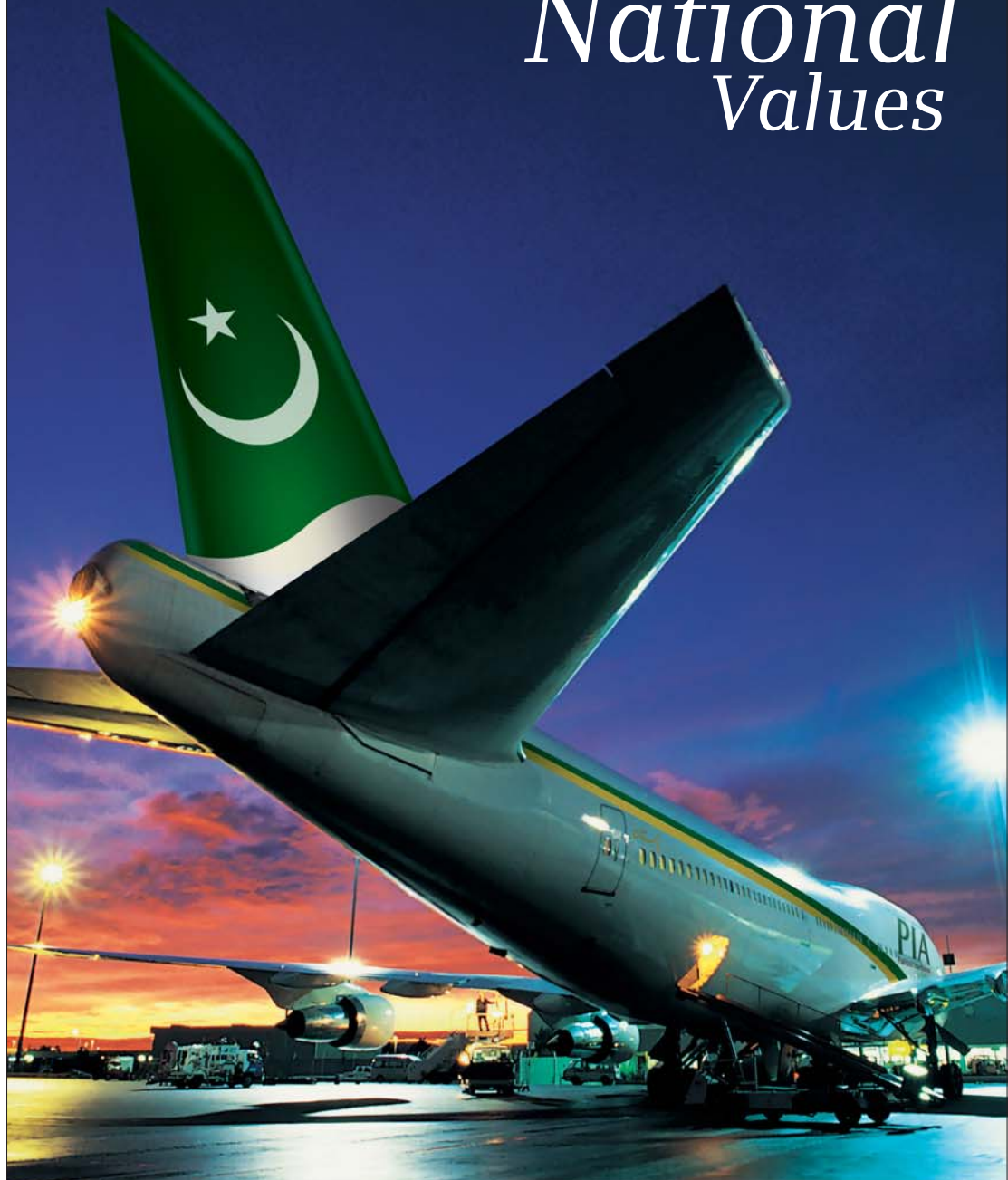


We stand for  
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Values*



*first quarterly report 2010*

  
Pakistan International

Great People to Fly With

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## *corporate information* (as at april 29, 2010)

### **Board of Directors**

**Ch. Ahmed Mukhtar**  
Minister for Defence and Chairman - PIA

**Syed Naseer Ahmad**

**Malik Nazir Ahmed**

**Mr. Javed Akhtar**

**Lt. Gen. (Retd.) Syed Athar Ali**  
Federal Secretary Defence

**Capt. Muhammad Aijaz Haroon**  
Managing Director – PIA

**Prof. Mian Ijaz ul Hassan**

**Mr. Mubashir Iftikhar**

**Mr. Husain Lawai**

**Mr. Shaukat Ali Rana**

**Mr. Salman Siddique**  
Federal Secretary Finance

**Corporate Secretary**  
**Mr. Muhammad Shuaib**

**Acting Head of Internal Audit**  
**Mr. Bhagwan Bharvani**

### **Executive Management**

**Capt. Muhammad Aijaz Haroon**  
Managing Director

**Mr. M. Salim Sayani**  
Deputy Managing Director

**Mr. Imraan Ahmed Khan**  
Director - Marketing

**Mr. M. Haneef Pathan**  
Director - Human Resource,  
Administration & Coordination

**Mr. Shahnawaz Rehman**  
Director - Corporate Planning

**AVM Muhammad Kamal Alam Siddiqui**  
Director - Precision Engineering Complex

**Capt. Shuja Naqvi**  
Director - Flight Operations

**Mr. Dilawar Fareed Beg**  
Director - Training and Development

**Mr. Maqsood Ahmed**  
Director - Line Maintenance

**Mr. Richard Bate**  
Director - Special Projects

**Mr. Faisal I. H. Malik**  
Director Finance &  
Chief Financial Officer

**Mr. S. Kamran Hasan**  
Director

## *Share Registrar*

### **Share Registrar**

Central Depository Company of Pakistan Ltd. - Shares Registrar Department,  
CDC House, 99 – B, Block 'B', Sindhi Muslim Cooperative Housing Society,  
Main Shahrah-e-Faisal, Karachi – 74400, PAKISTAN

Ph: Customer Support Services  
(Toll Free) 0800 – CDCPL (23275)

Fax: (92-21) 3432 6053

Email: [info@cdcpak.com](mailto:info@cdcpak.com)

Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

### **Head Office**

PIA Building  
Jinnah International Airport  
Karachi – 72500  
PAKISTAN

## *board of directors' committees* (as of april 29, 2010)

### **Audit Committee**

Mr. Hussain Lawai	Chairman
Malik Nazir Ahmed	Member
Prof. Mian Ijaz ul Hassan	Member
Mr. Mubashir Iftikhar	Member
Chief Internal Auditor	Secretary (ex-officio)

### **Brand & Advertisement Committee**

Prof. Mian Ijaz ul Hassan	Chairman
Malik Nazir Ahmed	Member
Mr. Javed Akhtar	Member
Capt. Muhammad Aijaz Haroon	Member (ex-officio)
Managing Director	
Mr. Mubashir Iftikhar	Member
General Manager Marketing Planning	Secretary (ex-officio)

### **Finance Committee**

Mr. Salman Siddique	Chairman
Capt. Muhammad Aijaz Haroon	Member (ex-officio)
Managing Director	
Mr. Mubashir Iftikhar	Member
Mr. Husain Lawai	Member
Chief Financial Officer	Secretary (ex-officio)

### **Human Resource Committee**

Syed Naseer Ahmad	Chairman
Capt. Muhammad Aijaz Haroon	Member (ex-officio)
Managing Director	
Malik Nazir Ahmed	Member
Mr. Javed Akhtar	Member
Mr. Mubashir Iftikhar	Member
Mr. Shaukat Ali Rana	Member
Director HRA&C	Secretary (ex-officio)

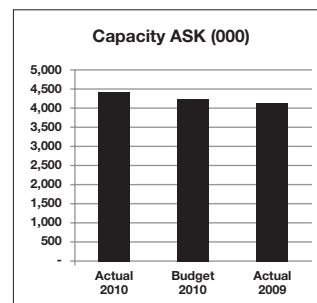
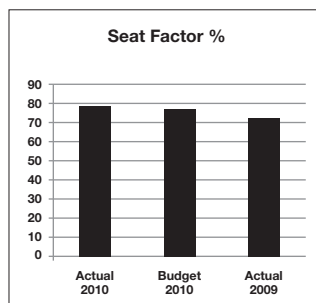
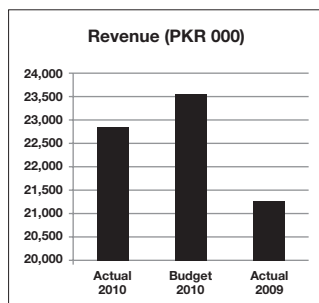
## Directors' Report to the Shareholders

The Directors of Pakistan International Airlines Corporation are pleased to present their report along with the unaudited interim condensed financial statements for the three months period ended March 31, 2010.

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

First Quarter Ended March 31, 2010	2010 (Rs. Billion)	2009 (Rs. Billion)
<b>Revenues</b>		
Passenger	20.34	17.26
Hajj	0.16	1.99
Cargo & Others	2.35	2.00
<b>Total Turnover - Net</b>	<b>22.85</b>	<b>21.25</b>
<b>Operating Cost &amp; Expenses</b>		
Fuel Cost	8.48	5.85
Other Cost Of Service	11.63	10.85
Distribution & Admin Expenses	3.21	2.58
Exchange (Gain)/Loss	(0.33)	1.85
Others Income & Adjustments	(0.02)	(0.24)
Financial Cost	2.30	2.41
Loss Before Tax	2.42	2.05
Loss After Tax	2.53	2.05

Our business has continued to grow despite sagging economic activity, security condition in the country and visa restrictions by many countries on Pakistani passport holders. The passenger revenue increased by PKR 3 billion (17.8%) resulting from both yield and traffic. Quarterly Revenue has recorded an all time high showing an increase of PKR 1.6 billion (7.6%) against corresponding period of last year although last year figures included Hajj 2008 revenue (1.99 B). Total number of passengers grew to 1.33 million as compared to 1.26 million (5.6%) whereas yield excluding Hajj increased to 5.97 from 5.73 in the corresponding period last year. Seat-factor increased to 78.1% as compared to 72.3% in the corresponding quarter of 2009. Charter revenue also kept its pace and grew by 12%. However bottom-line suffered due to increase in fuel cost and inflationary effect on expenses.



We increased our capacity by deploying B-777 on major EU & UK routes instead of A310s and by increasing number of flights. At the same time we managed to increase passenger traffic and yield thus resulting in highest quarterly revenues in the history of PIA. Cargo revenue also increased by PKR 242 million inspite of a weak economic environment. Similarly other revenues also increased by 10.9%.

Measures to control fuel cost are being strictly implemented in 2010. Fuel cost rose by 45% from 5.8 billion to 8.4 billion, as Brent oil prices rose by 72% over the same period, representing a significant control on actual cost vis-à-vis market prices. We are cautious going ahead as oil prices have been firmer this year and pose a significant threat to revenue margins. Fuel hedging is being planned in 2010 with a view to manage fuel price volatility and cash flow gyrations.

Exchange rate stability also helped to reduce exchange losses by 1.5 billion. Pak rupee was weaker by nearly 4.42% on March 31st 2010, closing at 83.90 compared to 80.35 on March 31st 2009. Financial charges also decreased marginally due to decrease in LIBOR & KIBOR rates.

We are set to continue focusing on the revenue while keeping a watchful eye on surging fuel prices, a strict check on non-fuel costs whilst addressing rising challenge from gulf operators due to increased capacity. Rising fuel cost will have adverse effect on bottom line. It will not only increase operating cost but passenger traffic may also reduce due to derailed nascent world economic recovery. Rising fuel cost may have a negative impact on exchange rate as well. Your board is fully aware of the threats and will continue to foster risk management.

During second quarter we plan to start our operations to Chicago and also increase capacity on Barcelona, London and Scandinavian routes. We have also managed to increase capacity on Umra flights.

Hospitality business continued to suffer due to fragile world economy. PIA Investments Limited (PIAIL) reported revenues of USD 21.1 million compared to USD 21.3 million in the same period last year. PIAIL made after tax loss of USD 0.645 million as compared to a profit of USD 6,313 in the corresponding period last year.

Despite security concerns in the country, impacting the number of travelers coming to Pakistan, SkyRooms (Pvt) Limited reported revenue of PKR 66.3 million as compared to PKR 50.4 million in the corresponding period last year. After tax profit also increased to PKR 0.31 million as compared to PKR 0.18 million in the corresponding period of 2009.

The Board and the Management, with continued support of employees, are fully committed to bring about financial discipline, eradicate losses and become an agile and efficient organization. In this regard the Corporation is developing a strategic road map along with detailed business plan for next five years. This will also help us to find ways to reduce debt burden and financial cost. We are confident that "Together we shall prevail"

For and on Behalf of the Board

**Ch. Ahmed Mukhtar**  
Chairman

April 29, 2010

*We stand for National Values*

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# *unconsolidated* *financial statements*

Unconsolidated

## Interim Condensed Balance Sheet

As at March 31, 2010

		(Un-audited) March 31, 2010	(Audited) December 31, 2009	(Un-audited) March 31, 2010	(Audited) December 31, 2009
Note		Rupees in '000	Rupees in '000	US\$ in '000	US\$ in '000
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
	Fixed assets				
	Property, plant and equipment	3 132,561,688	133,555,560	1,579,996	1,586,171
	Intangibles	86,140	91,962	1,027	1,092
		<u>132,647,828</u>	<u>133,647,522</u>	<u>1,581,023</u>	<u>1,587,263</u>
	Long-term investments	4,446,952	4,446,950	53,003	52,814
	Long-term deposits and prepayments	4,932,892	5,038,148	58,795	59,835
		<u>142,027,672</u>	<u>143,132,620</u>	<u>1,692,821</u>	<u>1,699,912</u>
<b>CURRENT ASSETS</b>					
	Stores and spare parts	4 4,901,150	3,987,423	58,417	47,357
	Trade debts	5 8,160,776	7,978,187	97,268	94,753
	Advances	1,354,415	2,189,162	16,143	26,000
	Trade deposits and prepayments	1,110,780	1,158,497	13,239	13,759
	Other receivables	1,019,940	799,193	12,157	9,492
	Short-term investments	25,125	25,151	299	299
	Cash and bank balances	3,003,157	742,945	35,794	8,824
		<u>19,575,343</u>	<u>16,880,558</u>	<u>233,317</u>	<u>200,484</u>
	<b>TOTAL ASSETS</b>	<u>161,603,015</u>	<u>160,013,178</u>	<u>1,926,138</u>	<u>1,900,396</u>
<b>EQUITY AND LIABILITIES</b>					
<b>SHARE CAPITAL AND RESERVES</b>					
	Share capital	23,280,356	23,280,356	277,477	276,489
	Reserves	6 (74,762,885)	(72,335,101)	(891,095)	(859,087)
	<b>TOTAL EQUITY</b>	<u>(51,482,529)</u>	<u>(49,054,745)</u>	<u>(613,618)</u>	<u>(582,598)</u>
	Surplus on Revaluation of Fixed Assets	7 28,180,380	28,281,903	335,881	335,890
<b>NON CURRENT LIABILITIES</b>					
	Advance against equity from GoP	8 1,177,679	-	14,037	-
	Long-term financing	9 25,027,303	24,553,113	298,299	291,605
	Term finance and sukuk certificates	19,589,760	19,592,320	233,489	232,688
	Liabilities against assets subject to finance lease	59,792,660	61,272,797	712,666	727,705
	Long-term deposits	385,578	365,847	4,596	4,345
	Deferred liabilities	6,663,084	6,184,327	79,417	73,448
		<u>112,636,064</u>	<u>111,968,404</u>	<u>1,342,504</u>	<u>1,329,791</u>
<b>CURRENT LIABILITIES</b>					
	Trade and other payables including provisions	30,633,784	28,684,514	365,122	340,671
	Accrued interest / mark-up / profit	1,949,713	1,845,592	23,239	21,919
	Provision for taxation	860,458	848,890	10,256	10,082
	Short-term borrowings	27,345,114	23,982,160	325,925	284,824
	Current maturities of:				
	Long-term financing	4,099,472	5,328,458	48,861	63,283
	Term finance and sukuk certificates	5,120	5,120	61	61
	Liabilities against assets subject to finance lease	7,375,439	8,122,882	87,907	96,473
		<u>72,269,100</u>	<u>68,817,616</u>	<u>861,371</u>	<u>817,313</u>
	<b>CONTINGENCIES AND COMMITMENTS</b>	10			
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>161,603,015</u>	<u>160,013,178</u>	<u>1,926,138</u>	<u>1,900,396</u>

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

Ch. Ahmed Mukhtar  
Chairman

Husain Lawai  
Director

Unconsolidated

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

For the first quarter ended March 31, 2010

	Note	March 31, 2010 Rupees in '000	March 31, 2009 Rupees in '000	March 31, 2010 US\$ in '000	March 31, 2009 US\$ in '000
<b>REVENUE - net</b>	11	22,847,794	21,247,496	272,322	264,437
<b>COST OF SERVICES</b>					
Aircraft fuel		(8,476,249)	(5,852,772)	(101,028)	(72,841)
Others	12	(11,635,654)	(10,844,356)	(138,685)	(134,964)
		(20,111,903)	(16,697,128)	(239,713)	(207,805)
<b>GROSS PROFIT</b>		2,735,891	4,550,368	32,609	56,632
Distribution costs		(1,606,558)	(1,399,340)	(19,148)	(17,416)
Administrative expenses		(1,599,369)	(1,178,310)	(19,063)	(14,665)
Other provisions and adjustments - net		-	43,266	-	538
Exchange profit (loss) - net		335,439	(1,850,595)	3,998	(23,032)
Other operating income		14,974	200,366	178	2,494
		(2,855,514)	(4,184,613)	(34,035)	(52,081)
<b>PROFIT (LOSS) FROM OPERATIONS</b>		(119,623)	365,755	(1,426)	4,551
Finance costs	13	(2,295,444)	(2,414,436)	(27,359)	(30,049)
<b>LOSS BEFORE TAXATION</b>		(2,415,067)	(2,048,681)	(28,785)	(25,498)
Taxation		(114,239)	-	(1,362)	-
<b>LOSS FOR THE QUARTER</b>		(2,529,306)	(2,048,681)	(30,147)	(25,498)
		(Rupees)	(Rupees)	(US\$)	(US\$)
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>					
'A' class Ordinary shares of Rs.10 each		(1.18)	(0.96)	(0.01)	(0.01)
'B' class Ordinary shares of Rs. 5 each		(0.59)	(0.48)	(0.01)	(0.01)

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

Ch. Ahmed Mukhtar  
Chairman

Husain Lawai  
Director

Unconsolidated

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

For the first quarter ended March 31, 2010

	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	Rupees in '000		US\$ in '000	
Loss for the period	(2,529,306)	(2,048,681)	(30,147)	(25,497)
OTHER COMPREHENSIVE INCOME				
Unrealised loss on re-measurement of investments	-	(53,261)	-	(663)
<b>Cash flow hedge</b>				
Reclassification adjustment for loss transferred to profit and loss account	-	125,271	-	1,559
	-	125,271	-	1,559
<b>COMPREHENSIVE INCOME TRANSFERRED TO EQUITY</b>	<u>(2,529,306)</u>	<u>(1,976,671)</u>	<u>(30,147)</u>	<u>(24,601)</u>

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Unconsolidated

## Interim Condensed Statement of Cash Flows (Un-audited)

For the first quarter ended March 31, 2010

	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Note	Rupees in '000	Rupees in '000	US\$ in '000	US\$ in '000
<b>Cash flows from operating activities</b>				
Cash (used in) / generated from operations 14	3,284,106	1,292,319	39,143	16,084
Profit on bank deposits received	6,057	7,298	72	91
Finance costs paid	(2,191,323)	(2,933,076)	(26,118)	(36,504)
Taxes paid	(102,672)	(125,855)	(1,224)	(1,566)
Long term deposits - net	124,988	(53,331)	1,490	(664)
Net cash used in operating activities	1,121,156	(1,812,645)	13,363	(22,559)
<b>Cash flows from investing activities</b>				
Fixed capital expenditure	(417,157)	(514,349)	(4,972)	(6,401)
Proceeds from sale of fixed assets	516	6,961	6	87
Net cash used in investing activities	(416,641)	(507,388)	(4,966)	(6,314)
<b>Cash flows from financing activities</b>				
Advance against Equity	1,177,679	933,592	14,037	11,619
Proceeds / (repayment) of long term financing	(754,796)	3,044,149	(8,996)	37,886
Redemption of term finance certificates	(2,560)	(369,856)	(31)	(4,603)
Repayment of obligations under finance lease	(2,227,580)	514,763	(26,551)	6,406
Net cash generated from / (used in) financing activities	(1,807,257)	4,122,648	(21,541)	51,308
Decrease in cash and cash equivalents	(1,102,742)	1,802,615	(13,144)	22,435
Cash and cash equivalents at the beginning of the quarter	(23,239,215)	(29,710,507)	(276,987)	(369,764)
Cash and cash equivalents at the end of the quarter	(24,341,957)	(27,907,892)	(290,131)	(347,329)
<b>CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	3,003,157	758,368	35,794	9,438
Short term borrowings	(27,345,114)	(28,666,260)	(325,925)	(356,767)
	(24,341,957)	(27,907,892)	(290,131)	(347,329)

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Unconsolidated

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

For the first quarter ended March 31, 2010

	Issued, subscribed, and paid-up capital	Capital reserves	Revenue reserves	Reserves			Total
				Unrealised loss on remeasurement of investments	Accumulated losses	Other reserves	
Rupees in '000							
<b>Balance as at January 01, 2009 - restated</b>	21,423,014	2,501,038	1,779,674	73,265	(73,174,143)	(125,271)	(47,522,423)
Total comprehensive income for the year transferred to equity	-	-	-	(43,987)	(5,822,431)	125,271	(5,741,147)
Surplus on revaluation of fixed assets realized during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	2,351,483	-	2,351,483
<b>Transactions with owners</b>							
Issue of share capital 'A' class ordinary shares	1,857,342	-	-	-	-	-	1,857,342
<b>Balance as at December 31, 2009</b>	23,280,356	2,501,038	1,779,674	29,278	(76,645,091)	-	(49,054,745)
Total comprehensive income for the quarter transferred to equity	-	-	-	-	(2,529,306)	-	(2,529,306)
Surplus on revaluation of fixed assets realized during the quarter on account of incremental depreciation charged thereon - net of tax	-	-	-	-	101,522	-	101,522
<b>Balance as at March 31, 2010</b>	<b>23,280,356</b>	<b>2,501,038</b>	<b>1,779,674</b>	<b>29,278</b>	<b>(79,072,875)</b>	<b>-</b>	<b>(51,482,529)</b>

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Unconsolidated

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

For the first quarter ended March 31, 2010

### 1 STATUS AND FUNCTION

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 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide air transport 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.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

These financial statements are un-audited and are being circulated to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

These financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standards (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and shall be read in conjunction with the annual audited financial statements of the Corporation for the year ended December 31, 2009.

The accounting policies, estimates and methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the Corporation for the year ended December 31, 2009.

### 3. PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) March 31, 2010	(Audited) December 31, 2009
	Rupees in '000	
Operating fixed assets (note 3.1)	131,525,619	132,790,938
Capital work-in-progress	1,036,069	764,622
	<u>132,561,688</u>	<u>133,555,560</u>

**3.1 Following are the major additions and deletions during the period:**

	<b>March 31, 2010</b>	<b>March 31, 2009</b>
	Rupees in '000	
<b><u>Addition / transfers</u></b>		
<b><u>Owned</u></b>		
Buildings on leasehold land	2,951	360
Renovation and improvements	5,158	431
Operating ground equipment, Catering Communication & meteorological equipment	29,464	806
Engineering equipment and tools	24,999	3,141
Motor transport	-	7,225
Traffic equipment	14,548	-
Furniture, fixture and fitting	10,762	678
P.E.C Equipments	36	-
Office equipment	116	167
Computer and office automation	3,873	5,325
Other equipment	1,249	755
Capital spares	54,693	33,758
	<u>147,849</u>	<u>52,646</u>
<b><u>Leased</u></b>		
Aircraft fleet / Engines	-	399,261
	<u>147,849</u>	<u>451,907</u>
<b><u>Deletions</u></b>		
<b><u>Owned</u></b>		
Motor transport	(516)	(846)
Traffic equipment	-	(3,866)
	<u>(516)</u>	<u>(4,712)</u>

**4. STORES AND SPARE PARTS**

	Note	(Un-audited) March 31, 2010	(Audited) December 31, 2009
Rupees in '000			
Stores		727,247	792,769
Spares		5,462,009	5,280,298
Inventory held for disposal		2,197,398	2,197,398
Less: adjustment to write down surplus inventory to net realisable value		(1,944,539)	(1,944,539)
		252,859	252,859
Provision for slow moving and obsolete spares	4.1	(2,662,295)	(2,662,295)
		3,779,820	3,663,631
Stores and spares-in-transit		1,121,330	323,792
		<u>4,901,150</u>	<u>3,987,423</u>

**4.1 Movement in provision is as follows:**

Balance at the beginning of the period	2,662,295	2,216,611
Provision for the period	-	445,684
Balance at the end of the period	<u>2,662,295</u>	<u>2,662,295</u>

**5. TRADE DEBTS**

Considered good		8,160,776	7,978,187
Considered doubtful		600,361	623,200
Less: provision for doubtful debts	5.1	(600,361)	(623,200)
		-	-
		<u>8,160,776</u>	<u>7,978,187</u>

**5.1 Movement in provision is as follows:**

Balance at the beginning of the period	623,200	740,330
Written off during the period	(22,839)	(3,179)
(Reversal) / provision for the period - net	-	(113,951)
Balance at the end of the period	<u>600,361</u>	<u>623,200</u>

**5.2** Certain portion of trade debts is secured by cash and bank guarantees received from agents but due to very large number of agents all over the world the amount of secured trade debts is not determinable.

**6. RESERVES**

	(Un-audited) March 31, 2010	(Audited) December 31, 2009
Rupees in '000		
<b>Capital reserves</b>		
Reserve for replacement of fixed assets	1,966,779	1,966,779
Capital redemption reserve fund	250,000	250,000
Others	284,259	284,259
	2,501,038	2,501,038
<b>Revenue reserve</b>	1,779,674	1,779,674
	4,280,712	4,280,712
<b>Unrealised gain on remeasurement of investment</b>	29,278	29,278
<b>Accumulated losses</b>	(79,072,875)	(76,645,091)
	(79,043,597)	(76,615,813)
	(74,762,885)	(72,335,101)

**7. SURPLUS ON REVALUATION OF FIXED ASSETS - net**

Opening balance	28,281,903	14,192,700
Surplus arising as a result of revaluation	-	25,293,363
Related deferred tax effect of revaluation	-	(8,852,677)
Transferred to statement of changes in equity on account of incremental depreciation – net of tax	(101,523)	(2,351,483)
	28,180,380	28,281,903

**8. ADVANCE AGAINST EQUITY FROM GoP.**

This represents the amount received from GoP towards equity contribution under the terms of financial package whereby GoP had agreed to provide equity contribution to the Corporation to cover interest/profit.

**9. LONG TERM FINANCING**

During the quarter, the Corporation has arranged the long term financing of Rs.1 billion loan from Government of Pakistan at 10% markup per annum for ten years with two years grace period payable in 16 equal installments from year 3 onwards.

**10. CONTINGENCIES AND COMMITMENTS**

There has been no change in the status of contingencies and commitments as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2009.

**11. REVENUE - net**

	March 31, 2010	March 31, 2009
Rupees in '000		
Passenger	20,492,611	19,221,044
Cargo	1,278,565	1,036,876
Excess baggage	269,689	232,883
Charter	78,700	70,317
Engineering services	158,079	172,183
Handling and related services	128,291	110,790
Mail	90,112	65,130
Others	351,747	338,273
	22,847,794	21,247,496

**12. COST OF SERVICES - others**

	March 31, 2010	March 31, 2009
	Rupees in '000	
Salaries, wages and allowances	2,422,200	2,065,223
Welfare and social security costs	187,945	180,839
Retirement benefits	353,488	239,296
Compensated absences	25,751	25,000
Legal and professional charges	10,647	12,234
Stores and spares consumed	692,585	544,257
Maintenance and overhaul	1,344,729	1,000,195
Flight equipment rental	297,161	302,128
Landing and handling	2,659,492	2,387,039
Passenger services	821,590	628,902
Crew layover	651,998	603,738
Staff training	15,676	18,880
Utilities	5,038	4,309
Communication	14,657	17,518
Insurance	398,098	314,527
Rent, rates and taxes	221,885	157,561
Repair and maintenance	39,655	36,937
Printing and stationery	34,510	35,309
Depreciation	1,373,163	2,198,563
Amortisation	831	728
Others	64,555	71,173
	<u>11,635,654</u>	<u>10,844,356</u>

**13. FINANCE COSTS**

Mark-up on long-term financing	429,670	451,876
Profit on term finance certificate	418,490	428,322
Profit on sukuk certificates	241,447	-
Interest on liabilities against assets subject to finance lease	369,150	558,895
Mark-up on short-term borrowings	597,314	853,882
Interest to pension / provident fund	55,587	44,099
Arrangement, agency and commitment fee	173,857	66,646
Bank charges	9,929	10,716
	<u>2,295,444</u>	<u>2,414,436</u>

**14. CASH (USED IN) / GENERATED FROM OPERATIONS**

Loss before tax	(2,415,067)	(2,048,681)
Adjustments for:		
Depreciation	1,410,518	2,238,149
Gain on disposal of fixed assets	(6)	(1,808)
Amortization	5,823	5,993
Provision for slow moving stores and spares	-	43,155
Provision for employees' benefits	478,757	-
Finance costs	2,295,444	2,414,436
Profit on bank deposits	(6,057)	(6,246)
	<u>1,769,412</u>	<u>2,644,998</u>
<b>Working capital changes</b>		
(Increase) in stores and spares	(913,727)	(79,545)
(Increase) in trade debts	(182,589)	(739,218)
Decrease / (increase) in advances	834,747	267,428
Decrease / (increase) in trade deposits and prepayments	47,637	614,507
Decrease / (increase) in other receivables	(220,667)	(125,855)
Increase / (decrease) in trade and other payables	1,949,293	(1,289,996)
	<u>1,514,694</u>	<u>(1,352,679)</u>
Cash generated from / (used in) operations	<u>3,284,106</u>	<u>1,292,319</u>

## 15. TRANSACTIONS WITH RELATED PARTY

The transactions with related parties, other than those relating to issuance of tickets at concessional rates to employees and directors according to terms of employment / regulations and those not mentioned elsewhere in these financial statements are as follows:

	March 31, 2010	March 31, 2009
	Rupees in '000	
<b>Skyrooms (Private) Limited – Subsidiary</b>		
Catering services	11,500	-
<b>Retirement funds</b>		
Contribution	136,961	200,854

The Corporation's sales of transportation services to subsidiaries and associates are not determinable.

## 16. RELATED PARTY RELATIONSHIP

	March 31, 2010	March 31, 2009
The Corporation has related party relationships with the following undertakings:		
- Sky Rooms (Private) Limited	Subsidiary	Subsidiary
- Midway House (Private) Limited (under winding-up)	Subsidiary	Subsidiary
- PIA Investment Limited (PIAIL)	Subsidiary	Subsidiary
- Abacus Distribution Systems Limited	Joint Venture	Joint Venture
- Minhal Incorporated - Sharjah	Associate	Associate

## 17. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on April 29, 2010.

## 18. GENERAL

The US\$ amounts in balance sheet, have been translated into US\$ at the rate of Rs.83.90 = US\$1 (December 31,2009: Rs. 84.20 = US\$1). The US\$ amounts in profit & loss account, statement of comprehensive income and cash flow statement have been translated into US\$ at the rate of Rs.83.90 = US\$1(March 31' 2009:Rs.80.35 = US\$1)

18.1 Figures have been rounded off to the nearest thousand rupee.

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

## Quarterly Summary

		2010 1st Quarter	2009			2008 1st Quarter	
			1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
<b>Traffic Operations</b>							
Available Seat Kilometers (million)	International	3,789	3,429	4,164	4,087	3,494	3,314
	Domestic	571	629	650	666	568	652
	Hajj	15	295	-	-	1,635	615
	<b>Total</b>	<b>4,375</b>	<b>4,353</b>	<b>4,814</b>	<b>4,753</b>	<b>5,697</b>	<b>4,581</b>
Revenue Passenger Kilometers (million)	International	2,983	2,589	2,943	2,842	2,824	2,383
	Domestic	429	416	452	458	413	464
	Hajj	6	143	-	-	783	313
	<b>Total</b>	<b>3,418</b>	<b>3,148</b>	<b>3,395</b>	<b>3,300</b>	<b>4,020</b>	<b>3,160</b>
Seat Factor (%)	International	78.73	75.50	70.68	69.54	80.82	71.91
	Domestic	75.13	66.14	69.54	68.77	72.71	71.17
	Hajj	40.00	48.47	0.00	0.00	47.89	50.89
	<b>Total</b>	<b>78.13</b>	<b>72.32</b>	<b>70.52</b>	<b>69.43</b>	<b>70.56</b>	<b>68.98</b>
Available Freight Tonne Kilometers (million)	International	96	109	124	121	116	107
	Domestic	15	17	18	18	15	20
	<b>Total</b>	<b>111</b>	<b>126</b>	<b>142</b>	<b>139</b>	<b>131</b>	<b>127</b>
Revenue Freight Tonne Kilometers (million)	International	60	45	56	74	61	60
	Domestic	5	5	7	7	5	9
	<b>Total</b>	<b>65</b>	<b>50</b>	<b>63</b>	<b>81</b>	<b>66</b>	<b>69</b>
Load Factor (%)	International	62.50	41.28	45.16	61.16	52.59	56.07
	Domestic	33.33	29.41	38.89	38.89	33.33	45.00
	<b>Total</b>	<b>58.56</b>	<b>39.68</b>	<b>44.37</b>	<b>58.27</b>	<b>50.38</b>	<b>54.33</b>
<b>Financial</b>							
Rupees in million							
Operating Revenue		22,848	21,247	20,673	22,018	30,625	17,826
Operating Expenses		23,318	19,275	20,883	23,068	28,539	21,320
Operating profit/(loss)		(470)	1,972	(210)	(1,050)	2,086	(3,494)
Profit/(loss) before taxation		(2,415)	(2,049)	(5,839)	(5,565)	(1,906)	(5,398)
Profit/(loss) after taxation		(2,529)	(2,049)	(5,395)	(5,376)	(4,949)	(5,487)
Fixed Assets		132,648	113,395	111,698	109,960	133,648	100,973
Current Assets		19,575	15,256	16,198	15,595	16,881	14,236
Current Liabilities		72,269	70,140	83,418	83,349	68,818	55,198
Long-term Debts		104,410	97,580	86,925	88,485	105,418	83,211
Net Worth		(51,483)	(48,028)	(50,814)	(55,625)	(49,055)	(17,171)
Jet Fuel Prices (Rs. Per US Gallon)		183.2	122.53	126.64	162.67	176.91	174.47

*consolidated*  
*financial statements*

Consolidated

## Interim Condensed Balance Sheet (Un-audited)

As at March 31, 2010

		(Un-audited) March 31, 2010	(Audited) December 31, 2009	(Un-audited) March 31, 2010	(Audited) December 31, 2009
Note		Rupees in '000		US\$ in '000	
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
	Fixed assets				
	Property, plant and equipment	3 173,708,615	175,531,555	2,070,425	2,084,698
	Intangibles	2,684,899	2,903,518	32,001	34,484
		176,393,514	178,435,073	2,102,426	2,119,182
	Long-term investments	95,583	93,021	1,139	1,105
	Receivable from Centre Hotel	633,797	636,064	7,554	7,554
	Long-term loans	9,129	12,051	109	143
	Long-term deposits and prepayments	5,101,904	5,199,986	60,809	61,757
		182,233,927	184,376,195	2,172,037	2,189,741
<b>CURRENT ASSETS</b>					
	Stores and spare parts	4 4,932,265	4,017,865	58,787	47,718
	Trade debts	5 8,508,408	8,335,142	101,412	98,992
	Short-term loans and advances	1,401,799	2,187,319	16,708	25,978
	Trade deposits and prepayments	1,340,563	1,672,701	15,978	19,866
	Other receivables	1,097,169	1,003,640	13,077	11,920
	Short-term investments	166,393	144,060	1,983	1,711
	Taxation - net	73,356	70,628	874	839
	Cash and bank balances	6,853,171	4,691,221	81,683	55,715
		24,373,124	22,122,576	290,502	262,739
	<b>TOTAL ASSETS</b>	<b>206,607,051</b>	<b>206,498,771</b>	<b>2,462,539</b>	<b>2,452,480</b>
<b>EQUITY AND LIABILITIES</b>					
<b>SHARE CAPITAL AND RESERVES</b>					
	Share capital	23,280,356	23,280,356	277,477	276,489
	Reserves	6 (73,486,157)	(70,568,745)	(875,878)	(838,109)
	<b>Attributable to the Holding company's shareholders</b>	<b>(50,205,801)</b>	<b>(47,288,389)</b>	<b>(598,401)</b>	<b>(561,620)</b>
	Non-controlling interest	829,584	760,764	9,888	9,035
	Total equity	(49,376,217)	(46,527,625)	(588,513)	(552,585)
	<b>Surplus On Revaluation Of Fixed Assets</b>	<b>7 41,745,693</b>	<b>42,212,154</b>	<b>497,565</b>	<b>501,332</b>
<b>NON CURRENT LIABILITIES</b>					
	Advance against equity from GoP	8 1,177,679	-	14,037	-
	Long-term financing	9 40,475,448	40,300,378	482,425	478,627
	Term finance and sukuk certificates	19,589,760	19,592,320	233,489	232,688
	Liabilities against assets subject to finance lease	59,836,540	61,321,895	713,189	728,289
	Long-term deposits	385,710	365,979	4,597	4,346
	Deferred liabilities	18,619,180	18,307,683	221,921	217,431
		140,084,317	139,888,255	1,669,658	1,661,381
<b>CURRENT LIABILITIES</b>					
	Trade and other payables including provisions	32,192,425	30,418,267	383,700	361,262
	Accrued interest / mark-up / profit	1,949,713	1,845,592	23,238	21,919
	Tax payable	860,457	874,887	10,256	10,391
	Short-term borrowings	27,345,114	23,982,160	325,925	284,824
	Current maturities of:				
	Long-term financing	4,408,915	5,655,812	52,550	67,171
	Term finance and sukuk certificates	5,120	5,120	61	61
	Advance rent	-	3,486	-	41
	Liabilities against assets subject to finance lease	7,391,514	8,140,663	88,099	96,683
		74,153,258	70,925,987	883,829	842,352
	<b>CONTINGENCIES AND COMMITMENTS</b>	<b>10</b>			
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>206,607,051</b>	<b>206,498,771</b>	<b>2,462,539</b>	<b>2,452,480</b>

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Consolidated

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

For the first quarter ended March 31, 2010

	Note	March 31, 2010 Rupees in '000	March 31, 2009 Rupees in '000	March 31, 2010 US\$ in '000	March 31, 2009 US\$ in '000
<b>REVENUE - net</b>	11	24,699,393	22,938,848	294,391	285,487
<b>COST OF SERVICES</b>					
Aircraft fuel		(8,476,249)	(5,852,772)	(101,028)	(72,841)
Others	12	(13,307,449)	(12,366,884)	(158,611)	(153,913)
		(21,783,698)	(18,219,656)	(259,639)	(226,754)
<b>GROSS PROFIT</b>		2,915,695	4,719,192	34,752	58,733
Distribution costs		(1,650,292)	(1,435,565)	(19,670)	(17,866)
Administrative expenses		(1,687,687)	(1,208,814)	(20,115)	(15,044)
Other provisions and adjustments - net		-	43,266	-	538
Exchange gain (loss) - net		335,439	(1,850,595)	3,998	(23,031)
Other operating income		15,720	200,754	187	2,498
		(2,986,820)	(4,250,954)	(35,600)	(52,905)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>		(71,125)	468,238	(848)	5,828
Finance costs	13	(2,373,011)	(2,513,320)	(28,284)	(31,280)
<b>LOSS BEFORE TAXATION</b>		(2,444,136)	(2,045,082)	(29,132)	(25,452)
Taxation		(139,456)	(2,982)	(1,662)	(37)
<b>LOSS FOR THE QUARTER</b>		(2,583,592)	(2,048,064)	(30,794)	(25,489)
Attributable to:					
Attributable to the Holding company's shareholders		(2,592,336)	(2,051,989)	(30,898)	(25,538)
Non-controlling interest		8,744	3,925	104	49
		(2,583,592)	(2,048,064)	(30,794)	(25,489)
		(Rupees)	(Rupees)	(US\$)	(US\$)
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>					
'A' class Ordinary shares of Rs.10 each		(1.21)	(0.96)	(0.01)	(0.01)
'B' class Ordinary shares of Rs. 5 each		(0.61)	(0.48)	(0.01)	(0.01)

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Consolidated

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

For the first quarter ended March 31, 2010

	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	Rupees in '000		US\$ in '000	
Loss for the quarter	(2,583,592)	(2,048,064)	(30,794)	(25,489)
OTHER COMPREHENSIVE INCOME				
Unrealised loss on re-measurement of investments	-	(53,261)	-	(663)
<b>Cash flow hedge</b>				
Reclassification adjustment for loss transferred to profit and loss account	-	125,271	-	1,559
	-	125,271	-	1,559
Exchange differences on translation of foreign operations	(435,342)	40,995	(5,189)	510
<b>TOTAL COMPREHENSIVE INCOME FOR THE QUARTER</b>	<u>(3,018,934)</u>	<u>(1,935,059)</u>	<u>(35,983)</u>	<u>(24,083)</u>
<b>Attributable to:</b>				
Attributable to the Holding company's shareholders	(3,027,678)	(1,938,984)	(36,087)	(24,132)
Non controlling interest	8,744	3,925	104	49
	<u>(3,018,934)</u>	<u>(1,935,059)</u>	<u>(35,983)</u>	<u>(24,083)</u>

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Consolidated

## Interim Condensed Statement of Cash Flows (Un-audited)

For the first quarter ended March 31, 2010

	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Note	Rupees in '000		US\$ in '000	
<b>Cash flows from operating activities</b>				
Cash generated from / (used in) operations after working capital changes	14 3,560,023	1,776,226	42,432	22,106
Profit on bank deposits received	6,057	7,298	72	91
Finance costs paid	(2,195,530)	(3,050,006)	(26,168)	(37,959)
Taxes paid	(102,683)	(266,990)	(1,224)	(3,323)
Staff retirement benefits paid	(3,116)	-	(37)	-
Long-term deposits and prepayments - net	-	(53,756)	-	(669)
<b>Net cash used in operating activities</b>	<b>1,264,751</b>	<b>(1,587,228)</b>	<b>15,075</b>	<b>(19,754)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(453,373)	(753,611)	(5,404)	(9,379)
Proceeds from sale of property, plant and equipment	8,840	6,961	105	87
Long term receivable	(10,127)	(49,666)	(120)	(618)
Proceeds from short-term investments	62,607	-	746	-
<b>Net cash used in investing activities</b>	<b>(392,053)</b>	<b>(796,316)</b>	<b>(4,673)</b>	<b>(9,910)</b>
<b>Cash flows from financing activities</b>				
Advance against Equity	1,177,679	933,592	14,037	11,619
Proceeds from long-term financing	(1,014,554)	2,848,365	(12,092)	35,449
Redemption of term finance certificates	(2,560)	(369,856)	(31)	(4,603)
(Repayment) of / proceeds from obligations under finance lease - net	(2,234,267)	508,681	(26,630)	6,331
<b>Net cash generated from financing activities</b>	<b>(2,073,702)</b>	<b>3,920,782</b>	<b>(24,716)</b>	<b>48,796</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>(1,201,004)</b>	<b>1,537,238</b>	<b>(14,314)</b>	<b>19,132</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER</b>	<b>(19,290,939)</b>	<b>(26,613,040)</b>	<b>(229,928)</b>	<b>(331,214)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER</b>	<b>(20,491,943)</b>	<b>(25,075,802)</b>	<b>(244,242)</b>	<b>(312,082)</b>
<b>CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	6,853,171	3,590,458	81,683	44,685
Short-term borrowings	(27,345,114)	(28,666,260)	(325,925)	(356,767)
	<u>(20,491,943)</u>	<u>(25,075,802)</u>	<u>(244,242)</u>	<u>(312,082)</u>

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

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

For the first quarter ended March 31, 2010

	Issued, subscribed, and paid-up capital	Capital reserves	Revenue reserves	Unrealised loss on remeasurement of investments	Foreign currency translation reserves	Accumulated losses	Other reserves	Total	Non controlling interest	Total
	Rupees in '000									
<b>Balance as at January 1, 2009 - restated</b>	21,423,014	2,501,038	1,779,674	73,265	(602,014)	(71,836,792)	(95,139)	(46,756,954)	743,935	(46,013,019)
	21,423,014	2,501,038	1,779,674	73,265	(602,014)	(71,836,792)	(95,139)	(46,756,954)	743,935	(46,013,019)
Total comprehensive income for the year transferred to equity	-	-	-	(43,987)	147,145	(5,233,041)	125,271	(5,004,612)	14,170	(4,990,442)
Surplus on revaluation of fixed assets realized during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	2,614,705	-	2,614,705	2,659	2,617,364
Mandatory statutory reserve	-	-	-	-	-	-	1,130	1,130	-	1,130
<b>Transactions with owners</b>										
Issue of share capital 'A' class ordinary shares	1,857,342	-	-	-	-	-	-	1,857,342	-	1,857,342
<b>Balance as at December 31, 2009</b>	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)
Total comprehensive income for the quarter transferred to equity	-	-	-	-	(435,342)	(2,583,592)	-	(3,018,934)	68,820	(2,950,114)
Surplus on revaluation of fixed assets realized during the quarter on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	101,522	-	101,522	-	101,522
Mandatory statutory reserve	-	-	-	-	-	-	-	-	-	-
<b>Transactions with owners</b>										
Issue of share capital 'A' class ordinary shares	-	-	-	-	-	-	-	-	-	-
<b>Balance as at March 31, 2010</b>	23,280,356	2,501,038	1,779,674	29,278	(890,211)	(76,937,198)	31,262	(50,205,801)	829,584	(49,376,217)

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

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Consolidated

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

For the first quarter ended March 31, 2010

## 1. THE GROUP AND ITS OPERATIONS

**The Group consists of:**

### **Pakistan International Airlines Corporation (the Holding company)**

Pakistan International Airlines Corporation (the Corporation), was incorporated on January 10, 1955 under the PIAC Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation's Act 1956 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services.

Following subsidiary companies have been consolidated in the Financial Statements of Pakistan International Airlines Corporation (Holding Company)

<b>Subsidiary Companies</b>	<b>Nature of Business</b>
PIA Investments Ltd. (PIA-IL)	Promoters of and investors in projects related to construction, development and operations of hotels, motels and restaurants throughout the world.
Skyrooms (Private) Limited (SRL)	To manage Airport Hotel at Karachi.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements are unaudited and are being circulated to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

These interim condensed consolidated financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standards (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and shall be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended December 31, 2009.

The accounting policies, estimates and methods of computation adopted in the preparation of these interim condensed consolidated financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2009.

**3. PROPERTY, PLANT AND EQUIPMENT**

	<b>(Un-audited) March 31, 2010</b>	<b>(Audited) December 31, 2009</b>
	Rupees in '000	
Operating fixed assets (note 3.1)	172,670,900	174,765,284
Capital work-in-progress	1,037,715	766,271
	<u>173,708,615</u>	<u>175,531,555</u>

**3.1 Following are the major additions and deletions during the period:**

	<b>March 31, 2010</b>	<b>March 31, 2009</b>
	Rupees in '000	
<b><u>Additions / transfers</u></b>		
<b><u>Owned</u></b>		
Buildings on leasehold land	2,951	360
Renovation and improvements	15,810	431
Communication & meteorological equipment	29,464	806
Engineering equipment and tools	24,999	3,141
Motor transport	-	7,225
Traffic equipment	14,548	-
Furniture, fixture and fitting	36,325	678
P.E.C. equipment	36	-
Office equipment	116	167
Computer and office automation	3,873	5,325
Other equipment	1,249	755
Capital spares	54,693	33,758
	<u>184,064</u>	<u>52,646</u>
<b><u>Leased</u></b>		
Aircraft fleet / Engines	-	399,261
	<u>184,064</u>	<u>451,907</u>
<b><u>Deletions</u></b>		
<b><u>Owned</u></b>		
Motor transport	516	846
Traffic equipment	-	3,866
Furniture, fixture and fitting	8,324	-
	<u>8,840</u>	<u>4,712</u>

#### 4. STORES AND SPARE PARTS

	Note	(Un-audited) March 31, 2010	(Audited) December 31, 2009
— Rupees in '000 —			
Stores		758,362	822,709
Spares		5,462,009	5,280,298
		<u>6,220,371</u>	<u>6,103,007</u>
Less: provision for slow moving stores and spares	4.1	(2,662,295)	(2,662,295)
		<u>3,558,076</u>	<u>3,440,712</u>
Inventory held for disposal		2,197,398	2,197,398
Less: adjustment to write down surplus inventory to net realizable value		(1,944,539)	(1,944,539)
		<u>252,859</u>	<u>252,859</u>
Goods-in-transit		1,121,330	324,294
		<u>4,932,265</u>	<u>4,017,865</u>

##### 4.1 Movement in provision is as follows:

Balance at the beginning of the period	2,662,295	2,216,611
Provision made during the period	-	445,684
Balance at the end of the period	<u>2,662,295</u>	<u>2,662,295</u>

#### 5. TRADE DEBTS

Considered good	8,508,408	8,335,142
Considered doubtful	601,572	624,411
Less: Provision for doubtful debts	(601,572)	(624,411)
	-	-
	<u>8,508,408</u>	<u>8,335,142</u>

##### 5.1 Movement in provision is as follows:

Balance at the beginning of the period	624,411	740,655
Written off during the period	(22,839)	(3,504)
(Reversal)/provision made during the period	-	(112,740)
Balance at the end of the period	<u>601,572</u>	<u>624,411</u>

**5.2** Trade debts include debts due from Government agencies, other airlines and International Air Transport Association's (IATA) approved agents. Certain portion of trade debts is secured by bank guarantees received from agents but due to very large number of agents all over the world the amount of secured trade debts is not determinable.

**6. RESERVES**

	Note	(Un-audited) March 31, 2010	(Audited) December 31, 2009
		Rupees in '000	
<b>Capital reserves</b>			
Reserve for replacement of fixed assets		1,966,779	1,966,779
Capital redemption reserve fund		250,000	250,000
Others		284,259	284,259
		<u>2,501,038</u>	<u>2,501,038</u>
<b>Revenue reserves</b>			
		1,779,674	1,779,674
		<u>4,280,712</u>	<u>4,280,712</u>
<b>Unrealized gain on remeasurement of investments</b>		29,278	29,278
<b>Accumulated losses</b>		(76,937,198)	(74,455,128)
<b>Foreign exchange translation reserve</b>		(890,211)	(454,869)
<b>Other reserves</b>		31,262	31,262
		<u>(77,766,869)</u>	<u>(74,849,457)</u>
		<u>(73,486,157)</u>	<u>(70,568,745)</u>

**7. SURPLUS ON REVALUATION OF FIXED ASSETS - net**

Surplus on revaluation of fixed assets -Group	41,606,886	42,072,851
Surplus on revaluation of fixed assets -Minority	138,807	139,303
	<u>41,745,693</u>	<u>42,212,154</u>

**8. ADVANCE AGAINST EQUITY FROM GoP**

This represents the amount received from GoP towards equity contribution under the terms of financial package whereby GoP had agreed to provide equity contribution to the Parent Corporation to cover interest/profit payments on TFCs.

**9. LONG TERM FINANCING**

During the quarter, the Parent Corporation has arranged the long term financing of Rs.1 billion loan from Government of Pakistan at 10% markup per annum for ten years with two years grace period payable in 16 equal installments from year 3 onwards.

**10. CONTINGENCIES AND COMMITMENTS**

There has been no change in the status of contingencies and commitments as disclosed in the annual financial statements of the Group for the year ended December 31, 2009.

**11. TURNOVER - net**

	March 31, 2010	March 31, 2009
	Rupees in '000	
Passenger	20,492,611	19,221,044
Cargo	1,278,565	1,036,876
Excess baggage	269,689	232,883
Charter	78,700	70,317
Engineering services	158,079	172,183
Handling and related services	128,291	110,790
Mail	90,112	65,130
Rooms, food and beverages sales	1,811,641	1,643,019
Others	391,705	386,606
	<u>24,699,393</u>	<u>22,938,848</u>

**12. COST OF SERVICES - others**

	March 31, 2010	March 31, 2009
	Rupees in '000	
Salaries, wages and allowances	3,415,575	2,723,748
Welfare and social security costs	195,024	180,839
Retirement benefits	353,488	239,296
Compensated absences	25,751	25,000
Legal and professional charges	10,647	12,234
Stores and spares consumed	692,585	544,877
Maintenance and overhaul	1,344,729	1,000,195
Flight equipment rental	297,161	302,128
Landing and handling	2,659,492	2,387,039
Passenger services	821,590	628,902
Crew layover	651,998	603,738
Hotel running expenses	465,701	592,062
Staff training	15,676	18,880
Food cost	8,761	6,359
Utilities	10,769	8,768
Communication	14,723	17,573
Insurance	417,414	314,547
Rent, rates and taxes	223,410	159,505
Repair and maintenance	47,642	36,937
Printing and stationery	34,842	35,537
Amortization	1,254	728
Depreciation	1,496,147	2,329,548
Others	103,070	198,444
	<u>13,307,449</u>	<u>12,366,884</u>

**13. FINANCE COSTS**

Mark-up on long term financing	507,237	550,760
Profit on term finance certificates	418,490	428,322
Profit on term Sukuk certificates	241,447	-
Interest on liabilities against assets subject to finance lease	369,150	558,895
Mark-up on short-term borrowings	597,314	853,882
Interest to pension / provident funds	55,587	44,099
Arrangement, agency and commitment fee	173,857	66,646
Bank charges	9,929	10,716
	<u>2,373,011</u>	<u>2,513,320</u>

**14. CASH (USED IN) / GENERATED FROM OPERATIONS**

Loss before tax	(2,444,136)	(2,045,082)
Adjustments for:		
Depreciation	1,524,529	2,369,660
Gain on disposal of fixed assets	(6)	(1,808)
Provision of employees benefits	479,657	-
Amortization	6,246	6,416
Provision for stores and spares	-	43,155
Finance costs	2,372,396	2,514,791
Profit on bank deposits	(6,057)	(6,593)
	<u>1,932,629</u>	<u>2,880,539</u>
<b>Working capital changes</b>		
(Increase) in stores and spares	(914,496)	(79,305)
(Increase) in trade debts	34,933	(739,315)
(Increase) / decrease in advances	701,096	148,236
(Increase) / decrease in trade deposits and prepayments	47,637	614,507
(Increase) / decrease in other receivables	(234,756)	(175,093)
Increase (decrease) in trade and other payables	1,992,980	(873,343)
	<u>1,627,394</u>	<u>(1,104,313)</u>
Cash (used in) / generated from operations	<u>3,560,023</u>	<u>1,776,226</u>

**15. AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue in the Board of Directors meeting held on April 29, 2010.

**16. GENERAL**

The US\$ amounts in Balance Sheet have been translated into US\$ at the rate of Rs. 83.90 = US\$ 1 (December 31, 2009: Rs. 84.20 = US\$ 1). The US\$ amounts in profit & loss account, statement of comprehensive income and cash flow statement have been translated into US\$ at the rate of Rs. 83.90 = US\$ 1 (March 31, 2009: Rs. 80.35 = US\$1).

**16.1** Figures have been rounded off to the nearest thousand rupee.

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director



Secretary - PIA  
PIA Building,  
Jinnah International Airport,  
Karachi - 72500, Pakistan.  
UAN: 111-786-786/111-FLY-PIA

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