,741
Surplus on revaluation of property, plant and equipment	<u>(700,777)</u>	<u>(852,773)</u>
	15,645,986	15,728,968
Deferred tax debits:		
Unused tax losses	<u>(7,203,540)</u>	<u>(7,934,116)</u>
Provisions for liabilities and to write down other assets	<u>(8,442,446)</u>	<u>(7,794,852)</u>
	(15,645,986)	(15,728,968)
	-	-

20. LOSS PER SHARE - BASIC AND DILUTED

	Six months period ended		Quarter ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited) (Restated)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited) (Restated)
	(Rupees in '000)			
Loss for the period (Rupees in '000)	<u>(20,876,086)</u>	<u>(12,790,077)</u>	<u>(14,723,734)</u>	<u>(5,814,620)</u>
Weighted average number of ordinary shares outstanding	<u>5,234,511,117</u>	<u>4,951,024,071</u>	<u>5,234,511,117</u>	<u>5,063,722,041</u>
Loss per share attributable to:				
'A' class ordinary share (Rupees)	<u>(3.99)</u>	<u>(2.58)</u>	<u>(2.81)</u>	<u>(1.15)</u>
'B' class ordinary share (Rupees)	<u>(2.00)</u>	<u>(1.29)</u>	<u>(1.41)</u>	<u>(0.58)</u>

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

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

21. CASH GENERATED FROM OPERATIONS

	Six months period ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
	(Rupees in '000)	
Loss before taxation	(20,831,124)	(12,517,162)
Adjustments for:		
Depreciation	3,457,986	2,945,894
Loss / (gain) on disposal of property, plant and equipment - net	69,999	(188,756)
Amortisation / adjustment of intangibles	30,501	11,191
Provision for slow moving and obsolete spares	73,407	654,650
Provision for doubtful debts	222,189	330,837
Property, plant and equipment written off	292,653	-
Deficit released on write off of aircraft	553,850	36,187
Provision against doubtful advances	6,192	167,540
Reversal of provision against other receivables	12,814	-
Provision for employee benefits	2,193,855	2,180,037
Finance cost	6,262,892	6,802,388
Unrealised exchange (gain) / loss	(70,439)	464,235
Profit on bank deposits	<u>(36,716)</u>	<u>(16,821)</u>
	(7,761,941)	870,220
Working capital changes		
Increase in stores and spares	<u>(97,016)</u>	<u>(4,334)</u>
Decrease in trade debts	3,134,805	2,938,463
Increase in advances	<u>(23,362)</u>	<u>(137,807)</u>
Increase in trade deposits and prepayments	<u>(2,629,153)</u>	<u>(1,292,895)</u>
Increase in other receivables	<u>(708,854)</u>	<u>(1,253,787)</u>
Increase in trade and other payables	<u>12,805,872</u>	<u>6,107,179</u>
	12,482,292	6,356,819
Cash generated from operations	4,720,351	7,227,039




22. TRANSACTIONS WITH RELATED PARTIES

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

	Un-Audited	
	Six months period ended	
	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Skyrooms (Private) Limited - Subsidiary		
Payments made against in-transit passengers	116,799	177,577
Advances extended	1,833	1,891
PIA Investments Limited - Subsidiary		
Management fee expense	32,547	37,197
Finance cost on advance	46,563	37,517
Advance received	-	301,363
Minhal France S.A. - Sub-subsidiary		
Management fee income	34,511	39,457
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary		
Charges in respect of courier services	82	-
Retirement funds		
Contribution to Provident Fund and others	1,821,426	204,505
Interest on overdue balance of provident fund	295,698	374,904
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	4,808,431	5,441,326
Insurance premium	501,728	511,778
Late payment interest	1,009,878	1,294,656
Finance costs	2,289,858	2,826,953
Airport related charges	6,385,285	3,353,217
GoP - Major shareholder		
Finance costs	398,904	396,712
Advance against equity from GoP	-	3,974,371
Hajj revenue	-	1,435,806
Key management personnel		
Salaries, wages and other benefits	75,972	124,048

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

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

23.1 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.

These 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 financial statements as at December 31, 2015. There have been no changes in any risk management policies since the year end.

23.2 Fair value estimation

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

- a) The Company's leasehold land, buildings on leasehold land and airfleet are stated at revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and subsequent accumulated impairment losses, if any;
- b) The Company classifies long-term investments in listed companies measured in the 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 unconsolidated condensed interim financial information approximate their fair values.

24. GENERAL

24.1 Non adjusting events after balance sheet date

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

25. DATE OF AUTHORISATION FOR ISSUE

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



Chief Executive Officer



Director



Chief Executive Officer



Chief Financial Officer




CONSOLIDATED
FINANCIAL
STATEMENT

Note	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
	Rupees in '000		US\$ in '000	
ASSETS				
NON CURRENT ASSETS				
Fixed assets				
	135,633,245	138,098,487	1,295,067	1,316,835
- Property, plant and equipment	3,468,687	3,490,204	33,120	33,281
- Intangibles	139,101,932	141,588,691	1,328,187	1,350,116
Long-term investments	186,463	164,897	1,780	1,572
Receivable from Centre Hotel	791,265	792,329	7,555	7,555
Long-term loans and advances	624	-	6	-
Long-term deposits and prepayments	7,958,515	10,723,347	75,990	102,252
Total non-current assets	148,038,799	153,269,264	1,413,519	1,461,495
CURRENT ASSETS				
Stores and spares	3,127,115	3,092,446	29,859	29,488
Trade debts	6,634,484	9,870,517	63,348	94,120
Short-term loans and advances	1,593,234	1,580,917	15,213	15,075
Trade deposits and prepayments	5,595,998	3,130,516	53,432	29,851
Other receivables	7,404,281	6,445,893	70,698	61,465
Short-term investments	314,105	208,066	2,999	1,985
Taxation - net	172,134	153,086	1,644	1,460
Cash and bank balances	10,168,265	7,625,242	97,090	72,710
Total current assets	35,009,615	32,106,683	334,282	306,155
TOTAL ASSETS	183,048,414	185,375,947	1,747,801	1,767,649
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up share capital	52,345,110	52,345,110	499,807	499,136
Reserves	4,417,052	4,395,484	42,175	41,913
Accumulated losses	(282,208,566)	(261,532,285)	(2,694,612)	(2,493,835)
Attributable to the Holding company's shareholders	(225,446,404)	(204,791,691)	(2,152,630)	(1,952,786)
Non-controlling interest	1,658,631	1,657,742	15,837	15,807
TOTAL EQUITY	(223,787,773)	(203,133,949)	(2,136,792)	(1,936,979)
Surplus on revaluation of property, plant and equipment- net	31,269,102	30,949,467	298,567	295,118
NON-CURRENT LIABILITIES				
Long-term financing	73,582,038	64,362,044	702,593	613,723
Term finance and sukuk certificates	29,398,410	26,707,209	280,705	254,666
Liabilities against assets subject to finance lease	9,470,295	13,218,479	90,425	126,045
Long-term deposits	83,240	99,611	795	950
Deferred taxation	20,824,557	20,450,267	198,839	195,003
Deferred liabilities	26,001,230	24,862,040	248,268	237,071
Total non current liabilities	159,359,770	149,699,650	1,561,750	1,427,458
CURRENT LIABILITIES				
Trade and other payables	124,130,444	110,533,748	1,185,235	1,053,992
Accrued interest	11,668,028	11,790,141	111,410	112,424
Provision for taxation	386,650	232,263	3,692	2,215
Short-term borrowings	34,826,912	36,940,201	332,538	352,243
Current maturities of:				
- Long-term financing	27,552,906	27,963,991	263,083	266,650
- Term finance and sukuk certificates	10,272,000	13,196,419	98,080	125,834
- Liabilities against assets subject to finance lease	7,370,375	7,204,016	70,375	68,694
Total current Liabilities	216,207,315	207,860,779	2,064,412	1,982,052
TOTAL LIABILITIES	375,567,085	357,560,429	3,626,162	3,409,510
TOTAL EQUITY AND LIABILITIES	183,048,414	185,375,947	1,747,801	1,767,649

Contingencies and Commitments

11

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


 Chief Executive Officer


 Director


 Chief Executive Officer



 Chief Financial Officer

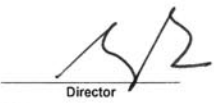
PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 CONSOLIDATED CONDENSED INTERIM PROFIT & LOSS ACCOUNTS (UN-AUDITED)
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016


	Note	Six Months period Ended		Quarter ended		Six Months period Ended	
		June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
		2016	2015	2016	2015	2016	2015
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
		Rupees in '000				US\$ in '000	
			(Restated)		(Restated)		(Restated)
REVENUE - net	12	48,163,323	52,470,880	23,399,986	23,988,842	459,619	515,442
Cost of services							
Aircraft fuel		(12,094,256)	(14,996,409)	(6,967,398)	(7,447,912)	(115,415)	(147,316)
Others	13	(39,696,309)	(32,465,558)	(21,770,886)	(18,485,449)	(378,819)	(318,922)
		(51,790,564)	(47,461,967)	(28,738,283)	(25,933,361)	(494,234)	(466,238)
Gross profit		(3,627,241)	5,008,913	(5,338,297)	(1,944,519)	(34,615)	49,205
Distribution costs		(2,935,772)	(2,670,973)	(1,504,902)	(1,292,127)	(28,016)	(26,238)
Administrative expenses		(5,344,692)	(4,707,453)	(2,777,999)	(1,903,817)	(51,004)	(46,243)
Other provisions and adjustments	14	(2,392,140)	(2,516,984)	(1,823,083)	(2,516,785)	(22,828)	(24,725)
Exchange loss - net		(92,728)	(501,281)	(108,221)	184,254	(885)	(4,924)
Other operating income		311,331	75,559	116,479	(4,591)	2,971	742
		(10,454,001)	(10,321,131)	(6,097,725)	(5,533,066)	(99,762)	(101,389)
Loss from operations		(14,081,242)	(5,312,218)	(11,436,022)	(7,477,585)	(134,376)	(52,184)
Finance costs	15	(6,479,539)	(7,034,583)	(3,223,655)	(3,545,534)	(61,834)	(69,103)
Loss before taxation		(20,560,780)	(12,346,801)	(14,659,676)	(11,023,119)	(196,210)	(121,287)
Taxation	16	(147,651)	(415,287)	(10,088)	(256,084)	(1,409)	(4,080)
Loss for the period		(20,708,432)	(12,762,088)	(14,669,765)	(11,279,203)	(197,619)	(125,366)
Attributable to:							
Equity holders of the Holding company		(20,709,320)	(12,766,748)	(14,674,314)	(11,285,490)	(197,628)	(125,413)
Non-controlling interest		889	4,660	4,550	6,287	8	46
		(20,708,432)	(12,762,088)	(14,669,765)	(11,279,203)	(197,619)	(125,366)
		Rupees				US\$	
Loss per share - basic and diluted							
Loss attributable to:							
- 'A' class Ordinary shares of Rs 10 each	17	(3.96)	(2.58)	(2.80)	(2.23)	(0.04)	(0.03)
- 'B' class Ordinary shares of Rs 5 each	17	(1.98)	(1.29)	(1.40)	(1.12)	(0.02)	(0.01)

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


 Chief Executive Officer


 Chief Executive Officer


 Director

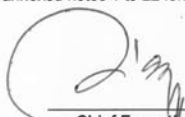

 Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016

	Six month period ended		Quarter ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited) (Restated)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited) (Restated)
	-----Rupees in '000-----			
Loss for the period	(20,708,432)	(12,762,088)	(14,669,765)	(11,279,203)
Other comprehensive income				
Items that will be reclassified subsequently to consolidated profit and loss account				
Unrealised loss on re-measurement of available for sale investments	21,568	1,729	21,568	1,729
Total comprehensive income for the period - loss	(20,686,864)	(12,760,359)	(14,648,197)	(11,277,474)

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 and accordingly changes therein are reported directly into equity.


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



 Chief Executive Officer



 Director



 Chief Executive Officer



 Chief Financial Officer

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
 CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS
 FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016

	Note	Six Months period Ended		Six Months period Ended	
		June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
		Rupees in '000		US\$ in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	18	5,350,644	8,681,549	51,060	85,282
Profit on bank deposits received		36,716	16,821	350	165
Finance costs paid		(6,601,652)	(6,677,713)	(62,999)	(65,598)
Taxes paid		(178,467)	(496,644)	(1,703)	(4,878)
Employee benefits paid		(468,963)	(391,875)	(4,475)	(3,850)
Long-term deposits and prepayments - net		2,764,832	(1,227,313)	26,385	(12,056)
Net cash (used in) / generated from operating activities		903,110	(95,174)	8,618	(936)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,393,660)	(1,091,279)	(13,300)	(10,720)
Proceeds from sale of operating fixed assets		351,323	316,836	3,353	3,112
Currency translation difference		-	(253,565)	-	(2,490)
Long term loans and advances		-	(127,843)	-	(1,256)
Net cash used in investing activities		(1,042,337)	(1,155,850)	(9,947)	(11,354)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance against equity		-	3,974,371	-	39,042
Repayment of long-term financing		(11,977,081)	(5,902,465)	(114,296)	(57,982)
Proceeds from long-term financing		19,086,395	9,608,301	182,140	94,386
Long term deposit - net		-	4,138	-	41
Repayment of term finance certificates		(233,218)	-	(2,226)	-
Short term borrowing - net		-	(1,523,869)	-	(14,970)
Repayment of obligations under finance lease - net		(3,581,825)	(5,096,455)	(34,181)	(50,064)
Net cash generated from financing activities		3,294,271	1,064,021	31,437	10,453
Increase / (decrease) in cash and cash equivalents		3,155,044	(187,004)	30,108	(1,837)
Cash and cash equivalents at the beginning of the period		2,988,885	1,855,315	28,523	18,225
Cash and cash equivalents at the end of the period		6,143,929	1,668,311	58,631	16,388
Cash and cash equivalents					
Cash and bank balances	6	10,168,265	6,792,776	97,035	66,728
Running finance under mark-up arrangements	10	(4,024,336)	(5,124,465)	(38,404)	(50,340)
		6,143,929	1,668,311	58,631	16,388

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


 Chief Executive Officer



 Director



 Chief Executive Officer


 Chief Financial Officer

Issued, subscribed, and paid-up capital	Attributable to the holding company's shareholders							Sub Total	Accumulated loss	Non-controlling interest	Total
	Advance against equity Gap	Capital reserves	Revenue reserves	Reserves			Other reserves				
				Unrealised loss on re-measurement of investments	Foreign currency translation reserves						
Rupees in '000											
Balance as at January 1, 2018	28,778,874	19,891,068	2,501,038	1,779,874	82,869	135,829	34,388	4,533,408	(226,602,471)	1,536,228	(172,182,099)
Total comprehensive income for the quarter ended:											
- Loss for the period	-	-	-	-	-	-	-	-	(12,769,748)	6,660	(12,762,088)
- Other comprehensive income for the period:											
- Currency translation differences	-	-	-	-	-	-	-	-	-	-	-
- Unrealised loss on re-measurement of investments	-	-	-	-	1,729	-	-	1,729	-	-	1,729
Total comprehensive income for the period transferred to equity	-	-	-	-	1,729	-	-	1,729	(12,766,748)	4,660	(12,760,359)
Surplus on revaluation of operating fixed assets realized during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	(12,457)	-	(12,457)
Transaction with owners: Advance against Equity from GUP	-	3,974,371	-	-	-	-	-	-	-	-	3,974,371
Balance as at June 30, 2018 - as restated	28,778,874	23,865,438	2,501,038	1,779,874	84,598	135,829	34,388	4,535,137	(239,381,679)	1,540,888	(180,889,541)
Balance as at January 1, 2018	52,345,116	-	2,501,038	1,779,874	93,909	(13,524)	34,388	4,365,484	(261,532,285)	1,687,742	(203,133,848)
Total comprehensive income for the quarter ended:											
- Loss for the period	-	-	-	-	-	-	-	-	(20,704,320)	889	(20,703,431)
- Other comprehensive income for the period:											
- Currency translation differences	-	-	-	-	-	-	-	-	-	-	-
- Unrealised gain on re-measurement of investments	-	-	-	-	21,568	-	-	21,568	-	-	21,568
Total comprehensive income for the period transferred to equity	-	-	-	-	21,568	-	-	21,568	(20,709,320)	889	(20,686,863)
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of operating fixed assets realized during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	33,039	-	33,039
Balance as at June 30, 2018	52,345,116	-	2,501,038	1,779,874	115,476	(13,524)	34,388	4,417,052	(282,241,604)	1,658,631	(223,793,773)

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


 Chief Executive Officer


 Chief Executive Officer


 Director


 Chief Financial 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 Corporation (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 Holding Company), through Act no. XV of 2016 'The Pakistan International Airlines Corporation (Conversion) Act, 2016' (the Conversion Act) approved by the Parliament of Pakistan. The Conversion Act has repealed the Pakistan International Corporation Act, 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 Holding Company and the Holding Company has assumed all liabilities and obligations of the Corporation. However, the management believes that in substance there is no change except for the legal status and application of provisions of the Companies Ordinance, 1984.

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

Subsidiaries

PIA Investments Limited (PIAIL) was incorporated on September 10, 1977 in Sharjah, United Arab Emirates, as a limited liability. The Holding Company under a decree issued by H.H. The Ruler of Sharjah and is currently registered in British Virgin Islands. During 1986 PIAIL was registered under International Business Companies Ordinance, 1984 (now BVI Business Companies (Amendment) Act, (2012) as a Holding Company limited by shares. The principal activities are to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. The Holding Company's controlling interest in PIAIL is 100% (December 2015: 100%). Following are the details of PIAIL's subsidiaries:

	Location	Nature of business	Effective ownership and voting power of PIAIL (%)	Effective ownership and voting power of the Holding Company (%)
• Roosevelt Hotel Holding Company, N.V. (RHC)	Netherlands - Antilles	See note (B) below	100	100
• RHS operating LLC	Luxembourg	See note (B)	100	100
• Minhal France (Curacao) N.V. [Formerly Minhal France (Curacao) N. V.]	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 Fuel Management Limited	British Virgin Islands	See note (B)	100	100
• PIA Aviation Limited (PAL)	British Virgin Islands	See note (B)	100	100
• Avant Hotels (Private) Limited	Pakistan	See note (C)	62.5	62.5

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

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

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

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

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

Abacus Distribution Systems Pakistan (Private) Limited (Abacus) was incorporated in Pakistan on October 12, 2004 as a private Holding Company limited by shares under the Companies Ordinance, 1984. The registered office of Abacus is situated at Karachi. Abacus markets and distributes a computer reservation system which incorporates a software package that performs various functions including real time airline seat reservation, schedules, bookings for a variety of air, car and hotel services, automated ticketing and fare displays. The Holding Company's interest in Abacus is 70% which will increase to 75% over a period of nine years ending in year 2014. Abacus has been consolidated on the basis of its unaudited financial statements as the same is not considered to be material to these consolidated financial statements.

Associate

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

- 1.2 During the current period, the Holding Company incurred a net loss of Rs. 20,708.432 million (June 30, 2015 : Rs. 12,762.088 million) resulting in accumulated losses of Rs. 282,208.567 million as of June 30, 2016 (December 31, 2015: Rs. 261,532.285 million). Further, as of June 30, 2016, current liabilities of the Holding Company exceeded its current assets by Rs. 181,197.700 million (December 31, 2015: Rs. 175,754.096 million). Furthermore, the Holding Company has been unable to settle its financial obligations and other statutory liabilities in time as disclosed in notes to these consolidated condensed 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 Holding Company's going concern status. Accordingly, since then it has been extending support to the Holding Company through the following measures to ensure that it (the Holding Company) continues and sustains in the long-term as a viable business entity:

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Holding Company. In this respect, amounts aggregating to Rs 11,276 million have been provided to the Holding Company towards equity since the year ended December 31, 2008;
- During the years ended December 31, 2009 and 2010, the GoP has 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; and
- On July 03, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs.12,790 million along with conversion of certain short term loans amounting to Rs. 20,700 million into new term finance certificates which were converted during the year ended December 31, 2015.

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

- New loans / guarantees for repayment of loans amounting to Rs. 11,100 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 Holding 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 Holding Company to enable it to make payments, of loan instalments, to overdue vendors.

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

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

During the year ended December 31, 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 the GoP in lieu of advance against equity. However the legal formalities for the said issuance are still in process.

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

Issuance of GoP guarantees amount to Rs. 14,000 million enabling PIA for acquisition of loans from different banks to cater immediate funding requirements;

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

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

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

2 BASIS OF PREPARATION

- 2.1 These consolidated condensed interim financial statements of the Holding Company for the six months period ended June 30, 2016 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.
- 2.2 These consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Holding Company's annual consolidated financial statements for the year ended December 31, 2015.
- 2.3 The US \$ amounts reported in the consolidated condensed interim balance sheet, consolidated condensed interim profit and loss account and consolidated condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of these consolidated condensed interim financial statements. The US \$ amounts in the consolidated condensed interim balance sheet have been translated into US \$ at the rate of Rs. 104.7307 = US \$ 1 (December 31, 2015: Rs. 104.8715 = US \$ 1). The US \$ amounts in consolidated condensed interim profit and loss account and consolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs. 104.7896 = US \$ 1 (June 30, 2016: Rs. 101.7978 = US \$ 1).

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

Judgements and estimates made by the management in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Holding Company for the year ended December 31, 2015, except for the changes in accounting estimates as noted in note 4.2.

- 3.2 The Holding Company's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended December 31, 2015.
- 3.3 **New / revised standards, amendments to approved accounting standards and new interpretations which become effective during the six month period ended June 30, 2016:**
There were certain amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any material effect on the Holding Company's position and are, therefore, not disclosed in these consolidated condensed interim financial statements.

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

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

3.5 Restatement of comparatives and reclassifications

As stated in note 2.8 to the annual financial statements for the year ended December 31, 2015, effective from December 31, 2015, the Holding Company changed its accounting policy in relation to its investments in subsidiaries from costs to 'fair values' and classified as available for sale investment in accordance with International Accounting Standard 39 'Financial instruments: Recognition and measurement' (IAS 39), effective from December 1, 2014.

During the year ended December 31, 2015, the exercise to determine the fair values of its investments in subsidiaries was not concluded due to practical difficulties. The management based on exercise results considered that it is impracticable to determine the fair value of the investment in subsidiaries due to unquoted investments with substantial accuracy as required by IAS 39 which states that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of this, the management had reverted back to previous policy i.e. cost, and investment in subsidiaries are again carried at cost less impairment, if any, with retrospective effect.

The above change was corrected in accordance with the requirements of IAS-8, 'Accounting Policies, Changes in Accounting Estimates and Errors' in the consolidated financial statements for the year ended June 30, 2016 with retrospective effect. The effect of these on comparatives are as below:

Effect on consolidated profit and loss account

Increase in deferred tax income

June 30
2015
(Un-Audited)
(Rupees in '000)

(1,221,825)

Effect on consolidated 'other comprehensive income'

Reversal of loss on remeasurement of investment in subsidiaries

(302,323)

1,221,825

Impact of deferred tax on remeasurement of investment in subsidiaries

919,502

Total consolidated comprehensive income

(302,323)

Net effect to consolidated equity

(302,323)

June 30,
2015
(Un-Audited)
(Rupees in '000)**Effect on loss per share**

Increase in loss attributable to:

'A' class ordinary shares of Rs. 10 each

(0.25)

'B' class ordinary shares of Rs. 5 each

(0.13)

As stated in note 2.7 to the annual financial statements for the year ended December 31, 2015, certain reclassifications were made and accordingly the same has been reclassified in the consolidated condensed interim profit and loss account for the period ended June 30, 2015 for better presentation, which are summarised below with their respective amounts:

From	To	2015 (Un-Audited) (Rupees in '000)
Administration expenses: Welfare and social security costs	Cost of services - Others: Welfare and social security costs	1,014,596
Administration expenses: Welfare and social security costs	Distribution costs: Welfare and social security costs	104,278
		2015 (Un-Audited) (Rupees in '000)
		June 30, 2015
		(Un-Audited)
		(Rupees in '000)
		December 31 2015
		(Audited)
		----- Rupees in '000 -----
4 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	4.1, 4.2 & 4.3	137,737,718
Capital work-in-progress		360,769
		135,633,245
		138,098,487

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

Additions / Transfers / Adjustments	June 30, 2016 (Un-Audited)	June 30 2015 (Un-Audited)
	----- Rupees in '000 -----	
Owned		
Buildings on lease hold land	-	-
Workshops and hangers	7,031	135
Renovation and improvements	50,500	8,582
Aircraft fleet / engines overhauling	-	824,382
Meteorological equipment	3,606	3,137
Engineering equipment and tools	30,739	2,979
Traffic equipment	-	4,922
Furniture, fixtures and fittings	14,736	9,146
Motor Transport	7,318	-
Office equipment	450	120
Computer and office automation	26,311	14,056
Precision engineering equipment	6,948	-
Other equipment	5,262	20,241
Capital spares	163,869	41,302
	316,770	929,002
Leased - aircraft fleet / engines overhauling		
Engines overhauling	-	816,086
	316,770	1,745,088

Deletions / write off net book value
Owned

	June 30, 2016 (Un-Audited)	June 30 2015 (Un-Audited)
	----- Rupees in '000 -----	
Buildings on leasehold land	39,408	-
Aircraft fleet	64,855	124,266
Operating ground, catering, communication and meteorological equipment	405	-
Traffic equipment	168,520	-
Furniture, fixtures and fittings	9,885	36
Motor transport	670	1,598
Office equipment	106	-
Computer and office automation	-	184
Other equipment	171,737	1,997
Capital spares	5,962	-
	<u>416,178</u>	<u>128,081</u>

- 4.2 As at December 31, 2015, the aircraft fleet included eight A-310 aircrafts including spare engines which were stated at revalued amount of Rs. 1,815.664 million on which an aggregate surplus of Rs. 27.165 million appearing in the surplus on revelation of fixed assets.

During the period ended June 30, 2016, four A-310 aircraft have been grounded / retired from operation due to old aged and requirements of major improvements and modification. Accordingly, a loss of Rs. 618.705 million has been recorded in these consolidated condensed interim profit and loss account which comprises of carrying value of four airframes A-310 aircraft of Rs. 64.855 million a of release of deficit from equity of Rs. 553.850 million, without taking its effects on related capital spares and stores and spares. As a result, as at June 30, 2016, the aircraft fleet included four A-310 aircraft including spares engines at the carrying value of Rs. 1,977.797 million on which an aggregate surplus of Rs. 567.058 million is appearing in the surplus on revaluation of fixed assets. As at June 30, 2016, the carrying value of related capital spares and stores and spares is Rs. 409.426 million and Rs. 599.722 million respectively.

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

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

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

4.3 Change in Estimates

As a result of a revaluation exercise conducted by an independent valuer as of December 31, 2015, the useful lives of aircraft fleet have been reassessed. In addition, the management has reassessed the residual values of aircraft and related capital spares. These changes in accounting estimates have an impact on depreciation expense for the current period. Had there been no change in the useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the current period would have been higher by Rs. 226.508 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	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
		----- Rupees in '000 -----	
5 OTHER RECEIVABLES			
Considered good			
Claims receivable		8,621	8,749
Excise duty		100,000	100,000
Sales tax receivable	5.1	5,077,788	5,217,908
Rental income		189,602	189,857
Receivable from GoP	5.2	616,135	470,040
Others		1,412,135	459,339
		<u>7,404,281</u>	<u>6,445,893</u>
Considered doubtful		<u>207,148</u>	<u>194,334</u>
Less: provision for doubtful other receivables		(207,148)	(194,334)
		<u>7,404,281</u>	<u>6,445,893</u>

- 5.1 This includes sales tax refundable, aggregating Rs 4,965.094 million (December 31, 2015: Rs. 4,965.094 million), representing unadjusted portion of input tax under Sales Tax Act, 1990. The Corporation has filed application for refunds upto December 31, 2011. In response, Additional Commissioner IR, LTU through a letter has inter alia stated that as the Corporation is engaged in both domestic and international air travel, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005.

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

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

6 CASH AND BANK BALANCES

In hand	20,493	24,594
In transit	29,287	8,871
	<u>49,780</u>	<u>33,465</u>
With banks:		
- in current accounts	2,995,247	2,703,476
- in savings accounts	7,123,239	4,888,301
	<u>10,118,485</u>	<u>7,591,777</u>
	<u>10,168,265</u>	<u>7,625,242</u>

This has been adjusted by an aggregate amount of Rs. 1,454.397 million (December 31, 2015: Rs. 2,025.555 million), representing bank overdrafts.

This has been adjusted by an aggregate amount of Rs. 3.165 million (December 31, 2015: Rs. 323.528 million), representing bank overdrafts.

These include restricted balances amounting to Rs. 220 million (December 31, 2015: Rs. 14.271 million).

7 LONG-TERM FINANCING

Financier	Type of facility	Facility amount (million)	Repayment period	Number of instalments/ Mode	Note	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
						----- Rupees in '000 -----	
Secured - from Banking Companies							
Askari Bank Limited	Term Finance	PKR 3000	2017-2019	36 Monthly	7.2	3,000,000	3,000,000
BankIslami Pakistan Limited (transferred from KASB Bank Limited)	Islamic Term finance	PKR 1500	2019-2021	8 Quarterly	7.3	1,500,000	-
Bank of Punjab	Term Finance	PKR 5000	2016-2021	60 Monthly	7.2	4,750,000	-
Bank of Punjab	Term Finance	PKR 5000	2016-2021	60 Monthly	7.2	5,000,000	-
Citi Mashreq	Term Finance	US \$ 120	2016 - 2018	32 monthly	7.11	10,996,723	12,584,580
Citibank N.A	Term Finance	US \$ 54.2	2015-2018	8 Quarterly	7.10	777,192	1,084,376
Citibank, N.A.	Demand Finance	US \$82	2006 - 2017	20 half yearly	7.9	517,995	890,477
Citibank, N.A.	Islamic Term Finance	US \$120 & AED 36.73	2014 - 2016	33 monthly	7.8	2,064,225	4,545,499
Faysal Bank Limited	Term Finance	PKR 2,000	2013 - 2016	36 monthly	7.2	-	388,879
Faysal Bank Limited	Term Finance	PKR 2000	2016-2019	12 Quarterly	7.2	1,833,333	2,000,000
Faysal Bank Limited	Islamic Term finance	PKR 1000	2017-2019	12 Quarterly	7.2	1,000,000	1,000,000
Faysal Bank Limited	Term Finance	PKR 2000	2015 - 2018	12 Quarterly	7.4	1,372,333	1,831,676
Faysal Bank Limited	Term Finance	PKR 4000	2017 - 2020	14 Quarterly	7.2	4,000,000	-
National Bank Limited	Term Finance	PKR 3000	2016-2019	36 Monthly	7.5	3,000,000	3,000,000
National Bank of Pakistan - Bahrain	Syndicate Finance	US \$ 120	2013 - 2023	40 Quarterly	7.2 & 7.6	11,813,623	11,955,351
National Bank Limited	Term Finance	PKR 2175	2018-2020	12 Quarterly	7.2	2,175,000	2,074,577
National Bank Limited	Term Finance	PKR 2825	2018 - 2021	12 Quarterly	7.2	2,825,000	-
NIB Bank Limited	Term Finance	PKR 10000	2015-2020	60 Monthly	7.2	8,166,667	9,166,667
Abu Dhabi Islamic Bank	Islamic Term Finance	US \$ 70.7	2016-2018	4 half yearly	7.7	4,725,138	3,783,813
Standard Chartered Bank Limited	Syndicate Finance	US \$ 137.5	2014-2017	33 Monthly	7.12	3,054,645	5,680,540
UBL	Term Finance	PKR 1500	2016- 2021	54 monthly	7.2	1,472,222	1,500,000
UBL	Term Finance	PKR 5000	2015-2020	54 monthly	7.2	4,259,259	4,814,815
Others - unsecured							
Long term loan - GoP	Term Finance	PKR 8000	2011 - 2020	16 half yearly	7.11	8,000,000	8,000,000
						<u>86,303,355</u>	<u>77,301,250</u>

Financier	Type of facility	Facility amount (million)	Number of installments / Mode	Repayment period	June 30, 2016	December 31, 2015
					(Un-Audited)	(Audited)
					Rupees in '000	
Balance brought forward					86,303,355	77,301,250
PIAIL						
Hong Kong Shanghai Banking Corporation	Loan	28,867 Euro	Variable	2004-2017	576,370	583,878
JP Morgan Chase	Loan	140 USD	Variable	2011-2016	14,255,219	14,440,907
					101,134,944	92,326,035
					(27,552,906)	(27,963,991)
Current maturity shown under current liabilities					73,582,038	64,362,044

- 7.1 Borrowings in PKR comprises of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 10% (2015: 10%), whereas variable rate borrowings in PKR carry markup ranging from spread of 1.5% over 1 month KIBOR to 2% over 1 month KIBOR (2015: spread of 1.5% over 1 month KIBOR to 1.75% over 6 month KIBOR). Borrowings in US\$ comprises of fixed and variable rate borrowings. Fixed rate borrowings carry markup at the rate of 5.28% (2015: 5.28%) whereas variable rate borrowings carry markup ranging from spread of 0.70% over 3 month LIBOR to 4.00% over 1 month LIBOR (2014: 4% over 1 month LIBOR to 4.25% over 3 month LIBOR). Borrowings in AED carry variable markup with spread of 4% over 3 month EIBOR (2015: 4% over 1 month EIBOR and 3.75% over 3 months EIBOR).
- 7.2 The finances are secured by way of unconditional and irrevocable GoP guarantee for an amount equivalent to the facility amount.
- 7.3 The facility is converted from short term loan to long term financing on Diminishing Musharakah basis. The finance is secured by way of lienover Musharakah Asset amounting to Rs. 1,500 million and unconditional and irrevocable GoP guarantee for the facility amount.
- 7.4 Principal amounting to Rs. 39 million due as at June 30, 2016 which has been paid by the Holding Company during the extended period on July 11, 2016
- 7.5 The finance was secured by Letter of Comfort from GoP, ranking charge over current and fixed asset of Holding Company amounting to Rs 4,000 million inclusive of 25% margin; and lien and specific right to set off over all receivables in connection with the Holding Company's sales routed through collection account NBP Airport Branch, Karachi. However, as the Letter of Comfort has been replaced by GoP guarantee, the aforesaid ranking charge has been released by NBP.
- 7.6 The following are the participating banks in this syndicated finance facility:
- National Bank of Pakistan (NBP) - Bahrain; and
 - Habib Bank Limited (HBL)
- 7.7 The finance is secured against ICIEC / GoP guarantee for loans outstanding at any given point of time.
- 7.8 The facility is obtained from consortium of financial institutions in which Citibank N.A. is the investment agent. The finance is secured by way of collection routed through the offshore account maintained with Citibank N.A. London Branch.
- 7.9 The finance is secured by way of:
- Mortgage over each of the six ATR aircraft and two spares engines purchased, and
 - European Credit Agencies / GoP Guarantee.
- 7.10 The finance is secured against EXIM / GoP guarantee for loan outstanding at any given point of time.
- 7.11 The finance is secured by way of collection routed through the offshore bank account maintained with Citi Mashreq.
- 7.12 The Syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:
- Standard Chartered Bank - United Kingdom
 - Mashreqbank psc - United Arab Emirates
- The finance is secured by first priority security over the collection account and facility service account; and legally enforceable assignments of tickets sales collection for the UK sector through IATA with appropriate acknowledgments.
- 7.13 The Holding 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 June 30, 2016 is Rs 4,562.50 million and Rs. 5,496.71 million, respectively. The over due principal amount is included in current maturity.

8 TERM FINANCE AND SUKUK CERTIFICATES

	Security	Note	Repayment period	Number of installment	Mark-up	June 30, 2016	December 31, 2015
						(Un-Audited)	(Audited)
						Rupees in '000	
Term finance certificates	GoP Guarantee	8.1	2014 - 2020	16 Quarterly	6 month KIBOR + 1.25%	32,870,410	32,870,410
Term finance certificates (Zero Coupon)	GoP Guarantee		2014-2016	4 half-yearly	-	-	233,218
Sukuk certificates	GoP Guarantee	8.2	October 20, 2019	Bullet	6 month KIBOR + 1.75%	6,800,000	6,800,000
						39,670,410	39,903,628
Less: Current maturity	GoP Guarantee					(10,272,000)	(13,196,419)
						29,398,410	26,707,209

- 8.1 Economic Coordination Committee (ECC) on July 3, 2012 decided / approved the restructuring of these TFCs from various banks along with the restructuring of certain short term borrowings of Rs. 20,700 million into new TFCs for a period of 6 years, with 2 years grace period on the terms and conditions to be approved by Ministry of finance (the Ministry). On December 01, 2014, the Ministry approved the terms and conditions of new TFCs, amounting Rs. 32,870 million, including the conversion of short term loan of Rs. 20,080 million on the terms, applicable from February 20, 2014. Further, the Ministry also approved the issuance of a Zero Coupon Privately Placed Term Finance Certificates (PPTFCs) of Rs. 960.661 million after the capitalisation 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. Principal repayment amounting to Rs. 2,054 million due as at June 30, 2016 has been paid by the Holding Company during extended period on August 31, 2016.
- 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 as at June 30, 2016. Accordingly, the same has been classified as non-current liability.

	Note	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
----- Rupees in '000 -----			
9 TRADE AND OTHER PAYABLES			
Trade creditors			
Goods		16,893,130	15,807,236
Services		5,449,824	4,332,596
Airport related charges		18,454,640	16,525,429
Others		8,940	377,862
		<u>40,806,534</u>	<u>37,043,123</u>
Other Liabilities			
Accrued liabilities		7,957,709	6,088,566
Advance against transportation (unearned revenue)		12,153,237	10,864,375
Obligation for compensated absences- Holding company		6,971,258	6,385,556
Unredeemed frequent flyer liabilities		744,031	744,008
Advance from customers		1,014,163	1,007,858
Amount due to Associate undertaking		290,310	189,096
Advances and deposits		151,513	219,085
Earnest money		583	999
Payable to Holding company employees' provident fund	9.1	10,190,087	10,470,475
Unclaimed dividend - Preference shares		8,493	8,493
Federal excise duty - International Travel		8,657,663	7,811,194
Collection on behalf of others		29,707,022	24,608,025
Customs, federal excise duty & Sales tax		3,575,149	2,855,999
Income tax deducted at source		878,826	1,328,163
Sales tax payable		2,587	5,303
Bed tax		694	682
Payable to EOBI/SESSI		582	565
Short-term deposits		896,285	859,715
Others		123,717	42,468
		<u>124,130,444</u>	<u>110,533,748</u>

- 9.1 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 SHORT-TERM BORROWINGS - secured

Short-term loans - secured	10.1	30,802,576	32,303,844
Running finance under mark-up arrangements	10.2	4,024,336	4,636,357
		<u>34,826,912</u>	<u>36,940,201</u>

10.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Expiry date	Note	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
----- Rupees in '000 -----						
From Banking Companies						
Bank Islami Limited (transferred from KASB bank Ltd)	GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin	500 PKR	13-May-15	10.1.2	-	500,000
Bank Islami Limited (transferred from KASB bank Ltd)	GoP Guarantee and also covered by 1st Pari Passu charge over receivables with 25% margin	1,000 PKR	13-May-15	10.1.2	-	1,000,000
Habib Allied International Bank Limited - London	EURO receivables	4 & 5 USD	Continuous	10.1.3	942,576	943,844
National Bank of Pakistan	Unconditional irrevocable continuing GoP Guarantee; lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	5,000 PKR	31-Jul-16		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-Jul-16		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-Jul-16		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-Jul-16		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-Jul-16		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-Jul-16		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.	2,000 PKR	31-Jul-16		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-Jul-16		2,000,000	2,000,000
					30,802,576	32,303,844

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

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

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

Banks		Note	Facility amount (million)	Unavailed credit (million)	Expiry date	June 30, 2016 (un-Audited)	December 31, 2015 (Audited)
----- Rupees in '000 -----							
Secured							
The Bank of Punjab	Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 734 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BOP counter.		550 PKR	550 PKR	30-Jun-16	-	503,869
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 PKR 2,800 million including 25% margin or as per SBP requirement, whichever is higher.		350 PKR	0.04 PKR	30-Sep-16	349,969	288,496
National Bank of Pakistan	First pari passu hypothecation charge of PKR 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	135 PKR	31-Jul-16	439,799	440,941
United Bank Limited - Karachi	Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.		2,570 PKR	72 PKR	31-Jul-16	2,497,499	2,244,436
Habib Allied International Bank Limited - London	EURO receivables	10.2.3	3 USD	0.03 USD	On Demand	310,030	314,853
						3,597,297	3,792,595
Un-secured							
Habib American Bank	-	10.2.3	1.5 USD	0.4 USD	On Demand	112,847	109,661
Citibank N.A.	-	10.2.1	3 USD		On Demand	314,192	314,615
Citibank N.A.	-	10.2.3	4 USD	4 USD	Temporary Line	-	419,486
						4,024,336	4,636,357

10.2.1 The borrowings in PKR carry mark-up with a spread of 1.5% to 2.5% over 1 month KIBOR (December 31, 2015: 1.5% to 2.0% over 1 month and 3 months KIBOR). Borrowings in USD comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25%(December 31, 2015: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 3.5% over 3 month LIBOR and 2% over CitiBase Rate (December 31, 2015: 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 June 30, 2016.

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

11.1 Contingencies

There has been no material change in the status of contingencies as disclosed in notes 29.1 to the annual consolidated financial statements for the year ended December 31, 2015, except for the following:

- The Holding company is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non-performance of servicing stipulations due to negligence or otherwise. The management is of the view that these cases have nosound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in these consolidated condensed interim financial information against these claims amounting to Rs.8,841.740 million (December 31, 2015: Rs.7,918.940 million).
- The Deputy Commissioner Inland Revenue (DCIR) passed the order and raised a demand of Rs.24.086 million while disallowing the partial input tax claimed on the contention that the Holding company has claimed additional input tax in the sales tax returns for the periods February 2014, March 2014 and July 2014. The management has filed an appeal before DCIR against the said order. The matter is pending for adjudication. The Holding company is confident that this matter will ultimately be decided in its favour, hence no provision is made in these consolidated condensed interim financial information in this respect.
- The Civil Aviation Authority (CAA) has been claiming excessive amounts from the Holding company which mainly relates to non-aeronautical charges comprising of land lease rent and the license fee. As at June 30, 2016, the excessive amounts claimed by CAA are not acknowledged by the Holding company aggregated to Rs. 9,429.076 million (December 31, 2015: Rs. 8,642.635 million) including latepayment surcharge and interest thereon amounting to Rs. 6,120.59 million (December 31, 2015:Rs. 4,976.653 million). In view of the understanding reached through a Memorandum of Understanding (MoU) which was concluded in the meeting held on January 24, 2011 between the representatives of the Holding company and CAA, the management does not accept the higher amounts being claimed by CAA.

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

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

- Claims against the Holding company not acknowledged as debt amount to Rs. Nil (December 31, 2015: Rs.903.317 million).
- Contingencies relating to income tax matters are disclosed in note 19.1.2.

Commitments

- Commitments for capital expenditure amounted to Rs. 479.16 million (December 31, 2015: Rs. 852.90 million).
- Outstanding letters of credit amounted to Rs. 1,788.06 million (December 31, 2015: Rs. 3,607.65 million).
- Outstanding letters of guarantee amounted to Rs. 3,697.25 million (December 31, 2015: Rs. 182.21 million).
- The Holding company has entered into an agreement for purchase of aircraft, the remaining commitments of which aggregate to USD1,527.904 million (December 31, 2015: USD 1,527.904 million) equivalent to Rs. 160,018.455 million (December 31, 2015: Rs.160,233.584 million) based on catalogue prices. The Holding company has not made certain payments on its due dates as per the terms of the agreement. Therefore, the execution of the agreement is yet to be made.
- The amount of future payments in operating lease arrangement relating to aircraft 777-200 ER, 737-800, A320-232 and A320-200 and the period in which these payments will become due is as follows:

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
Not later than one year	6,893,375	7,575,917
Later than one year but not later than five years	30,060,851	29,980,859
Later than five years	7,579,921	6,559,685
	<u>44,534,147</u>	<u>44,116,461</u>

	Note	Six months period ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
-----Rupees'000-----					
12 REVENUE - net					
Passenger		38,415,857	42,452,199	18,185,738	18,435,323
Cargo		1,456,681	1,831,191	736,976	1,016,106
Excess baggage		370,899	389,285	165,797	145,011
Charter		312,793	201,359	166,902	102,803
Engineering services		591,178	219,102	169,853	74,714
Handling and related services		167,516	274,169	71,386	130,717
Mail		134,493	119,006	70,349	61,850
Room, food and beverages sales		5,443,800	5,672,093	3,274,068	3,301,382
Others		1,270,106	1,312,475	558,917	720,937
		<u>48,163,323</u>	<u>52,470,880</u>	<u>23,399,986</u>	<u>23,988,842</u>

	Note	Six months period ended		Quarter ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
-----Rupees'000-----					
13 COST OF SERVICES - Others					
Salaries, wages and allowances		9,959,786	7,772,629	5,312,358	3,903,277
Welfare and social security costs		1,238,875	1,131,677	684,767	1,108,792
Retirement benefits		989,715	1,052,141	505,798	718,675
Compensated Absences		421,705	196,169	210,834	130,694
Legal and professional charges		16,758	27,759	5,917	17,371
Stores and spares consumed		738,225	479,550	512,871	258,518
Repair, Maintenance and overhaul		5,409,718	2,023,824	3,423,332	1,280,151
Flight equipment rental		3,106,313	3,141,258	1,701,281	1,357,119
Landing and handling		7,102,341	6,058,401	3,733,994	3,066,925
Passenger services		1,560,141	1,300,838	823,310	675,135
Crew layover		1,336,314	1,191,757	725,509	508,674
Staff training		32,801	51,350	17,668	35,854
Food cost		286,391	282,323	159,703	155,279
Utilities		35,544	37,353	19,335	20,841
Communication		1,753,695	1,555,202	1,076,286	1,531,498
Insurance		505,443	551,224	226,021	284,713
Rent, rates and taxes		387,249	422,493	229,010	265,635
Printing and stationery		77,204	103,676	34,550	58,106
Amortization		6,787	11,477	2,184	9,838
Depreciation		3,445,533	2,947,289	1,929,228	1,379,748
Others	13.1	1,285,770	2,127,168	436,932	1,718,606
		<u>39,696,309</u>	<u>32,465,558</u>	<u>21,770,886</u>	<u>18,485,449</u>

13.1 This includes an amount of Rs. 250.035 million (June 30, 2015 : Nil) pertaining to late return fees in customer induced damages in respect of engineering & maintenance contract.

	Six months period ended		Quarter Ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
	-----Rupees'000-----			

14 OTHER PROVISIONS AND ADJUSTMENTS

Property, plant and equipment

- loss on disposal of aircraft fleet	64,855	-	64,855	-
- deficit released from surplus on aircraft disposed off	553,850	-	553,850	-
- other assets written off	292,653	-	292,653	-
			-	
Provision for slow moving and obsolete spares	73,407	654,650	72,715	654,451
Provision for doubtful debts	222,189	356,060	72,189	356,060
Provision against doubtful advances	6,192	142,317	6,192	142,317
Provision against doubtful deposits	125,736	-	125,736	-
Provision / (reversal) against CWIP	2,650	-	2,650	-
Against other receivable	12,814	-	12,814	-
Late payment surcharge on fuel	1,009,878	1,294,656	591,513	1,294,656
Others	27,916	69,301	27,916	69,301
	<u>2,392,140</u>	<u>2,516,984</u>	<u>1,823,083</u>	<u>2,516,785</u>

	Six months period ended		Quarter ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
	-----Rupees'000-----			

15 FINANCE COSTS

Mark-up on:

- long term financing	2,791,981	1,955,707	1,463,333	1,074,008
- term Finance Certificate	1,275,318	1,706,429	621,314	73,962
- short term borrowings	1,328,980	1,957,646	638,873	1,757,447
- advance from a subsidiary	46,563	37,517	26,733	37,517
	<u>5,442,842</u>	<u>5,657,299</u>	<u>2,750,253</u>	<u>2,942,934</u>
Profit on sukuk certificates	279,564	371,369	138,172	34,276
Interest on liabilities against assets subject to finance leases	164,950	227,726	164,950	108,892
Interest to provident fund	296,370	374,904	122,441	180,722
Discounting income on deposits	(53,346)	(7,281)	(136,311)	(7,281)
Arrangement, agency and commitment fee	195,505	269,629	113,465	201,489
Bank charges, guarantee commission and other related charges	25,262	56,660	11,561	225
Amortisation of prepaid exposure fee	128,392	84,277	59,124	84,277
	<u>6,479,539</u>	<u>7,034,583</u>	<u>3,223,655</u>	<u>3,545,534</u>

16 TAXATION

	Six months period ended		Quarter Ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
	-----Rupees'000-----			
Current	313,806	373,139	176,243	213,936
Deferred	(166,155)	42,148	(166,155)	42,148
	<u>147,651</u>	<u>415,287</u>	<u>10,088</u>	<u>256,084</u>

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

	Six month period ended		Quarter ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited) (Restated)	June 30, 2016 (un-audited)	June 30, 2015 (un-audited) (Restated)
-----Rupees'000-----				
17 LOSS PER SHARE - BASIC AND DILUTED				
Loss for the period (Rupees in '000')	(20,708,432)	(12,762,088)	(14,669,765)	(11,279,203)
----- No. of ordinary shares -----				
Weighted average number of ordinary shares outstanding	5,234,511,117	4,951,024,071	5,234,511,117	5,063,722,041
-----Rupees-----				
Loss attributable to:				
A' class ordinary shares	(3.96)	(2.58)	(2.80)	(2.23)
B' class ordinary shares	(1.98)	(1.29)	(1.40)	(1.12)

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

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

	Six months period ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
-----Rupees in '000 -----		
18 CASH GENERATED FROM OPERATIONS		
Loss before taxation	(20,560,780)	(12,346,801)
Adjustments for non cash items:		
Depreciation	3,462,986	2,957,485
Gain on disposal of property, plant and equipment	64,855	(188,755)
Amortization	31,503	12,037
Provision for slow moving stores and spares	73,407	654,650
Provision / (reversal) against doubtful advances	6,192	-
Provision for employees' benefits	2,193,855	2,180,039
Provision for doubtful debts	222,189	330,837
Provision against doubtful deposits	125,736	-
Reversal of provision for other receivable	12,814	-
Finance costs	6,479,539	7,034,583
Unrealised exchange (gain)/loss	92,728	432,227
Property, plant and equipment written off	292,653	-
Deficit released on write off of aircraft	553,850	36,187
Profit on bank deposits	(36,716)	(16,821)
Cash generated from operations before working capital changes	(6,985,189)	1,085,668
Working capital changes:		
Decrease / (increase) in stores and spare parts	(108,076)	(10,237)
Increase / (decrease) in trade debts	3,013,844	2,789,119
Decrease / (increase) in advances	(18,509)	32,985
Decrease in trade deposits and prepayments	(2,591,218)	(1,212,353)
Increase in other receivables	(971,202)	(1,432,169)
Increase / (decrease) in trade and other payables	13,010,994	7,428,537
	12,335,833	7,595,881
Cash generated from operations	5,350,644	8,681,549

19 TRANSACTIONS WITH RELATED PARTIES

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

	Six months period ended	
	June 30, 2016	June 30, 2015
	(Un-Audited)	(Un-Audited)
	-----Rupees in '000 -----	
Skyrooms (Private) Limited - Subsidiary		
Payments made against in-transit passengers	116,799	177,577
Advances extended	1,833	1,891
PIA Investments Limited - Subsidiary		
Management fee expense	32,547	37,197
Finance cost on advance	46,563	37,517
Advance received	-	301,363
Minhal France S.A. - Sub-subsidiary		
Management fee income	34,511	39,457
Abacus Distribution Systems Pakistan (Private) Limited - Subsidiary		
Charges in respect of courier services	82	-
Retirement funds		
Contribution to Provident Fund and others	1,821,426	204,505
Interest on overdue balance of provident fund	295,698	374,904
Profit oriented state-controlled entities - common ownership		
Purchase of fuel	4,808,431	5,441,326
Insurance premium	501,728	511,778
Late payment interest	1,009,878	1,294,656
Finance cost	2,289,858	2,826,953
Airport related charges	6,385,285	3,353,217
GoP - Major shareholder		
Finance cost	398,904	396,712
Advance against equity from GoP	-	3,974,371
Hajj revenue	-	1,435,806
Key management personnel		
Salaries, wages and other benefits	75,972	124,048

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

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES**20.1 Financial risk factors**

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

These consolidated condensed interim financial 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 annual financial statements as at December 31, 2015. There have been no changes in any risk management policies since the year end.

20.2 Fair value estimation

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

- a) The Holding Company's leasehold land, buildings on leasehold land and airfleet are stated at revalued amounts, being the fair value at the date of revaluation, less accumulated depreciation and subsequent accumulated impairment losses, if any,
- b) The Holding Company classifies long-term investments in listed companies measured in the 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 GENERAL

21.2 Non adjusting events after balance sheet date

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

22 DATE OF AUTHORISATION FOR ISSUE

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



Chief Executive Officer



Director



Chief Executive Officer



Chief Financial Officer

VISION
AMBITION

Secretary - PIACL

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

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

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