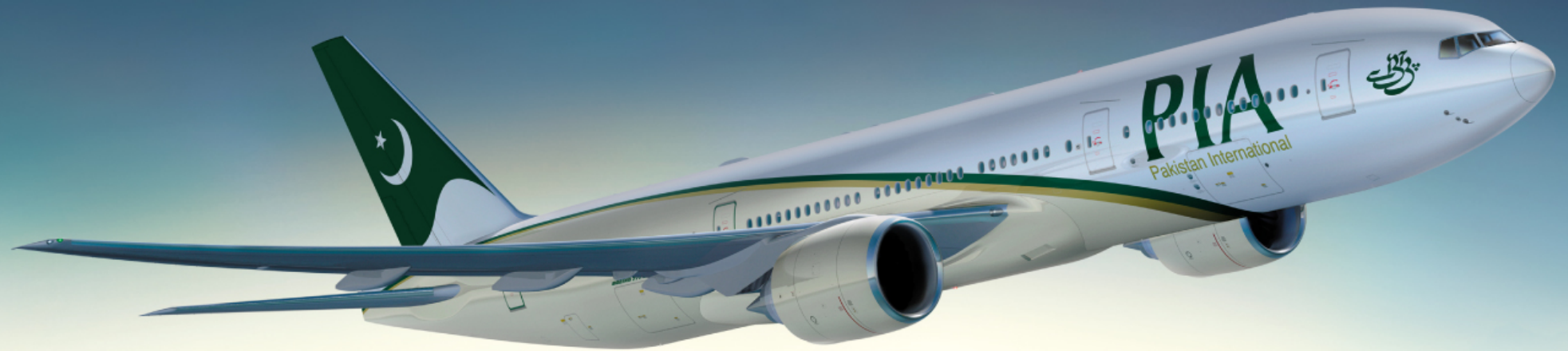


third quarterly report
2011



Secretary - PIA
PIA Building,
Jinnah International Airport,
Karachi - 72500, Pakistan.
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www.piac.aero

manhattan


Pakistan International

Great People to Fly With

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Corporate Profile

As at October 29, 2011

Board of Directors

Ch. Ahmed Mukhtar

Minister for Defence and Chairman - PIA

Malik Nazir Ahmed

Mr Javed Akhtar

Lt. Gen. (Retd.) Syed Athar Ali

Federal Secretary Defence

Syed Omar Sharif Bokhari

Dr Waqar Masood Khan

Federal Secretary Finance

Mr Husain Lawai

Makhдум Syed Ahmad Mahmud

Khawaja Jalaluddin Roomi

Mr Yousaf Waqar

Capt. Nadeem Khan Yousufzai

Managing Director – PIA

Corporate Secretary

Mr Muhammad Shuaib

Executive Management

Capt. Nadeem Khan Yousufzai

Managing Director

Mr M. Salim Sayani

Deputy Managing Director

Mr Maqsood Ahmed

Director - Engineering & Maintenance

AVM Amin Ullah Khan

Director - Precision Engineering Complex

Capt. M. Junaid Yunus

Director - Standards & Special Projects

Mr Irshad Ghani

Director - Corporate Planning

Mr Sher Muhammad Jamali

Director - Information Technology

Capt. Naveed Ahmed Aziz

Director - Flight Operations

Mr Muzaffar Talpur

Director - Flight Services

Mr S. Aijaz Mazhar

Director - Airport Services

Mr Nayyar Hayat

Chief Financial Officer

Mr Saleem Ahmed

Officiating Director - Human Resource
Administration & Coordination

Mr Amanuallah Qureshi

Officiating Director - Procurement & Logistics

Mr Anjum Amin Mirza

Acting Director - Marketing

External Auditors

Messrs A. F. Ferguson & Co.
Messrs M. Yousuf Adil Saleem & Co.

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
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Email: info@cdcpak.com
Website: www.cdcpakistan.com

Head Office

PIA Building
Jinnah International Airport
Karachi – 72500
PAKISTAN
Website: www.piac.aero

Board of Directors' **Committees**

As at October 29, 2011

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

Dr Waqar Masood Khan	Chairman
Mr Husain Lawai	Member
Mr Yousaf Waqar	Member
Capt. Nadeem Khan Yousufzai	Member (ex-officio)
<i>Managing Director</i>	

Board's Human Resource Committee

Makhdum Syed Ahmad Mahmud	Chairman
Malik Nazir Ahmed	Member
Mr Javed Akhtar	Member
Capt. Nadeem Khan Yousufzai	Member (ex-officio)
<i>Managing Director</i>	

Directors' Report to the Shareholders

Directors of Pakistan International Airlines Corporation are pleased to present their report along with the financial statements for the nine months ended September 30, 2011.

The financial results for the period under review are summarized below:

PKR in Billion	Nine months ended		Third Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Revenue				
Passenger	74.28	65.79	24.60	22.00
Cargo & Others	9.34	8.57	3.20	3.05
Total Turnover – net	83.62	74.36	27.80	25.05
Operating Cost & Expenses				
Fuel Cost	45.38	30.65	15.83	11.19
Employee Cost	13.46	14.20	4.59	4.59
Finance Costs	7.45	6.97	2.52	2.32
Exchange (Gain) / Loss	1.46	2.00	1.36	0.49
Others	34.27	30.89	11.78	10.81
Loss Before Tax	18.40	10.35	8.28	4.35
Loss After Tax	19.29	11.10	8.55	4.60

The period under review witnessed extreme volatility in fuel prices, political instability in the gulf countries, natural disaster in Japan and continued global recession. These events prompted IATA to slash \$ 4bn (£2.43bn) from bottom line of the industry's global forecast for the year. At the start of the year the Corporation had to face employees' strike, which paralyzed the operations for 5 days. Moreover, unforeseeable incidents like bird strikes also hampered operations.

On the domestic front the Corporation continued to face difficult conditions owing to floods and worsening law and order situation. The gulf operators were able to drive some of their excess capacity, emerging due to disruption of flights to Egypt, Libya and Syria, to our part of the world.

In spite of the above, the Corporation registered an increase of PKR 9.26bn (12.45%) in overall revenue compared to the corresponding figures of the last year. Passenger revenue increased by PKR 8.48bn (12.89% over the same period last year) resulting mainly from increase in yield from PKR 5.85 to PKR 6.31. Seat factor dropped from 75.4% in same period last year to 75.2%. However Revenue per Available Seat Kilometers (RASK) increased from PKR 4.82 in the corresponding period last year to PKR 5.19. Total number of passengers grew to 4.51 million as compared to 4.36 million showing an increase of 3.4% during the first nine months of 2011. Similarly other revenues also increased by 9.03%. Charter revenue also showed a healthy increase from PKR 275 mn in the corresponding period last year to PKR 795 mn. Revenue from Cargo operations has decreased by PKR 137 million, as compared to the same period last year, due to fragile economic environment.

The Corporation remained focused on expansion of network, development of new markets and augmentation of existing markets. The Corporation managed to float more capacity with the same fleet and started operations of Zahedan and Colombo. Additional frequencies were mounted on Kuala Lumpur, Islamabad-Birmingham, Peshawar-Abu Dhabi, Multan/Faisalabad-Dubai and Sialkot/Peshawar-Muscat routes to exploit strong traffic available there.

Overall profitability of the Corporation suffered due to sharp increase in fuel cost. The average oil price for nine months ended September 30, 2011 is \$111.89 / bbl as compared to \$77.19 / bbl for the corresponding period in last year. This translated into a substantial hike of almost 48% (PKR 14.73bn) in Corporation's fuel bill compared to the corresponding figures of the last year. The aircraft fuel cost for the Corporation stands at 54.28% (2010: 41.22%) of the revenue and 48.66% (2010: 40.17%) of the operating cost for the period. Nonetheless, volatility in the fuel prices remains one of the industry's major challenges. The management has started to gradually pass on the fuel price impact to the customers.

Exchange rate remained relatively stable during the first six months of the period but came under pressure during the last three months of the period. Pak Rupee was weakened by nearly 1.4%, closing at PKR 87.30/USD as compared to PKR 86.1/USD on September 30, 2010. Financial charges increased by PKR 483 million in comparison to corresponding period last year.

The corporation continued to focus on strategies to mitigate risks arising due to volatility of oil. Fuel hedging exercise is being undertaken with a view to smoothen the price volatility. The Corporation adopted a strategy of restructuring existing routes to have a passenger oriented schedule, focusing high yield markets and curtailing non-profitable routes. Further, with a view to lessen the adverse impact of extraordinary hike in oil prices, management imposed fuel surcharge applicable over the network to act as a stabilizing agent.

During the period our subsidiary companies namely Pakistan Investments Limited and Skyrooms (Private) Limited posted net profit of USD 10.35 million and PKR 11.36 million respectively. Taking view of the overall economic downturn and unfavorable security conditions of Pakistan, the profit margins in hospitality business are expected to get further narrowed in the coming years.

Rising fuel cost, expected exchange rate volatility and deteriorating economic and security situation will continue to impact our business in the coming periods. Your board and the management are fully alive to the situation and are addressing the prevailing conditions to stabilize the Corporation. The management shall continue to engage with the GoP for speedy implementation of the business plan. Our survival in this competitive market depends on financial and operational restructuring and implementation of integrated information systems.

We are confident that the dedication of our people, the commitment of our management and valuable support of GoP as shareholder shall in sync bring the Corporation out of this difficult situation. PIA has been serving the nation for decades with pride and will InshaAllah continue to do so in future also.

For and on Behalf of the Board

Ch. Ahmed Mukhtar
Chairman

October 29, 2011



unconsolidated
financial statements

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

For the nine months period ended September 30, 2011

Note	Nine months period ended September 30, 2011		Quarter ended September 30, 2011		Nine months period ended September 30, 2010		
	Rupees in '000		Rupees in '000		US \$ in '000		
	Restated		Restated		Restated		
REVENUE - net	15	83,615,508	74,360,009	27,790,274	25,053,571	957,795	863,647
COST OF SERVICES							
Aircraft fuel		(45,384,172)	(30,654,913)	(15,826,922)	(11,186,411)	(519,865)	(356,038)
Others	16	(37,422,150)	(35,398,259)	(12,890,280)	(12,159,927)	(428,662)	(411,130)
		(82,806,322)	(66,053,172)	(28,717,202)	(23,346,338)	(948,527)	(767,168)
GROSS PROFIT/(LOSS)		809,186	8,306,837	(926,928)	1,707,233	9,268	96,479
Distribution costs		(4,718,047)	(4,679,862)	(1,287,312)	(1,213,101)	(54,044)	(54,354)
Administrative expenses		(5,145,927)	(5,321,271)	(1,969,032)	(1,986,305)	(58,945)	(61,803)
Other provisions and adjustments	17	(599,807)	(267,978)	(308,181)	(70,968)	(6,871)	(3,112)
Exchange loss - net		(1,461,036)	(1,997,871)	(1,357,536)	(492,003)	(16,736)	(23,204)
Other operating income		165,906	580,777	89,000	21,934	1,900	6,745
		(11,758,911)	(11,686,205)	(4,833,061)	(3,740,443)	(134,696)	(135,728)
LOSS FROM OPERATIONS		(10,949,725)	(3,379,368)	(5,759,989)	(2,033,210)	(125,428)	(39,249)
Finance costs	18	(7,454,485)	(6,971,693)	(2,520,737)	(2,320,477)	(85,389)	(80,972)
LOSS BEFORE TAXATION		(18,404,210)	(10,351,061)	(8,280,726)	(4,353,687)	(210,817)	(120,221)
Taxation	19	(890,354)	(748,427)	(276,427)	(250,536)	(10,199)	(8,693)
LOSS FOR THE PERIOD		(19,294,564)	(11,099,488)	(8,557,153)	(4,604,223)	(221,016)	(128,914)

Rupees

US \$

EARNINGS PER SHARE - BASIC AND DILUTED

Loss attributable to:

'A' class ordinary shares of Rs 10 each	20	7.23	4.55	3.14	1.88	0.08	0.05
'B' class ordinary shares of Rs 5 each	20	3.62	2.28	1.57	0.94	0.04	0.03

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the nine months period ended September 30, 2011

	Nine months period ended		Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Rupees in '000				
	Restated		Restated	
Loss for the period	(19,294,564)	(11,099,488)	(8,557,153)	(4,604,223)
Other comprehensive income:				
Unrealised loss on re-measurement of available for sale investments	(4,452)	(2,761)	-	6,358
Total comprehensive income for the period	<u>(19,299,016)</u>	<u>(11,102,249)</u>	<u>(8,557,153)</u>	<u>(4,597,865)</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 24 form an integral part of these unconsolidated condensed interim financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2011

Note	Nine months period ended September 30, 2011		Nine months period ended September 30, 2010		
	Rupees in '000		US \$ in '000		
	Restated		Restated		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations after working capital changes	21	9,059,146	10,708,541	103,770	124,373
Profit on bank deposits received		25,405	15,073	291	175
Finance costs paid		(5,736,385)	(6,113,043)	(65,709)	(70,999)
Taxes paid		(339,312)	(407,240)	(3,887)	(4,730)
Staff retirement benefits paid		(321,702)	(557,717)	(3,685)	(6,477)
Long-term deposits and prepayments - net		(75,058)	(515,037)	(860)	(5,982)
Net cash generated from/(used in) operating activities		2,612,094	3,130,577	29,920	36,360
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,710,066)	(1,090,765)	(19,589)	(12,669)
Purchase of intangibles		(186)	-	(2)	-
Proceeds from sale of property, plant and equipment		28,945	106,442	332	1,236
Short-term investments - net		6,968	(569)	80	(7)
Net cash used in investing activities		(1,674,339)	(984,892)	(19,179)	(11,440)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance against equity from GoP		2,476,283	2,494,592	28,365	28,973
Repayment of long-term financing		(5,640,715)	-	(64,613)	-
Proceeds from long-term financing		5,839,183	4,528,382	66,886	52,594
Redemption of term finance certificates		(2,560)	(5,120)	(29)	(59)
Receipt of advance from a subsidiary		960,100	-	10,998	-
Long-term deposits - net		59,184	47,231	678	549
Repayment of obligations under finance lease-net		(5,432,047)	(4,768,335)	(62,223)	(55,381)
Net cash generated from financing activities		(1,740,572)	2,296,750	(19,938)	26,676
Increase/(decrease) in cash and cash equivalents		(802,817)	4,442,435	(9,197)	51,596
Cash and cash equivalents at the beginning of the period		(21,271,355)	(23,239,215)	(243,658)	(269,909)
Cash and cash equivalents at the end of the period		(22,074,172)	(18,796,780)	(252,855)	(218,313)
CASH AND CASH EQUIVALENTS					
Cash and bank balances		2,130,936	2,957,755	24,409	34,353
Short-term borrowings		(24,205,108)	(21,754,535)	(277,264)	(252,666)
		(22,074,172)	(18,796,780)	(252,855)	(218,313)

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the nine months period ended September 30, 2011

	Issued, subscribed, and paid-up capital	Advance against equity	Capital reserves	Revenue reserves	RESERVES		Total
					Unrealised gain/(loss) on remeasurement of investments	Accumulated losses	
Rupees in '000							
Balance as at January 1, 2010	23,280,356	-	2,501,038	1,779,674	29,278	(76,645,091)	(49,054,745)
Comprehensive income:							
Loss for the period - restated	-	-	-	-	-	(11,099,488)	(11,099,488)
Other comprehensive income for the period	-	-	-	-	(2,761)	-	(2,761)
Total comprehensive income for the period transferred to equity - restated	-	-	-	-	(2,761)	(11,099,488)	(11,102,249)
Advance against equity from GoP	-	2,494,592	-	-	-	-	2,494,592
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	332,469	332,469
Balance as at September 30, 2010 - restated	<u>23,280,356</u>	<u>2,494,592</u>	<u>2,501,038</u>	<u>1,779,674</u>	<u>26,517</u>	<u>(87,412,110)</u>	<u>(57,329,933)</u>
Balance as at January 1, 2011	25,774,948	-	2,501,038	1,779,674	27,900	(92,327,743)	(62,244,183)
Comprehensive income:							
Loss for the period	-	-	-	-	-	(19,294,564)	(19,294,564)
Other comprehensive income for the period	-	-	-	-	(4,452)	-	(4,452)
Total comprehensive income for the period transferred to equity	-	-	-	-	(4,452)	(19,294,564)	(19,299,016)
Advance against equity from GoP	-	2,476,283	-	-	-	-	2,476,283
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	78,980	78,980
Balance as at September 30, 2011	<u>25,774,948</u>	<u>2,476,283</u>	<u>2,501,038</u>	<u>1,779,674</u>	<u>23,448</u>	<u>(111,543,327)</u>	<u>(78,987,936)</u>

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the nine months period ended September 30, 2011

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 period, the Corporation has incurred a net loss of Rs 19,294.563 million (September 30, 2010 - restated: Rs 11,099.488 million) resulting in accumulated losses of Rs 111,543.326 million as of September 30, 2011 (December 31, 2010: Rs 92,327.743 million). Further, as of September 30, 2011 current liabilities of the Corporation exceeded its current assets by Rs 83,619.020 million (December 31, 2010: Rs 59,096.960 million).

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

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Corporation. In this respect, amounts aggregating Rs 17,249.953 million have been provided to the Corporation 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 Corporation to raise funds.

During the recent meeting of Cabinet Committee on Restructuring (CCOR) Corporation's plan was accepted in principle and GoP will restructure the Corporation in a way so as to reduce burden on GoP. 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.

2. BASIS OF PREPARATION

- 2.1** These unconsolidated condensed interim financial statements of the Corporation for the nine months period ended September 30, 2011 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, 2010.

2.3 The US\$ amount reported in the condensed interim balance sheet, condensed interim profit & 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.87.30=US \$ 1 (December 31, 2010:Rs. 85.80 = 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. 87.30= US \$ 1 (September 30, 2010: Rs. 86.10=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, 2010, except for the change in estimate as stated in note 4.2.

		September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Note	Rupees in '000	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1 & 4.2	91,934,829	95,579,287
Capital work-in-progress		1,235,219	1,066,207
		93,170,048	96,645,494

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

	Nine months period ended	
	September 30, 2011	September 30, 2010
	(Un-audited)	(Un-audited)
	— Rupees in '000 —	
Additions/Transfers/Adjustments		
Owned		
Buildings on leasehold land	2,642	19,153
Renovation and improvements	10,441	21,342
Aircraft fleet / Engines overhauling	-	410,315
Operating ground equipment, catering communication and meteorological equipment	1,149	56,249
Engineering equipment and tools	19,754	45,320
Workshop and hangers	348	-
Motor transport	20,802	17,862
Traffic equipment	4,112	123,080
Furniture, fixture and fittings	11,988	17,601
Office equipment	105	484
Computers and office automation	11,214	17,240
Precision engineering equipment	1,249	36
Other equipment	12,879	7,056
Capital spares	84,415	120,477
	<u>181,098</u>	<u>856,215</u>
Leased		
Aircraft fleet/Engines overhauling	1,301,458	-
	<u>1,482,556</u>	<u>856,215</u>
Deletions/write offs - net book value		
Owned		
Buildings on leasehold land	-	6,423
Renovation and improvements	-	1,718
Aircraft fleet/Engines overhauling	-	36,522
Operating ground equipment, catering, communication and meteorological equipment *	507	785
Engineering equipment and tools *	218	782
Motor transport	8,162	10,602
Vehicles	6,354	-
Traffic equipment	-	1,553
Furniture, fixture and fittings *	850	2,077
Computers and office automation *	549	1,201
Office equipment	-	491
Reservation equipment	-	152
Other equipment *	17	207
Capital spares - written off	84,022	46,104
	<u>100,679</u>	<u>108,617</u>
Leased		
Aircraft fleet	-	311,220
Vehicles	-	3,556
	-	314,776
	<u>100,679</u>	<u>423,393</u>

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

4.2 Change in estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2010, 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 useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the period would have been lower by Rs 1,912.664 million, whereas the effect on future periods is impracticable to ascertain considering subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Note	Rupees in '000	

5. LONG-TERM DEPOSITS AND PREPAYMENTS

Deposits	5.1	8,305,020	8,061,881
Current maturity of long-term deposits		-	-
		8,305,020	8,061,881
Prepayments	5.2	1,059,750	1,227,831
		9,364,770	9,289,712

5.1 This includes maintenance reserve amounting to Rs 4,564.916 million required to be kept by the Corporation under the terms of the leasing agreement with a lessor which is reimbursable to the Corporation against qualifying work carried out in accordance with the terms of the agreement. Further, the Corporation is entitled to the unutilised remaining balance of the maintenance reserve upon conclusion of the lease agreement in case the title to the underlying assets is transferred to the Corporation. Upto December 31, 2009, the payments were being charged to profit and loss account as and when made. The payments made on account of maintenance reserve net of reimbursements claimed on account of qualifying work upto December 31, 2010 and prior periods presented were reflected as an asset and the related adjustments were made retrospectively in accordance with the IAS 8 'Accounting Policies, Changes in Accounting Estimates & Errors' in the financial statements for the year ended December 31, 2010. Accordingly, the unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim cash flow statement for the nine months and three months periods ended September 30, 2010 and unconsolidated condensed interim statement of changes in equity for the nine months period ended September 30, 2010 have also been restated. The effect of the adjustments made are shown below:

	Amount reported previously	Effect of adjustment	Restated amount
	Rupees in '000		
Nine months period ended September 30, 2010			
Cost of services - others	35,902,382	(504,123)	35,398,259
Exchange loss - net	2,087,682	(89,811)	1,997,871
Loss for the period	11,693,422	(593,934)	11,099,488
		Rupees	
Earnings per share - basic and diluted			
Loss attributable to:			
A' class ordinary shares	4.79	(0.24)	4.55
B' class ordinary shares	2.40	(0.12)	2.28
Total comprehensive loss (Rupees in thousand)	11,696,183	(593,934)	11,102,249

	Amount reported previously	Effect of adjustment	Restated amount
	Rupees in '000		
Quarter ended September 30, 2010			
Cost of services - others	12,319,724	(159,797)	12,159,927
Exchange loss - net	521,339	(29,336)	492,003
Loss for the period	4,793,356	(189,133)	4,604,223
	Rupees		
Earnings per share - basic and diluted			
Loss attributable to:			
A' class ordinary shares	1.96	(0.08)	1.88
B' class ordinary shares	0.98	(0.04)	0.94
Total comprehensive loss (Rupees in thousand)	4,786,998	(189,133)	4,597,865

5.2 This represents consideration of Ex-Im Bank for the purpose of 12 year guarantees issued by it in favour of the Corporation, which is being amortised over the lease term.

		September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
		Rupees in '000	
6. OTHER RECEIVABLES	Note		
Considered good			
Claims receivable		505,316	319,300
Excise duty		100,000	100,000
Sales tax receivable		514,652	460,990
Receivable from GoP		332,809	332,809
Others		28,813	59,198
		1,481,590	1,272,297
Considered doubtful		177,077	177,077
Less: provision for doubtful other receivables	6.1	(177,077)	(177,077)
		-	-
		1,481,590	1,272,297
6.1	Movement in provision is as follows:		
	Balance at the beginning of the period / year	177,077	168,810
	Provision for the period / year	-	8,267
	Balance at the end of the period / year	177,077	177,077

7. CASH AND BANK BALANCES

In hand	11,742	12,188
In transit	44,889	5,070
	56,631	17,258
With banks:		
- in current accounts	1,972,800	796,999
- in savings accounts	101,505	579,497
	2,074,305	1,376,496
	2,130,936	1,393,754

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	Note	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
							Rupees in '000	
From Banking Companies - secured								
Citibank, N.A.	Demand finance	US \$ 82	2006 - 2017	20 half yearly	5.28% fixed		3,993,533	4,321,159
Royal Bank of Scotland - Netherlands	Demand finance	US \$ 59.50	2009 - 2013	19 quarterly	3 month LIBOR + 1.60%		2,334,926	3,078,475
National Bank of Pakistan - Bahrain	Syndicate finance	US \$ 120	2013	Bullet	3 month LIBOR + 3.25% & 3.6%		10,476,000	10,296,000
Faysal Bank Limited	Demand finance	Rs 2,000	2013 - 2016	36 monthly	6 month KIBOR + 1.75%	9.1.1	2,000,000	-
National Bank of Pakistan - Bahrain	Demand finance	US \$ 20	2011 - 2013	20 monthly	1 month LIBOR + 5.25%	9.1.2	1,484,100	-
Standard Chartered Bank (Pakistan) Limited	Syndicate finance	Rs 3,600	2009 - 2011	22 monthly	1 month KIBOR + 1.25%		-	163,271
National Bank of Pakistan - Bahrain	Demand finance	US \$ 70	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		2,800,875	4,754,750
National Bank of Pakistan - Bahrain	Demand finance	US \$ 30	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		1,418,625	2,359,500
National Bank of Pakistan - Bahrain	Demand finance	US \$ 20 & SAR 75	2011 - 2013	24 monthly	1 month LIBOR + 5.25% & 1 month SIBOR + 5.25%		2,400,564	1,287,000
Hong Kong Shanghai Banking Corporation	Demand finance	Rs 850	2010 - 2011	17 monthly	3 month KIBOR + 0.90%		-	450,000
Others - unsecured								
Long term loan - GoP	Term Finance	Rs 8,000	2011 - 2020	16 half yearly	10% fixed		8,000,000	8,000,000
Current maturity shown under current liabilities							34,908,623	34,710,155
							(9,652,086)	(7,363,198)
							<u>25,256,537</u>	<u>27,346,957</u>

9.1 There has been no change in the securities for the above loans as disclosed in note 20 to the financial statements for the year ended December 31, 2010, however, two new loans have been obtained during the period the details of which are as follows:

9.1.1 The finance is secured by way of unconditional and irrevocable GoP guarantee.

9.1.2 The finance is secured by way of all present and future receivables of the Corporation generated through sales of tickets and cargo service in UK and Saudi Arabia.

10. TERM FINANCE AND SUKUK CERTIFICATES

	Security	Repayment period	Number of installments / mode	Mark-up	Note	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
						Rupees in '000	
Term finance certificates (TFCs)	GoP Guarantee	2009- 2014	10 half yearly	6 month KIBOR + 0.85%	10.1	12,789,760	12,792,320
Sukuk certificates	GoP Guarantee	2012 - 2014	6 half yearly	6 month KIBOR + 1.75%	10.2	6,800,000	6,800,000
Current maturity shown under current liabilities						(7,530,773)	(2,135,040)
						<u>12,058,987</u>	<u>17,457,280</u>

- 10.1** The Corporation has an option of early purchase exercisable at any time with a 30 days notice period at Rs Nil premium.
- 10.2** 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.
- 10.3** During the period, on August 20, 2011 (the scheduled redemption date), the Corporation has not made payments of Rs 2,132.480 million representing redemption amounts as per repayment schedule as the management intends to restructure the underlying terms with the TFC holders.

11. ADVANCE FROM A SUBSIDIARY

This represents advance received during the period from PIA Investments Limited (PIAIL), a subsidiary of the Corporation which will be adjusted against future dividends of PIAIL. It carries mark-up at the rate of 1 month LIBOR plus 1.75% per annum.

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000		

12. TRADE AND OTHER PAYABLES

Trade creditors

Goods	3,860,194	2,573,680
Services	3,119,298	2,276,707
Airport related charges	4,459,195	3,524,083

Others

Accrued liabilities	4,957,197	4,265,924
Advance against transportation (unearned revenue)	7,385,492	6,971,694
Advance against transportation - Hajj	8,752,387	-
Unredeemed frequent flyer liabilities	1,616,343	1,283,440
Advance from customers	700,618	854,933
Payable to employees' provident fund	2,753,763	2,445,330
Unclaimed dividend - Preference shares	8,494	8,504
Collection on behalf of others	4,019,496	4,093,377
Customs and federal excise duty	2,011,552	1,458,207
Income tax deducted at source	252,268	122,162
Short-term deposits	301,123	255,375
	<u>44,197,420</u>	<u>30,133,416</u>

	Note	September 30, 2011	December 31, 2010
		(Un-audited)	(Audited)
		Rupees in '000	
13. SHORT-TERM BORROWINGS			
Short term loans - secured	13.1	15,885,700	14,304,200
Running finance under mark-up arrangements	13.2	8,319,408	8,360,909
		<u>24,205,108</u>	<u>22,665,109</u>

13.1 Short term loans - secured

Financier	Security	Facility amount (million)	Tenure	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
				Rupees in '000	
From Banking Companies					
Habib Bank Limited	GoP guarantee	Rs 2,000	One year	2,000,000	2,000,000
Habib Bank Limited	GoP guarantee	Rs 1,600	One year	1,600,000	1,600,000
National Bank of Pakistan	GoP Guarantee and ranking charge on certain portion of fixed and current assets	Rs 3,000	One year	3,000,000	-
Habib Allied International Bank Limited - London	Euro receivables	US \$ 5 & US \$ 4	3 months	785,700	772,200
National Bank of Pakistan - Bahrain	Charge over UK and Saudi Arabia receivables	US \$ 60	-	-	1,287,000
National Bank of Pakistan - Bahrain	Charge over UK, Saudi Arabia, Bangladesh, & Oman receivables	US \$ 20	-	-	858,000
Habib Bank Limited (note 13.3)	GoP guarantee	Rs 2,000	One year	2,000,000	2,000,000
National Bank of Pakistan (note 13.3)	GoP guarantee	Rs 1,500	One year	1,500,000	1,500,000
Habib Bank Limited (note 13.3)	GoP guarantee	Rs 1,000	One year	1,000,000	1,000,000
Askari Bank Limited (note 13.3)	GoP guarantee and lien on all the Corporation's deposits, accounts and properties held with the bank	Rs 1,500	One year	1,500,000	1,500,000
KASB Bank Limited	GoP guarantee	Rs 500	One year	500,000	500,000
Faysal Bank Limited	GoP guarantee	US \$ 15	-	-	1,287,000
National Bank of Pakistan	Hypothecation of certain portion of receivables, book debts, stores and spares. Also, lien and specific right to set-off over all collections routed through an account maintained with the bank	Rs 2,000	One year	2,000,000	-
				<u>15,885,700</u>	<u>14,304,200</u>

13.1.1 The borrowings in Rupees carry mark-up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (December 31, 2010: spread of 0.85% to 0.90% over 1 month and 3 months KIBOR). The borrowings in foreign currency carry mark-up of 2.25% over 1 month LIBOR (December 31, 2010: a spread of 2.0% to 5.25% over 1 month and 3 months LIBOR / SIBOR).

13.2 Running finance under mark-up arrangements

Financier	Security	Facility amount (million)	Unavailed credit (million)	Tenure	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
					Rupees in '000	
Secured						
United Bank Limited - Karachi	Hypothecation charge of Rs 3,427 million on all present and future stores and spares and assignment of receivables from Karachi and Lahore	Rs 2,570 & Rs 350	Rs 1,398	On demand & 1 month	1,886,904	2,876,591
National Bank of Pakistan (note 13.3 - for facility of Rs 575 million)	First pari passu hypothecation charge on certain portion of present and future current assets of the Corporation with a margin of 25% in favour of NBP. Also first pari passu hypothecation charge on collections routed through the account maintained with the bank and collected into respective main collection account maintained by NBP with 25% margin	Rs 575 & Rs 925	Rs 361	One year & 5 months	559,261	1,474,122
Habib Allied International Bank Limited - London	EURO receivables	US \$ 3	-	On demand	343,191	257,287
KASB Bank Limited	Ranking charge over receivables on Kharian Station amounting to Rs 533.330 million	Rs 400	-	One year	364,678	400,000
United Bank Limited - Dubai	First pari passu charge over certain portion of present and future current assets	US \$ 22	-	One year	3,092,127	1,887,415
Summit Bank Limited (formerly Arif Habib Bank Limited)	Hypothecation charge on specific receivables of Mirpur Azad Kashmir region	Rs 300	-	-	-	163,043
United Bank Limited - Bahrain	First pari passu charge over certain portion of present and future current assets	US \$ 13	-	One year	-	1,112,192
Habib Bank Limited (note 13.3)	Hypothecation charge on certain portion of movable assets, present and future spare parts, accessories of aircraft	-	Rs 27	One year	1,283,730	95,879
Bank of Punjab	Hypothecation charge on receivables comprising of sales receipts	-	Rs 4	On Demand	727,196	-
Bank of Punjab	Specific charge on certain portion of present and future stores and spares and book debts of Mirpur Azad Jammu Kashmir (AJK)	-	Rs 4	On Demand	727,196	-
Citibank N.A.	Collection account	US\$ 15	US \$ 4	1 month	-	-
Un-secured						
Habib American Bank	-	US \$ 1.5	-	-	62,321	94,380
Citibank N.A.	-	US \$ 3	US \$ 0.2	On Demand	-	-
					8,319,408	8,360,909

13.2.1 The borrowings in Rupees carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (December 31, 2010: 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, 2010: fixed rate of 3.25% per annum whereas variable rate borrowing carries mark-up with a spread of 3% to 5% over 1 month and 3 months LIBOR).

13.3 These facilities which matured during the period are in process of being rolled-over.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 The tax department has levied penalties of Rs 5,877.351 million (December 31, 2010: Rs 5,877.351 million), Rs 5,679.110 million (December 31, 2010: Rs 5,679.110 million) and Rs 7,025.270 million (December 31, 2010: Nil) on account of delayed payment of sales tax and FED for the months of November - December 2008, January - March 2010 and November 2010 - January 2011 respectively. In this respect, the tax department has also levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs 38.88 million, Rs 79.969 million and Rs 74 million respectively. The matter for the months of November - December 2008 and January - March 2010 has been referred for deletion and notification is awaited in the light of discussions held with Federal Board of Revenue (FBR), Ministry of Defence and MoF. It is expected that a notification for deletion in this regard would be issued shortly. For the months of November 2010 - January 2011, the Corporation has filed appeal with Commissioner Appeals which is pending adjudication. The management is confident that the case will be decided in favour of the Corporation, therefore, no provision has been made in these unconsolidated condensed interim financial statements in respect of the subject orders / show cause notices.

14.1.2 During the year 1995, the Employees' Old Age Benefits Institution (EOBI) had filed complaints against the Corporation with the relevant Adjudicating Authority regarding non-registration under the Employees' Old-Age Benefits Act, 1976 (the Act) and non-payment of required contribution. These complaints were decided against the Corporation and immediate payment of contribution on employees working in the Flight Kitchen and Engineering departments was ordered aggregating Rs 51.644 million for the period July 1, 1976 till the date of the order, i.e. November 24, 1995. The Corporation filed a Constitutional Petition in the Sindh High Court against the aforementioned order, however the case was decided against the Corporation in 2003. The Corporation's appeal in the Supreme Court against the Sindh High Court's decision has also been dismissed in April 2011.

In light of the Supreme Court's decision, the EOBI has raised demands for the payment of outstanding dues. The Corporation has filed a review petition with the Supreme Court which is pending to date. Further, a request dated August 10, 2011 has been forwarded to the Ministry of Defence for exemption under section 46 of the Act. The management is confident that the case will be resolved in the favour of the Corporation.

14.1.3 The Corporation 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 condensed interim financial statements against these claims amounting to Rs 3,751 million (December 31, 2010: Rs 3,549 million).

14.1.4 There has been no change in the status of other contingencies as disclosed in notes 29.1 (a to c, e to h and j) to the December 31, 2010 financial statements.

14.1.5 Contingencies relating to income tax matters are disclosed in note 19.1.

	September 30, 2011	December 31, 2010
	(Un-audited)	(Audited)
	— Rupees in '000 —	

14.2 Commitments

Commitments for purchase of simulator	43,480	169,171
Commitments for other capital expenditure	24,288	3,118
Outstanding letters of credit	311,844	175,762
Outstanding letters of guarantee	565,027	546,703

14.2.1 The amounts of future payments in operating lease arrangement relating to Aircraft 777-200 ER and the period in which these payments will become due are as follows:

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Rupees in '000	
Not later than one year	1,106,497	1,104,780
Later than one year but not later than five years	4,375,716	4,305,472
Later than five years	455,804	1,254,322
	<u>5,938,017</u>	<u>6,664,574</u>

	Nine months period ended		Quarter ended	
	September 30, 2011 (un-audited)	September 30, 2010 (un-audited)	September 30, 2011 (un-audited)	September 30, 2010 (un-audited)
	Rupees in '000			

15. REVENUE - net

Passenger	74,276,493	65,794,301	24,596,195	21,999,891
Cargo	4,920,603	4,783,312	1,840,910	1,669,093
Excess baggage	848,617	740,205	304,851	257,243
Charter	794,794	275,752	73,831	182,174
Engineering services	637,251	784,165	198,032	242,923
Handling and related services	488,885	515,515	166,046	222,258
Mail	357,033	343,624	115,597	133,010
Others	1,291,832	1,123,135	494,812	346,979
	<u>83,615,508</u>	<u>74,360,009</u>	<u>27,790,274</u>	<u>25,053,571</u>

	Nine months period ended		Quarter ended	
	September 30, 2011 (un-audited)	September 30, 2010 (un-audited)	September 30, 2011 (un-audited)	September 30, 2010 (un-audited)
	Rupees in '000			

16. COST OF SERVICES - Others

Salaries, wages and allowances	7,479,998	7,225,604	2,535,503	2,417,046
Welfare and social security costs	345,465	321,897	129,820	114,351
Retirement benefits	867,159	1,849,613	289,053	746,759
Compensated absences	81,664	78,106	27,221	29,202
Legal and professional charges	72,595	79,235	24,817	39,585
Stores and spares consumed	1,991,325	2,169,112	507,149	686,878
Maintenance and overhaul	3,848,524	3,391,926	1,701,753	1,073,079
Flight equipment rental	1,110,873	932,825	510,885	330,773
Landing and handling	9,220,181	8,518,623	2,906,909	3,134,691
Passenger services	2,897,911	2,585,142	989,704	880,371
Crew layover	2,489,555	2,153,237	852,544	758,841
Staff training	67,528	65,863	21,617	17,804
Utilities	19,064	17,227	6,128	7,014
Communication	45,992	55,863	15,661	27,404
Insurance	1,067,086	1,074,152	356,799	377,409
Rent, rates and taxes	532,129	390,365	177,376	47,078
Printing and stationery	139,595	141,349	40,851	29,691
Depreciation	4,895,940	4,068,479	1,711,819	1,337,105
Amortisation	1,887	1,932	629	644
Others	247,679	277,709	84,042	104,202
	<u>37,422,150</u>	<u>35,398,259</u>	<u>12,890,280</u>	<u>12,159,927</u>

17. OTHER PROVISIONS AND ADJUSTMENTS	Nine months period ended		Quarter ended	
	September 30, 2011 (un-audited)	September 30, 2010 (un-audited)	September 30, 2011 (un-audited)	September 30, 2010 (un-audited)
	Rupees in '000			
Capital spares written off	52,159	-	43,265	-
Provision for slow moving stores and spares	246,350	159,154	136,519	65,582
Provision against doubtful debts	149,477	104,188	-	750
Provision against doubtful advances	23,424	-	-	-
Derivative expense	128,397	-	128,397	-
Arrears of mandarty retirement	-	4,636	-	4,636
	<u>599,807</u>	<u>267,978</u>	<u>308,181</u>	<u>70,968</u>
18. FINANCE COSTS				
Mark-up on:				
- long-term financing	1,287,802	1,493,287	222,187	548,850
- murabaha financing	-	2,957	-	-
- advance from a subsidiary	5,663	-	-	-
- short-term borrowings	2,366,751	1,761,029	1,034,611	561,542
	<u>3,660,216</u>	<u>3,257,273</u>	<u>1,256,798</u>	<u>1,110,392</u>
Return on term finance certificates	1,375,614	1,273,086	465,247	432,903
Profit on sukuk certificates	777,369	723,222	265,666	241,670
Interest on liabilities against assets subject to finance lease	983,825	1,115,189	328,112	383,934
Interest on loans from pension / provident fund	363,991	209,134	134,895	83,534
Arrangement, agency and commitment fee	90,371	196,793	2,152	2,167
Bank charges, guarantee commission and other related charges	203,099	196,996	67,867	65,877
	<u>7,454,485</u>	<u>6,971,693</u>	<u>2,520,737</u>	<u>2,320,477</u>
19. TAXATION				
Current - for the period	836,155	743,600	276,427	250,536
- for prior periods	54,199	4,827	-	-
	<u>890,354</u>	<u>748,427</u>	<u>276,427</u>	<u>250,536</u>

19.1 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, 2010 except for the fact that the Additional Commissioner Inland Revenue (ACIR) has issued an amended order whereby demand in relation to the tax year 2005 has been reduced from Rs 939,009 million to Rs 898.177 million. Further, in respect of tax years 2006 and 2007, the ACIR has issued show cause notices to the Corporation on allowability of depreciation on leased aircraft and other provisions. No order has been issued by the department as the Corporation is seeking adjournment in filing of replies against the said notices.

	Nine months period ended		Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
	Rupees in '000			

20. EARNINGS PER SHARE - BASIC AND DILUTED

Loss after taxation	19,294,564	11,099,488	8,557,153	4,604,223
	No. of ordinary shares			
Weighted average number of ordinary shares outstanding	2,668,306,356	2,440,214,802	2,723,350,592	2,445,053,525
	Rupees			
Loss attributable to:				
'A' class ordinary shares	7.23	4.55	3.14	1.88
'B' class ordinary shares	3.62	2.28	1.57	0.94

20.1 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)'.

20.2 There were no dilutive potential ordinary shares outstanding as at September 30, 2010 and 2011.

	Nine months period ended	
	September 30, 2011	September 30, 2010
	(un-audited)	(un-audited)
	Rupees in '000	

21. CASH GENERATED FROM OPERATIONS

Loss before taxation	(18,404,210)	(10,351,061)
Adjustments for non-cash items:		
Depreciation	5,084,833	4,303,059
Gain on disposal of property, plant and equipment	(12,288)	(5,731)
Amortisation of intangibles	14,929	16,912
Property, plant and equipment written off	84,022	-
Provision for slow moving stores and spares	246,350	159,154
Provision for employees' benefits	1,310,467	2,868,411
Provision for doubtful debts	149,477	104,188
Provision for doubtful advances	-	-
Liability written back	-	(179,083)
Finance costs	7,454,485	6,971,693
Profit on bank deposits	(25,405)	(15,073)
Cash (used in)/generated from operations before working capital changes	(4,097,340)	3,872,469
Working capital changes:		
(Increase)/decrease in stores and spares	(466,766)	(1,069,288)
(Increase)/decrease in trade debts	(890,844)	(152,030)
(Increase)/decrease in advances	246,772	405,161
Decrease/(increase) in trade deposits and prepayments	412,613	(86,615)
Increase in other receivables	(209,293)	(927,011)
Increase/(decrease) in trade and other payables	14,064,004	8,665,855
	13,156,486	6,836,072
Cash generated from operations after working capital changes	9,059,146	10,708,541

22. 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:

Relationship	Nature of transaction	Nine months period ended	
		September 30, 2011 (un-audited)	September 30, 2010 (un-audited)
		Rupees in '000	
Subsidiaries and joint venture	Advance from a subsidiary	960,100	-
	Payments made against in-transit passengers	196,606	168,801
	Rent for Global Distribution System	585,488	510,008
Profit oriented state-controlled entities - common ownership	Purchase of fuel	15,423,404	10,695,220
	Insurance premium	1,073,000	1,126,000
	Interest charged on loan	286,641	132,968
Retirement funds	Contributions charged	305,502	301,926
	Interest on loans from pension / provident fund	363,991	209,134
GoP - major shareholder	Proceeds of long-term loan	-	8,000,000
	Interest charged on loan	1,693,973	893,973
	Advance against Hajj operations	4,300,000	1,460,000
	Advance against equity	2,476,283	2,494,592
Key management personnel	Salaries, wages and other benefits	109,777	90,069

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.

23. BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

On August 14, 2009, GoP launched the BESOS for employees of certain State Owned Enterprises (SOEs) including the Corporation and Non-State Owned Enterprises (Non-SOEs) where GoP holds significant investments. BESOS is applicable to permanent and contractual employees who were in employment of these entities on its launch date, subject to completion of five years' vesting period by all contractual employees and by permanent employees in certain instances.

BESOS provides for a cash payment to employees on retirement or termination based on the price of shares of the Corporation. Under the scheme, Pakistan Employees Empowerment Trust (PEET) was formed and 12% of the shares held by the Ministry of Defence were transferred to the Trust. The eligible employees have been allotted units by PEET in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from PEET in exchange for the surrendered units as would be determined based on market price of shares of the Corporation. The shares relating to the surrendered units would be transferred back to GoP.

BESOS also provides that 50% of dividend related to shares transferred to PEET would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by PEET to the Central Revolving Fund managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in PEET to meet the repurchase commitment would be met by GoP.

BESOS which has been developed in compliance with the policy of the GoP for empowerment of employees of SOEs needs to be accounted for by the covered entities, including the Corporation, under the provisions of the IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under BESOS, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under BESOS and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 in respect of BESOS.

Had the exemption not been granted, the accumulated losses as at September 30, 2011 would have been higher by Rs 376.486 million, staff costs and loss after taxation of the Corporation for the nine months period then ended would have been higher by Rs 112.493 million while earnings per share would have been lower by Rs 0.04 and Rs 0.02 per share for class 'A' and 'B' shareholders respectively.

24. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on October 29, 2011 by the Board of Directors of the Corporation.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Quarterly Summary

		2011			2010		
		1st Quarter	2nd Quarter	3rd Quarter	1st Quarter	2nd Quarter	3rd Quarter
Traffic Operations							
Available Seat Kilometers (million)	International	4,377	4,668	4,676	3,789	4,548	4,725
	Domestic	627	657	634	571	625	644
	Hajj	-	-	4	15	-	-
	Total	5,004	5,325	5,314	4,375	5,173	5,369
Revenue Passenger Kilometers (million)	International	3,266	3,561	3,466	2,983	3,359	3,490
	Domestic	484	521	468	429	492	483
	Hajj	-	-	1	6	1	-
	Total	3,750	4,082	3,935	3,418	3,852	3,973
Seat Factor (%)	International	74.62	76.29	74.12	78.73	73.86	73.86
	Domestic	77.19	79.30	73.82	75.13	78.72	75.00
	Hajj	0.00	0.00	0.00	40.00	0.00	0.00
	Total	74.94	76.66	74.05	78.13	74.46	74.00
Available Freight Tonne Kilometers (million)	International	110	116	115	96	109	113
	Domestic	17	17	17	15	15	17
	Total	127	133	132	111	124	130
Revenue Freight Tonne Kilometers (million)	International	61	68	79	60	75	94
	Domestic	5	7	7	5	8	7
	Total	66	75	86	65	83	101
Load Factor (%)	International	55.45	58.62	68.70	62.50	68.81	83.19
	Domestic	29.41	41.18	41.18	33.33	53.33	41.18
	Total	51.97	56.39	65.15	58.56	66.94	77.69

Financial

Rupees in million

Operating Revenue	26,182	29,643	27,790	22,848	26,459	25,053
Operating Expenses	28,480	32,217	31,973	23,318	26,535	27,003
Operating profit/(loss)	(2,298)	(2,574)	(4,183)	(470)	(76)	(1,950)
Profit/(loss) before taxation	(3,971)	(6,152)	(8,281)	(2,415)	(3,987)	(4,543)
Profit/(loss) after taxation	(4,232)	(6,505)	(8,557)	(2,529)	(4,372)	(4,794)
Fixed Assets	95,312	94,924	93,225	132,648	131,624	130,318
Current Assets	19,445	20,515	17,652	19,575	17,103	20,494
Current Liabilities	82,679	93,362	101,271	72,269	72,936	80,552
Long-term Debts	95,131	90,516	85,407	104,410	103,580	100,730
Net Worth	(65,315)	(71,384)	(78,988)	(51,483)	(54,575)	(57,924)
Jet Fuel Prices (Rs. Per US Gallon)	234.67	285.40	276.21	183.20	194.22	191.63



consolidated
financial statements

Consolidated Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2011

		September 30, 2011 (Un-audited)	December 31, 2010 (Audited)	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Note	Rupees in '000		US\$ in '000	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
- Property, plant and equipment	4	143,670,931	146,169,547	1,645,715	1,703,608
- Intangibles		2,890,380	2,856,378	33,109	33,291
		146,561,311	149,025,925	1,678,824	1,736,899
Long-term investments		136,692	141,144	1,566	1,645
Receivable from Centre Hotel		659,447	648,116	7,554	7,554
Long-term loans		14,859	14,107	170	164
Long-term deposits and prepayments	5	9,548,654	9,409,373	109,377	109,666
		156,920,963	159,238,665	1,797,491	1,855,928
CURRENT ASSETS					
Stores and spares		4,100,300	3,873,673	46,968	45,148
Trade debts		9,649,157	8,698,030	110,529	101,376
Short-term loans and advances		227,116	456,624	2,602	5,322
Trade deposits and prepayments		991,602	1,587,327	11,359	18,500
Other receivables	6	1,685,251	1,438,007	19,304	16,760
Short-term investments		348,032	847,453	3,987	8,877
Taxation - net		96,242	83,048	1,102	968
Cash and bank balances	7	4,541,360	5,927,994	52,020	69,091
		21,639,060	22,912,156	247,871	267,042
TOTAL ASSETS		178,560,023	182,150,821	2,045,362	2,122,970
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		25,774,948	25,774,948	295,246	300,407
Reserves		(100,210,947)	(82,333,026)	(1,147,892)	(959,592)
Advance against equity from Government of Pakistan (GoP)	8	2,476,283	-	28,365	-
Attributable to the Holding company's shareholders		(71,959,716)	(56,558,078)	(824,281)	(659,185)
Non-controlling interest		1,278,737	1,191,149	14,648	13,883
TOTAL EQUITY		(70,680,979)	(55,366,929)	(809,633)	(645,302)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET					
		21,065,603	21,059,425	241,301	245,448
NON CURRENT LIABILITIES					
Long-term financing	9	27,141,651	29,437,736	310,901	343,097
Term finance and sukuk certificates	10	12,058,987	17,457,280	138,133	203,465
Liabilities against assets subject to finance lease		48,102,586	53,757,595	551,003	626,545
Long-term deposits		443,477	384,293	5,081	4,478
Deferred liabilities		25,600,760	24,281,277	293,250	282,999
		113,347,461	125,318,181	1,298,368	1,460,584
CURRENT LIABILITIES					
Trade and other payables	11	45,722,948	31,857,333	523,745	371,298
Accrued interest		4,803,120	3,096,164	55,019	36,086
Provision for taxation		2,334,563	1,640,243	26,742	19,117
Short-term borrowings	12	24,205,108	22,665,109	277,264	264,162
Current maturities of:					
- Long-term financing		21,407,444	21,129,942	245,217	246,270
- Term finance and sukuk certificates		7,530,773	2,135,040	86,263	24,884
- Liabilities against assets subject to finance lease		8,823,982	8,616,313	101,076	100,423
		114,827,938	91,140,144	1,315,326	1,062,240
TOTAL LIABILITIES		228,175,399	216,458,325	2,613,694	2,522,824
TOTAL EQUITY AND LIABILITIES		178,560,023	182,150,821	2,045,362	2,122,970
CONTINGENCIES AND COMMITMENTS 13					

The annexed notes 1 to 23 form an integral part of these interim consolidated condensed financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the nine months period ended September 30, 2011

Note	Nine months period ended		Quarter ended		Nine months period ended		
	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	
	2011	2010	2011	2010	2011	2010	
	Rupees in '000				US \$ in '000		
	Restated		Restated		Restated		
REVENUE - net	14	91,616,398	81,479,812	30,721,502	27,602,173	1,049,443	946,339
COST OF SERVICES							
Aircraft fuel		(45,384,172)	(30,654,913)	(15,826,922)	(11,186,411)	(519,865)	(356,038)
Others	15	(41,546,313)	(39,962,474)	(13,185,421)	(13,745,913)	(475,903)	(464,140)
		(86,930,485)	(70,617,387)	(29,012,343)	(24,932,324)	(995,768)	(820,178)
GROSS PROFIT		4,685,913	10,862,425	1,709,159	2,669,849	53,675	126,161
Distribution costs		(5,844,375)	(4,984,364)	(2,317,005)	(1,133,602)	(66,946)	(57,891)
Administrative expenses		(6,304,313)	(6,401,724)	(2,896,586)	(2,530,015)	(72,214)	(74,353)
Other provisions and adjustments	16	(576,383)	(267,978)	(308,181)	(70,969)	(6,602)	(3,112)
Exchange loss - net		(1,461,036)	(1,997,871)	(1,357,536)	(492,003)	(16,736)	(23,204)
Other operating income		180,878	583,125	92,228	22,532	2,072	6,773
		(14,005,229)	(13,068,812)	(6,787,080)	(4,204,057)	(160,426)	(151,787)
LOSS FROM OPERATIONS		(9,319,316)	(2,206,387)	(5,077,921)	(1,534,208)	(106,751)	(25,626)
Finance costs	17	(7,696,029)	(7,211,157)	(2,598,235)	(2,400,762)	(88,156)	(83,753)
LOSS BEFORE TAXATION		(17,015,345)	(9,417,544)	(7,676,156)	(3,934,970)	(194,907)	(109,379)
Taxation	18	(1,340,869)	(1,007,912)	(502,124)	(366,810)	(15,359)	(11,706)
LOSS FOR THE PERIOD		(18,356,214)	(10,425,456)	(8,178,280)	(4,301,780)	(210,266)	(121,085)
Attributable to:							
Equity holders of the Holding Company		(18,411,996)	(10,454,647)	(8,196,235)	(4,319,419)	(210,905)	(121,484)
Non Controlling interest		55,782	29,191	17,955	17,639	639	339
		(18,356,214)	(10,425,456)	(8,178,280)	(4,301,780)	(210,266)	(121,085)
		Rupees				US \$	

EARNINGS PER SHARE - BASIC AND DILUTED

Loss attributable to:

'A' class ordinary shares of Rs 10 each	19	6.88	4.27	3.00	1.76	0.08	0.05
'B' class ordinary shares of Rs 5 each	19	3.44	2.14	1.50	0.88	0.04	0.03

The annexed notes 1 to 23 form an integral part of these interim consolidated condensed financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the nine months period ended September 30, 2011

	Nine months period ended September 30, 2011	September 30, 2010	Quarter ended September 30, 2011	Quarter ended September 30, 2010
	Rupees in '000			
	Restated			Restated
Loss for the period	(18,356,214)	(10,425,456)	(8,178,280)	(4,301,780)
OTHER COMPREHENSIVE INCOME:				
Unrealised (loss)/gain on re-measurement of investments	(4,452)	(2,761)	-	6,358
Exchange differences on translation of foreign operations	491,352	362,722	115,618	(67,880)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(17,869,314)</u>	<u>(10,065,495)</u>	<u>(8,062,662)</u>	<u>(4,363,302)</u>
Attributable to:				
Attributable to the Holding company's shareholders	(17,956,902)	(10,176,359)	(8,024,323)	(4,465,422)
Non controlling interest	87,588	110,864	(38,339)	102,120
	<u>(17,869,314)</u>	<u>(10,065,495)</u>	<u>(8,062,662)</u>	<u>(4,363,302)</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 23 form an integral part of these interim consolidated condensed financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2011

Note	Nine months period ended September 30, 2011		Nine months period ended September 30, 2010		
	Rupees in '000		US \$ in '000		
	Restated		Restated		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(used in) operations after working capital changes	20	10,836,482	12,562,731	124,129	145,908
Profit on bank deposits received		25,405	15,073	291	175
Finance costs paid		(5,989,475)	(6,357,166)	(68,608)	(73,834)
Taxes paid		(661,478)	(798,698)	(7,577)	(9,277)
Staff retirement benefits paid		(325,400)	(557,717)	(3,727)	(6,477)
Gratuity paid		-	-	-	-
Long-term deposits and prepayments - net		(75,058)	(515,037)	(860)	(5,982)
Net cash used in operating activities		3,810,476	4,349,186	43,648	50,513
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(2,148,015)	(1,249,595)	(24,605)	(14,514)
Proceeds from sale of property, plant and equipment		28,945	116,057	332	1,347
Short-term investments-net		513,787	(569)	5,885	(7)
Net cash used in investing activities		(1,605,283)	(1,134,107)	(18,388)	(13,174)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance against Equity		2,476,283	2,494,592	28,365	28,973
Long-term financing		(2,295,813)	4,528,382	(26,298)	52,594
Redemption of term finance certificates		(2,560)	(5,120)	(29)	(59)
Long term deposits		59,184	47,231	678	549
(Repayment) of/proceeds from obligations under finance lease - net		(5,448,184)	(4,768,335)	(62,408)	(55,381)
Net cash generated from financing activities		(5,211,090)	2,296,750	(33,394)	(26,676)
Increase/(decrease) in cash and cash equivalents		(3,005,897)	5,511,829	(34,432)	64,015
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(16,657,851)	(19,455,557)	(190,812)	(225,964)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(19,663,748)	(13,943,728)	(225,244)	(161,949)
CASH AND CASH EQUIVALENTS					
Cash and bank balances		4,541,360	7,810,807	52,020	90,717
Short-term borrowings		(24,205,108)	(21,754,535)	(277,264)	(252,666)
		<u>(19,663,748)</u>	<u>(13,943,728)</u>	<u>(225,244)</u>	<u>(161,949)</u>

The annexed notes 1 to 23 form an integral part of these interim consolidated condensed financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the nine months period ended September 30, 2011

	Issued, subscribed, and paid-up capital	Advance against equity	Reserves					Other reserves	Total	Non- controlling interest	Total
			Capital reserves	Revenue reserves	Unrealised loss on remeasurement of investments	Foreign Exchange translation reserves	Accumulated losses				
Rupees '000											
Balance as at January 1, 2010	23,280,356	-	2,501,038	1,779,674	29,278	(454,869)	(74,455,128)	31,262	(47,288,389)	760,764	(46,527,625)
Comprehensive income:											
Loss for the period - restated	-	-	-	-	-	-	(10,454,647)	-	(10,454,647)	29,191	(10,425,456)
Other comprehensive income for the period											
Currency translation difference	-	-	-	-	-	281,049	-	-	281,049	81,673	362,722
Unrealised loss on re-measurement of investments	-	-	-	-	(2,761)	-	-	-	(2,761)	-	(2,761)
Total comprehensive income for the period transferred to equity	-	-	-	-	(2,761)	281,049	(10,454,647)	-	(10,176,359)	110,864	(10,065,495)
Advance against equity	-	2,494,592	-	-	-	-	-	-	2,494,592	-	2,494,592
Surplus on revaluation of fixed assets realized during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2010 - restated	23,280,356	2,494,592	2,501,038	1,779,674	26,517	(173,820)	(84,909,775)	31,262	(54,970,156)	871,628	(54,098,528)
Balance as at January 1, 2011	25,774,948	-	2,501,038	1,779,674	27,900	2,570,423	(89,212,633)	573	(56,558,077)	1,191,149	(55,366,928)
Loss for the period							(18,411,996)		(18,411,996)	55,782	(18,356,214)
Other Comprehensive Income						-					
Currency translation differences							459,203	343	459,546	31,806	491,352
Unrealised loss on re-measurement of investments					(4,452)				(4,452)		(4,452)
Total comprehensive income for the period transferred to equity	-	-	-	-	(4,452)	459,203	(18,411,996)	343	(17,956,902)	87,588	(17,869,314)
Surplus on revaluation of fixed assets realized during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	78,980	-	78,980	-	78,980
Advance against equity	-	2,476,283	-	-	-	-	-	-	2,476,283	-	2,476,283
Balance as at September 30, 2011	25,774,948	2,476,283	2,501,038	1,779,674	23,448	3,029,626	(107,545,649)	916	(71,959,716)	1,278,737	(70,680,979)

The annexed notes 1 to 23 form an integral part of these interim consolidated condensed financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months period ended September 30, 2011

1. THE GROUP AND ITS OPERATIONS

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

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 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 (C) below	100	99
• RHC Operating LLC	State of Delaware, USA	Owner of Roosevelt Hotel, New York		
• Minhal France (Curacao) N.V. [Formerly Minhal France (Curacao) N. V.]	Luxembourg	See notes (A) & (B)	100	99
• Minhal France B.V.	Netherlands	See note (A)	100	99
• Minhal France S.A. (MFSA)	France	Owner of Scribe Hotel, Paris	90	89
• PIA Fuel Management Limited	British Virgin Islands	See note (A)	100	99

Note (A): These companies are intermediary holding companies except PIA Fuel Management Limited, which is a dormant company. These companies have been consolidated on the basis of unaudited financial statements as the same are not considered to be material to these consolidated financial statements.

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.

Note (C): 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 19,294.563 million (September 30, 2010 - restated: Rs 11,099.488 million) resulting in accumulated losses of Rs 111,543.326 million as of September 30, 2011 (December 31, 2010: Rs 92,327.743 million). Further, as of September 30, 2011 current liabilities of the Holding company exceeded its current assets by Rs 83,619.020 million (December 31, 2010: Rs 59,096.960 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 recent meeting of Cabinet Committee on Restructuring (CCOR) Holding company's plan was accepted in principle and GoP will restructure the Holding company in a way so as to reduce burden on GoP. In view of the situation described above, although material uncertainty exists which may cast doubt on the Holding company's and ultimately the group'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 nine months period ended September 30, 2011 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** 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 2010 consolidated financial statements.
- 2.3** 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 87.30 = US \$ 1 (December 31, 2010: Rs 85.80 = 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 87.30 = US \$ 1 (September 30, 2010: Rs 86.10 = 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, 2010, except for the change in estimate as stated in note 4.2.

September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000	

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

142,212,792	145,040,401
1,458,139	1,129,146
<u>143,670,931</u>	<u>146,169,547</u>

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

	Nine months period ended	
	September 30, 2011	September 30, 2010
	(Un-audited)	(Un-audited)
	—Rupees in '000—	
Additions / Transfers / Adjustments		
Owned		
Buildings on leasehold land	13,856	19,153
Renovation and improvements	10,441	21,342
Aircraft fleet / Engines overhauling	-	410,315
Operating ground equipment, catering, communication and meteorological equipment	1,149	56,249
Engineering equipment and tools	19,754	45,320
Workshop and hangers	348	
Motor transport	24,452	17,862
Traffic equipment	4,112	123,080
Furniture, fixture and fittings	78,857	17,601
Office equipment	105	484
Computers and office automation	11,214	17,240
Precision engineering equipment	1,249	36
Other equipment	12,879	7,056
Capital spares	84,415	120,477
	<u>262,831</u>	<u>856,215</u>
Leased		
Aircraft fleet / Engines overhauling	1,301,458	-
	<u>1,564,289</u>	<u>856,215</u>
Deletions / write offs - net book value		
Owned		
Buildings on leasehold land	-	6,423
Renovation and improvements	-	1,718
Aircraft fleet / Engines overhauling	-	36,522
Operating ground equipment, catering, communication and meteorological equipment	507	785
Engineering equipment and tools *	218	782
Motor transport	8,162	10,602
Vehicles	6,354	
Traffic equipment	-	1,553
Furniture, fixture and fittings *	850	2,077
Computers and office automation *	549	1,201
Office equipment	-	491
Reservation equipment	-	152
Other equipment *	17	207
Capital spares - written off	84,022	46,104
	<u>100,679</u>	<u>108,617</u>
Leased		
Aircraft fleet	-	311,220
Vehicles	-	3,556
	-	314,776
	<u>100,679</u>	<u>423,393</u>

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

4.2 Change in estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2010, 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 useful lives and residual values of aircraft and related spares, depreciation expense pertaining to aircraft fleet and capital spares for the period would have been lower by Rs 1,912.664 million, whereas the effect on future periods is impracticable to ascertain considering subsequent measurement of aircraft fleet under the revaluation model and inherent uncertainties attached thereto.

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Note	Rupees in '000	

5. LONG-TERM DEPOSITS AND PREPAYMENTS

Deposits	8,456,321	8,068,332
Current maturity of long-term deposits	-	224,300
	8,456,321	8,292,632
Prepayments	1,092,333	1,116,741
	9,548,654	9,409,373

5.1 This includes maintenance reserve amounting to Rs 4,564.916 million required to be kept by the Holding company under the terms of the leasing agreement with a lessor which is reimbursable to the Holding company against qualifying work carried out in accordance with the terms of the agreement. Further, the Holding company is entitled to the unutilised remaining balance of the maintenance reserve upon conclusion of the lease agreement in case the title to the underlying assets is transferred to the Holding company. Upto December 31, 2009, the payments were being charged to profit and loss account as and when made. The payments made on account of maintenance reserve net of reimbursements claimed on account of qualifying work upto December 31, 2010 and prior periods presented were reflected as an asset and the related adjustments were made retrospectively in accordance with the IAS 8 'Accounting Policies, Changes in Accounting Estimates & Errors' in the financial statements for the year ended December 31, 2010. Accordingly, the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim cash flow statement for the nine months and three months periods ended September 30, 2010 and consolidated condensed interim statement of changes in equity for the period ended September 30, 2010 have also been restated.

	Amount reported previously	Effect of adjustment	Restated amount
	Rupees in '000		
Nine months period ended September 30, 2010			
Cost of services - others	40,466,597	(504,123)	39,962,474
Exchange loss - net	2,087,682	(89,811)	1,997,871
Loss for the period	11,019,390	(593,934)	10,425,456
	Rupees		
Earnings per share - basic and diluted			
Loss attributable to:			
'A' class ordinary shares	4.51	(0.24)	4.27
'B' class ordinary shares	2.26	(0.12)	2.14

	Amount reported previously	Effect of adjustment	Restated amount
	Rupees in '000		
Quarter ended September 30, 2010			
Cost of services - others	13,905,710	(159,797)	13,745,913
Exchange loss - net	521,339	(29,336)	492,003
Loss for the period	4,490,913	(189,133)	4,301,780
	Rupees		
Earnings per share - basic and diluted			
Loss attributable to:			
'A' class ordinary shares	1.84	(0.08)	1.76
'B' class ordinary shares	0.92	(0.04)	0.88

5.2 This represents consideration of Ex-Im Bank for the purpose of 12 year guarantees issued by it in favour of the Holding company, which is being amortised over the lease term.

		September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
		Rupees in '000	
6. OTHER RECEIVABLES	Note		
Considered good			
Claims receivable		509,534	319,300
Excise duty		100,000	100,000
Sales tax receivable		514,652	460,990
Receivable from GoP		332,809	332,809
Others		228,256	224,908
		1,685,251	1,438,007
Considered doubtful		177,077	177,077
Less: provision for doubtful other receivables	6.1	(177,077)	(177,077)
		-	-
		1,685,251	1,438,007
6.1	Movement in provision is as follows:		
	Balance at the beginning of the period / year	177,077	168,810
	Provision for the period / year	-	8,267
	Balance at the end of the period / year	177,077	177,077

7. CASH AND BANK BALANCES

In hand	11,742	24,099
In transit	44,889	11,493
	56,631	35,592
With banks:		
- in current accounts	4,383,217	4,353,295
- in savings accounts	101,512	1,539,107
	4,484,729	5,892,402
	4,541,360	5,927,994

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	Note	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
							Rupees in '000	
From Banking Companies - secured								
Citibank, N.A.	Demand finance	US \$ 82	2006 - 2017	20 half yearly	5.28% fixed		3,993,533	4,321,159
Royal Bank of Scotland - Netherlands	Demand finance	US \$ 59.50	2009 - 2013	19 quarterly	3 month LIBOR + 1.60%		2,334,926	3,078,475
National Bank of Pakistan - Bahrain	Syndicate finance	US \$ 120	2013	Bullet	3 month LIBOR + 3.25% & 3.6%		10,476,000	10,296,000
Faysal Bank Limited	Demand finance	Rs 2,000	2013 - 2016	36 monthly	6 month KIBOR + 1.75%	9.1.1	2,000,000	-
National Bank of Pakistan - Bahrain	Demand finance	US \$ 20	2011 - 2013	20 monthly	1 month LIBOR + 5.25%	9.1.2	1,484,100	-
Standard Chartered Bank (Pakistan) Limited	Syndicate finance	Rs 3,600	2009 - 2011	22 monthly	1 month KIBOR + 1.25%		-	163,271
National Bank of Pakistan - Bahrain	Demand finance	US \$ 70	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		2,800,875	4,754,750
National Bank of Pakistan - Bahrain	Demand finance	US \$ 30	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		1,418,625	2,359,500
National Bank of Pakistan - Bahrain	Demand finance	US \$ 20 & SAR 75	2011 - 2013	24 monthly	1 month LIBOR + 5.25% & 1 month SIBOR + 5.25%		2,400,564	1,287,000
Hong Kong Shanghai Banking Corporation	Demand finance	Rs 850	2010 - 2011	17 monthly	3 month KIBOR + 0.90%		-	450,000
JP Morgan Chase	Loan		2006 - 2011	Variable	1 month LIBOR + 1.65%		8,436,728	8,291,767
JP Morgan Chase	Mezzanine Finance		2006 - 2011	Variable	1 month LIBOR + 1.65%		2,968,200	5,148,000
Hong Kong Shanghai Banking Corporation	Loan		2006 - 2012	Variable	3 months EURIBOR + 1.15%		2,235,544	2,417,756
Others - unsecured								
Long term loan - GoP	Term Finance	Rs 8,000	2011 - 2020	16 half yearly	10% fixed		8,000,000	8,000,000
Current maturity shown under current liabilities							48,549,095	50,567,678
							(21,407,444)	(21,129,942)
							<u>27,141,651</u>	<u>29,437,736</u>

9.1 There has been no change in the securities for the above loans as disclosed in note 20 to the financial statements for the year ended December 31, 2010, however, two new loans have been obtained during the period the details of which are as follows:

9.1.1 The finance is secured by way of unconditional and irrevocable GoP guarantee.

9.1.2 The finance is secured by way of all present and future receivables of the Holding company generated through sales of tickets and cargo service in UK and Saudi Arabia.

10. TERM FINANCE AND SUKUK CERTIFICATES

	Security	Repayment period	Number of installments / mode	Mark-up (%)	Note	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
						Rupees in '000	
Term finance certificates (TFCs)	GoP Guarantee	2009- 2014	10 half yearly	6 month KIBOR + 0.85%	10.1	12,789,760	12,792,320
Sukuk certificates	GoP Guarantee	2012 - 2014	6 half yearly	6 month KIBOR + 1.75%	10.2	6,800,000	6,800,000
Current maturity shown under current liabilities						(7,530,773)	(2,135,040)
						<u>12,058,987</u>	<u>17,457,280</u>

- 10.1** The Holding company has an option of early purchase exercisable at any time with a 30 days notice period at Rs Nil premium.
- 10.2** 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.
- 10.3** During the period, on August 20, 2011 (the scheduled redemption date), the Holding company has not made payments of Rs 2,132.480 million representing redemption amounts as per repayment schedule as the management intends to restructure the underlying terms with the TFC holders.

September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000	

11. TRADE AND OTHER PAYABLES

Trade creditors

Goods	3,915,564	2,573,680
Services	3,119,298	2,276,707
Airport related charges	4,459,195	3,524,083
	<u>11,494,057</u>	<u>8,374,470</u>

Others

Accrued liabilities	4,963,323	5,266,999
Advance against transportation (unearned revenue)	7,395,714	6,971,694
Advance against transportation - Hajj	8,752,387	-
Unredeemed frequent flyer liabilities	1,616,343	1,283,440
Advance from customers	700,618	854,933
Earnest money	2,658	2,799
Payable to employees' provident fund	2,753,763	2,445,330
Unclaimed dividend - Preference shares	8,494	8,504
Collection on behalf of others	4,019,496	4,093,377
Customs and federal excise duty	2,011,552	1,458,207
Income tax deducted at source	253,715	124,817
Sales tax payable	5,513	3,620
Bed tax	16,888	3,385
Payable to EOBI/SESSI	254	395
Short-term deposits	301,123	255,375
Others	1,427,050	709,988
	<u>45,722,948</u>	<u>31,857,333</u>

	Note	September 30, 2011	December 31, 2010
		(Un-audited)	(Audited)
		Rupees in '000	
12. SHORT-TERM BORROWINGS			
Short term loans - secured	12.1	15,885,700	14,304,200
Running finance under mark-up arrangements	12.2	8,319,408	8,360,909
		<u>24,205,108</u>	<u>22,665,109</u>

12.1 Short term loans - secured

Financier	Security	Facility amount (million)	Tenure	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
				Rupees in '000	
From Banking Companies					
Habib Bank Limited	GoP guarantee	Rs 2,000	One year	2,000,000	2,000,000
Habib Bank Limited	GoP guarantee	Rs 1,600	One year	1,600,000	1,600,000
National Bank of Pakistan	GoP Guarantee and ranking charge on certain portion of fixed and current assets	Rs 3,000	One year	3,000,000	-
Habib Allied International Bank Limited - London	Euro receivables	US \$ 5 & US \$ 4	3 months	785,700	772,200
National Bank of Pakistan - Bahrain	Charge over UK and Saudi Arabia receivables	US \$ 60	-	-	1,287,000
National Bank of Pakistan - Bahrain	Charge over UK, Saudi Arabia, Bangladesh, & Oman receivables	US \$ 20	-	-	858,000
Habib Bank Limited (note 12.3)	GoP guarantee	Rs 2,000	One year	2,000,000	2,000,000
National Bank of Pakistan (note 12.3)	GoP guarantee	Rs 1,500	One year	1,500,000	1,500,000
Habib Bank Limited (note 12.3)	GoP guarantee	Rs 1,000	One year	1,000,000	1,000,000
Askari Bank Limited (note 12.3)	GoP guarantee and lien on all the Corporation's deposits, accounts and properties held with the bank	Rs 1,500	One year	1,500,000	1,500,000
KASB Bank Limited	GoP guarantee	Rs 500	One year	500,000	500,000
Faysal Bank Limited	GoP guarantee	US \$ 15	-	-	1,287,000
National Bank of Pakistan	Hypothecation of certain portion of receivables, book debts, stores and spares. Also, lien and specific right to set-off over all collections routed through an account maintained with the bank	Rs 2,000	One year	2,000,000	-
				<u>15,885,700</u>	<u>14,304,200</u>

12.1.1 The borrowings in Rupees carry mark-up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (December 31, 2010: spread of 0.85% to 0.90% over 1 month and 3 months KIBOR). The borrowings in foreign currency carry mark-up of 2.25% over 1 month LIBOR (December 31, 2010: a spread of 2.0% to 5.25% over 1 month and 3 months LIBOR / SIBOR).

12.2 Running finance under mark-up arrangements

Financier	Security amount	Facility credit (million)	Unavailed (million)	Tenure	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
					Rupees in '000	
Secured						
United Bank Limited - Karachi	Hypothecation charge of Rs 3,427 million on all present and future stores and spares and assignment of receivables from Karachi and Lahore	Rs 2,570 & -	Rs 1,398	On demand & 1 month	1,886,904	2,876,591
National Bank of Pakistan (note 12.3 - for facility of Rs 575 million)	First pari passu hypothecation charge on certain portion of present and future current assets of the Corporation with a margin of 25% in favour of NBP. Also first pari passu hypothecation charge on collections routed through the account maintained with the bank and collected into respective main collection account maintained by NBP with 25% margin	Rs 575 & Rs 925	Rs 361	One year & 5 months	559,261	1,474,122
Habib Allied International Bank Limited - London	EURO receivables	US \$ 3	-	On demand	343,191	257,287
KASB Bank Limited	Ranking charge over receivables on Kharian Station amounting to Rs 533.330 million	Rs 400	-	One year	364,678	400,000
United Bank Limited - Dubai	First pari passu charge over certain portion of present and future current assets	US \$ 22	-	One year	1,943,623	1,887,415
Summit Bank Limited (formerly Arif Habib Bank Limited)	Hypothecation charge on specific receivables of Mirpur Azad Kashmir region	Rs 300	-	-	-	163,043
United Bank Limited - Bahrain	First pari passu charge over certain portion of present and future current assets	US \$ 13	-	One year	1,148,504	1,112,192
Habib Bank Limited (note 12.3)	Hypothecation charge on certain portion of movable assets, present and future spare parts, accessories of aircraft	-	Rs 27	One year	1,283,730	95,879
Bank of Punjab	Hypothecation charge on receivables comprising of sales receipts	-	Rs 4	On Demand	727,196	-
Citibank N.A.	Specific charge on certain portion of present and future stores and spares and book debts of Mirpur Azad Jammu Kashmir (AJK)	-	Rs 4	On Demand	727,196	-
Citibank N.A.	Collection account	US\$ 15	US \$ 4	1 month	-	-
Un-secured						
Habib American Bank	-	US \$ 1.5	-	-	62,321	94,380
Citibank N.A.	-	US \$ 3	US \$ 0.2	On Demand	-	-
					8,319,408	8,360,909

12.2.1 The borrowings in Rupees carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (December 31, 2010: 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, 2010: fixed rate of 3.25% per annum whereas variable rate borrowing carries mark-up with a spread of 3% to 5% over 1 month and 3 months LIBOR).

12.3 These facilities which matured during the period are in process of being rolled-over.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The tax department has levied penalties of Rs 5,877.351 million (December 31, 2010: Rs 5,877.351 million), Rs 5,679.110 million (December 31, 2010: Rs 5,679.110 million) and Rs 7,025.270 million (December 31, 2010: Nil) on account of delayed payment of sales tax and FED for the months of November - December 2008, January - March 2010 and November 2010 - January 2011 respectively. In this respect, the tax department has also levied default surcharge and 5% penalty on the unpaid sales tax and FED amounting to Rs 38.88 million, Rs 79.969 million and Rs 74 million respectively. The matter for the months of November - December 2008 and January - March 2010 has been referred for deletion and notification is awaited in the light of discussions held with Federal Board of Revenue (FBR), Ministry of Defence and MoF. It is expected that a notification for deletion in this regard would be issued shortly. For the months of November 2010 - January 2011, the Holding company has filed appeal with Commissioner Appeals which is pending adjudication. The management is confident that the case will be decided in favour of the Holding company, therefore, no provision has been made in these consolidated condensed interim financial statements in respect of the subject orders / show cause notices.

13.1.2 During the year 1995, the Employees' Old Age Benefits Institution (EOBI) had filed complaints against the Holding company with the relevant Adjudicating Authority regarding non-registration under the Employees' Old-Age Benefits Act, 1976 (the Act) and non-payment of required contribution. These complaints were decided against the Holding company and immediate payment of contribution on employees working in the Flight Kitchen and Engineering departments was ordered aggregating Rs 51.644 million for the period July 1, 1976 till the date of the order, i.e. November 24, 1995. The Holding company filed a Constitutional Petition in the Sindh High Court against the aforementioned order, however the case was decided against the Holding company in 2003. The Holding company's appeal in the Supreme Court against the Sindh High Court's decision has also been dismissed in April 2011.

In light of the Supreme Court's decision, the EOBI has raised demands for the payment of outstanding dues. The Holding company has filed a review petition with the Supreme Court which is pending to date. Further, a request dated August 10, 2011 has been forwarded to the Ministry of Defence for exemption under section 46 of the Act. The management is confident that the case will be resolved in the favour of the Holding company.

13.1.3 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 no sound legal footing and it does not expect these contingencies to materialise. Accordingly, no provision has been made in these condensed interim financial statements against these claims amounting to Rs 3,751 million (December 31, 2010: Rs 3,549 million).

13.1.4 There has been no change in the status of other contingencies as disclosed in notes 29.1 (a to c, e to h and j) to the December 31, 2010 financial statements.

13.1.5 Contingencies relating to income tax matters are disclosed in note 19.1.

13.2 Commitments

Commitments for purchase of simulator
Commitments for other capital expenditure
Outstanding letters of credit
Outstanding letters of guarantee

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Rupees in '000	
	43,480	169,171
	24,288	3,118
	311,844	175,762
	565,027	546,703

13.2.1 The amounts of future payments in operating lease arrangement relating to Aircraft 777-200 ER and the period in which these payments will become due are as follows:

	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Rupees in '000	
Not later than one year	1,106,497	1,104,780
Later than one year but not later than five years	4,375,716	4,305,472
Later than five years	455,804	1,254,322
	5,938,017	6,664,574

	Nine months period ended		Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

14. REVENUE - net

Passenger	74,276,493	65,794,301	24,596,195	21,999,891
Cargo	4,920,603	4,783,312	1,840,910	1,669,093
Excess baggage	848,617	740,205	304,851	257,243
Charter	794,794	275,752	73,831	182,174
Engineering services	637,251	784,165	198,032	242,923
Handling and related services	488,885	515,515	166,046	222,258
Mail	357,033	343,624	115,597	133,010
Room, food and beverages sales	7,457,670	7,119,803	2,745,757	2,548,602
Others	1,835,052	1,123,135	680,283	346,979
	<u>91,616,398</u>	<u>81,479,812</u>	<u>30,721,502</u>	<u>27,602,173</u>

	Nine months period ended		Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

15. COST OF SERVICES - Others

		Restated		Restated
Salaries, wages and allowances	8,214,677	7,225,604	2,004,158	2,417,046
Welfare and social security costs	359,228	321,897	126,302	114,351
Retirement benefits	867,159	1,849,613	289,053	746,759
Compensated absences	81,664	78,106	27,221	29,202
Legal and professional charges	72,595	79,235	24,817	39,585
Stores and spares consumed	1,997,742	2,169,112	509,006	686,878
Maintenance and overhaul	3,848,524	3,391,926	1,472,419	1,073,079
Flight equipment rental	1,110,873	932,825	510,885	330,773
Landing and handling	9,220,181	8,518,623	2,906,909	3,134,691
Passenger services	2,897,911	2,585,142	989,704	880,371
Crew layover	2,489,555	2,153,237	852,544	758,841
Staff training	67,528	65,863	21,617	17,804
Food Cost	428,327	1,486,367	139,814	377,407
Hotel running expense	1,564,870	3,077,848	246,231	1,208,579
Utilities	48,913	17,227	17,044	7,014
Communication	46,242	55,863	15,748	27,404
Insurance	1,130,673	1,074,152	379,582	377,409
Rent, rates and taxes	1,063,608	390,365	370,461	47,078
Printing and stationery	139,967	141,349	40,965	29,691
Amortisation	1,887	1,932	629	644
Depreciation	5,156,319	4,068,479	1,753,625	1,337,105
Others	737,870	277,709	486,687	104,202
	<u>41,546,313</u>	<u>39,962,474</u>	<u>13,185,421</u>	<u>13,745,913</u>

	Nine months period ended		Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

16. OTHER PROVISIONS AND ADJUSTMENTS

Capital spares written off	52,159	-	43,265	-
Provision for slow moving stores and spares	246,350	159,154	136,519	65,584
Provision against doubtful debts	149,477	104,188	-	749
Loss on fuel hedging contracts	128,397	-	128,397	-
Arrears of mandatry retirement	-	4,636	-	4,636
	<u>576,383</u>	<u>267,978</u>	<u>308,181</u>	<u>70,969</u>

	Nine months period ended		Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

17. FINANCE COSTS

Mark-up on:				
- long term financing	1,534,997	1,612,342	299,682	568,966
- murabaha financing		2,957	-	-
- short term borrowings	2,366,763	1,881,438	1,034,614	621,711
	<u>3,901,760</u>	<u>3,496,737</u>	<u>1,334,296</u>	<u>1,190,677</u>
Return on term finance certificates	1,375,614	1,273,086	465,247	432,903
Profit on sukuk certificates	777,369	723,222	265,666	241,670
Interest on liabilities against				
assets subject to finance leases	983,825	1,115,189	328,112	383,934
Interest to pension / provident fund	363,991	209,134	134,895	83,534
Arrangement, agency and commitment fee	90,371	196,793	2,152	2,167
Bank charges, guarantee commission and other related charges	203,099	196,996	67,867	65,877
	<u>7,696,029</u>	<u>7,211,157</u>	<u>2,598,235</u>	<u>2,400,762</u>

18. TAXATION

Current - for the period	1,286,670	1,003,085	502,124	366,810
- for prior periods	54,199	4,827	-	-
	<u>1,340,869</u>	<u>1,007,912</u>	<u>502,124</u>	<u>366,810</u>

18.1 There has been no change in the status of tax related contingencies as disclosed in the note 37.1 to the financial statements for the year ended December 31, 2010 except for the fact that the Additional Commissioner Inland Revenue (ACIR) has issued an amended order whereby demand in relation to the tax year 2005 has been reduced from Rs 939.009 million to Rs 898.177 million. Further, in respect of tax years 2006 and 2007, the ACIR has issued show cause notices to the Holding company on allowability of depreciation on leased aircraft and other provisions. No order has been issued by the department as the Holding company is seeking adjournment in filing of replies against the said notices.

	Nine months period ended		Quarter ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

19. EARNINGS PER SHARE - BASIC AND DILUTED

Loss after taxation	<u>18,356,214</u>	<u>10,425,456</u>	<u>8,178,280</u>	<u>4,301,780</u>
Weighted average number of ordinary shares outstanding	<u>2,668,306,356</u>	<u>2,440,214,802</u>	<u>2,723,350,592</u>	<u>2,445,053,525</u>
Loss attributable to:				
'A' class ordinary shares	6.88	4.27	3.00	1.76
'B' class ordinary shares	3.44	2.14	1.50	0.88

19.1 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)'.

19.2 There were no dilutive potential ordinary shares outstanding as at September 30, 2010 and 2011.

	Nine months period ended	
	September 30, 2011 (un-audited)	September 30, 2010 (un-audited)
	Rupees in '000	
	Restated	
20. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
Loss before taxation	(17,015,345)	(9,417,544)
Adjustments for non cash items:		
Depreciation	5,410,427	4,689,306
Gain on disposal of property, plant and equipment	(12,288)	(5,731)
Amortisation on premium	1,269	1,269
Provision for gratuity	4,050	2,700
Amortization	14,929	16,912
Provision for slow moving stores and spares	246,350	159,154
Provision for employees' benefits	1,310,467	2,868,411
Provision for doubtful debts	149,477	104,188
Property , plant and equipment written off	84,022	-
Liability written back	-	(179,083)
Finance costs	7,696,017	6,971,693
Profit on bank deposits	(25,405)	(15,073)
Cash generated from operations before working capital changes	(2,136,030)	5,196,202
Working capital changes:		
Decrease/(increase) in stores and spare parts	(472,075)	(1,069,543)
Stock in trade	(413)	-
Decrease/(increase) in trade debts	(893,339)	(152,869)
Decrease in advances	244,508	384,686
Decrease in trade deposits and prepayments	412,613	(187,296)
Increase in other receivables	(205,990)	(925,457)
Increase/(decrease) in trade and other payables	13,887,208	9,317,008
	12,972,512	7,366,529
Cash generated from operations after working capital changes	10,836,482	12,562,731

21. 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 consolidated condensed interim financial statements are as follows:

Relationship	Nature of transaction	Nine months period ended	
		September 30, 2011 (un-audited)	September 30, 2010 (un-audited)
		Rupees in '000	
Profit oriented state-controlled entities - common ownership	Purchase of fuel	15,423,404	10,695,220
	Insurance premium	1,073,000	1,126,000
	Interest charged on loan	286,641	132,988
Retirement funds	Contributions charged	305,502	301,926
	Interest on loans from pension/provident fund	363,991	209,134
GoP - major shareholder	Proceeds of long-term loan	-	8,000,000
	Interest charged on loan	1,693,973	893,973
	Advance against Hajj operations	4,300,000	1,460,000
	Advance against equity	2,476,283	2,494,592
Key management personnel	Salaries, wages and other benefits	109,777	90,069

22. BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

On August 14, 2009, GoP launched the BESOS for employees of certain State Owned Enterprises (SOEs) including the Holding company and Non-State Owned Enterprises (Non-SOEs) where GoP holds significant investments. BESOS is applicable to permanent and contractual employees who were in employment of these entities on its launch date, subject to completion of five years' vesting period by all contractual employees and by permanent employees in certain instances.

BESOS provides for a cash payment to employees on retirement or termination based on the price of shares of the Holding company. Under the scheme, Pakistan Employees Empowerment Trust (PEET) was formed and 12% of the shares held by the Ministry of Defence were transferred to the Trust. The eligible employees have been allotted units by PEET in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from PEET in exchange for the surrendered units as would be determined based on market price of shares of the Holding company. The shares relating to the surrendered units would be transferred back to GoP.

BESOS also provides that 50% of dividend related to shares transferred to PEET would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by PEET to the Central Revolving Fund managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in PEET to meet the repurchase commitment would be met by GoP.

BESOS which has been developed in compliance with the policy of the GoP for empowerment of employees of SOEs needs to be accounted for by the covered entities, including the Holding company, under the provisions of the IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under BESOS, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under BESOS and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 in respect of BESOS.

Had the exemption not been granted, the accumulated losses as at September 30, 2011 would have been higher by Rs 376.486 million, staff costs and loss after taxation of the group for the nine months period then ended would have been higher by Rs 112.493 million while earnings per share would have been lower by Rs 0.04 and Rs 0.02 per share for class 'A' and 'B' shareholders respectively.

23. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on October 29, 2011 by the Board of Directors of the Holding company.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director