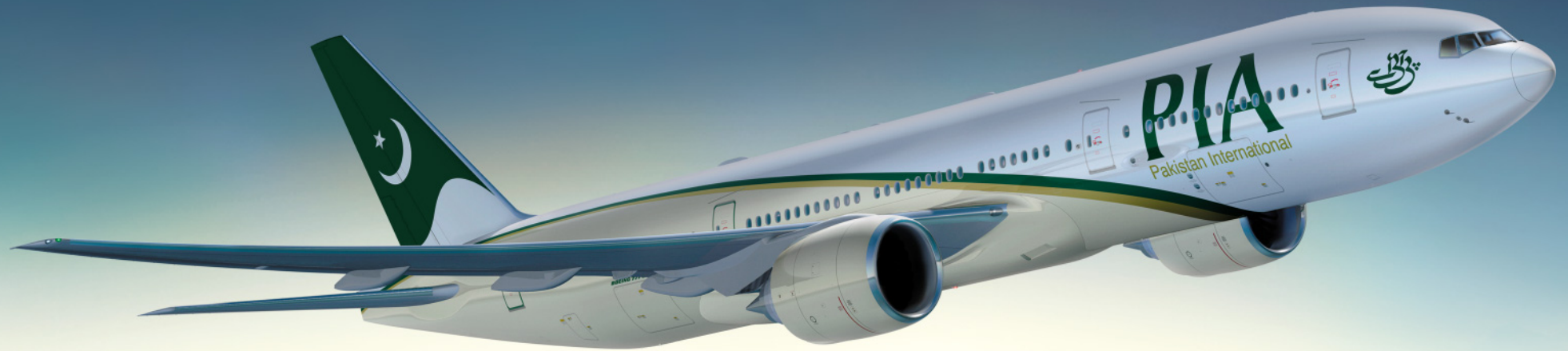


half yearly report
2011



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

manhattan

 **PIA**
Pakistan International

Great People to Fly With

contents

Corporate Profile 02

Directors' Report 04

Unconsolidated Financial Statements 06

Consolidated Financial Statements 29

Corporate Profile

As At September 24, 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

Mr Khalid Iftikhar

Director - Procurement & Logistics

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 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
Ph: Customer Support Services
(Toll Free) 0800 – CDCPL (23275)
Fax: (92-21) 3432 6053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Head Office

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

Directors' Report to the Shareholders – June 2011

The Directors of Pakistan International Airlines Corporation are pleased to present their report along with the financial statements for the six months ended June 30, 2011. The delay in presentation is due to the non-availability of a few Board members & other commitments in the holy month of Ramadan which coincided with August 2011.

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

PKR in Billion	Half Year ended		Quarter ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues				
Passenger	49.68	43.79	26.48	23.30
Cargo & Others	6.14	5.52	3.16	3.16
Total Turnover – net	55.82	49.31	29.64	26.46
Operating Costs & Expenses				
Fuel Cost	29.56	19.47	16.45	10.10
Employee Costs	8.87	9.61	4.46	5.15
Finance Cost	4.93	4.65	2.53	2.36
Exchange (Gain) / Loss	0.10	1.51	0.83	1.83
Others	22.57	20.62	11.52	10.75
Loss Before Tax	10.12	5.99	6.15	3.73
Loss After Tax	10.74	6.50	6.50	4.12

The 1st half of the year was characterized by extreme volatility in fuel prices, political turmoil 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. The Corporation had to face employees strike also which paralysed the operations for 5 days.

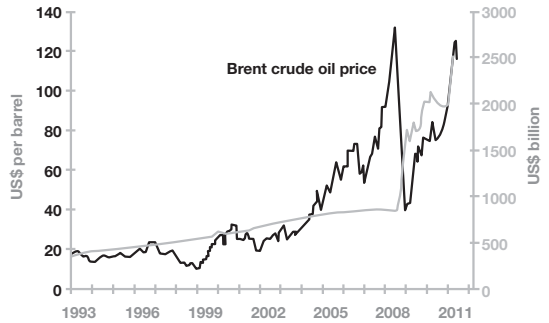
On the domestic front we continued to face poor economic conditions post floods and worsening law and order situation. The gulf operators were able to divert some of their excess capacity, emerging due to disruption of flights to Egypt, Libya and Syria, to our part of the world.

Despite the above challenges the Airline registered an increase of PKR 6.5bn (13.2%) in overall revenue compared to the corresponding figure of the last year. Passenger revenues increased by PKR 5.9 bn (13.4% over same period last year) resulting mainly from increase in yield from PKR 6.02 to PKR 6.34. Seat Factor dropped from 76.1% to 75.8%. However Revenue per Available Seat Kilometer (RASK) increased from PKR 5.0 to PKR 5.25. Total number of passengers grew to 3.02 million as compared to 2.85 million showing an increase of 5.9% during 1st half of 2011. Similarly other revenues also increased by 11.5%. Charter revenue also showed a healthy increase from 94mn to 721mn in the corresponding period last year. Revenue from Cargo operations has decreased by PKR 35 million due to fragile economic environment.

The Corporation formulated a strategy focusing on expansion of network, development of new markets and augmentation of existing Markets. We managed to float more capacity with the same fleet and started operations for Zahedan and Colombo. Additional frequencies were mounted on Kuala Lumpur, Islamabad-Birmingham, Peshawar-Abu Dhabi, Multan/Faisalabad-Dubai, Sialkot / Peshawar-Muscat routes.

Overall profitability suffered due to sharp increase in fuel cost. The average oil price for 2011 is now expected to be \$110 per barrel, a 43% increase over the average price for the previous, resulting in Corporation's fuel bill for the period increased by 51.81% (PKR 10.10 billion) over the corresponding period last year. The Aircraft Fuel Cost for the Corporation stands at 52.95% (2010: 39.48%) of the Revenue and 48.45% (2010: 38.15%) of 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. The Board appreciates the cost control measures adopted by the management which resulted in 1.55% increase in non-fuel cost vis-a-vis 15% inflation.

Oil price surge fuelled by monetary expansion



Source: Haver, IATA

Exchange rate during the period remained relatively stable which helped to reduce exchange losses by PKR1.4 billion. Pak rupee was weaker by nearly 0.53% on June 30th 2011, closing at PKR 85.95/USD as compared to PKR 85.5/USD on June 30th 2010. Financial charges increased by PKR 283 million.

The Corporation continued to focus on strategies to mitigate risks arising due to volatility of oil prices. During the period, oil prices rose from mid 90s to 119 in a very short period of time. The speed of events in the gulf region almost caught everyone off guard. Brent premium also rose to a historic high of USD127/bl. We conducted an exercise, entailing restructuring of existing routes to have a Passenger oriented schedule while focusing high yield markets and curtailment of non-profitable routes. Further, with a view to hold certain degree of immunity against the 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 (Pvt.) Limited posted net profit of USD 6.1 million and PKR 7.46 million respectively. Considering the overall economic downturn and worsening security conditions of Pakistan as well as west, the hospitality business is expected to grow at the very slow rate in the coming years with thinning profit margins as the market players would try to bridge the gap between a rather constant supply and a very unpredictable demand.

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 new management are fully aware of the significance of these risks. Fuel hedging in the next quarter will be undertaken with a view to smoothen the volatility. The management shall continue to engage the GoP for speedy implementation of the business plan. Our survival in this competitive market depends on financial and human resource restructuring and implementation of integrated information systems.

We are confident that the dedication of our people, the commitment of our management and the valuable support of GoP as shareholders shall in sync bring the organization out of this difficult situation. PIA has been serving the nation for decades with pride and will Insha'Allah continue to do the same in the future.

For and on Behalf of the Board

Ch. Ahmed Mukhtar
Chairman

September 24, 2011



unconsolidated
financial statements

A. F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I. I. Chundrigar Road
P. O. Box 4716
Karachi -74000

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7&8
KCHSU
Sharae Faisal
Karachi – 75350

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of **PAKISTAN INTERNATIONAL AIRLINES CORPORATION** (the Corporation) as at **June 30, 2011** and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2011.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended June 30, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

We draw attention to note 1.2 to the interim financial information, which states that during the current period, the Corporation incurred a net loss of Rs 10,737.411 million, resulting in accumulated losses of Rs 103,012.790 million as of June 30, 2011, and, as of that date, the Corporation's current liabilities exceeded its current assets by Rs 72,847.606 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Corporation's ability to continue as a going concern. Our report is not qualified in respect of this matter.

A. F. Ferguson & Co.
Chartered Accountants

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Date: September 24, 2011

Place: Karachi

Unconsolidated Condensed Interim Balance Sheet

As at June 30, 2011

		June 30, 2011 (Un-audited)	December 31, 2010 (Audited)	June 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	94,864,642	96,645,494	1,103,719	1,126,404
- Intangibles		59,625	69,444	694	809
		94,924,267	96,714,938	1,104,413	1,127,213
Long-term investments		4,441,120	4,445,572	51,671	51,813
Long-term advances (fully provided)		-	-	-	-
Long-term deposits and prepayments	5	9,128,537	9,289,712	106,208	108,272
		108,493,924	110,450,222	1,262,292	1,287,298
CURRENT ASSETS					
Stores and spares		3,881,050	3,842,539	45,155	44,785
Trade debts		9,605,404	8,283,109	111,756	96,540
Advances		566,041	465,382	6,586	5,424
Trade deposits and prepayments		778,104	1,127,425	9,053	13,140
Other receivables	6	1,852,669	1,272,297	21,555	14,829
Short-term investments		23,411	25,629	272	299
Cash and bank balances	7	3,807,959	1,393,754	44,304	16,244
		20,514,638	16,410,135	238,681	191,261
		129,008,562	126,860,357	1,500,973	1,478,559
TOTAL ASSETS					
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		25,774,948	25,774,948	299,883	300,407
Reserves		(98,708,630)	(88,019,131)	(1,148,442)	(1,025,864)
		(72,933,682)	(62,244,183)	(848,559)	(725,457)
Advance against equity from Government of Pakistan (GoP)	8	1,549,670	-	18,030	-
TOTAL EQUITY		(71,384,012)	(62,244,183)	(830,529)	(725,457)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET					
		5,774,965	5,827,329	67,190	67,918
NON CURRENT LIABILITIES					
Long-term financing	9	26,826,707	27,346,957	312,120	318,729
Term finance and sukuk certificates	10	14,191,467	17,457,280	165,113	203,465
Liabilities against assets subject to finance lease		49,498,176	53,728,778	575,895	626,210
Advance from a subsidiary	11	859,500	-	10,000	-
Long-term deposits		381,519	384,161	4,439	4,477
Deferred liabilities		9,497,996	8,852,940	110,506	103,181
		101,255,365	107,770,116	1,178,073	1,256,062
CURRENT LIABILITIES					
Trade and other payables	12	41,015,921	30,133,416	477,207	351,205
Accrued interest		3,873,810	3,072,545	45,071	35,811
Provision for taxation		1,883,849	1,540,980	21,918	17,960
Short-term borrowings	13	22,752,193	22,665,109	264,714	264,162
Current maturities of:					
- Long-term financing	9	9,759,201	7,363,198	113,545	85,818
- Term finance and sukuk certificates	10	5,398,293	2,135,040	62,807	24,884
- Liabilities against assets subject to finance lease		8,678,977	8,596,807	100,977	100,196
		93,362,244	75,507,095	1,086,239	880,036
TOTAL LIABILITIES		194,617,609	183,277,211	2,264,312	2,136,098
TOTAL EQUITY AND LIABILITIES		129,008,562	126,860,357	1,500,973	1,478,559
CONTINGENCIES AND COMMITMENTS	14				

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 Profit and Loss Account (Un-audited)

For the six months period ended June 30, 2011

Note	Six months period ended		Quarter ended		Six months period ended		
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	
Rupees in '000							
			Restated		Restated		
US \$ in '000							
			Restated		Restated		
REVENUE - net	15	55,825,234	49,306,438	29,642,780	26,458,644	649,508	576,683
COST OF SERVICES							
Aircraft fuel		(29,557,250)	(19,468,502)	(16,450,347)	(10,992,253)	(343,889)	(227,702)
Others	16	(24,531,870)	(23,238,332)	(12,259,022)	(11,769,078)	(285,420)	(271,793)
		(54,089,120)	(42,706,834)	(28,709,369)	(22,761,331)	(629,309)	(499,495)
GROSS PROFIT		1,736,114	6,599,604	933,411	3,697,313	20,199	77,188
Distribution costs		(3,430,735)	(3,466,761)	(1,826,590)	(1,860,203)	(39,915)	(40,547)
Administrative expenses		(3,176,895)	(3,334,966)	(1,681,129)	(1,735,597)	(36,962)	(39,005)
Other provisions and adjustments	17	(291,626)	(197,009)	(237,087)	(197,009)	(3,393)	(2,304)
Exchange loss - net		(103,500)	(1,505,868)	(833,643)	(1,826,967)	(1,204)	(17,612)
Other operating income		76,906	558,843	31,832	543,869	895	6,536
		(6,925,850)	(7,945,761)	(4,546,617)	(5,075,907)	(80,579)	(92,932)
LOSS FROM OPERATIONS		(5,189,736)	(1,346,157)	(3,613,206)	(1,378,594)	(60,380)	(15,744)
Finance costs	18	(4,933,748)	(4,651,216)	(2,539,489)	(2,355,772)	(57,403)	(54,400)
LOSS BEFORE TAXATION		(10,123,484)	(5,997,373)	(6,152,695)	(3,734,366)	(117,783)	(70,144)
Taxation	19	(613,927)	(499,325)	(352,102)	(385,086)	(7,143)	(5,840)
LOSS FOR THE PERIOD		(10,737,411)	(6,496,698)	(6,504,797)	(4,119,452)	(124,926)	(75,984)

Rupees

US \$

EARNINGS PER SHARE - BASIC AND DILUTED

Loss attributable to:

'A' class ordinary shares of Rs 10 each	20	4.02	2.69	2.39	1.68	0.05	0.03
'B' class ordinary shares of Rs 5 each	20	2.01	1.35	1.20	0.84	0.03	0.02

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 six months period ended June 30, 2011

	Six months period ended June 30, 2011	June 30, 2010	Quarter ended June 30, 2011	June 30, 2010
	Rupees in '000			
	Restated		Restated	
Loss for the period	(10,737,411)	(6,496,698)	(6,504,797)	(4,119,452)
Other comprehensive income:				
Unrealised loss on re-measurement of available for sale investments	(4,452)	(9,122)	(1,231)	(9,122)
Total comprehensive income for the period	<u>(10,741,863)</u>	<u>(6,505,820)</u>	<u>(6,506,028)</u>	<u>(4,128,574)</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 six months period ended June 30, 2011

Note	Six months period ended June 30, 2011		Six months period ended June 30, 2010	
	Rupees in '000	Restated	US \$ in '000	Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations				
after working capital changes	21	8,366,421	4,429,674	97,341
Profit on bank deposits received		18,411	8,668	214
Finance costs paid		(4,132,483)	(4,003,912)	(48,080)
Taxes paid		(271,058)	(166,962)	(3,154)
Staff retirement benefits paid		(421,701)	(374,693)	(4,906)
Long-term deposits and prepayments - net		161,175	(340,430)	1,875
Net cash generated from / (used in) operating activities		3,720,765	(447,655)	43,290
				51,809
				101
				(46,829)
				(1,953)
				(4,382)
				(3,982)
				(5,236)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,541,507)	(853,371)	(17,935)
Purchase of intangibles		(187)	-	(2)
Proceeds from sale of property, plant and equipment		14,543	16,422	169
Short-term investments - net		2,218	(354)	26
Net cash used in investing activities		(1,524,933)	(837,303)	(17,742)
				(9,981)
				-
				192
				(4)
				(9,793)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance against equity from GoP		1,549,670	1,177,679	18,030
Repayment of long-term financing		(3,963,430)	(3,230,466)	(46,113)
Proceeds from long-term financing		5,839,183	5,702,000	67,937
Redemption of term finance certificates		(2,560)	(2,560)	(30)
Receipt of advance from a subsidiary		859,500	-	10,000
Long-term deposits - net		(2,642)	38,674	(31)
Repayment of obligations under finance lease		(4,148,432)	(3,099,831)	(48,266)
Net cash generated from financing activities		131,289	585,496	1,527
				13,774
				(37,783)
				66,690
				(30)
				-
				452
				(36,255)
				6,848
Increase/(decrease) in cash and cash equivalents		2,327,121	(699,462)	27,075
				(8,181)
Cash and cash equivalents at the beginning of the period		(21,271,355)	(23,239,215)	(247,485)
Cash and cash equivalents at the end of the period		(18,944,234)	(23,938,677)	(220,410)
				(271,804)
				(279,985)
CASH AND CASH EQUIVALENTS				
Cash and bank balances		3,807,959	2,390,858	44,304
Short-term borrowings		(22,752,193)	(26,329,535)	(264,714)
		(18,944,234)	(23,938,677)	(220,410)
				27,963
				(307,948)
				(279,985)

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 six months period ended June 30, 2011

	Issued, subscribed, and paid-up capital	Advance against equity	RESERVES			Accumulated losses	Total
			Capital reserves	Revenue reserves	Unrealised gain/(loss) on remeasurement of investments		
Rupees in '000							
Balance as at January 1, 2010	23,280,356	-	2,501,038	1,779,674	29,278	(73,003,106)	(45,412,760)
Comprehensive income:							
Loss for the period - restated	-	-	-	-	-	(6,496,698)	(6,496,698)
Other comprehensive income for the period	-	-	-	-	(9,122)	-	(9,122)
Total comprehensive income for the period transferred to equity - restated	-	-	-	-	(9,122)	(6,496,698)	(6,505,820)
Advance against equity from GoP	-	1,177,679	-	-	-	-	1,177,679
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	213,117	213,117
Balance as at June 30, 2010 - restated	<u>23,280,356</u>	<u>1,177,679</u>	<u>2,501,038</u>	<u>1,779,674</u>	<u>20,156</u>	<u>(79,286,687)</u>	<u>(50,527,784)</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	-	-	-	-	-	(10,737,411)	(10,737,411)
Other comprehensive income for the period	-	-	-	-	(4,452)	-	(4,452)
Total comprehensive income for the period transferred to equity	-	-	-	-	(4,452)	(10,737,411)	(10,741,863)
Advance against equity from GoP	-	1,549,670	-	-	-	-	1,549,670
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	52,364	52,364
Balance as at June 30, 2011	<u>25,774,948</u>	<u>1,549,670</u>	<u>2,501,038</u>	<u>1,779,674</u>	<u>23,448</u>	<u>(103,012,790)</u>	<u>(71,384,012)</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 six months period ended June 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 10,737.411 million (June 30, 2010 - restated: Rs 6,496.698 million) resulting in accumulated losses of Rs 103,012.790 million as of June 30, 2011 (December 31, 2010: Rs 92,327.743 million). Further, as of June 30, 2011 current liabilities of the Corporation exceeded its current assets by Rs 72,847.606 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 14,773.670 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 year ended December 31, 2010, the Corporation had prepared its five year business plan which was approved by the Board of Directors of the Corporation and the Ministry of Defence. The business plan was also endorsed by the sub-committee of the National Assembly's Standing Committee on Defence which concurred with the recommendations contained in the plan. Further, presentations were made in respect of the business plan in meetings with the representatives of the Ministry of Finance (MoF), which were chaired by the Finance Minister. The business plan envisaged, among other things, GoP's support in terms of providing necessary funding for recapitalisation, however, in the meetings with MoF held during the current period, it was deliberated that in the short term necessary support shall be provided to the Corporation in the form of facilitation in restructuring of existing long-term financing, extending existing guarantees and issuance of new guarantees to various financial institutions by GoP and conversion of existing GoP loans into equity. As set out in the business plan, the Corporation has devised a turn-around strategy which entails operational restructuring to minimize cost and enhance revenues. As part of Government's commitment of providing continuing financial support the Economic Coordination Committee (ECC) of the Cabinet has in March 2011 accorded approval for extension in existing guarantees issued to various financial institutions by the GoP for Rs 8,000 million and also allowed issuance of new guarantees of Rs 5,000 million. Further, during the current period, GoP has provided advance against equity amounting to Rs 1,549.670 million. Keeping in view the above, management believes that the Corporation will continue to get continuous support of the GoP in the manner set out above resulting in facilitation in raising new finances and restructuring of existing debts.

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 unconsolidated 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 six months period ended June 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** The comparative unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income and notes thereto for the quarters ended June 30, 2011 and 2010 are also included in these unconsolidated condensed interim financial statements which were not subjected to review.
- 2.3** 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.
- 2.4** The US \$ amount reported in the unconsolidated condensed interim balance sheet, unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of these unconsolidated condensed interim financial statements. The US \$ amounts in the unconsolidated condensed interim balance sheet, unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs 85.95 = US \$ 1 (December 31, 2010: Rs 85.80 = 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.

4. PROPERTY, PLANT AND EQUIPMENT

		June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Note	Rupees in '000	
Operating fixed assets	4.1 & 4.2	93,641,256	95,579,287
Capital work-in-progress		1,223,386	1,066,207
		<u>94,864,642</u>	<u>96,645,494</u>

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

	Six months period ended	
	June 30, 2011 (Un-audited)	June 30, 2010 (Un-audited)
	Rupees in '000	
Additions / Transfers / Adjustments		
Owned		
Buildings on leasehold land	879	16,363
Renovation and improvements	3,389	11,947
Aircraft fleet / Engines overhauling	-	283,754
Operating ground equipment, catering, communication and meteorological equipment	495	40,616
Engineering equipment and tools	19,234	33,482
Motor transport	15,292	14,832
Traffic equipment	4,112	100,669
Furniture, fixture and fittings	4,535	15,756
Office equipment	106	116
Computers and office automation	7,598	11,087
Precision engineering equipment	1,249	36
Other equipment	12,093	6,119
Capital spares	67,369	91,998
	<u>136,351</u>	<u>626,775</u>
Leased		
Aircraft fleet / Engines overhauling	1,247,977	-
	<u>1,384,328</u>	<u>626,775</u>
Deletions / write offs - net book value		
Owned		
Buildings on leasehold land	-	6,423
Aircraft fleet / Engines overhauling	-	4,017
Engineering equipment and tools *	-	-
Motor transport	1,519	1,058
Traffic equipment	-	117
Furniture, fixture and fittings *	-	89
Computers and office automation *	-	8
Office equipment	-	2
Other equipment *	-	19
Capital spares - written off	8,894	-
	<u>10,413</u>	<u>11,733</u>
Leased		
Aircraft fleet	-	283,754
Vehicles	635	356
	<u>635</u>	<u>284,110</u>
	<u>11,048</u>	<u>295,843</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 1,279.813 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.

		June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Note	Rupees in '000	
5. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits	5.1	8,104,394	8,061,881
Current maturity of long-term deposits		(91,825)	-
		8,012,569	8,061,881
Prepayments	5.2	1,115,968	1,227,831
		9,128,537	9,289,712

5.1 This includes maintenance reserve amounting to Rs 4,416.883 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 six months and three months periods ended June 30, 2010 and unconsolidated condensed interim statement of changes in equity for the period ended June 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		
Six months period ended June 30, 2010			
Cost of services - others	23,582,658	(344,326)	23,238,332
Exchange loss - net	1,566,343	(60,475)	1,505,868
Loss for the period	6,901,499	(404,801)	6,496,698
Total comprehensive loss	6,910,621	(404,801)	6,505,820
		Rupees	
Earnings per share - basic and diluted			
Loss attributable to:			
'A' class ordinary shares	2.86	(0.17)	2.69
'B' class ordinary shares	1.43	(0.08)	1.35

	Amount reported previously	Effect of adjustment	Restated amount
Rupees in '000			
Quarter ended June 30, 2010			
Cost of services - others	11,947,004	(177,926)	11,769,078
Exchange loss - net	1,901,782	(74,815)	1,826,967
Loss for the period	4,372,193	(252,741)	4,119,452
Total comprehensive loss	4,381,315	(252,741)	4,128,574
Rupees			
Earnings per share - basic and diluted			
Loss attributable to:			
'A' class ordinary shares	1.79	(0.11)	1.68
'B' class ordinary shares	0.90	(0.06)	0.84

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.

		June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
		Rupees in '000	
6. OTHER RECEIVABLES	Note		
Considered good			
Claims receivable		327,923	319,300
Excise duty		100,000	100,000
Sales tax receivable		978,766	460,990
Receivable from GoP		332,809	332,809
Others		113,171	59,198
		1,852,669	1,272,297
Considered doubtful		177,077	177,077
Less: provision for doubtful other receivables	6.1	(177,077)	(177,077)
		-	-
		1,852,669	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		12,571	12,188
In transit		47,433	5,070
		60,004	17,258
With banks:			
- in current accounts		2,844,675	796,999
- in savings accounts		903,280	579,497
		3,747,955	1,376,496
		3,807,959	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	June 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		3,978,021	4,321,159
Royal Bank of Scotland - Netherlands	Demand finance	US \$ 59.50	2009 - 2013	19 quarterly	3 month LIBOR + 1.60%		2,560,498	3,078,475
National Bank of Pakistan - Bahrain	Syndicate finance	US \$ 120	2013	Bullet	3 month LIBOR + 3.25% & 3.6%		10,314,000	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	1,633,050	-
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%		3,509,625	4,754,750
National Bank of Pakistan - Bahrain	Demand finance	US \$ 30	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		1,719,000	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%		2,721,714	1,287,000
Hong Kong Shanghai Banking Corporation	Demand finance	Rs 850	2010 - 2011	17 monthly	3 month KIBOR + 0.90%		150,000	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							36,585,908	34,710,155
							(9,759,201)	(7,363,198)
							<u>26,826,707</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	June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000							
Term finance certificates (TFCs)	GoP Guarantee	2009- 2014	10 half yearly + 0.85%	6 month KIBOR	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						(5,398,293)	(2,135,040)
						<u>14,191,467</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** Subsequent to period-end, 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.

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

12. TRADE AND OTHER PAYABLES

Trade creditors

Goods	4,025,819	2,573,680
Services	2,862,971	2,276,707
Airport related charges	4,231,157	3,524,083
	<u>11,119,947</u>	<u>8,374,470</u>

Others

Accrued liabilities	4,442,502	4,265,924
Advance against transportation (unearned revenue)	7,314,598	6,971,694
Advance against transportation - Hajj	4,725,746	-
Unredeemed frequent flyer liabilities	1,505,458	1,283,440
Advance from customers	657,040	854,933
Payable to employees' provident fund	2,907,993	2,445,330
Unclaimed dividend - Preference shares	8,494	8,504
Collection on behalf of others	4,689,196	4,093,377
Customs and federal excise duty	3,127,235	1,458,207
Income tax deducted at source	217,950	122,162
Short-term deposits	299,762	255,375
	<u>41,015,921</u>	<u>30,133,416</u>

		June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
		Rupees in '000	
13. SHORT-TERM BORROWINGS	Note		
Short term loans - secured	13.1	14,373,550	14,304,200
Running finance under mark-up arrangements	13.2	8,378,643	8,360,909
		<u>22,752,193</u>	<u>22,665,109</u>

13.1 Short term loans - secured

Financier	Security	Facility amount (million)	Tenure	June 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	1,500,000	-
Habib Allied International Bank Limited - London	Euro receivables	US \$ 5 & US \$ 4	3 months	773,550	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>14,373,550</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	June 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	1,521,777	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	1,139,089	1,474,122
Habib Allied International Bank Limited - London	EURO receivables	US \$ 3	-	On demand	257,807	257,287
KASB Bank Limited	Ranking charge over receivables on Kharian Station amounting to Rs 533.330 million	Rs 400	-	One year	400,000	400,000
United Bank Limited - Dubai	First pari passu charge over certain portion of present and future current assets	US \$ 22	-	One year	1,890,900	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	1,117,350	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 350	Rs 27	One year	323,103	95,879
Bank of Punjab	Hypothecation charge on receivables comprising of sales receipts					
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 550	Rs 4	On Demand	545,659	-
Citibank N.A.	Collection account	US\$ 15	US \$ 4	1 month	945,450	-
Un-secured						
Habib American Bank	-	US \$ 1.5	-	-	-	94,380
Citibank N.A.	-	US\$ 3	US \$ 0.2	On Demand	237,508	-
					8,378,643	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 after June 30, 2011 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.

14.2 Commitments

	June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Rupees in '000	
Commitments for purchase of simulator	44,062	169,171
Commitments for other capital expenditure	107,519	3,118
Outstanding letters of credit	55,544	175,762
Outstanding letters of guarantee	555,406	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:

	June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000		
Not later than one year	1,096,811	1,104,780
Later than one year but not later than five years	4,308,051	4,305,472
Later than five years	718,008	1,254,322
	<u>6,122,870</u>	<u>6,664,574</u>

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

15. REVENUE - net

Passenger	49,680,298	43,794,410	26,482,533	23,301,799
Cargo	3,079,693	3,114,219	1,689,367	1,835,654
Excess baggage	543,766	482,962	254,138	213,273
Charter	720,963	93,578	243,961	14,878
Engineering services	439,219	541,242	216,896	383,163
Handling and related services	322,839	293,257	172,874	164,966
Mail	241,436	210,614	139,894	120,502
Others	797,020	776,156	443,117	424,409
	<u>55,825,234</u>	<u>49,306,438</u>	<u>29,642,780</u>	<u>26,458,644</u>

Six months period ended		Quarter ended	
June 30, 2011 (un-audited)	June 30, 2010 (un-audited)	June 30, 2011 (un-audited)	June 30, 2010 (un-audited)
Rupees in '000			
Restated		Restated	

16. COST OF SERVICES - Others

Salaries, wages and allowances	4,944,495	4,808,558	2,480,509	2,386,358
Welfare and social security costs	215,645	207,546	17,905	19,601
Retirement benefits	578,106	1,102,854	327,825	749,366
Compensated absences	54,443	48,904	15,185	23,153
Legal and professional charges	47,778	39,650	38,049	29,003
Stores and spares consumed	1,484,176	1,482,234	708,705	789,649
Maintenance and overhaul	2,146,771	2,318,847	955,739	1,100,863
Flight equipment rental	599,988	602,052	291,298	304,891
Landing and handling	6,313,272	5,383,932	3,174,233	2,724,440
Passenger services	1,908,207	1,704,771	972,163	883,181
Crew layover	1,637,011	1,394,396	776,706	742,398
Staff training	45,911	48,059	28,466	32,383
Utilities	12,936	10,213	7,324	5,175
Communication	30,331	28,459	16,622	13,802
Insurance	710,287	696,743	352,014	298,645
Rent, rates and taxes	354,753	343,287	128,215	121,402
Printing and stationery	98,744	111,658	61,769	77,148
Depreciation	3,184,121	2,731,374	1,801,686	1,358,211
Amortisation	1,258	1,288	345	457
Others	163,637	173,507	104,264	108,952
	<u>24,531,870</u>	<u>23,238,332</u>	<u>12,259,022</u>	<u>11,769,078</u>

17. OTHER PROVISIONS AND ADJUSTMENTS	Six months period ended		Quarter ended	
	June 30, 2011 (un-audited)	June 30, 2010 (un-audited)	June 30, 2011 (un-audited)	June 30, 2010 (un-audited)
	Rupees in '000			
Capital spares written off	8,894	-	2,274	-
Provision for slow moving stores and spares	109,831	93,570	61,912	93,570
Provision against doubtful debts	149,477	103,439	149,477	103,439
Provision against doubtful advances	23,424	-	23,424	-
	<u>291,626</u>	<u>197,009</u>	<u>237,087</u>	<u>197,009</u>
18. FINANCE COSTS				
Mark-up on:				
- long-term financing	1,065,615	884,197	633,888	454,527
- murabaha financing	-	2,957	-	2,957
- advance from a subsidiary	5,663	-	4,277	-
- short-term borrowings	1,332,140	1,259,727	622,970	662,413
	<u>2,403,418</u>	<u>2,146,881</u>	<u>1,261,135</u>	<u>1,119,897</u>
Return on term finance certificates	910,367	840,183	465,866	421,693
Profit on sukuk certificates	511,703	481,552	260,867	240,105
Interest on liabilities against assets subject to finance lease	655,713	731,255	321,700	362,105
Interest on loans from pension / provident fund	229,096	125,600	127,041	70,013
Arrangement, agency and commitment fee	88,219	194,626	33,814	20,769
Bank charges, guarantee commission and other related charges	135,232	131,119	69,066	121,190
	<u>4,933,748</u>	<u>4,651,216</u>	<u>2,539,489</u>	<u>2,355,772</u>
19. TAXATION				
Current - for the period	559,728	494,498	297,903	380,259
- for prior periods	54,199	4,827	54,199	4,827
	<u>613,927</u>	<u>499,325</u>	<u>352,102</u>	<u>385,086</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 aircrafts 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.

	Six months period ended June 30, 2011 (un-audited)	June 30, 2010 (un-audited)	Quarter ended June 30, 2011 (un-audited)	June 30, 2010 (un-audited)
	Rupees in '000			
	Restated		Restated	

**20. EARNINGS PER SHARE
- BASIC AND DILUTED**

Loss after taxation	10,737,411	6,496,698	6,504,797	4,119,452
	No. of ordinary shares			
Weighted average number of ordinary shares outstanding	2,668,306,356	2,414,472,900	2,723,350,592	2,445,053,525
	Rupees			
Loss attributable to:				
'A' class ordinary shares	4.02	2.69	2.39	1.68
'B' class ordinary shares	2.01	1.35	1.20	0.84

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 June 30, 2010 and 2011.

	Six months period ended June 30, 2011 (un-audited)	June 30, 2010 (un-audited)
	Rupees in '000	
	Restated	

21. CASH GENERATED FROM OPERATIONS

Loss before taxation	(10,123,484)	(5,997,373)
Adjustments for non-cash items:		
Depreciation	3,311,311	2,866,135
Gain on disposal of property, plant and equipment	(12,389)	(4,333)
Amortisation of intangibles	10,006	11,284
Property, plant and equipment written off	8,894	-
Provision for slow moving stores and spares	109,831	93,570
Provision for employees' benefits	1,066,757	1,916,098
Provision for doubtful debts	149,477	103,439
Provision for doubtful advances	23,424	-
Liability written back	-	(178,436)
Finance costs	4,933,748	4,651,216
Profit on bank deposits	(18,411)	(8,668)
Cash (used in) / generated from operations before working capital changes	(540,836)	3,452,932
Working capital changes:		
(Increase) / decrease in stores and spares	(148,342)	86,415
(Increase) / decrease in trade debts	(1,471,772)	127,820
(Increase) / decrease in advances	(124,083)	1,005,346
Decrease / (increase) in trade deposits and prepayments	349,321	(38,377)
Increase in other receivables	(580,372)	(64,929)
Increase / (decrease) in trade and other payables	10,882,505	(139,533)
	8,907,257	976,742
Cash generated from operations after working capital changes	8,366,421	4,429,674

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	Six months period ended	
		June 30, 2011 (un-audited)	June 30, 2010 (un-audited)
Rupees in '000			
Subsidiaries and joint venture	Advance from a subsidiary	859,500	-
	Payments made against in-transit passengers	129,701	117,810
	Rent for Global Distribution System	809,544	322,008
Profit oriented state-controlled entities - common ownership	Purchase of fuel	10,197,213	6,953,856
	Insurance premium	724,773	695,322
	Interest charged on loan	788,342	442,011
Retirement funds	Contributions charged	199,514	201,387
	Interest on loans from pension / provident fund	229,096	125,600
GoP - major shareholder	Proceeds of long-term loan	-	1,000,000
	Interest charged on loan	396,712	385,753
	Advance against Hajj operations	2,800,000	-
	Advance against equity	1,549,670	1,177,679
Key management personnel	Salaries, wages and other benefits	70,288	63,559

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 June 30, 2011 would have been higher by Rs 339.965 million, staff costs and loss after taxation of the Corporation for the six months period then ended would have been higher by Rs 75.879 million while earnings per share would have been lower by Rs 0.03 and Rs 0.01 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 September 24, 2011 by the Board of Directors of the Corporation.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Quarterly Summary

		2011		2010			
		1st Quarter	2nd Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Traffic Operations							
Available Seat Kilometers (million)	International	4,377	4,668	3,789	4,548	4,725	4,262
	Domestic	627	657	571	625	644	623
	Hajj	-	-	15	-	-	1,417
	Total	5,004	5,325	4,375	5,173	5,369	6,302
Revenue Passenger Kilometers (million)	International	3,266	3,561	2,983	3,359	3,490	3,221
	Domestic	484	521	429	492	483	500
	Hajj	-	-	6	1	-	693
	Total	3,750	4,082	3,418	3,852	3,973	4,414
Seat Factor (%)	International	74.62	76.29	78.73	73.86	73.86	75.57
	Domestic	77.19	79.30	75.13	78.72	75.00	80.26
	Hajj	0.00	0.00	40.00	0.00	0.00	48.91
	Total	74.94	76.66	78.13	74.46	74.00	70.04
Available Freight Tonne Kilometers (million)	International	110	116	96	109	113	110
	Domestic	17	17	15	15	17	16
	Total	127	133	111	124	130	126
Revenue Freight Tonne Kilometers (million)	International	61	68	60	75	94	73
	Domestic	5	7	5	8	7	7
	Total	66	75	65	83	101	80
Load Factor (%)	International	55.45	58.62	62.50	68.81	83.19	66.36
	Domestic	29.41	41.18	33.33	53.33	41.18	43.75
	Total	51.97	56.39	58.56	66.94	77.69	63.49
Financial							
Rupees in million							
Operating Revenue		26,182	29,643	22,848	26,459	25,053	33,172
Operating Expenses		28,480	32,217	23,318	26,535	27,003	29,408
Operating profit/(loss)		(2,298)	(2,574)	(470)	(76)	(1,950)	3,764
Profit/(loss) before taxation		(3,971)	(6,152)	(2,415)	(3,987)	(4,543)	2,365
Profit/(loss) after taxation		(4,232)	(6,505)	(2,529)	(4,372)	(4,794)	(9,090)
Fixed Assets		95,312	94,924	132,648	131,624	130,318	96,715
Current Assets		19,445	20,515	19,575	17,103	20,494	16,410
Current Liabilities		82,679	93,362	72,269	72,936	80,552	75,507
Long-term Debts		95,131	90,516	104,410	103,580	100,730	98,533
Net Worth		(65,315)	(71,384)	(51,483)	(54,575)	(57,924)	(62,244)
Jet Fuel Prices (Rs. Per US Gallon)		234.67	285.40	183.2	194.22	191.63	205.69



consolidated
financial statements

Consolidated Condensed Interim Balance Sheet (Un-audited)

As at June 30, 2011

		June 30, 2011 (Un-audited)	December 31, 2010 (Audited)	June 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	145,888,853	146,169,547	1,697,369	1,703,608
- Intangibles		2,851,431	2,856,378	33,175	33,291
		148,740,284	149,025,925	1,730,544	1,736,899
Long-term investments		136,692	141,144	1,590	1,645
Receivable from Centre Hotel		649,249	648,116	7,554	7,554
Long-term loans		14,421	14,107	168	164
Long-term deposits and prepayments	5	9,294,322	9,409,373	108,136	109,666
		158,834,968	159,238,665	1,847,992	1,855,928
CURRENT ASSETS					
Stores and spares		3,917,741	3,873,673	45,582	45,148
Trade debts		10,207,512	8,698,030	118,761	101,376
Short-term loans and advances		575,731	456,624	6,698	5,322
Trade deposits and prepayments		1,268,992	1,587,327	14,764	18,500
Other receivables	6	2,101,963	1,438,007	24,456	16,760
Short-term investments		337,751	847,453	3,930	9,877
Taxation - net		85,674	83,048	997	968
Cash and bank balances	7	5,916,504	5,927,994	68,837	69,091
		24,411,868	22,912,156	284,025	267,042
		183,246,836	182,150,821	2,132,017	2,122,970
TOTAL ASSETS					
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		25,774,948	25,774,948	299,883	300,407
Reserves		(92,213,241)	(82,333,026)	(1,072,871)	(959,592)
Advance against equity from Government of Pakistan (GoP)	8	1,549,670	-	18,030	-
Attributable to the Holding company's shareholders		(64,888,623)	(56,558,078)	(754,958)	(659,185)
Non-controlling interest		1,317,076	1,191,149	15,324	13,883
TOTAL EQUITY		(63,571,547)	(55,366,929)	(739,634)	(645,302)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET		21,509,939	21,059,425	250,261	245,448
NON CURRENT LIABILITIES					
Long-term financing	9	28,907,499	29,437,736	336,329	343,097
Term finance and sukuk certificates	10	14,191,467	17,457,280	165,113	203,465
Liabilities against assets subject to finance lease		49,515,815	53,757,595	576,100	626,545
Long-term deposits		381,651	384,293	4,441	4,478
Deferred liabilities		25,423,250	24,281,277	295,791	282,999
		118,419,682	125,318,181	1,377,774	1,460,584
CURRENT LIABILITIES					
Trade and other payables	11	42,810,360	31,857,333	498,085	371,298
Accrued interest		3,886,501	3,096,164	45,218	36,086
Provision for taxation		1,990,182	1,640,243	23,155	19,117
Short-term borrowings	12	22,752,193	22,665,109	264,714	264,162
Current maturities of:					
- Long-term financing		21,351,982	21,129,942	248,423	246,270
- Term finance and sukuk certificates		5,398,293	2,135,040	62,808	24,884
- Liabilities against assets subject to finance lease		8,699,251	8,616,313	101,213	100,423
		106,888,762	91,140,144	1,243,616	1,062,240
TOTAL LIABILITIES		225,308,444	216,458,325	2,621,390	2,522,824
TOTAL EQUITY AND LIABILITIES		183,246,836	182,150,821	2,132,017	2,122,970
CONTINGENCIES AND COMMITMENTS 13					

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the six months period ended June 30, 2011

Note	Six months period ended		Quarter ended		Six months period ended		
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	
Rupees in '000							
	Restated		Restated		US \$ in '000		
						Restated	
REVENUE - net	14	60,894,896	53,877,639	32,784,963	29,178,246	708,492	630,148
COST OF SERVICES							
Aircraft fuel		(29,557,250)	(19,468,502)	(16,450,347)	(10,992,253)	(343,889)	(227,702)
Others	15	(28,360,892)	(26,216,561)	(14,244,842)	(13,075,512)	(329,970)	(306,626)
		(57,918,142)	(45,685,063)	(30,695,189)	(24,067,765)	(673,859)	(534,328)
GROSS PROFIT		2,976,754	8,192,576	2,089,774	5,110,481	1,382,351	1,164,476
Distribution costs		(3,527,370)	(3,850,762)	(1,923,225)	(2,200,470)	(41,040)	(45,038)
Administrative expenses		(3,407,727)	(3,871,709)	(1,904,489)	(2,184,022)	(39,648)	(45,283)
Other provisions and adjustments		(268,202)	(197,009)	(200,424)	(197,009)	(3,120)	(2,304)
Exchange loss - net		(103,500)	(1,505,868)	(833,643)	(1,826,967)	(1,204)	(17,612)
Other operating income		88,650	560,593	41,669	544,873	1,031	6,557
		(7,218,149)	(8,864,755)	(4,820,112)	(5,863,595)	(83,981)	(103,680)
LOSS FROM OPERATIONS		(4,241,395)	(672,179)	(2,730,338)	(753,114)	1,466,332	1,268,156
Finance costs	16	(5,097,794)	(4,810,395)	(2,623,227)	(2,437,384)	(59,311)	(56,262)
LOSS BEFORE TAXATION		(9,339,189)	(5,482,574)	(5,353,565)	(3,190,498)	1,525,643	1,324,418
Taxation		(838,745)	(641,102)	(540,591)	(501,646)	(9,759)	(7,498)
LOSS FOR THE PERIOD		(10,177,934)	(6,123,676)	(5,894,156)	(3,692,144)	1,535,402	1,331,916
Attributable to:							
Equity holders of the Holding Company		(10,215,761)	(6,152,867)	(5,926,200)	(6,152,867)	(118,857)	(71,963)
Non Controlling interest		37,827	29,191	32,044	17,639	440	341
		(10,177,934)	(6,123,676)	(5,894,156)	(3,692,144)	(118,417)	(71,622)

Rupees

US \$

EARNINGS PER SHARE - BASIC AND DILUTED

Loss attributable to:

'A' class ordinary shares of Rs 10 each

	3.81	2.54	2.16	1.51	0.04	0.03
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'B' class ordinary shares of Rs 5 each

	1.91	1.27	1.08	0.76	0.02	0.01
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The annexed notes form an integral part of these unconsolidated condensed interim financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the six months period ended June 30, 2011

	Six months period ended		Quarter ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	Rupees in '000			
	Restated		Restated	
Loss for the period	(10,177,934)	(6,123,676)	(5,894,156)	(3,692,144)
OTHER COMPREHENSIVE INCOME:				
Unrealised loss on re-measurement of investments	(4,452)	(9,122)	(1,231)	(9,122)
Exchange differences on translation of foreign operations	375,734	(402,805)	375,734	(67,880)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(9,806,652)</u>	<u>(6,535,603)</u>	<u>(5,519,653)</u>	<u>(3,769,146)</u>
Attributable to:				
Attributable to the Holding company's shareholders	(9,932,579)	(6,665,211)	(5,639,797)	(3,890,010)
Non controlling interest	125,927	129,608	120,144	120,864
	<u>(9,806,652)</u>	<u>(6,535,603)</u>	<u>(5,519,653)</u>	<u>(3,769,146)</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 form an integral part of these consolidated condensed interim financial statements.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended June 30, 2011

Note	Six months period ended June 30, 2011		Six months period ended June 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	18	8,145,297	5,076,100	94,768	59,370
Profit on bank deposits received		18,411	8,668	214	101
Finance costs paid		(4,132,483)	(4,164,791)	(48,080)	(48,711)
Taxes paid		(490,411)	(618,714)	(5,706)	(7,236)
Staff retirement benefits paid		(421,701)	(374,693)	(4,906)	(4,382)
Gratuity paid		(776)	(3,573)	(9)	(42)
Long-term deposits and prepayments - net		161,175	64,371	1,875	753
Net cash generated from / (used in) operating activities		3,279,512	(12,632)	38,156	(147)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,671,448)	(972,715)	(19,447)	(11,377)
Proceeds from sale of property, plant and equipment		14,543	24,145	169	282
Short-term investments-net		508,296	(354)	5,914	(4)
Translation adjustments		(1,493,472)	626,303	(17,376)	7,325
Net cash generated from / (used in) investing activities		(2,642,081)	(322,621)	(30,740)	(3,774)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance against Equity		1,549,670	1,177,679	18,030	13,774
Proceeds from long-term financing		1,875,753	1,897,647	21,824	22,195
Redemption of term finance certificates		(2,560)	(2,560)	(30)	(30)
(Repayment) of / proceeds from obligations under finance lease - net		(4,158,868)	(3,109,528)	(48,387)	(36,369)
Net cash generated from financing activities		(736,005)	(36,762)	(8,563)	(430)
Increase / (decrease) in cash and cash equivalents		(98,574)	(372,015)	(1,147)	(4,351)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(16,737,115)	(19,481,916)	(194,731)	(227,859)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(16,835,689)	(19,853,930)	(195,878)	(232,210)
CASH AND CASH EQUIVALENTS					
Cash and bank balances		5,916,504	6,475,605	68,837	75,738
Short-term borrowings		(22,752,193)	(26,329,535)	(264,714)	(307,948)
		(16,835,689)	(19,853,930)	(195,877)	(232,210)

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

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

For the six months period ended June 30, 2011

	Issued, subscribed, and paid-up capital	Advance against equity	Reserves					Total	Non- controlling interest	Total	
			Capital reserves	Revenue reserves	Unrealised loss on remeasurement of investments	Foreign Exchange translation reserves	Accumulated losses				Other reserves
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	-	-	-	-	-	-	(6,152,867)	-	(6,152,867)	29,191	(6,123,676)
Other comprehensive income for the period											
Currency translation difference	-	-	-	-	-	(503,222)	-	-	(503,222)	100,417	(402,805)
Unrealised loss on re-measurement of investments	-	-	-	-	(9,122)	-	-	-	(9,122)	-	(9,122)
Total comprehensive income for the year transferred to equity	-	-	-	-	(9,122)	(503,222)	(6,152,867)	-	(6,665,211)	129,608	(6,535,603)
Advance against equity	-	1,177,679	-	-	-	-	-	-	1,177,679	-	1,177,679
Surplus on revaluation of fixed assets realized during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	213,117	-	213,117	-	213,117
Balance as at June 30, 2010 - restated	23,280,356	1,177,679	2,501,038	1,779,674	20,156	(958,091)	(80,394,878)	31,262	(52,562,804)	890,372	(51,672,432)
Balance as at January 1, 2011	25,774,948	-	2,501,038	1,779,674	27,899	2,570,423	(89,212,633)	573	(56,558,078)	1,191,149	(55,366,929)
Payment of term finance certificates											
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Loss for the year							(10,215,761)		(10,215,761)	37,827	(10,177,934)
Other Comprehensive Income											
Currency translation differences						285,085		2,549	287,634	88,100	375,734
Unrealised loss on re-measurement of investments					(4,452)				(4,452)		(4,452)
Total comprehensive income for the period transferred to equity	-	-	-	-	(4,452)	285,085	(10,215,761)	2,549	(9,932,579)	125,927	(9,806,652)
Surplus on revaluation of fixed assets realized during the quarter on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	52,364	-	52,364	-	52,364
Advance against equity	-	1,549,670	-	-	-	-	-	-	1,549,670	-	1,549,670
Balance as at June 30, 2011	25,774,948	1,549,670	2,501,038	1,779,674	23,447	2,855,508	(99,376,030)	3,122	(64,888,623)	1,317,076	(63,571,547)

The annexed notes form an integral part of these consolidated condensed interim 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 six months period ended June 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 S.a.r.l [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 group has incurred a net loss of Rs 10,177.93 million (June 30, 2010 - restated: Rs 6,123.68 million) resulting in accumulated losses of Rs 99,376.03 million as of June 30, 2011 (December 31, 2010: Rs 89,212.63 million). Further, as of June 30, 2011 current liabilities of the group exceeded its current assets by Rs 82,476.89 million (December 31, 2010: Rs 68,227.99 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 14,773.670 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 year ended December 31, 2010, the Holding company had prepared its five year business plan which was approved by the Board of Directors of the Holding company and the Ministry of Defence. The business plan was also endorsed by the sub-committee of the National Assembly's Standing Committee on Defence which concurred with the recommendations contained in the plan. Further, presentations were made in respect of the business plan in meetings with the representatives of the Ministry of Finance (MoF), which were chaired by the Finance Minister. The business plan envisaged, among other things, GoP's support in terms of providing necessary funding for recapitalisation, however, in the meetings with MoF held during the current period, it was deliberated that in the short term necessary support shall be provided to the Holding company in the form of facilitation in restructuring of existing long-term financing, extending existing guarantees and issuance of new guarantees to various financial institutions by GoP and conversion of existing GoP loans into equity. As set out in the business plan, the Holding company has devised a turn-around strategy which entails operational restructuring to minimize cost and enhance revenues. As part

of Government's commitment of providing continuing financial support the Economic Coordination Committee (ECC) of the Cabinet has in March 2011 accorded approval for extension in existing guarantees issued to various financial institutions by the GoP for Rs 8,000 million and also allowed issuance of new guarantees of Rs 5,000 million. Further, during the current period, GoP has provided advance against equity amounting to Rs 1,549.670 million. Keeping in view the above, management believes that the Holding company will continue to get continuous support of the GoP in the manner set out above resulting in facilitation in raising new finances and restructuring of existing debts.

In view of the situation described above, although material uncertainty exists which may cast doubt on the Holding company's and ultimately 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 six months period ended June 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** The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income and notes thereto for the quarters ended June 30, 2011 and 2010 are also included in these condensed interim financial statements which were not subjected to review.
- 2.3** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the holding company's December 2010 consolidated financial statements.
- 2.4** The US \$ amount reported in the condensed interim balance sheet, condensed interim profit and loss account and condensed interim cash flow statement are stated as additional information, solely for the convenience of the user of these condensed interim financial statements. The US \$ amounts in the condensed interim balance sheet have been translated into US \$ at the rate of Rs 85.95 = 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 85.95 = US \$ 1 (June 30, 2010: Rs 85.50 = 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.

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

	June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000		
	144,534,276	145,040,401
	1,354,577	1,129,146
	<u>145,888,853</u>	<u>146,169,547</u>

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

	Six months period ended	
	June 30, 2011 (Un-audited)	June 30, 2010 (Un-audited)
	Rupees in '000	
Additions / Transfers / Adjustments		
<i>Owned</i>		
Buildings on leasehold land	10,631	31,183
Renovation and improvements	3,389	11,947
Aircraft fleet / Engines overhauling	-	283,754
Operating ground equipment, catering communication and meteorological equipment	495	40,616
Engineering equipment and tools	19,234	33,482
Motor transport	18,886	14,832
Traffic equipment	4,112	100,669
Furniture, fixture and fittings	53,530	111,201
Office equipment	106	116
Computers and office automation	7,598	11,087
Precision engineering equipment	1,249	36
Other equipment	12,093	6,119
Capital spares	67,369	91,998
	198,692	737,040
<i>Leased</i>		
Aircraft fleet / Engines overhauling	1,247,977	749,956
	1,446,669	1,486,996
Deletions / write offs - net book value		
<i>Owned</i>		
Buildings on leasehold land	-	6,423
Aircraft fleet / Engines overhauling	-	4,017
Engineering equipment and tools *	-	-
Motor transport	1,519	1,058
Traffic equipment	-	117
Furniture, fixture and fittings *	-	7,812
Computers and office automation *	-	8
Office equipment	-	-
Other equipment *	-	2
Capital spares - written off	8,894	19
	10,413	19,456
<i>Leased</i>		
Aircraft fleet	-	283,754
Vehicles	635	356
	635	284,110
	11,048	303,566

* 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 1,279.813 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.

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

5. LONG-TERM DEPOSITS AND PREPAYMENTS

Deposits	5.1	8,237,173	8,068,332
Current maturity of long-term deposits		(91,825)	-
		<u>8,145,348</u>	<u>8,068,332</u>
Prepayments	5.2	1,148,974	1,341,041
		<u>9,294,322</u>	<u>9,409,373</u>

5.1 This includes maintenance reserve amounting to Rs 4,416.883 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 six months and three months periods ended June 30, 2010 and consolidated condensed interim statement of changes in equity for the period ended June 30, 2010 have also been restated.

	Amount reported previously	Effect of adjustment	Restated amount
	Rupees in '000		

Six months period ended June 30, 2010

Cost of services - others	26,560,887	(344,326)	26,216,561
Exchange loss - net	1,566,343	(60,475)	1,505,868
Loss for the period	6,528,477	(404,801)	6,123,676
			<u>Rupees</u>
Earnings per share - basic and diluted			
Loss attributable to:			
'A' class ordinary shares	2.70	(0.16)	2.54
'B' class ordinary shares	1.35	(0.08)	1.27

	Amount reported previously	Effect of adjustment	Restated amount
	Rupees in '000		
Quarter ended June 30, 2010			
Cost of services - others	13,253,438	(177,926)	13,075,512
Exchange loss - net	1,901,782	(74,815)	1,826,967
Loss for the period	3,944,885	(252,741)	3,692,144
	Rupees		
Earnings per share - basic and diluted			
Loss attributable to:			
'A' class ordinary shares	1.61	(0.10)	1.51
'B' class ordinary shares	0.81	(0.05)	0.76

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.

		June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
	Note	Rupees in '000	
6. OTHER RECEIVABLES			
Considered good			
Claims receivable		327,923	319,300
Excise duty		100,000	100,000
Sales tax receivable		978,766	460,990
Receivable from GoP		332,809	332,809
Others		362,465	224,908
		<u>2,101,963</u>	<u>1,438,007</u>
Considered doubtful			
Less: provision for doubtful other receivables	6.1	177,077 (177,077) -	177,077 (177,077) -
		<u>2,101,963</u>	<u>1,438,007</u>
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		<u>177,077</u>	<u>177,077</u>

7. CASH AND BANK BALANCES

In hand		12,571	24,099
In transit		47,433	11,493
		<u>60,004</u>	<u>35,592</u>
With banks:			
- in current accounts		4,953,213	4,353,295
- in savings accounts		903,287	1,539,107
		<u>5,856,500</u>	<u>5,892,402</u>
		<u>5,916,504</u>	<u>5,927,994</u>

8. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN

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

9. LONG-TERM FINANCING

Financier	Type of Facility	Limit (million)	Repayment period	Number of installments / mode	Mark-up	Note	June 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		3,978,021	4,321,159
Royal Bank of Scotland - Netherlands	Demand finance	US \$ 59.50	2009 - 2013	19 quarterly	3 month LIBOR + 1.60%		2,560,498	3,078,475
National Bank of Pakistan - Bahrain	Syndicate finance	US \$ 120	2013	Bullet	3 month LIBOR + 3.25% & 3.6%		10,314,000	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	1,633,050	-
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%		3,509,625	4,754,750
National Bank of Pakistan - Bahrain	Demand finance	US \$ 30	2010 - 2012	24 monthly	1 month LIBOR + 5.50%		1,719,000	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%		2,721,714	1,287,000
Hong Kong Shanghai Banking Corporation	Demand finance	Rs 850	2010 - 2011	17 monthly	3 month KIBOR + 0.90%		150,000	450,000
JP Morgan Chase	Loan		2006 - 2011	Variable	1 month LIBOR +1.65%		8,306,263	8,291,767
JP Morgan Chase	Mezzanine Finance		2006 - 2011	Variable	1 month LIBOR +1.65%		2,922,300	5,148,000
Hong Kong Shanghai Banking Corporation	Loan		2006 - 2012	Variable	3 months EURIBOR + 1.15%		2,445,010	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
							50,259,481	50,567,678
Current maturity shown under current liabilities							(21,351,982)	(21,129,942)
							<u>28,907,499</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	June 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						(5,398,293)	(2,135,040)
						<u>14,191,467</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** Subsequent to period-end, 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.

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

11. TRADE AND OTHER PAYABLES

Trade creditors

Goods	4,082,261	2,573,680
Services	2,862,971	2,276,707
Airport related charges	4,231,157	3,524,083
	<u>11,176,389</u>	<u>8,374,470</u>

Others

Accrued liabilities	4,446,090	5,266,999
Advance against transportation (unearned revenue)	7,314,598	6,971,694
Advance against transportation - Hajj	4,725,746	-
Unredeemed frequent flyer liabilities	1,505,458	1,283,440
Advance from customers	668,260	854,933
Earnest money	2,658	2,799
Payable to employees' provident fund	2,907,993	2,445,330
Unclaimed dividend - Preference shares	8,494	8,504
Collection on behalf of others	4,689,196	4,093,377
Customs and federal excise duty	3,127,235	1,458,207
Income tax deducted at source	219,397	124,817
Sales tax payable	5,347	3,620
Bed tax	10,951	3,385
Payable to EOBI/SESSI	393	395
Short-term deposits	299,762	255,375
Others	1,702,393	709,988
	<u>42,810,360</u>	<u>31,857,333</u>

12. SHORT-TERM BORROWINGS

	June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Note	Rupees in '000	
Short term loans - secured	14,373,550	14,304,200
Running finance under mark-up arrangements	8,378,643	8,360,909
	<u>22,752,193</u>	<u>22,665,109</u>

12.1 Short term loans - secured

Financier	Security	Facility amount (million)	Tenure	June 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	1,500,000	-
Habib Allied International Bank Limited - London	Euro receivables	US \$ 5 & US \$ 4	3 months	773,550	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>14,373,550</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	June 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	1,521,777	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	1,139,089	1,474,122
Habib Allied International Bank Limited - London	EURO receivables	US \$ 3	-	On demand	257,807	257,287
KASB Bank Limited	Ranking charge over receivables on Kharian Station amounting to Rs 533.330 million	Rs 400	-	One year	400,000	400,000
United Bank Limited - Dubai	First pari passu charge over certain portion of present and future current assets	US \$ 22	-	One year	1,890,900	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	1,117,350	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 350	Rs 27	One year	323,103	95,879
Bank of Punjab	Hypothecation charge on receivables comprising of sales receipts					
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 550	Rs 4	On Demand	545,659	-
Citibank N.A.	Collection account	US\$ 15	US \$ 4	1 month	945,450	-
Un-secured						
Habib American Bank	-	US \$ 1.5	-	-	-	94,380
Citibank N.A.	-	US\$ 3	US \$ 0.2	On Demand	237,508	-
					8,378,643	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 after June 30, 2011 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 unconsolidated 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.

13.2 Commitments

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

	June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000		
	44,062	169,171
	107,519	3,118
	55,544	175,762
	555,406	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:

	June 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Rupees in '000		
Not later than one year	1,096,811	1,104,780
Later than one year but not later than five years	4,308,051	4,305,472
Later than five years	718,008	1,254,322
	<u>6,122,870</u>	<u>6,664,574</u>

	Six months period ended		Quarter ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

14. REVENUE - net

Passenger	49,680,298	43,794,410	26,482,533	23,301,799
Cargo	3,079,693	3,114,219	1,689,367	1,835,654
Excess baggage	543,766	482,962	254,138	213,273
Charter	720,963	93,578	243,961	14,878
Engineering services	439,219	541,242	439,219	383,163
Handling and related services	322,839	293,257	131,261	164,966
Mail	241,436	210,614	139,894	120,502
Room, food and beverages sales	4,711,913	4,571,201	2,648,938	2,759,560
Others	1,154,769	776,156	755,652	384,451
	<u>60,894,896</u>	<u>53,877,639</u>	<u>32,784,963</u>	<u>29,178,246</u>

	Six months period ended		Quarter ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

15. COST OF SERVICES - Others

	Restated		Restated	
Salaries, wages and allowances	6,210,519	4,808,558	2,639,178	2,386,358
Welfare and social security costs	232,926	207,546	28,059	19,601
Retirement benefits	578,106	1,102,854	327,825	749,366
Compensated absences	54,443	48,904	15,185	23,153
Legal and professional charges	47,778	39,650	38,049	29,003
Stores and spares consumed	1,488,736	1,482,234	713,265	789,649
Maintenance and overhaul	2,376,105	2,318,847	1,182,221	1,100,863
Flight equipment rental	599,988	602,052	291,298	304,891
Landing and handling	6,313,272	5,383,932	3,174,233	2,724,440
Passenger services	1,908,207	1,704,771	972,163	883,181
Crew layover	1,637,011	1,394,396	776,706	742,398
Staff training	45,911	48,059	28,466	32,383
Food Cost	288,513	1,108,960	279,549	551,605
Hotel running expense	1,318,639	1,869,269	757,257	754,829
Utilities	31,869	10,213	23,575	5,175
Communication	30,494	28,459	16,705	13,802
Insurance	751,091	696,743	372,490	298,645
Rent, rates and taxes	693,147	343,287	465,121	121,402
Printing and stationery	99,002	111,658	61,913	77,148
Amortisation	1,258	1,288	345	457
Depreciation	3,402,694	2,731,374	1,910,719	1,358,211
Others	251,183	173,507	170,520	108,952
	<u>28,360,892</u>	<u>26,216,561</u>	<u>14,244,842</u>	<u>13,075,512</u>

	Six months period ended		Quarter ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(un-audited)	(un-audited)	(un-audited)	(un-audited)

Rupees in '000

16. FINANCE COSTS

Mark-up on:				
- long term financing	1,235,315	1,043,376	721,894	536,139
- murabaha financing		2,957	-	2,957
- short term borrowings	1,332,149	1,259,727	622,979	662,413
	<u>2,567,464</u>	<u>2,306,060</u>	<u>1,344,873</u>	<u>1,201,509</u>
Return on term finance certificates	910,367	840,183	465,866	421,693
Profit on sukuk certificates	511,703	481,552	260,867	240,105
Interest on liabilities against assets subject to finance leases	655,713	731,255	321,700	362,105
Interest to pension / provident fund	229,096	125,600	127,041	70,013
Arrangement, agency and commitment fee	88,219	194,626	33,814	20,769
Bank charges, guarantee commission and other related charges	135,232	131,119	69,066	121,190
	<u>5,097,794</u>	<u>4,810,395</u>	<u>2,623,227</u>	<u>2,437,384</u>

	Six months period ended		Quarter ended	
	June 30, 2011 (un-audited)	June 30, 2010 (un-audited)	June 30, 2011 (un-audited)	June 30, 2010 (un-audited)
	Rupees in '000			
	Restated		Restated	

**17. EARNINGS PER SHARE
- BASIC AND DILUTED**

Loss after taxation	10,177,934	6,123,676	5,894,156	3,692,144
	No. of ordinary shares			
Weighted average number of ordinary shares outstanding	2,668,306,356	2,414,472,900	2,723,350,592	2,445,053,525
	Rupees			
Loss attributable to:				
'A' class ordinary shares	3.81	2.54	2.16	1.51
'B' class ordinary shares	1.91	1.27	1.08	0.76

17.1 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)'.

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

18. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	Six months period ended	
	June 30, 2011 (un-audited)	June 30, 2010 (un-audited)
	Rupees in '000	
	Restated	

Loss before taxation	(9,339,189)	(5,482,574)
Adjustments for non cash items:		
Depreciation	3,528,749	3,104,222
Gain on disposal of property, plant and equipment	(12,389)	(4,333)
Amortisation on premium	846	846
Provision for gratuity	2,700	1,800
Amortization	10,006	11,284
Provision for slow moving stores and spares	109,831	93,570
Provision for employees' benefits	1,066,757	1,916,098
Provision for doubtful debts	149,477	103,439
Finance costs	5,097,794	4,810,394
Cash generated from operations before working capital changes	614,582	4,554,746
Working capital changes:		
Decrease / (increase) in stores and spare parts	(153,658)	86,198
Stock in trade	(165)	(473)
Decrease / (increase) in trade debts	(2,561,826)	134,933
Decrease in advances	(127,092)	1,001,861
Decrease in trade deposits and prepayments	349,321	(516,919)
Increase in other receivables	(577,090)	(77,439)
Increase / (decrease) in trade and other payables	10,601,225	(106,807)
	7,530,715	521,354
Cash generated from operations after working capital changes	8,145,297	5,076,100

19. 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 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 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 group, 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 June 30, 2011 would have been higher by Rs 339.965 million, staff costs and loss after taxation of the group for the six months period then ended would have been higher by Rs 75.879 million while earnings per share would have been lower by Rs 0.03 and Rs 0.01 per share for class 'A' and 'B' shareholders respectively.

20. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on September 24, 2011 by the Board of Directors of the Corporation.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director