



MAJESTIC  
**PAKISTAN**  
A Journey Toward Greater Heritage



 **PIA**  
Pakistan International

1st quarterly report 2012

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# Corporate Profile (as at April 30, 2012)

## Board of Directors

Ch Ahmed Mukhtar  
Minister for Defence and Chairman - PIA

Ms Nargis Sethi  
Federal Secretary Defence

Air Chief Marshal (Retd)  
Rao Qamar Suleman  
Managing Director - PIA

Mr Husain Lawai

Mr Abdul Wajid Rana  
Federal Secretary Finance

Makhdum Syed Ahmad Mahmud

Malik Nazir Ahmed

Mr Javed Akhtar

Syed Omar Sharif Bokhari

Khawaja Jalaluddin Roomi

Mr Yousaf Waqar

Corporate Secretary  
Mr Muhammad Shuaib

## Executive Management

Air Chief Marshal (Retd)  
Rao Qamar Suleman  
Managing Director

Mr M. Salim Sayani  
Deputy Managing Director

Capt M. Junaid Yunus  
Deputy Managing Director Special Projects & Charters

Mr Nayyar Hayat  
Chief Financial Officer

Mr Mahmood Ahmed  
Director - Airport Services

Mr Irshad Ghani  
Director - Corporate Planning

Mr Maqsood Ahmed  
Director - Engineering & Maintenance

Capt Naveed Ahmed Aziz  
Director - Flight Operations

Mr Muzaffar Talpur  
Director - Flight Services

Mr Saleem Ahmed  
Officiating Director - HRA & Coordination

Mr Sher Muhammad Jamali  
Director - Information Technology

AVM Amin Ullah Khan  
Director - Precision Engineering Complex

Mr Amanullah Qureshi  
Director - Procurement & Logistics

Mr S. Aijaz Mazhar  
Director Standards & Special Projects

## External Auditors

Messrs A. F. Ferguson & Co  
(Member firm PWC).

Messrs M. Yousuf Adil Saleem & Co  
(Member firm Deloitte).

## Share Registrar

Central Depository Company of Pakistan Ltd.  
Shares Registrar Department CDC House,  
99 - B, Block-B Sindhi Muslim  
Cooperative Housing Society,  
Main Shahrah-e-Faisal  
Karachi - 74400, Pakistan  
Ph: Customer Support Services  
(Toll Free) 0800 - CDCPL (23275)  
Fax: (92-21) 3432 6053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

## Head Office

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Jinnah International Airport, Karachi - 75200,  
Pakistan.  
UAN: 111-786-786 / 111-FLY-PIA

[www.piac.aero](http://www.piac.aero)

## Board of Directors' Committees (as at April 30, 2012)

### Board's Audit Committee

Mr Husain Lawai	Chairman
Mr Javed Akhtar	Member
Syed Omar Sharif Bokhari	Member
Khawaja Jalaluddin Roomi	Member
Mr Yousaf Waqar	Member

### Board's Finance Committee

Mr Abdul Wajid Rana	Chairman
Mr Husain Lawai	Member
Air Chief Marshal (Retd) Rao Qamar Suleman <i>Managing Director</i>	Member
Mr Yousaf Waqar	Member

### Board's Human Resource Committee

Makhdam Syed Ahmad Mahmud	Chairman
Malik Nazir Ahmed	Member
Mr Javed Akhtar	Member
Air Chief Marshal (Retd) Rao Qamar Suleman <i>Managing Director</i>	Member

# Directors' Report to Shareholders

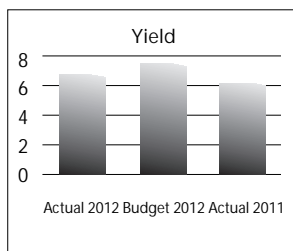
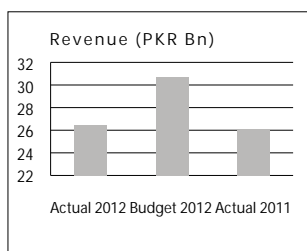
The Directors of Pakistan International Airlines Corporation hereby present their report along with the unaudited condensed interim financial statements for the first quarter ended 31st March 2012.

The Financial results during the period are summarized below:

	2012 (Rs. Billion)	2011 (Rs. Billion)
Revenues (Net)	26.44	26.18
Operating Cost & Expenses		
Fuel Cost	15.15	13.11
Other Cost of service	12.62	12.34
Distribution & Admin Expenses	3.17	3.10
Exchange (Gain)/Loss	0.73	(0.73)
Other incomes & adjustments	(0.25)	(0.05)
Finance Cost	2.70	2.39
Loss Before Taxation	7.68	3.98
Loss After Taxation	7.81	4.24

The Corporation has managed to sustain the quarterly revenue with an increase of PKR 262 million, i.e. PKR 26.4 billion, as compared to PKR 26.2 billion during the corresponding period of last year. Challenging economic conditions, deteriorating law & order situation in Pakistan and double-digit inflation continued to mar domestic business environment. On the international front, global recession and visa restrictions by many countries on Pakistani passport holders weakened the traffic growth.

Passenger revenue increased by PKR 790 million mainly due to increase in yield. Passenger yield increased to PKR 6.80 from PKR 6.18 in the first quarter 2011. However, seat factor declined from 75% to 70.3% as compared to corresponding period last year. Freight revenues slightly decreased by PKR 43 million due to lower capacity while Charter revenue fell by PKR 399 million due to some one-off charters in prior year.



Bottom line suffered due to rising fuel prices and sliding Pak Rupee. Resultantly, fuel cost increased by 16% (PKR 2 billion) and exchange loss by 200% (PKR 1.5 billion).

Globally, passenger and freight volumes in the first quarter of the year were considerably higher than a year ago and passenger markets continued to show upward trend with improved seat factors. However, due to previous disturbances in PIA's schedule and flight cancellations, our seat factor and passenger numbers were lower as compared to the first quarter of 2011. Flight cancellations were mainly due to our emphasis on safety. We grounded our fleet for shakedown inspection and had to cancel a number of flights. Although it added to the losses of the Corporation but it demonstrates our commitment to passenger safety. Fuel prices have remained highly volatile. Crude oil prices shot up 10.8% above corresponding period last year. Rising tensions between Iran and the West resulted into sanctions that remain a threat to supply side. Markets anticipate airline profit weakness ahead and view the airline industry outlook as fragile, as margins remain vulnerable to high fuel prices. The Corporation's fuel bill has increased by 16% from the same period last year. Management has continued fuel hedging to insulate the Corporation from price volatility. Fuel price pass-on mechanism has also started to kick in and we hope that these measures will improve the results in coming period.

Costs other than fuel amounted to PKR 14.3 billion as compared to PKR 13.9 billion in the corresponding period last year. This shows that cost control measures have borne some fruit although inflation remained high during the quarter. Interest expense rose by PKR 298 million due to conversion of fleet loan into non-fleet loan at higher interest rates.

During the period our subsidiary companies, namely PIA Investments Limited (PIAIL) and Skyrooms (Private) Limited posted net losses of USD 1.76 million and net profit of PKR 2.9 million respectively. As usual PIAIL suffered loss during the first quarter due to a seasonal fluctuation and its results are expected to bounce back in the following quarter.

# Directors' Report to Shareholders

During the quarter, certain strategies were adopted to mitigate the risks involved and for curtailment of expenditure at cost centres. Identification and participation in new avenues, closure of non-profitable segments and collaboration with new business associates remained the focal point of activities during the quarter for broadening the sales base and to crop up the competitive advantage.

A co-branding agreement was signed with Telenor for ticket sales through 12,000 Easy Paisa outlets. Prepaid cards of different denominations for ticketing through PIA offices have been introduced to make customer experience more convenient. To increase sales an agreement has been signed with Air Promotion Group for presence at five new locations, including South Africa, Russia, Egypt, Indonesia and Kazakhstan through IATA BSP Consolidator System (IBCS) participation and a Special Prorates Agreement has been signed with West Jet for transportation of passengers in Canada.

The Board and management have started progressing on other areas of business plan. A significant milestone was achieved by signing definite purchase agreement of five Boeing 777. During the year the Corporation plans to induct 13 new narrow-body aircraft to augment capacity and bring efficiency. The new aircraft will be deployed on Arabian, Gulf and domestic routes.

For and on Behalf of the Board

Ch. Ahmed Mukhtar  
Chairman

30 April 2012



***Unconsolidated***  
*financial statements*



# Unconsolidated Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2012

	Note	March 31, 2012 (Un-audited)	December 31 2011 (Audited)	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
		-----Rupees in '000-----		-----US\$ in '000-----	
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Fixed assets					
Property, plant and equipment	4	94,800,996	96,632,229	1,045,215	1,074,340
Intangibles		48,010	52,855	529	587
		94,849,006	96,685,084	1,045,744	1,074,927
Long-term investments		4,439,218	4,440,454	48,944	49,368
Long-term deposits and prepayments		9,202,777	9,140,474	101,464	101,622
		108,491,001	110,266,012	1,196,152	1,225,917
<b>CURRENT ASSETS</b>					
Stores and spare parts	5	4,144,072	3,863,885	45,689	42,958
Trade debts	6	9,937,436	8,396,481	109,564	93,351
Advances		5,119,827	316,862	56,448	3,523
Trade deposits and prepayments		713,176	795,465	7,863	8,844
Other receivables	7	4,106,615	2,275,838	45,277	25,302
Short-term investments		19,220	19,220	212	214
Cash and bank balances	8	1,137,484	894,814	12,541	9,948
		25,177,830	16,562,565	277,594	184,140
<b>TOTAL ASSETS</b>		<b>133,668,831</b>	<b>126,828,577</b>	<b>1,473,746</b>	<b>1,410,057</b>
<b>EQUITY AND LIABILITIES</b>					
<b>SHARE CAPITAL AND RESERVES</b>					
Share capital		28,779,674	28,779,674	317,306	319,967
Reserves		(122,526,801)	(114,713,233)	(1,350,902)	(1,275,361)
		(93,747,127)	(85,933,559)	(1,033,596)	(955,394)
Advance against equity from GoP	9	916,826	-	10,108	-
<b>TOTAL EQUITY</b>		<b>(92,830,301)</b>	<b>(85,933,559)</b>	<b>(1,023,488)</b>	<b>(955,394)</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>7,834,036</b>	<b>7,834,036</b>	<b>86,373</b>	<b>87,097</b>
<b>NON CURRENT LIABILITIES</b>					
Long-term financing	10	20,132,261	31,264,901	221,965	347,598
Term finance and sukuk certificates	11	13,058,133	10,925,653	143,971	121,469
Liabilities against assets subject to finance lease	12	45,587,351	47,345,301	502,617	526,376
Advance from a subsidiary		997,700	989,403	11,000	11,000
Long-term deposits		444,807	444,685	4,904	4,944
Deferred liabilities		9,455,713	9,174,189	104,253	101,997
		89,675,965	100,144,132	988,710	1,113,384
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	53,795,903	44,578,472	593,119	495,615
Accrued interest / mark-up / profit	14	5,535,437	4,690,092	61,030	52,144
Provision for taxation		1,166,030	1,045,281	12,856	11,621
Short-term borrowings	15	32,071,825	25,801,027	353,603	286,851
Current maturities of:					
Long-term financing		20,720,170	10,957,001	228,447	121,818
Term finance and sukuk certificates		6,531,627	8,664,107	72,014	96,327
Liabilities against assets subject to finance lease		9,168,139	9,047,988	101,082	100,594
		128,989,131	104,783,968	1,422,151	1,164,970
<b>CONTINGENCIES AND COMMITMENTS</b>	16				
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>133,668,831</b>	<b>126,828,577</b>	<b>1,473,746</b>	<b>1,410,057</b>

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

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director

## Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the first quarter ended March 31, 2012

	Note	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
		-----Rupees in '000-----		-----US\$ in '000-----	
REVENUE - net	17	26,444,571	26,182,454	291,561	307,306
COST OF SERVICES					
Aircraft fuel		(15,146,234)	(13,106,903)	(166,993)	(153,837)
Others	18	(12,622,808)	(12,272,848)	(139,171)	(144,048)
		(27,769,042)	(25,379,751)	(306,164)	(297,885)
GROSS (LOSS) / PROFIT		(1,324,471)	802,703	(14,603)	9,421
Distribution costs		(1,346,047)	(1,604,145)	(14,841)	(18,828)
Administrative expenses		(1,829,818)	(1,495,766)	(20,174)	(17,556)
Other provisions and adjustments - net	19	(141,577)	(67,778)	(1,561)	(796)
Exchange (loss) / profit - net		(736,727)	730,143	(8,123)	8,570
Other operating income		388,960	45,074	4,288	529
		(3,665,209)	(2,392,472)	(40,411)	(28,081)
LOSS FROM OPERATIONS		(4,989,680)	(1,589,769)	(55,014)	(18,660)
Finance costs	20	(2,690,426)	(2,392,873)	(29,663)	(28,085)
LOSS BEFORE TAXATION		(7,680,106)	(3,982,642)	(84,677)	(46,745)
Taxation	21				
Current - for the quarter		(132,223)	(261,825)	(1,458)	(3,073)
LOSS FOR THE QUARTER		(7,812,329)	(4,244,467)	(86,135)	(49,818)
		(Rupees)		(US\$)	
EARNINGS PER SHARE - BASIC AND DILUTED					
'A' class Ordinary shares of Rs.10 each	22	(2.56)	(1.71)	(0.03)	(0.02)
'B' class Ordinary shares of Rs. 5 each	22	(1.28)	(0.86)	(0.02)	(0.01)

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

## Unconsolidated Condensed Interim Statement of **Comprehensive Income (Un-audited)**

For the first quarter ended March 31, 2012

	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
	-----Rupees in '000-----		-----US\$ in '000-----	
Loss for the quarter	(7,812,329)	(4,244,467)	(86,134)	(49,818)
Other comprehensive income				
Unrealised loss on re-measurement of available for sale investments	(1,239)	(3,221)	(14)	(38)
Total comprehensive income	<u>(7,813,568)</u>	<u>(4,247,688)</u>	<u>(86,148)</u>	<u>(49,856)</u>

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

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director

# Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the first quarter ended March 31, 2012

	Note	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
		-----Rupees in '000-----		-----US\$ in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated from operations	23	(2,244,321)	2,662,033	(24,744)	31,245
Profit on bank deposits received		39,613	3,902	437	46
Finance costs paid		(1,836,784)	(2,070,002)	(20,251)	(24,296)
Taxes paid		(11,474)	(70,557)	(127)	(828)
Staff retirement benefits paid		219,649	(99,139)	2,422	(1,164)
Long-term deposits and prepayments - net		(62,303)	(97,477)	(687)	(1,144)
Net cash (used in) / generated from operating activities		<u>(3,895,620)</u>	<u>328,760</u>	<u>(42,950)</u>	<u>3,859</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Fixed capital expenditure		(44,152)	(71,557)	(487)	(840)
Short Term Investment		-	180	-	2
Proceeds from sale of property, plant and equipment		1,968	4,528	22	53
Advance against future dividends		-	856,000	-	10,047
Net cash (used in) / generated from investing activities		<u>(42,184)</u>	<u>789,151</u>	<u>(465)</u>	<u>9,262</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of share capital		916,826	1,042,423	10,108	12,235
Repayment of long-term financing		(1,369,471)	-	(15,099)	-
Proceeds from long-term financing		-	50,867	-	597
Redemption of term finance certificates		-	(2,560)	-	(30)
Proceeds from long-term deposits		121	14,602	1	171
Repayment of obligations under finance lease - net		(1,637,800)	(2,537,289)	(18,057)	(29,780)
Net cash used in financing activities		<u>(2,090,324)</u>	<u>(1,431,957)</u>	<u>(23,047)</u>	<u>(16,807)</u>
Increase in cash and cash equivalents		<u>(6,028,128)</u>	<u>(314,046)</u>	<u>(66,462)</u>	<u>(3,686)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER</b>					
		(24,906,213)	(21,271,355)	(274,600)	(249,664)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER</b>					
		<u>(30,934,341)</u>	<u>(21,585,401)</u>	<u>(341,062)</u>	<u>(253,350)</u>
<b>CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances		1,137,484	2,528,196	12,541	29,673
Short-term borrowings		<u>(32,071,825)</u>	<u>(24,113,597)</u>	<u>(353,603)</u>	<u>(283,023)</u>
		<u>(30,934,341)</u>	<u>(21,585,401)</u>	<u>(341,062)</u>	<u>(253,350)</u>

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

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director

# Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the first quarter ended March 31, 2012

	Issued, subscribed, and paid-up capital	Reserves			Accumulated losses	Total
		Capital reserves	Revenue reserves	Unrealised loss on remeasur- ement of investments		
-----Rupees in '000-----						
Balance as at January 01, 2011	25,774,948	2,501,038	1,779,674	27,900	(92,327,743)	(62,244,183)
Comprehensive income						
Loss for the year	-	-	-	-	(26,767,207)	(26,767,207)
Other comprehensive income for the year	-	-	-	(5,118)	-	(5,118)
Total comprehensive income for the year	-	-	-	(5,118)	(26,767,207)	(26,772,325)
Surplus on revaluation of fixed assets realized during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	78,223	78,223
Transactions with owners						
Issue of share capital 'A' class ordinary shares	3,004,726	-	-	-	-	3,004,726
Balance as at December 31, 2011	28,779,674	2,501,038	1,779,674	22,782	(119,016,727)	(85,933,559)
Comprehensive income						
Loss for the quarter	-	-	-	-	(7,812,329)	(7,812,329)
Other comprehensive income for the quarter	-	-	-	(1,239)	-	(1,239)
Total comprehensive income for the quarter	-	-	-	(1,239)	(7,812,329)	(7,813,568)
Surplus on revaluation of fixed assets realized during the quarter on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-
Balance as at March 31, 2012	28,779,674	2,501,038	1,779,674	21,543	(126,829,056)	(93,747,127)

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

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the first quarter ended March 31, 2012

## 1. THE CORPORATION AND ITS OPERATIONS

- 1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under PIAC Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (the PIAC Act). The shares of the Corporation are quoted on all stock exchanges of Pakistan. The principal activity of the Corporation is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Corporation include provision of engineering and other allied services. The head office of the Corporation is situated at PIA Building, Jinnah International Airport, Karachi.
- 1.2 During the current quarter, the Corporation has incurred a net loss of Rs 7,812.33 million (March 31, 2011 - Rs 4,244.47 million) resulting in accumulated losses of Rs 126,829.06 million as of March 31, 2012 (December 31, 2011: Rs 119,016.73 million). Further, as of March 31, 2012 current liabilities of the Corporation exceeded its current assets by Rs 103,811.30 million (December 31, 2011: Rs 88,221.40 million).

The Government of Pakistan (GoP), being majority shareholder of the corporation, had through its finance division's letter dated September 2, 2008 communicated that it would extend all maximum support to maintain the Corporation through the following measures to ensure that it (the Corporation) 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 Corporation. In this respect, amounts aggregating Rs. 16,228 million have been provided to the Corporation towards equity during the years ended December 31, 2008 to 2011;
- During the years ended December 31, 2009 and 2010, the GoP has provided long-term financing aggregating Rs 8,000 million to meet working capital requirements; and
- Issuance/ renewal of guarantees to financial institutions, both local and foreign so as to enable the Corporation to raise funds.

During the current quarter, the Corporation continued to pursue approval of its business plan with the GoP at various levels. Presentation on the business plan were made to the President and Prime Minister of Pakistan during meetings held with them and the business plan was amended based on the guidelines given during those meetings. The business plan has now been approved by the Economic Reforms Unit of the Ministry of finance and has been submitted to the Economic Coordination Committee of the Cabinet for approval.

In view of the situation described above, although material uncertainty exists which may cast doubt on the Corporation's ability to continue its operations in the foreseeable future, 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 condensed interim financial statements on a going concern basis.

The business plan includes GoP's support in term of providing necessary funding for recapitalization, restructuring of existing loans and issuing GoP guarantees as and when required. The objectives of the business plan, among other measures, include improving the governance structure and achieving operational efficiency through upgrading of aircraft fleet, enhancing revenues and controlling costs.

## 2. BASIS OF PREPARATION

- 2.1 These unconsolidated condensed interim financial statements of the Corporation for the first quarter ended March 31, 2012 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 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.
- 2.2 These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2011.
- 2.3 The US \$ amount reported in the unconsolidated condensed interim balance sheet, unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of these unconsolidated condensed interim financial statements. The US \$ amounts in the unconsolidated condensed interim balance sheet, unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs 90.70 = US \$ 1 (March 31, 2011: Rs = 85.20 US \$ 1).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgments and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Corporation for the year ended December 31, 2011.

Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
	----- Rupees in '000 -----	

## 4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	4.1	93,808,581	95,658,681
Capital work-in-progress		92,415	973,548
		<u>94,800,996</u>	<u>96,632,229</u>

4.1 Following are the additions / transfers / adjustments and deletions during the period:

	Quarter ended	
	March 31, 2012	March 31, 2011
	(Un-audited)	(Un-audited)
	-----Rupees in '000-----	
<b>Additions / Transfers / Adjustments</b>		
<i>Owned</i>		
Buildings on leasehold land	-	879
Renovation and improvements	1,146	131
Operating ground equipment, catering, communication and meteorological equipment	84	180
Engineering equipment and tools	7,283	16,032
Motor transport	2,829	1,417
Traffic equipment	-	4,112
Furniture, fixture and fittings	3,642	1,058
Office equipment	103	105
Computers and office automation	1,620	10,487
Other equipment	438	1,826
Capital spares	27,007	22,931
	<u>44,152</u>	<u>59,158</u>

Deletions / write offs - net book value

<i>Owned</i>		
Motor transport	(2,245)	(1,157)
Vehicles	-	(5,559)
Computers and office automation	(68)	-
Capital spares - written off	(26,601)	(19,560)
	<u>(28,914)</u>	<u>(26,276)</u>

Note	March 31, 2012	December 31, 2011
	(Un-audited)	(Audited)
	----- Rupees in '000 -----	

5. STORES AND SPARE PARTS

Stores		849,302	859,191
Spare parts		5,927,258	5,707,043
Inventory held for disposal - adjusted to net realisable value		252,859	252,859
		<u>7,029,419</u>	<u>6,819,093</u>
Provision for slow moving and obsolete spares	5.1	(3,038,338)	(2,959,535)
		<u>3,991,081</u>	<u>3,859,558</u>
Stores and spares-in-transit		152,991	4,327
		<u>4,144,072</u>	<u>3,863,885</u>

5.1 Movement in provision is as follows:

Balance at the beginning of the year		2,959,535	2,836,293
Provision for the period		78,803	123,242
Balance at the end of the period		<u>3,038,338</u>	<u>2,959,535</u>



	Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----			
6. TRADE DEBTS			
Considered good		9,937,436	8,396,481
Considered doubtful		923,932	924,292
Less: provision for doubtful debts	6.1	(923,932)	(924,292)
		-	-
		<u>9,937,436</u>	<u>8,396,481</u>
6.1 Movement in provision is as follows:			
Balance at the beginning of the year		924,292	929,104
Written off during the period		-	(115,020)
Provision / (reversal of provision) for the period		(360)	110,208
Balance at the end of the period		<u>923,932</u>	<u>924,292</u>
7. OTHER RECEIVABLES			
Considered good			
Claims receivable		100,721	71,751
Excise duty		100,007	100,000
Sales tax receivable		3,391,234	1,595,090
Receivables from GoP	7.1	332,809	332,809
Others		181,844	176,188
		<u>4,106,615</u>	<u>2,275,838</u>
Considered doubtful		177,077	177,077
Less: provision for doubtful other receivables	7.2	(177,077)	(177,077)
		-	-
		<u>4,106,615</u>	<u>2,275,838</u>
7.1 This represents maintenance and other charges incurred during the year, in respect of aircraft owned by GoP.			
7.2 Movement in provision is as follows:			
		Quarter ended	
		March 31, 2012 (Un-audited)	March 31, 2011 (Audited)
----- Rupees in '000 -----			
Balance at the beginning of the year		177,077	177,077
Provision for the period		-	-
Balance at the end of the period		<u>177,077</u>	<u>177,077</u>
8. CASH AND BANK BALANCES			
		March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----			
In hand		12,526	7,606
In transit		62,361	47,103
		<u>74,887</u>	<u>54,709</u>
With banks			
- in current accounts		535,459	660,755
- in deposit accounts		527,138	179,350
		<u>1,062,597</u>	<u>840,105</u>
		<u>1,137,484</u>	<u>894,814</u>

## 9. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN

This represents advance received from the GoP as reimbursement of mark-up payments on term finance and sukuk certificates. Ordinary shares of Rs 10 each shall be issued thereagainst shortly.

## 10. LONG-TERM FINANCING

Financier	Type of facility	Limit (million)	Repayment period	Number of installments / mode	Mark-up	Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
							----- Rupees in '000 -----	
From Banking Companies - secured								
Citibank, N.A.	Demand finance	US \$ 82	2006 - 2017	20 half yearly	5.28% fixed	10.1	3,779,448	3,795,958
Royal Bank of Scotland - Netherlands	Demand finance	US \$ 59.50	2009 - 2013	19 quarterly	3 month LIBOR + 1.60%	10.2	1,873,580	2,131,844
National Bank of Pakistan - Bahrain	Syndicate finance	US \$ 120	2013	Bullet	3 month LIBOR + 3.25%		10,884,000	10,793,484
Faysal Bank Limited	Demand finance	PKR 2,000	2013 - 2016	36 monthly	6 month KIBOR + 1.75%		2,000,000	2,000,000
National Bank of Pakistan - Bahrain	Demand finance	US \$ 70	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		1,594,062	2,098,733
National Bank of Pakistan - Bahrain	Demand finance	US \$ 30	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		900,188	1,124,321
National Bank of Pakistan - Bahrain	Demand finance	US \$ 40 & SAR 75	2011 - 2013	24 monthly	1 month LIBOR + 5.25% & 1 month SIBOR + 5.25%		2,751,153	3,282,992
Citibank, N.A.	Demand finance	US \$ 100	2011 - 2014	30 monthly	3 month LIBOR + 4.25% & 3 month AIDIBOR + 3.75%		9,070,000	8,994,570
Others - unsecured								
Long term loan - Term GoP	Term Finance	PKR 8,000	2011 - 2020	16 half yearly	10% fixed		8,000,000	8,000,000
Current maturity shown under current liabilities							40,852,431	42,221,902
							<u>(20,720,170)</u>	<u>(10,957,001)</u>
							<u>20,132,261</u>	<u>31,264,901</u>

### 10.1 The finance is secured by way of:

- Mortgage over each of the seven ATR aircrafts purchased; and
- European Credit Agencies / GoP Guarantee.

### 10.2 The Corporation has entered into an arrangement with the bank to finance 15% of the purchase price of two B 777-300 aircraft acquired from Boeing Company. The finance is secured by GoP Guarantee.

## 11. TERM FINANCE AND SUKUK CERTIFICATES

	Security	Repayment period	Number of installments / mode	Mark-up (%)	Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
						----- Rupees in '000 -----	
Term finance certificates (TFCs)	GoP Guarantee	2009- 2014	10 half yearly	6 month KIBOR + 0.85%	11.1	12,789,760	12,789,760
Less: current maturity						(6,531,627)	(8,664,107)
Sukuk certificates	GoP Guarantee	2012 - 2014	6 half yearly	6 month KIBOR + 1.75%	11.2	6,800,000	6,800,000
						<u>13,058,133</u>	<u>10,925,653</u>

11.1 The Corporation has an option of early purchase exercisable at any time with a 30 days notice period at Rs Nil premium.

11.2 The Corporation has an option of early purchase allowed only on rental payment dates falling due after expiry of one year from the date of issue with a 30 days prior notice to the Trustee.

## 12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----		
Present value of minimum lease payments - aircraft fleet		
A-310-300	4,148,457	4,148,457
B-777 -200 ER	10,698,046	11,299,637
B-777 -200 LR	12,929,767	13,338,943
B-777 -300 ER	26,979,219	27,606,252
	54,755,489	56,393,289
Less: current maturity	(9,168,138)	(9,047,988)
	<u>45,587,351</u>	<u>47,345,301</u>

		March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----			
13. TRADE AND OTHER PAYABLES			
Trade creditors			
Goods		8,961,808	6,190,476
Services		4,007,031	4,093,180
Airport related charges		5,799,089	4,978,793
		<u>18,767,928</u>	<u>15,262,449</u>
Others			
Accrued liabilities		5,232,877	5,528,459
Advance against transportation (unearned revenue)		7,579,283	6,865,903
Obligation for compensated absences		3,759,750	3,506,407
Unredeemed frequent flyer liabilities		1,692,274	1,610,507
Advance from customers		831,009	683,848
Payable to employees' provident fund		3,868,626	3,378,726
Unclaimed dividend - Preference shares		8,493	8,494
Collection on behalf of others		5,572,782	4,187,483
Customs and central excise duty		1,621,840	152,846
Capital value tax		4,393,336	2,832,283
Income tax deducted at source		165,862	239,180
Short-term deposits		301,843	321,887
		<u>53,795,903</u>	<u>44,578,472</u>
14. ACCRUED INTEREST / MARK-UP / PROFIT	Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----			
Mark-up / profit payable on:			
- long-term financing		2,289,465	2,250,714
- term finance certificates		825,629	667,689
- sukuk certificates		419,499	186,728
- short-term borrowings		909,425	630,289
- provident fund		1,091,419	954,672
		<u>5,535,437</u>	<u>4,690,092</u>
15. SHORT-TERM BORROWINGS - secured			
Short-term loans	15.1	26,669,557	21,390,191
Running finance under mark-up arrangements	15.2	5,402,268	4,410,836
		<u>32,071,825</u>	<u>25,801,027</u>

Short-term loans - secured

Financier	Security	Facility amount (million)	Repayment period	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
-----Rupees in '000-----					
15.1	From Banking Companies				
Habib Bank Limited	GoP Guarantee	2,000 PKR	12 months	2,000,000	2,000,000
Habib Bank Limited	GoP Guarantee and promissory notes amounting to PKR 2,133 million	1,600 PKR	12 months	1,600,000	1,600,000
Habib Allied International Bank Limited - London	EURO receivables	9 USD	12 months	816,300	809,511
National Bank of Pakistan	Charge on receivables	2,000 PKR	12 months	1,885,757	1,880,680
National Bank of Pakistan	GoP Guarantee	5,000 PKR	12 months	5,000,000	5,000,000
Habib Bank Limited	GoP Guarantee and promissory note amounting to PKR 2,400 million	2,000 PKR	12 months	2,000,000	2,000,000
National Bank of Pakistan	GoP Guarantee	1,500 PKR	12 months	1,500,000	1,500,000
Habib Bank Limited	GoP Guarantee and promissory note amounting to PKR 1,334 million	1,000 PKR	12 months	1,000,000	1,000,000
Askari Bank Limited	GoP Guarantee	1,500 PKR	12 months	1,500,000	1,500,000
KASB Bank Limited	GoP Guarantee and promissory note amounting to PKR 595 million	500 PKR	12 months	500,000	500,000
National Bank of Pakistan - Bahrain	Charge over UK, Saudi Arabia, Bangladesh and Oman receivables	25 USD	12 months	2,267,500	-
National Bank of Pakistan	GoP Guarantee	2,000 PKR	12 months	2,000,000	-
KASB Bank Limited	GoP Guarantee	1,000 PKR	12 months	1,000,000	-
National Bank of Pakistan	GoP Guarantee	3,600 PKR	12 months	<u>3,600,000</u>	<u>3,600,000</u>
				<u>26,669,557</u>	<u>21,390,191</u>

15.1.1 The borrowings in PKR carry mark-up with a spread of 0.85% to 2% over 1 month and 3 months KIBOR. Borrowings in US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% per annum whereas variable rate borrowings carry mark-up with a spread of 2.25% over 3 months LIBOR.

15.2 Running finance under mark-up arrangements

Banks	Security	Facility amount (million)	Unavailed credit (million)	Repayment period	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
					-----Rupees in '000-----	
<b>Secured</b>						
United Bank Limited - Karachi	Hypothecation charge of PKR 3,427 million on all present and future stock and spares and assignment of receivables from Karachi and Lahore	2,570 PKR	84 PKR	12 Months 3 Months	2,486,249	2,017,009
National Bank of Pakistan	First pari passu hypothecation charge on all present and future including local receivables routed through NBP current assets	575 PKR 925 PKR	509 PKR	12 Months 3 Months	991,188	572,750
Habib Allied International Bank Limited - London	EURO receivables	3 USD	-	On Demand	280,897	271,257
KASB Bank Limited	Domestic receivables	500 PKR	83 PKR	1 Year	417,290	397,768
KASB Bank Limited	Domestic receivables	400 PKR	52 PKR	1 Year	348,341	
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables	350 PKR	350 PKR	1 Year	-	256,168
Bank of Punjab	Specific charge on certain portion of present and future stores and spares and book debts of Mirpur Azad Jammu Kashmir (AJK)	550 PKR	12 PKR	On Demand	537,763	546,220
<b>Un-secured</b>						
Habib American Bank	-	1.5 USD	0.4 USD	On Demand	68,015	79,827
Citibank N.A.	-	3 USD	0.2 USD	On Demand	272,525	269,837
					<u>5,402,268</u>	<u>4,410,836</u>

16. CONTINGENCIES AND COMMITMENTS

There has been no change in the status of contingencies and commitments as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2011.

	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
	-----Rupees in '000-----	
17. REVENUE - net		
Passenger	23,988,067	23,197,765
Cargo	1,347,597	1,390,326
Excess baggage	254,781	289,628
Charter	78,235	477,002
Engineering services	171,214	222,323
Handling and related services	153,406	149,965
Mail	83,249	101,542
Others	368,022	353,903
	<u>26,444,571</u>	<u>26,182,454</u>
18. COST OF SERVICES - Others		
Salaries, wages and allowances	2,586,195	2,463,986
Welfare and social security costs	9,113	197,740
Retirement benefits	252,966	250,281
Compensated absences	168,169	39,258
Legal and professional charges	1,912	9,729
Stores and spares consumed	648,871	775,471
Maintenance and overhaul	1,559,296	1,191,032
Flight equipment rental	459,245	308,690
Landing and handling	3,090,376	3,139,039
Passenger services	854,453	936,044
Crew layover	734,159	860,305
Staff training	18,783	17,445
Utilities	9,446	5,612
Communication	6,507	13,709
Insurance	308,330	358,273
Rent, rates and taxes	147,373	226,538
Printing and stationery	65,492	36,975
Depreciation	1,576,096	1,382,435
Amortisation	4,844	913
Others	121,182	59,373
	<u>12,622,808</u>	<u>12,272,848</u>

19. OTHER PROVISIONS AND ADJUSTMENTS - NET

Quarter ended  
 March 31, 2012 (Un-audited)      March 31, 2011 (Un-audited)  
 -----Rupees in '000-----

Capital spares written off	62,774	19,560
Provision for slow moving stores and spares	78,803	48,067
Arrears of mandatory retirement	-	151
	<u>141,577</u>	<u>67,778</u>

20. FINANCE COSTS

Mark-up on:		
- long-term financing	509,786	431,727
- short-term borrowings	994,926	709,170
	<u>1,504,712</u>	<u>1,140,897</u>
Return on term finance certificates	432,742	444,501
Profit on sukuk certificates	232,771	250,836
Interest on liabilities against assets subject to finance lease	331,113	334,013
Interest on loans from pension / provident fund	93,167	102,055
Arrangement, agency and commitment fee	29,154	54,405
Bank charges, guarantee commission and other related charges	66,767	66,166
	<u>2,690,426</u>	<u>2,392,873</u>

21. TAXATION

Current - for the period	<u>(132,223)</u>	<u>261,825</u>
	<u>(132,223)</u>	<u>261,825</u>

21.1 There has been no change in the status of tax related contingencies as disclosed in the notes 37.1.2 and 37.1.3 to the financial statements for the year ended December 31, 2011.

Quarter ended  
 March 31, 2012 (Un-audited)      March 31, 2011 (Un-audited)  
 -----Rupees-----

22. EARNINGS PER SHARE - BASIC AND DILUTED

Loss after taxation	<u>(7,812,329)</u>	<u>(4,244,467)</u>
	----- No. of ordinary shares -----	
Weighted average number of ordinary shares outstanding	3,051,651,872	2,477,153,436
	----- Rupees-----	
Loss attributable to:		
'A' class ordinary shares	(2.56)	(1.71)
'B' class ordinary shares	(1.28)	(0.86)

22.1 Since the 'advance against equity' is convertible into ordinary share capital of the Corporation, the impact has been taken into account while calculating 'earnings per share - basic (class A)'.



	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
	-----Rupees in '000-----	
<b>23. CASH GENERATED FROM OPERATIONS</b>		
Loss before taxation	(7,680,106)	(3,982,642)
Adjustments for non-cash items:		
Depreciation	1,844,160	1,467,435
Gain on disposal of property, plant and equipment	345	(3,550)
Amortisation of intangibles	4,844	6,000
Property, plant and equipment written off	28,914	-
Provision for slow moving stores and spares	78,803	-
Capital spares written off	62,774	-
Provision for employees' benefits	61,875	389,088
Finance costs	2,690,426	2,392,873
Profit on bank deposits	(39,613)	(3,902)
Cash (used in)/generated from operations before	<u>(2,947,578)</u>	<u>265,302</u>
Working capital changes:		
(Increase) / decrease in stores and spares	(252,777)	44,446
(Increase) / decrease in trade debts	(1,540,955)	(1,886,674)
(Increase) / decrease in advances	(4,971,953)	123,143
Decrease / (increase) in trade deposits and prepayments	82,289	257,258
(Increase) / decrease in other receivable	(1,830,778)	(438,434)
Increase / (decrease) in trade and other payables	<u>9,217,431</u>	<u>4,296,992</u>
	<u>703,257</u>	<u>2,396,731</u>
Cash generated from operations after working capital changes	<u>(2,244,321)</u>	<u>2,662,033</u>

#### 24. TRANSACTIONS WITH RELATED PARTIES

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

	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
	-----Rupees in '000-----	
Retirement funds		
Contribution to Provident fund	104,990	100,448
Advance against future dividend (PIAIL)	997,700	856,000
Advance against equity from GoP	916,826	1,042,423

The Corporation's sales of transportation services to subsidiaries, associates, joint ventures, directors and key management personnel are not material in the overall context of these unconsolidated condensed interim financial statements.

#### 25. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on April 30, 2012 by the Board of Directors of the Corporation.

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director



***Consolidated***  
*financial statements*

# Consolidated Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2012

	Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
		-----Rupees in '000-----		-----US\$ in '000-----	
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Fixed assets					
- Property, plant and equipment	4	145,515,431	146,214,419	1,604,360	1,625,585
- Intangibles		2,994,108	2,973,990	33,011	33,064
		<u>148,509,539</u>	<u>149,188,409</u>	<u>1,637,371</u>	<u>1,658,649</u>
Long-term investments		85,646	86,088	944	957
Receivable from Centre Hotel		685,186	679,487	7,554	7,554
Long-term loans		15,407	15,407	170	171
Long-term deposits and prepayments	5	9,308,588	9,278,981	102,631	103,162
		<u>158,604,366</u>	<u>159,248,372</u>	<u>1,748,670</u>	<u>1,770,493</u>
<b>CURRENT ASSETS</b>					
Stores and spares		4,176,906	3,895,832	46,052	43,313
Trade debts		9,491,695	8,936,690	104,649	99,357
Short-term loans and advances		5,037,418	329,433	55,539	3,663
Trade deposits and prepayments		1,000,986	1,305,268	11,036	14,512
Other receivables	6	4,412,420	2,423,473	48,649	26,944
Short-term investments		542,583	594,749	5,982	6,612
Taxation - net		97,495	93,680	1,075	1,042
Cash and bank balances	7	3,599,604	3,239,943	39,687	36,021
		<u>28,359,107</u>	<u>20,819,068</u>	<u>312,669</u>	<u>231,464</u>
<b>TOTAL ASSETS</b>		<u>186,963,473</u>	<u>180,067,440</u>	<u>2,061,339</u>	<u>2,001,957</u>
<b>EQUITY AND LIABILITIES</b>					
<b>SHARE CAPITAL AND RESERVES</b>					
Share capital		28,779,674	28,779,674	317,306	319,967
Reserves		(114,751,820)	(107,420,680)	(1,265,180)	(1,194,284)
Advance against equity from Government of Pakistan (GoP)	8	916,826	-	10,108	-
Attributable to the Holding company's shareholders		(85,055,320)	(78,641,006)	(937,766)	(874,317)
Non-controlling interest		1,081,433	1,081,405	11,923	12,023
Total equity		<u>(83,973,887)</u>	<u>(77,559,601)</u>	<u>(925,843)</u>	<u>(862,294)</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET</b>		23,167,576	22,854,589	255,431	254,093
<b>NON CURRENT LIABILITIES</b>					
Long-term financing	9	33,597,571	44,633,808	370,425	496,231
Term finance and sukuk certificates	10	13,058,133	10,925,653	143,971	121,469
Liabilities against assets subject to finance lease		46,587,351	47,351,568	513,642	526,446
Long-term deposits		444,939	444,817	4,907	4,945
Advance Rent		-	4,831	-	54
Deferred taxation		15,508,504	15,189,571	170,987	168,875
Deferred liabilities		9,513,535	9,228,697	104,887	102,603
		<u>118,710,033</u>	<u>127,778,945</u>	<u>1,308,819</u>	<u>1,420,623</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	11	51,452,364	46,336,731	567,282	515,163
Accrued interest		6,150,015	4,727,025	67,806	52,554
		1,175,078	1,072,935	12,956	11,929
Short-term borrowings	12	32,071,825	25,801,027	353,603	286,851
- Long-term financing		21,111,502	11,317,288	232,762	125,824
- Term finance and sukuk certificates		6,531,627	8,664,107	72,014	96,326
- Advance Rent		-	4,392	-	49
- Liabilities against assets subject to finance lease		10,567,340	9,070,002	116,509	100,839
		<u>129,059,751</u>	<u>106,993,507</u>	<u>1,422,932</u>	<u>1,189,535</u>
<b>TOTAL LIABILITIES</b>		<u>247,769,784</u>	<u>234,772,452</u>	<u>2,731,751</u>	<u>2,610,158</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>186,963,473</u>	<u>180,067,440</u>	<u>2,061,339</u>	<u>2,001,957</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13				

The annexed notes 1 to 21 form an integral part of these condensed consolidated interim financial statements.

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director

# Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the first quarter ended March 31, 2012

	Note	Quarter ended		Quarter ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		----- Rupees in '000 -----		----- US \$ in '000 -----	
REVENUE - net	14	28,689,161	28,109,933	316,308	329,929
<b>COST OF SERVICES</b>					
Aircraft fuel		(15,146,234)	(13,106,903)	(166,993)	(153,837)
Others	15	(14,786,658)	(14,116,050)	(163,028)	(165,681)
		(29,932,892)	(27,222,953)	(330,021)	(319,518)
<b>GROSS (LOSS) / PROFIT</b>		(1,243,731)	886,980	(13,713)	10,411
Distribution costs		(1,346,047)	(1,604,145)	(14,841)	(18,828)
Administrative expenses		(1,842,160)	(1,503,238)	(20,310)	(17,644)
Other provisions and adjustments		(118,618)	(67,778)	(1,308)	(796)
Exchange loss - net		(737,497)	730,143	(8,131)	8,570
Other operating income		395,304	46,981	4,358	551
		(3,649,018)	(2,398,037)	(40,232)	(28,147)
<b>LOSS FROM OPERATIONS</b>		(4,892,749)	(1,511,057)	(53,945)	(17,736)
Finance costs	16	(2,831,280)	(2,474,567)	(31,216)	(29,044)
<b>LOSS BEFORE TAXATION</b>		(7,724,029)	(3,985,624)	(85,161)	(46,780)
Taxation	17	(171,615)	(298,154)	(1,892)	(3,499)
<b>LOSS FOR THE QUARTER</b>		(7,895,644)	(4,283,778)	(87,053)	(50,279)
Attributable to:					
Equity holders of the Holding Company		(7,908,727)	(4,289,561)	(87,197)	(50,347)
Non Controlling interest		13,083	5,783	144	68
		(7,895,644)	(4,283,778)	(87,053)	(50,279)
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>					
Loss attributable to:		----- Rs -----		----- US \$ -----	
'A' class ordinary shares of Rs. 10 each		(2.59)	(1.73)	(0.03)	(0.02)
'B' class ordinary shares of Rs. 5 each		(1.30)	(0.86)	(0.01)	(0.01)

The annexed notes 1 to 21 form an integral part of these condensed consolidated interim financial statements.

## Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the first quarter ended March 31, 2012

	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
	----- Rupees in '000 -----		----- US\$ in '000 -----	
Loss for the quarter	(7,895,644)	(4,283,778)	(87,052)	(50,279)
Other comprehensive income:				
Unrealised loss on re-measurement of investments	(838)	(3,221)	(9)	(38)
Exchange differences on translation of foreign operations	565,370	-	6,233	-
Total comprehensive income for the quarter	<u>(7,331,112)</u>	<u>(4,286,999)</u>	<u>(80,828)</u>	<u>(50,317)</u>
Attributable to:				
Attributable to the Holding company's shareholders	(7,331,140)	(4,292,782)	(80,828)	(50,385)
Non controlling interest	28	5,783	-	68
	<u>(7,331,112)</u>	<u>(4,286,999)</u>	<u>(80,828)</u>	<u>(50,317)</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.

The annexed notes 1 to 21 form an integral part of these condensed consolidated interim financial statements.

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director

# Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the first quarter ended March 31, 2012

	Note	Quarter ended		Quarter ended	
		March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
		----- Rupees in '000 -----		----- US\$ in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash (used in) / generated from operations after working capital changes	19	(4,151,825)	3,364,953	(45,775)	39,495
Profit on bank deposits received		394,439	3,902	4,349	46
Finance costs paid		(1,601,046)	(2,159,143)	(17,652)	(25,342)
Taxes paid		(62,504)	(190,322)	(689)	(2,234)
Staff retirement benefits paid		(136,297)	(99,881)	(1,503)	(1,172)
Long-term deposits and prepayments - net		(29,485)	(97,477)	(325)	(1,144)
Net cash used in operating activities		(5,586,718)	822,032	(61,595)	9,649
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(897,879)	(135,562)	(9,899)	(1,591)
Proceeds from sale of property, plant and equipment		2,022	4,528	22	53
Short-term investments-net		56,993	180	628	2
Long term receivable		-	(44,459)	-	(522)
Net cash used in investing activities		(838,864)	(175,313)	(9,249)	(2,058)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advance against Equity		916,826	1,042,423	10,108	12,235
Proceeds from long-term financing		749,471	14,602	8,263	171
Redemption of term finance certificates		-	(2,560)	-	(30)
Repayment of obligations under finance lease - net		(1,151,852)	(2,542,434)	(12,700)	(29,841)
Net cash generated from financing activities		514,445	(1,487,969)	5,671	(17,465)
Decrease in cash and cash equivalents		(5,911,137)	(841,250)	(65,173)	(9,874)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>(22,561,084)</b>	<b>(16,768,821)</b>	<b>(248,744)</b>	<b>(196,817)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>(28,472,221)</b>	<b>(17,610,071)</b>	<b>(313,917)</b>	<b>(206,691)</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances		3,599,604	6,503,526	39,687	76,332
Short-term borrowings		(32,071,825)	(24,113,597)	(353,604)	(283,023)
		(28,472,221)	(17,610,071)	(313,917)	(206,691)

The annexed notes 1 to 21 form an integral part of these condensed consolidated interim financial statements.

# Consolidated Condensed Interim Statement Of Changes In Equity (Un-audited)

For the first quarter ended March 31, 2012

	Issued, subscribed, and paid-up capital	Advance against equity	Reserves					Total	Non-controlling interest	Total	
			Capital reserves	Revenue reserves	Unrealised loss on re-measurement of investments	Foreign currency translation reserves	Accumulated losses				Other reserves
-----Rupees in '000-----											
Balance as at January 1, 2011	25,774,948	-	2,501,038	1,779,674	27,899	2,570,423	(89,186,527)	573	(56,531,972)	1,224,376	(55,307,596)
Comprehensive income:											
Loss for the year	-	-	-	-	-	-	(25,970,801)	-	(25,970,801)	47,446	(25,923,355)
Other comprehensive income for the year											
Currency translation difference	-	-	-	-	-	403,854	-	(1,006)	402,848	230,069	425,917
Unrealised loss on re-measurement of investments	-	-	-	-	(5,118)	-	-	-	(5,118)	-	(5,118)
Total comprehensive income for the year transferred to equity	-	-	-	-	(5,118)	403,854	(25,970,801)	(1,006)	(25,573,071)	70,515	(25,502,556)
Surplus on revaluation	-	-	-	-	-	-	-	-	-	35,342	35,342
Surplus on revaluation of fixed assets realized during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	407,733	-	407,733	-	407,733
Transactions with owners											
Issue of share capital 'A' class ordinary shares	3,004,726	-	-	-	-	-	-	-	3,004,726	-	3,004,726
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(29,980)	(29,980)
Acquisition of non-controlling interest	-	-	-	-	-	13,021	26,875	11,682	51,578	(218,848)	(167,270)
Balance as at December 31, 2011	28,779,674	-	2,501,038	1,779,674	22,781	2,987,298	(114,722,720)	11,249	(78,641,006)	1,081,405	(77,559,601)
Payment of term finance certificates											
Total comprehensive income for the quarter	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter transferred to equity											
	-	-	-	-	(838)	578,425	(7,908,727)	-	(7,331,140)	28	(7,331,112)
Advance against equity	-	916,826	-	-	-	-	-	-	916,826	-	916,826
Balance as at March 31, 2012	28,779,674	916,826	2,501,038	1,779,674	21,943	3,565,723	(122,631,447)	11,249	(85,055,320)	1,081,433	(83,973,887)

The annexed notes 1 to 21 form an integral part of these condensed consolidated interim financial statements.

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the first quarter ended March 31, 2012

## 1. THE GROUP AND ITS OPERATIONS

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

### Pakistan International Airlines Corporation

Pakistan International Airlines Corporation (the Holding company) was incorporated on January 10, 1955 under PIAC Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (PIAC Act). The shares of the Holding company are quoted on all Stock Exchanges of Pakistan. The principal activity of the Holding company is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Holding company include provision of engineering and allied services. The head office of the Holding company is situated at PIA Building, Jinnah International Airport, Karachi.

### Subsidiaries

PIA Investments Limited (PIAIL) was incorporated on September 10, 1977 in Sharjah, United Arab Emirates, as a limited liability company under a decree issued by H.R.H. the Ruler of Sharjah and is currently registered in British Virgin Islands. During 1986 PIAIL was registered in British Virgin Islands under International Business Companies Ordinance, 1984 (now BVI Business Companies Act, 2004) as a company limited by shares. The principal activities are to carry on business as promoters of and investors in projects related to construction, development and operation of hotels, motels and restaurants throughout the world. The Holding company's controlling interest in PIAIL is 100% (December 2011: 99%). 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 Corporation, N.V. (RHC)	Netherlands - Antilles	See Note (B) below	100	100
• RHC Operating LLC	State of Delaware, USA	Owner of Roosevelt Hotel, New York	100	100
• Minhal France (Curacao) N.V. [Formerly Minhal France (Curacao) N. V.]	Luxembourg	See note (A)	100	100
• Minhal France B.V.	Netherlands	See note (A)	100	100
• Minhal France S.A. (MFSA)	France	Owner of Scribe Hotel, Paris	90	90
• PIA Fuel Management Limited	British Virgin	See note (A)	100	100

Note (A): These companies are intermediary holding companies except PIA Fuel Management Limited, which is a dormant company.



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

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

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

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

#### Associate

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

#### Joint venture

Abacus Distribution Systems Pakistan (Private) Limited (Abacus) was incorporated in Pakistan on October 12, 2004 as a private company limited by shares under the Companies Ordinance, 1984. The registered office of Abacus is situated at Karachi. Abacus operates 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 2012.

- 1.2 During the current period, the Holding Company has incurred a net loss of Rs 7,812.329 million (March 31, 2011 - Rs 4,244.47 million) resulting in accumulated losses of Rs 126,829.056 million as of March 31, 2012 (December 31, 2011: Rs 119,016.73 million). Further, as of March 31, 2012 current liabilities of the Holding Company exceeded its current assets by Rs 103,811.299 million (December 31, 2011: Rs 88,221.40 million).

Historically, GoP has been extending significant support to the Holding company to ensure that it continues and sustains in the long-term as a viable business entity. GoP, being the majority shareholder of the Holding company had communicated its continued support to the Holding company and has been taking the following measures:

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Holding company. In this respect, amounts aggregating Rs 17,249.953 million have been provided to the Holding company towards equity;
- During the years ended December 31, 2009 and 2010, the GoP has provided long-term financing aggregating Rs 8,000 million to meet working capital requirements; and
- Issuance of guarantees to financial institutions both local and foreign so as to enable the Holding company to raise funds.

During the current year, the Holding Company continued to pursue approval of its business plan with the GoP at various levels. Presentation on the business plan were made to the President and Prime Minister of Pakistan during meetings held with them and the business plan was amended based on the guidelines given during those meetings. The business plan has now been approved by the Economic Reforms Unit of the Ministry of finance and has been submitted to the Economic Coordination Committee of the Cabinet for approval.

In view of the situation described above, although material uncertainty exists which may cast doubt on the Holding Company's ability to continue its operations in the foreseeable future, 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 condensed interim financial statements on a going concern basis.

## 2 BASIS OF PREPARATION

- 2.1 These condensed interim financial statements of the Group for the quarter ended March 31, 2012 have been prepared in accordance with the requirements of the International Accounting Standard 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 The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income and notes thereto for the quarters ended March 31, 2012 and 2011 are also included in these condensed interim financial statements which were not subjected to review.
- 2.3 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's December 2011 consolidated financial statements.
- 2.4 The US \$ amount reported in the condensed interim balance sheet, condensed interim profit and loss account and condensed interim cash flow statement are stated as additional information, solely for the convenience of the user of these condensed interim financial statements. The US \$ amounts in the condensed interim balance sheet have been translated into US \$ at the rate of Rs 90.70 = US \$ 1 (December 31, 2011: Rs 89.9457 = US \$ 1). The US \$ amounts in condensed interim profit and loss account and condensed interim cash flow statement have been translated into US \$ at the rate of Rs 90.70 = US \$ 1 (March 31, 2011: Rs 85.20 = US \$ 1).

## 3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies, estimates, judgments and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Group for the year ended December 31, 2011.

	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
	----- Rupees in '000 -----	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	144,510,946	144,817,713
Capital work-in-progress	<u>1,004,485</u>	<u>1,396,706</u>
	<u>145,515,431</u>	<u>146,214,419</u>

4.1 Following are the additions / transfers and deletions during the quarter:

	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
	----- Rupees in '000 -----	
Additions / Transfers / Adjustments		
<i>Owned</i>		
Buildings on leasehold land	-	879
Renovation and improvements	1,146	9,667
Operating ground equipment, catering, communication and meteorological equipment	84	180
Engineering equipment and tools	7,283	16,032
Motor transport	3,026	2,909
Traffic equipment	-	4,112
Furniture, fixture and fittings	4,202	20,759
Office equipment	6,658	105
Computers and office automation	1,620	10,487
Other equipment	438	1,826
Capital spares	<u>27,007</u>	<u>22,931</u>
	<u>51,464</u>	<u>89,887</u>
Deletions / write offs - net book value		
<i>Owned</i>		
Motor transport	(2,245)	(1,157)
Traffic equipment	-	(19,560)
Furniture, fixture and fittings *	-	(5,559)
Computers and office automation *	(68)	-
Office equipment	(37)	-
Capital spares - written off	<u>(26,601)</u>	<u>-</u>
	<u>(28,951)</u>	<u>(26,276)</u>

\* Certain assets have been written off in these categories which had a net book value of Rs Nil.

	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
	----- Rupees in '000 -----	
<b>5. LONG-TERM DEPOSITS AND PREPAYMENTS</b>		
Deposits	8,360,202	8,180,751
Current maturity of long-term deposits	-	(224,300)
	<u>8,360,202</u>	<u>7,956,451</u>
Prepayments	948,386	1,322,530
	<u>9,308,588</u>	<u>9,278,981</u>

Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
	----- Rupees in '000 -----	

<b>6. OTHER RECEIVABLES</b>		
Considered good		
Claims receivable	100,721	71,751
Excise duty	100,007	100,000
Sales tax receivable	3,391,234	1,595,090
Receivable from GoP	332,809	332,809
Others	487,649	323,823
	<u>4,412,420</u>	<u>2,423,473</u>
Considered doubtful	177,077	177,077
Less: provision for doubtful other receivables	(177,077)	(177,077)
	<u>4,412,420</u>	<u>2,423,473</u>
<b>6.1 Movement in provision is as follows:</b>		
Balance at the beginning of the period / year	177,077	177,077
Provision for the period / year	-	-
Balance at the end of the period / year	<u>177,077</u>	<u>177,077</u>

	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
	----- Rupees in '000 -----	
<b>7. CASH AND BANK BALANCES</b>		
In hand	7,086	21,001
In transit	-	59,495
	<u>7,086</u>	<u>80,496</u>
With banks:		
- in current accounts	3,065,380	1,515,369
- in savings accounts	527,138	1,644,078
	<u>3,592,518</u>	<u>3,159,447</u>
	<u>3,599,604</u>	<u>3,239,943</u>

#### 8. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN

This represents advance received from the GoP as reimbursement of mark-up payments on term finance and sukuk certificates. Ordinary shares of Rs 10 each shall be issued thereagainst shortly.

9. LONG-TERM FINANCING

Financier	Type of facility	Limit (million)	Repayment period	Number of installments / mode	Mark-up (%)	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----							
From Banking Companies - secured							
Citibank, N.A.	Demand finance	US \$ 82	2006 - 2017	20 half yearly	5.28% fixed	3,779,448	3,795,958
Citibank, N.A.	Islamic finance	US \$ 75 & AED 91.825	2011 - 2014	30 Monthly	3 month LIBOR + 4.25% & 3 month EIBOR + 3.75%	9,070,000	8,994,570
Royal Bank of Scotland - Netherlands	Demand finance	US \$ 59.50	2009 - 2013	19 quarterly	3 month LIBOR + 1.60%	1,873,580	2,131,844
National Bank of Pakistan - Bahrain	Syndicate finance	US \$ 120	2013	Bullet	3 month LIBOR + 3.25% & 3.6%	10,884,000	10,793,484
Faysal Bank 2013 - 2016 Limited	Term finance	PKR 2,000	2013 - 2016	36 monthly	6 month KIBOR + 1.75%	2,000,000	2,000,000
National Bank of Pakistan - Bahrain	Demand finance	US \$ 20	2011 - 2013	20 monthly	1 month LIBOR + 5.25%	1,088,400	-
National Bank of Pakistan - Bahrain	Term finance	US \$ 70	2010 - 2012	24 monthly	1 month LIBOR + 5.50%	1,594,062	2,098,733
National Bank of Pakistan - Bahrain	Demand finance	US \$ 30	2010 - 2012	24 monthly	1 month LIBOR + 5.50%*	900,188	1,124,321
National Bank of Pakistan - Bahrain	Demand finance	US \$ 40 & SAR 75	2011 - 2013	24 monthly	1 month LIBOR + 5.25% & 1 month SIBOR + 5.25%	1,662,753	3,282,992
JP Morgan Chase	Loan	US \$ 75	2011-2014	Variable	1 month LIBOR + 5.85%	6,698,612	6,609,924
JP Morgan Chase	Mezzanine finance	US \$ 56.5	2011-2014	Variable	1 month LIBOR + 5.85%	5,030,372	4,979,476
Hong Kong Shanghai Banking	Loan	28.867 Euro	2004-2017	Variable	3 months EURIBOR + 1.15%	2,119,738	2,122,371
Abacus International (pte) Limited Singapore	Loan	US \$ 0.75	2006 - 2013	Monthly	-	7,920	17,423
Others - unsecured							
Long termloan - GoP	Term Finance	PKR 8,000	2011 - 2020	16 half yearly	10% fixed	8,000,000	8,000,000
Current maturity shown under current liabilities						54,709,073 (21,111,502)	55,951,096 (11,317,288)
						<u>33,597,571</u>	<u>44,633,808</u>

10. TERM FINANCE AND SUKUK CERTIFICATES

	Security	Repayment period	Number of installments / mode	Mark-up (%)	Note	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----							
Term finance certificates (TFCs)	GoP Guarantee	2009- 2014	10 half yearly	6 month KIBOR + 0.85%	10.2	12,789,760	12,789,760
Sukuk certificates	GoP Guarantee	2012 - 2014	6 half yearly	6 month KIBOR + 1.75%	10.3	6,800,000	6,800,000
Current maturity shown under current liabilities						(6,531,627)	(8,664,107)
						<u>13,058,133</u>	<u>10,925,653</u>

- 10.1 The Holding company has not made payment of principal redemption amount of Rs 2,132.480 million due on August 20, 2011 as per repayment schedule. The management applied for restructuring of TFCs prior to the due date and the Trustee on behalf of the TFC investors has not notified any event of default to the Holding company. The restructuring process with a consortium of TFC investors is at advanced stage and it will also include restructuring of Sukuks and certain short-term borrowings.
- 10.2 The Holding company has an option of early purchase exercisable at any time with a 30 days notice period at Rs Nil premium.
- 10.3 The Holding company has an option of early purchase allowed only on rental payment dates falling due after expiry of one year from the date of issue with a 30 days prior notice to the Trustee.

March 31, December 31,  
2012 2011  
(Un-audited) (Audited)  
----- Rupees in '000 -----

11. TRADE AND OTHER PAYABLES

Trade creditors

Goods	9,031,231	6,190,476
Services	4,006,596	4,102,748
Airport related charges	<u>5,799,089</u>	<u>4,978,793</u>
	18,836,916	15,272,017
Others		
Accrued liabilities	5,186,697	6,555,344
Advance against transportation (unearned revenue)	7,587,409	6,865,903
Obligation for compensated absences- Holding company	3,506,407	3,506,407
Unredeemed frequent flyer liabilities	1,692,274	1,610,507
Advance from customers	831,009	683,848
Earnest money	2,144	2,144
Payable to employees' provident fund	3,868,626	3,378,726
Unclaimed dividend - Preference shares	8,493	8,494
Collection on behalf of others	5,583,522	4,187,483
Customs and federal excise duty	1,621,840	2,985,129
Income tax deducted at source	168,562	244,433
Sales tax payable	6,787	5,076
Bed tax	6,741	2,432
Payable to EOBI / SESSI	2,271	447
Short-term deposits	301,843	321,887
Others	<u>2,240,823</u>	<u>706,454</u>
	<u>51,452,364</u>	<u>46,336,731</u>

	Note			March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----					
<b>12. SHORT-TERM BORROWINGS</b>					
Short term loans - secured	12.1			26,669,557	21,390,191
Running finance under mark-up arrangements	12.2			5,402,268	4,410,836
				<u>32,071,825</u>	<u>25,801,027</u>
<b>Financier</b>	<b>Security</b>	<b>Facility amount (million)</b>	<b>Maturity Date</b>	<b>March 31, 2012 (Un-audited)</b>	<b>December 31, 2011 (Audited)</b>
----- Rupees in '000 -----					
From Banking Companies					
Habib Bank Limited	GoP Guarantee	PKR 2,000	one year	2,000,000	2,000,000
Habib Bank Limited	GoP Guarantee and promissory notes amounting to PKR 2,133 million	PKR 1,600	one year	1,600,000	1,600,000
National Bank of Pakistan	GoP Guarantee	PKR 2,000	one year	2,000,000	-
Habib Allied International Bank Limited - London	Euro receivables	US \$ 5 & US \$ 4	3 months	816,300	809,511
National Bank of Pakistan - Bahrain	GoP Guarantee	US \$ 5,000	-	5,000,000	5,000,000
National Bank of Pakistan - Bahrain	GoP Guarantee	US \$ 1,500	one year	1,500,000	1,500,000
National Bank of Pakistan - Bahrain	GoP Guarantee Charge over assets amounting to US\$ 4,800 million	US \$ 3,600	-	3,600,000	3,600,000
National Bank of Pakistan - Bahrain	Charge over UK, Saudi Arabia, Bangladesh, & Oman receivables	US \$ 25	one year	2,267,500	-
Habib Bank Limited	GoP Guarantee and promissory note amounting to PKR 2,400 million	PKR 2,000	one year	2,000,000	2,000,000
Habib Bank Limited	GoP Guarantee and promissory note amounting to PKR 1,334 million	PKR 1,000	one year	1,000,000	1,000,000
Askari Bank Limited	GoP guarantee and lien on all the Holding company's deposits, accounts and properties held with the bank	PKR 1,500	one year	1,500,000	1,500,000
KASB Bank Limited	GoP Guarantee and promissory note amounting to PKR 595 million	PKR 1,500	one year	1,500,000	500,000
National Bank of Pakistan	Charge on receivables	PKR 2,000	one year	1,885,757	1,880,680
				<u>26,669,557</u>	<u>1,390,191</u>

12.1.1 The borrowings in PKR carry mark-up with a spread of 0.85% to 2% over 1 month and 3 months KIBOR. Borrowings in US\$ comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% per annum whereas variable rate borrowings carry mark-up with a spread of 2.25% over 3 months LIBOR.

## 12.2 Running finance under mark-up arrangements

Financier	Security	Facility amount (million)	Unavailed credit (million)	Maturity Date	March 31, 2012 (Un-audited)	December 31, 2011 (Audited)
----- Rupees in '000 -----						
<b>Secured</b>						
United Bank Limited - Karachi	Hypothecation charge of PKR 3,427 million on all present and future stores and spares and assignment of receivables from Karachi and Lahore	PKR 2,570	PKR 84	12 Months 3 Months	2,486,249	2,017,009
National Bank of Pakistan	First pari passu hypothecation charge on all present and future including local receivables routed through NBP current assets	PKR 575 PKR 925	PKR 509	12 Months 3 Months	991,188	572,750
Habib Allied International Bank Limited - London	EURO receivables	US \$ 3	-	On demand	280,897	271,257
KASB Bank Limited	Domestic receivables	PKR 900	PKR 135	One year	765,631	397,768
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables	PKR 350	PKR 350	1 Year	-	256,168
Bank of Punjab	Specific charge on certain portion of present and future stores and spares and book debts of Mirpur Azad Jammu Kashmir (AJK)	PKR 550	PKR 12	On demand	537,763	546,220
<b>Un-secured</b>						
Habib American Bank	-	US \$ 1.5	US \$ 0.4	On demand	68,015	79,827
Citibank N.A.	-	US \$ 3	US \$ 0.2	On demand	272,525	269,837
					<u>5,402,268</u>	<u>4,410,836</u>

12.2.1 The borrowings in PKR carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (December 31, 2011: spread of 2.0% to 2.5% over 1 month and 3 months KIBOR). A borrowing in foreign currency carry mark-up at the rate of US Prime plus 4% per annum and the other carries a spread of 3% to 5% over 1 month LIBOR (December 31, 2011: 3% to 5%).

## 13. CONTINGENCIES AND COMMITMENTS

There has been no change in the status of contingencies and commitments as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2011.

	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
----- Rupees in '000 -----		
<b>14. REVENUE - net</b>		
Passenger	23,988,067	23,197,765
Cargo	1,347,597	1,390,326
Excess baggage	254,781	289,628
Charter	78,235	477,002
Engineering services	171,214	-
Handling and related services	153,406	491,578
Mail	83,249	101,542
Room, food and beverages sales	2,157,133	1,762,975
Others	455,479	399,117
	<u>28,689,161</u>	<u>28,109,933</u>



		Quarter ended	
		March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
		----- Rupees in '000 -----	
15.	<b>COST OF SERVICES - Others</b>		
	Salaries, wages and allowances	4,502,829	3,571,341
	Welfare and social security costs	15,753	204,867
	Retirement benefits	252,966	250,281
	Compensated absences	168,169	39,258
	Legal and professional charges	1,912	48,556
	Stores and spares consumed	652,312	775,471
	Repair, Maintenance and overhaul	1,564,833	1,193,884
	Flight equipment rental	501,855	308,690
	Landing and handling	3,090,376	3,139,039
	Passenger services	854,453	936,044
	Crew layover	734,159	860,305
	Staff training	18,783	17,445
	Food Cost	10,276	8,964
	Hotel running expense	200,000	522,132
	Utilities	16,571	8,294
	Communication	28,821	13,789
	Insurance	308,355	378,601
	Rent, rates and taxes	151,218	228,026
	Printing and stationery	65,660	37,089
	Amortisation	5,271	1,336
	Depreciation	1,579,098	1,491,975
	Others	62,988	80,663
		<u>14,786,658</u>	<u>14,116,050</u>
		Quarter ended	
		March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
		----- Rupees in '000 -----	
16.	<b>FINANCE COSTS</b>		
	Mark-up on:		
	- long term financing	693,680	513,421
	- short term borrowings	994,930	709,170
		<u>1,688,610</u>	<u>1,222,591</u>
	Return on term finance certificates	432,742	444,501
	Profit on sukuk certificates	232,771	250,836
	Interest on liabilities against assets subject to finance leases	288,069	334,013
	Interest to pension / provident fund	93,167	102,055
	Arrangement, agency and commitment fee	29,154	54,405
	Bank charges, guarantee commission and other related charges	66,767	66,166
		<u>2,831,280</u>	<u>2,474,567</u>
17.	<b>TAXATION</b>		
	Current - for the quarter	171,615	298,154
	- for prior periods	-	-
		<u>171,615</u>	<u>298,154</u>
17.1	There has been no change in the status of tax related contingencies as disclosed in the notes 37.1.2 and 37.1.3 to the financial statements for the year ended December 31, 2011.		

	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
18. EARNINGS PER SHARE - BASIC AND DILUTED	----- Rupees in '000 -----	
Loss after taxation	<u>(7,895,644)</u>	<u>(4,283,778)</u>
	----- No. of ordinary shares -----	
Weighted average number of ordinary shares outstanding	<u>3,051,651,872</u>	<u>2,477,153,436</u>
	----- Rupees-----	
Loss attributable to:		
A' class ordinary shares	<u>(2.59)</u>	<u>(1.73)</u>
B' class ordinary shares	<u>(1.30)</u>	<u>(0.87)</u>

18.1 Since the 'advance against equity' is convertible into ordinary share capital of the Holding company, the impact has been taken into account while calculating 'earnings per share - basic (class A)'.

18.2 There were no dilutive potential ordinary shares outstanding as at March 31, 2011 and 2012.

	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
19. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES	----- Rupees in '000 -----	
Loss before taxation	(7,724,029)	(3,985,624)
Adjustments for non cash items:		
Depreciation	2,657,501	1,577,015
Gain on disposal of property, plant and equipment	16	(3,550)
Amortization	5,271	6,423
Provision for slow moving stores and spares	78,803	-
Provision for employees' benefits	421,135	390,438
Capital Spares written off	62,774	-
Provision for doubtful debts	22,959	-
Finance costs	2,831,280	2,474,566
Profit on bank deposits	(394,439)	(3,902)
Cash generated from operations before working capital changes	<u>(2,038,729)</u>	<u>4,440,990</u>
Working capital changes:		
Decrease / (increase) in stores and spare parts	(281,074)	40,041
Increase / (decrease) in trade debts	(555,005)	(1,894,476)
Decrease / (increase) in advances	(4,707,985)	121,272
Decrease in trade deposits and prepayments	304,282	(382,443)
Increase in other receivables	(1,988,947)	(440,458)
Increase / (decrease) in trade and other payables	5,115,633	5,465,651
	<u>(2,113,096)</u>	<u>2,909,587</u>
Cash generated from operations after working capital changes	<u>(4,151,825)</u>	<u>3,364,953</u>

## 20. TRANSACTIONS WITH RELATED PARTIES

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

	Quarter ended	
	March 31, 2012 (Un-audited)	March 31, 2011 (Un-audited)
	----- Rupees in '000 -----	
Retirement funds		
Contribution to Provident fund	104,990	100,448
Advance against future dividend (PIAIL)	997,700	856,000
Advance against equity from GoP	916,826	1,042,423

## 21. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on April 30, 2012 by the Board of Directors of the Corporation.

Ch. Ahmed Mukhtar  
Chairman

Malik Nazir Ahmed  
Director



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