

Half Yearly
Report '09

Flying towards a
Prosperous Future



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Secretary - PIA

PIA Building,
Jinnah International Airport,
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Corporate Information
As at August 20, 2009



Board of Directors

Ch. Ahmed Mukhtar
Minister for Defence and
Chairman - PIA

Syed Naseer Ahmad

Malik Nazir Ahmed

Mr Javed Akhtar

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

Capt. Mohammad Aijaz Haroon
Managing Director - PIA

Prof. Mian Ijaz ul Hassan

Mr Mubashir Iftikhar

Mr Husain Lawai

Mr Shaukat Ali Rana

Mr Salman Siddique
Federal Secretary Finance

Corporate Secretary
Mr Muhammad Shuaib

Head of Internal Audit
Mr S. Fazal Ahmad

Executive Management

Capt. Mohammad Aijaz Haroon
Managing Director

Mr Salim Sayani
Deputy Managing Director

Mr Imran Ahmed Khan
Director - Procurement, Logistics and Food
Services

Mr M. Haneef Pathan
Director - HR, Administration &
Coordination

Mr Shahnawaz Rehman
Director - Corporate Planning

Mr Salah Uddin
Director - Marketing

AVM Muhammad Kamal Alam Siddiqui
Director - Precision Engineering Complex

Capt. Shuja Naqvi
Director - Flight Operations

Mr Shahid Sarwar
Director - Information Technology

Mr Mohammad Ziyad A. Syed
Director - Finance /
Chief Financial Officer

Mr Dilawar Fareed Beg
Director - Training and
Development

Mr Maqsood Ahmed
Director - Engineering and Maintenance

Mr Richard Bate
Director - Special Projects

Mr S. Kamran Hasan
Director

Auditors

Messrs Anjum Asim Shahid Rahman
Messrs M. Yousuf Adil Saleem & Co.

Share Registrar

Central Depository Company of Pakistan Ltd.
Shares Registrar Department,
CDC House, 99 - B, Block 'B',
Sindhi Muslim Cooperative Housing Society,
Main Shahrah-e-Faisal,
Karachi - 74400, Pakistan.
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(Toll Free) 0800 - CDCPL (23275)
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Head Office

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

Audit Committee

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

Brand and Advertisement Committee

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

Finance Committee

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

Human Resource Committee

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

The Directors of Pakistan International Airlines present their report along with the financial statements for the first half of year 2009 (for the six month period ended June 30, 2009).

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

	2nd Quarter		Half Year	
	2009	2008	2009	2008
	(Rs. Billion)			
Revenue - net	20.67	19.74	41.92	37.56
Operating expenses excluding depreciation & exchange loss	18.38	20.52	35.37	38.55
Operating profit / (loss) before depreciation	2.29	(0.78)	6.55	(0.99)
Depreciation	2.50	1.95	4.74	3.72
Operating profit / (loss) before exchange loss	(0.21)	(2.73)	1.81	(4.71)
Exchange loss - net	1.15	7.10	3.00	8.85
Finance costs	2.37	1.80	4.78	3.71
Loss before tax	(3.79)	(12.60)	(5.84)	(18.00)
Loss after tax	(3.35)	(12.60)	(5.40)	(18.00)

Despite global recession and continued stiff competition from the regional airlines overall revenue of Pakistan International Airlines for the first half year of 2009 grew nearly by PKR 4.4 billion, an increase of 11.6 % compared to the same period of last year, mainly contributed by increase in revenue from passengers by PKR 3.97 billion (11.8%). PIA's revenue from chartered flights during first half year has shown a notable increase of PKR 183 million (190%) compared to the same period of last year, similarly there has been a growth of PKR 163 million (57%) in non-transport revenue from engineering services provided to other airlines.

In the half year ended June 2009, with improved revenues and lower costs, PIA reduced its after tax loss by PKR 12.60 billion to PKR 5.4 billion, this reduced loss includes: foreign exchange translation loss of PKR 3.0 billion, on US dollar denominated, loans / lease obligations, resulting from a 2.8% depreciation of the Pakistani Rupees against the US dollar; and finance cost of PKR 3.3 billion on non-fleet loans of PKR 62.3 billion. However, management needs to arrest the increase in losses in the 2Q-2009 compared to the 1Q-2009 resulting mainly from decline in revenue and higher fuel cost.

The Depreciation charge for the six months period ending June 2009, increased by nearly one billion (27.5%) mainly due to the impact of revaluation of assets in December 2008.

Minimum tax has been re-introduced through Finance Act, 2009, due to which the Corporation will be liable for minimum tax at the rate of 0.5 % of revenue. Accordingly, minimum tax provision of PKR 210 million has been provided for in the condensed interim financial statements. The primary focus of PIA for 2009 shall remain to improve the economic equation between revenues and cost which has been severely disbalanced on account of oil prices and weaker rupee. PIA is continuously on the lookout for extending its network to new destinations for taking advantage of its ethnic customer base.

In April 2009, PIA introduced Barcelona as a new destination on its network with twice weekly service. Also, Frankfurt was reintroduced with twice weekly service in June 2009. Other enhancements include Kuala Lumpur to Islamabad, Islamabad to Kathmandu and Peshawar to Kabul, with one flight per week on each of these routes. PIA has also redeployed B-747 aircraft on Saudi Arabia route to meet excessive demand.

The outlook for the aviation industry has deteriorated in the last six month with crises in the international banking system, and deepest recession since the early 80's has taken its toll on the aviation industry. Delays in spending due to economic uncertainties have resulted in weaker demand for discretionary travel. Globally airlines have recorded dips both in passenger and cargo loads and yields. This compelled International Air Transport Association (IATA) to revise upwards overall aviation industry calendar year 2009 forecast for losses to US\$ 9 billion.

The major challenges ahead for the Corporation are to regain its market share and profitability, through improved revenue management, network optimization, a more focused management of the field sales force and further cost cutting measures. This is not likely to be an easy task with competition intensifying and air fares being reduced. In this difficult operating environment, it is extremely important to make the airline cost competitive, better customer services oriented, and to restore operational and financial discipline.

Delay in economic recovery has continued to adversely impact the hospitality industry. PIA Investments Limited (PIAIL) reported revenue of US\$ 49.3 million compared to US\$ 65.8 million in the corresponding period. PIAIL, that owns Roosevelt Hotel in New York and Scribe Hotel in Paris, was able to earn a small net profit for the six months ended 30th June, 2009, despite the reduction in revenue mainly attributable to slowdown in business travel and international tourism. Sky Rooms (Private) Limited, 100% owned subsidiary of Pakistan International Airlines Corporation reported revenue of Rs. 117.55 million and profit after tax of Rs. 4.19 million.

The management stays committed to firmly and steadily tread on the path to recovery. As it does so, it shall look forward to continue receiving support of the Government of Pakistan, shareholders and other stakeholders. Equally importantly, it shall also draw upon the strength of its employees, whose loyalty, cooperation and understanding as well as creative contribution remains an invaluable asset for the national airline.

We would like to take this opportunity to thank all our customers for their loyalty, our shareholders and other stakeholders for their support and all the employees for their continued endeavors.

For and on behalf of the Board

Lt Gen (Retd.) Syed Ather Ali
Director

Malik Nazir Ahmed
Director

August 20, 2009

This report has been signed by two Directors as Chairman PIA could not attend the meeting as he was not present in the Country.

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

Anjum Asim Shahid Rahman
Chartered Accountants
1st Floor, Modern Motors House,
Beaumont Road,
Karachi.

Introduction

We have reviewed the accompanying condensed interim balance sheet of **PAKISTAN INTERNATIONAL AIRLINES CORPORATION** (the Corporation) as at June 30, 2009 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the six-month 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. Our responsibility is to express a conclusion on this interim financial information based on our review. The financial statements of the Corporation for the six-month period ended June 30, 2008 and for the year ended December 31, 2008 were reviewed and audited by Ford Rhodes Sidat Hyder & Co. and Anjum Asim Shahid Rahman, Chartered Accountants, who through their reports dated August 28, 2008 and March 26, 2009, expressed an unqualified conclusion and opinion thereon. The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2009.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at June 30, 2009, is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our review report, we draw attention to the following uncertainties:

- i) note 16.1(a) to the interim financial information, explaining the difference between the amount due as per Corporation's records and amounts claimed by the Civil Aviation Authority for which a reconciliation and settlement exercise is currently in progress through the Ministry of Defence; and
- ii) note 1.2 to the interim financial information, which indicates that the Corporation incurred a net loss of Rs. 5,395 (June 30, 2008: Rs. 17,999) million during the six-month period ended June 30, 2009, resulting in accumulated losses of Rs. 76,536 (December 31, 2008: Rs. 72,354) million as of the balance sheet date and as of that date, the Corporation's current liabilities exceeded its current assets by Rs. 67,220 (December 31, 2008: Rs. 56,669) million. The mitigating factors, however, relating to above situation, including support from Government of Pakistan, as discussed in note 1.2, override the existence of any material uncertainty about the Corporation's ability to continue as a going concern. Accordingly, the interim financial information has been prepared on a going concern basis.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: August 20, 2009

Anjum Asim Shahid Rahman
Chartered Accountants

	Note	(Un-audited)	(Audited)	(Un-audited)	(Audited)
		June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
		Rupees in '000		US\$ in '000	
ASSETS					
NON - CURRENT ASSETS					
Fixed assets					
Property, plant and equipment	4	111,596,215	115,010,337	1,376,032	1,457,673
Intangibles		101,929	113,154	1,257	1,434
Long-term investments	5	111,698,144	115,123,491	1,377,289	1,459,107
Long-term deposits and prepayments		4,436,027	4,497,642	54,698	57,004
		5,008,579	5,009,452	61,758	63,491
		121,142,750	124,630,585	1,493,745	1,579,602
CURRENT ASSETS					
Stores and spare parts	6	3,972,681	3,726,940	48,985	47,236
Trade debts	7	6,455,090	5,757,849	79,594	72,977
Advances	8	1,313,651	1,418,610	16,198	17,980
Trade deposits and prepayments		1,058,237	1,591,583	13,049	20,172
Accrued interest		-	1,325	-	17
Other receivables		1,576,408	1,441,564	19,438	18,271
Short-term investments		37,571	42,505	463	539
Taxation - net		726,452	269,351	8,957	3,414
Cash and bank balances	9	1,057,635	789,555	13,042	10,007
		16,197,725	15,039,282	199,726	190,613
		137,340,475	139,669,867	1,693,471	1,770,215
TOTAL ASSETS					
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		21,423,014	21,423,014	264,156	271,521
Reserves	10	(72,237,034)	(68,124,941)	(890,716)	(863,434)
		(50,814,020)	(46,701,927)	(626,560)	(591,913)
TOTAL EQUITY					
SURPLUS ON REVALUATION OF FIXED ASSETS					
		12,862,559	14,192,700	158,601	179,882
ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN					
	11	933,592	-	11,512	-
NON CURRENT LIABILITIES					
Long-term financing	12	11,078,225	19,471,411	136,600	246,786
Term finance certificates	13	12,800,000	12,430,143	157,830	157,543
Liabilities against assets subject to finance lease	14	63,047,551	65,024,660	777,405	824,140
Long-term deposits		300,971	301,770	3,711	3,825
Deferred liabilities		3,713,831	3,243,205	45,793	41,105
		90,940,578	100,471,189	1,121,339	1,273,399
CURRENT LIABILITIES					
Trade and other payables, including provisions		25,898,534	27,127,000	319,341	343,815
Accrued interest / mark-up / profit		1,584,384	1,475,456	19,536	18,700
Short-term borrowings	15	31,401,381	30,500,062	387,193	386,566
Current maturities of:					
Long-term financing	12	16,900,572	5,352,528	208,392	67,839
Liabilities against assets subject to finance lease	14	7,632,895	7,252,859	94,117	91,927
		83,417,766	71,707,905	1,028,579	908,847
CONTINGENCIES AND COMMITMENTS					
	16				
		137,340,475	139,669,867	1,693,471	1,770,215

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

Note	Six-month period ended		Quarter Ended		Six-month period ended		
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	
	Rupees in '000				US\$ in '000		
REVENUE - net	17	41,920,666	37,562,143	20,673,170	19,736,406	516,901	552,384
COST OF SERVICES							
Aircraft fuel		(12,380,361)	(19,624,897)	(6,527,589)	(10,975,784)	(152,655)	(288,601)
Others	18	(21,771,295)	(17,882,364)	(10,970,094)	(8,927,258)	(268,450)	(262,976)
		(34,151,656)	(37,507,261)	(17,497,683)	(19,903,042)	(421,105)	(551,577)
GROSS PROFIT / (LOSS)		7,769,010	54,882	3,175,487	(166,636)	95,796	807
Distribution costs		(2,611,458)	(2,193,497)	(1,212,118)	(1,000,928)	(32,200)	(32,257)
Administrative expenses		(3,351,890)	(2,569,970)	(2,173,580)	(1,565,772)	(41,330)	(37,794)
Other provisions and adjustments - net	19	(111,885)	(1,473,012)	(111,996)	(1,380,383)	(1,380)	(21,662)
Exchange loss - net		(2,999,756)	(8,848,215)	(1,149,161)	(7,097,892)	(36,988)	(130,121)
Other operating income		251,666	740,668	51,300	416,076	3,103	10,892
		(8,823,323)	(14,344,026)	(4,595,555)	(10,628,899)	(108,795)	(210,942)
LOSS FROM OPERATIONS		(1,054,313)	(14,289,144)	(1,420,068)	(10,795,535)	(12,999)	(210,134)
Finance costs	20	(4,784,292)	(3,710,184)	(2,369,856)	(1,805,810)	(58,993)	(54,562)
LOSS BEFORE TAXATION		(5,838,605)	(17,999,328)	(3,789,924)	(12,601,345)	(71,992)	(264,696)
Taxation	21	443,412	-	443,412	-	5,467	-
LOSS FOR THE PERIOD		(5,395,193)	(17,999,328)	(3,346,512)	(12,601,345)	(66,525)	(264,696)
------(Rupees)----- (US\$)-----							
LOSS PER SHARE							
'A' class Ordinary shares of Rs.10 each		2.52	8.60	1.56	6.00	0.03	0.13
'B' class Ordinary shares of Rs. 5 each		1.26	4.30	0.78	3.00	0.02	0.06

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	Rupees in '000			
Net loss for the period	(5,395,193)	(17,999,328)	(3,346,512)	(12,601,345)
Other Comprehensive Income				
Unrealised (loss) / gain on re-measurement of investments	(54,912)	(5,187)	(1,651)	7,350
Surplus on revaluation of fixed assets realised during the period on account of incremental depreciation charged thereon	1,865,756	807,857	1,870,043	453,380
Income tax relating to components of other comprehensive income	(653,015)	(282,750)	(1,307,530)	(158,683)
Other comprehensive income for the period (net of tax)	1,157,829	519,920	560,862	302,047
Comprehensive Income Transferred To Equity	(4,237,364)	(17,479,408)	(2,785,650)	(12,299,298)
Components of Comprehensive Income Not Transferred to Equity				
Surplus on revaluation of fixed assets realised during the period on account of incremental depreciation charged thereon (net of tax)	(1,212,741)	(525,107)	(562,513)	(294,697)
	(5,450,105)	(18,004,515)	(3,348,163)	(12,593,995)

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Note	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	
	Rupees in '000		US\$ in '000		
Cash flows from operating activities					
Cash generated from / (used in) operations after working capital changes	22	2,781,360	(10,858,431)	34,295	(159,683)
Profit on bank deposits received		15,396	127,636	190	1,877
Finance costs paid		(4,675,364)	(3,514,013)	(57,649)	(51,677)
Taxes paid		(74,739)	(152,743)	(922)	(2,246)
Staff retirement benefits paid		-	(18,809)	-	(277)
Deferred custom duty paid		(113,554)	(113,554)	(1,400)	(1,670)
Long term deposits - net		-	(610,312)	-	(8,975)
Net cash used in operating activities		(2,066,901)	(15,140,226)	(25,486)	(222,651)
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,442,507)	6,298,344	(17,787)	92,623
Proceeds from sale of property, plant and equipment		2,829	206,383	35	3,035
Proceeds from short-term investment		12,106	-	149	-
Dividend income received		-	406,800	-	5,982
Net cash (used in) / generated from investing activities		(1,427,572)	6,911,527	(17,603)	101,640
Cash flows from financing activities					
Advance against equity from Government of Pakistan		933,592	544,940	11,512	8,014
Proceeds from long term financing-net		3,154,858	1,023,541	38,901	15,052
Proceeds from term finance certificates		369,857	(378,485)	4,561	(5,566)
Repayment of obligations under finance lease-net		(1,597,073)	1,648,179	(19,693)	24,238
Net cash generated from financing activities		2,861,234	2,838,175	35,281	41,738
Decrease in cash and cash equivalents		(633,239)	(5,390,524)	(7,808)	(79,273)
Cash and cash equivalents at the Beginning of the period		(29,710,507)	(16,130,425)	(366,344)	(237,212)
Cash and cash equivalents at the end of the period		(30,343,746)	(21,520,949)	(374,152)	(316,485)
Cash and cash equivalents					
Cash and bank balances	9	1,057,635	1,216,806	13,041	17,894
Short-term borrowings	15	(31,401,381)	(22,737,755)	(387,193)	(334,379)
		(30,343,746)	(21,520,949)	(374,152)	(316,485)

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

	RESERVES						Total
	issued, subscribed, and paid-up capital	Capital reserves	Revenue reserves	Unrealized gain / (loss) on re-measurement of investments	Accumulated losses	Other Reserves	
	Rupees in '000						
Balance as at January 01, 2008	20,878,074	2,501,038	1,779,674	97,366	(37,159,710)	-	(11,903,558)
Total comprehensive income for the period transferred to equity	-	-	-	(5,187)	(17,474,221)	-	(17,479,408)
Balance as at June 30, 2008	20,878,074	2,501,038	1,779,674	92,179	(54,633,931)	-	(29,382,966)
Balance as at January 01, 2009	21,423,014	2,501,038	1,779,674	73,265	(72,353,647)	(125,271)	(46,701,927)
Total comprehensive income for the period transferred to equity	-	-	-	(54,912)	(4,182,452)	-	(4,237,364)
Loss on cash flow hedge arising during the period	-	-	-	-	-	125,271	125,271
Balance as at June 30, 2009	21,423,014	2,501,038	1,779,674	18,353	(76,536,099)	-	(50,814,020)

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

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 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services. The head office of the Corporation is situated at PIA Building, Jinnah International Airport, Karachi.

1.2 During the current period, the Corporation incurred a net loss of Rs. 5,395 (June 30, 2008: Rs. 17,999) million, resulting in accumulated losses of Rs. 76,536 (December 31, 2008: Rs. 72,354) million as of the balance sheet date. Further, as of the balance sheet date current liabilities of the Corporation exceeded its current assets by Rs. 67,220 (December 31, 2008: Rs. 56,669) million. The Government of Pakistan (GoP), as a majority shareholder, is committed to ensure the going concern status of the Corporation at all times. Historically, the support of the GoP has always been available to the Corporation, as evident by the GoP issuing guarantees to secure certain long-term finances and term finance certificates (TFCs).

The GoP had also agreed to provide equity contribution to the Corporation to cover interest/profit payments on long term financing and TFCs and an amount of Rs. 9,806 (December 31, 2008: Rs. 8,872) million has been provided to the Corporation up to June 30, 2009 against which 887,244,605 (2008: 887,244,605) 'A' class Ordinary shares of Rs. 10 each have been issued to the GoP. The remaining 93,359,200 Ordinary shares are expected to be issued during the current year.

During the current period, the Ministry of Finance (MoF) has also provided soft loan of Rs. 2000 million. Further, the MoF have also provided additional Rs. 3000 million as soft loan subsequent to June 30, 2009. The GoP has also agreed to provide further equity contributions during the coming months and restructuring of short term loans. The Corporation, therefore, believes that the going concern assumption is appropriate and has, as such, prepared these condensed interim financial statements on this basis.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting", as applicable in Pakistan and submitted to shareholders in accordance with Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

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 Corporation's annual financial statements for the year ended December 31, 2008.

The US\$ amounts in the balance sheet have been translated into US\$ at the rate of Rs. 81.10 = US\$1 (December 31, 2008: Rs. 78.90 = US\$1). The US\$ amounts in profit and loss account and cash flow statement have been translated into US\$ at the rate of Rs. 81.10 = US\$1 (June 30, 2008: Rs. 68 = US\$1)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgments and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Corporation for the year ended December 31, 2008, except for the adoption of new standards noted below:

IAS 1 (Revised) 'Presentation of Financial Statements'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Corporation has elected to present two statements.

IFRS 7 'Financial Instruments: Disclosures'

This standard requires disclosures that enable users to evaluate the significance of the Corporation's financial instruments and the nature and extent of risks arising from those financial instruments. The adoption of this standard does not impact the recognition and measurement of financial instruments. These disclosures will be reported in the annual financial statements for the year ending December 31, 2009.

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

(Un-audited) June 30, 2009	(Audited) December 31, 2008
Rupees in '000	

110,879,031	114,538,250
717,184	472,087
<u>111,596,215</u>	<u>115,010,337</u>

June 30, 2009	June 30, 2008
Rupees in '000	

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

Addition / transfers

Owned

Buildings on leasehold land	360	17,688
Workshops and hangers	39,702	-
Renovation and improvements	32,633	21,776
Aircraft fleet	143,311	373,867
Operating ground equipment, catering, communication and meteorological equipment	3,828	1,282
Engineering equipment and tools	11,573	11,383
Motor transport	17,353	9,328
Traffic equipment	7,509	14,192
Furniture, fixture and fittings	11,446	22,768
Office equipment	167	335
Computers and office automation	21,915	15,658
Precision engineering equipment	-	299
Other equipment	2,986	27,386
Capital spares	154,671	357,446
<u>447,454</u>	<u>873,408</u>	

Leased

Aircraft fleet / Engines overhauling	749,956	13,202,738
Vehicles	-	939
<u>1,197,410</u>	<u>14,077,085</u>	

Deletions

Owned

Leasehold land	-	103
Operating ground equipment, catering, communication and meteorological equipment	-	106
Motor transport	3,306	9,609
Traffic equipment	3,866	22,874
Furniture, fixture and fittings	98	1,034
Office equipment	-	455
Computers and office automation	190	132
Capital spares	-	7,187
<u>7,460</u>	<u>41,500</u>	

Leased

Vehicles	1,530	13,805
<u>8,990</u>	<u>55,305</u>	

	(Un-audited) June 30, 2009	(Audited) December 31, 2008
	Rupees in '000	
5. LONG-TERM INVESTMENTS		
Investments in related parties		
Unquoted - at cost		
Subsidiaries	4,415,712	4,415,712
Associates	396	396
Joint venture	2	2
	<u>4,416,110</u>	<u>4,416,110</u>
Other investments	19,917	81,532
	<u>4,436,027</u>	<u>4,497,642</u>
6. STORES AND SPARE PARTS		
Stores	1,012,058	938,488
Spare parts	4,860,903	4,449,512
	<u>5,872,961</u>	<u>5,388,000</u>
Provision for slow moving and obsolete stores and spare parts	(2,420,456)	(2,216,611)
	<u>3,452,505</u>	<u>3,171,389</u>
Inventory held for disposal	252,859	2,207,092
Adjustment for write down of surplus inventory to net realizable value	-	(1,944,539)
Disposal during the period	-	(9,694)
	<u>252,859</u>	<u>252,859</u>
Stores and spares-in-transit	267,317	302,692
	<u>3,972,681</u>	<u>3,726,940</u>
7. TRADE DEBTS		
Considered good	6,455,090	5,757,849
Considered doubtful	645,000	740,330
Provision for doubtful debts	(645,000)	(740,330)
	<u>-</u>	<u>-</u>
	<u>6,455,090</u>	<u>5,757,849</u>

	(Un-audited) June 30, 2009	(Audited) December 31, 2008
	Rupees in '000	
8. ADVANCES		
Considered good		
Subsidiary		
Skyrooms (Private) Limited	100,916	82,968
Others		
Executives and employees	106,416	224,530
Suppliers	956,491	961,815
Civil Aviation Authority	143,835	143,835
Others	5,993	5,462
	<u>1,212,735</u>	<u>1,335,642</u>
Considered doubtful	31,915	31,700
Provision for doubtful advances	(31,915)	(31,700)
	<u>-</u>	<u>-</u>
	<u>1,313,651</u>	<u>1,418,610</u>
9. CASH AND BANK BALANCES		
In hand	14,716	6,083
In transit	6,915	178,042
	<u>21,631</u>	<u>184,125</u>
With banks		
In current accounts	639,670	134,825
In short term deposit accounts	396,334	470,605
	<u>1,036,004</u>	<u>605,430</u>
	<u>1,057,635</u>	<u>789,555</u>
10. RESERVES		
Capital reserves		
Reserve for replacement of fixed assets	1,966,779	1,966,779
Capital redemption reserve fund	250,000	250,000
Others	284,259	284,259
	<u>2,501,038</u>	<u>2,501,038</u>
Revenue reserve	1,779,674	1,779,674
	<u>4,280,712</u>	<u>4,280,712</u>
Unrealised gain on re-measurement of investments	18,353	73,265
Accumulated losses	(76,536,099)	(72,353,647)
Other reserves	-	(125,271)
	<u>(76,517,746)</u>	<u>(72,405,653)</u>
	<u>(72,237,034)</u>	<u>(68,124,941)</u>
11. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN (GoP)		

This represents the amount received from GoP towards equity contribution under the terms of financial package, as disclosed in note 1.2 to these interim condensed financial statements.

12. LONG TERM FINANCING

Financier	Type of facility	Limit in million	Repayment period	Number of instalments/ mode	Mark-up %	(Un-audited)	(Audited)
						June 30, 2009	December 31, 2008
-----Rupees in '000----							
From Banking Companies-secured							
United Bank Limited	Syndicate Finance	1,650 PKR	2007 - 2010	6 Half-yearly	6 month KIBOR +0.79%	405,275	675,458
Habib Bank Limited	Demand Finance	530 PKR	2006 - 2009	36 Monthly	1 month KIBOR +1.50%	-	88,333
Citibank, N.A.	Demand Finance	82 US\$	2006 - 2017	20 Half-yearly	5.28% fixed	5,083,424	5,261,363
Habib Bank Limited	Demand Finance	200 PKR	2006 - 2009	36 Monthly	1 month KIBOR +1.75%	22,222	55,556
Royal Bank of Scotland	Demand Finance	50.98 US\$	2009 - 2013	19 Quarterly	3 month LIBOR +1.60%	4,326,736	4,339,396
National Bank Pakistan/ Habib Bank Limited	Syndicate Finance	120 US\$	2010	1 Bullet	3 month LIBOR +1.325%	9,744,000	9,468,000
Standard Chartered Bank - Dubai	Demand Finance	50 US\$	2007-2010	12 Quarterly	3 month LIBOR +1.325%	1,015,000	1,643,750
National Bank of Pakistan	Demand Finance	500 PKR	2007-2010	12 Quarterly	3 month KIBOR +1.50%	250,000	333,333
National Bank of Pakistan-Bahrain	Demand Finance	50 US\$	2008-2010	24 Monthly	6 month LIBOR +2.55%	2,030,000	2,958,750
Standard Chartered Bank (Pakistan) Limited	Syndicate Finance	3,591 PKR	2009 - 2011	22 Monthly	1 month KIBOR +1.25%	3,102,140	-
Others - unsecured							
Long-term loan - GoP	Term loan	2,000 PKR	2011 - 2019	16 Half-yearly	10% fixed	2,000,000	-
						27,978,797	24,823,939
Current maturity shown under current liabilities						(16,900,572)	(5,352,528)
						11,078,225	19,471,411

13. TERM FINANCE CERTIFICATES (TFCs)

This represents privately placed Term Finance Certificates (TFCs) issued by the Corporation and are repayable over a period of five years including two years grace period. It carries mark up at the rate of 6 month KIBOR prevailing immediately prior to the date of payment plus 0.85% per annum, payable semi-annually. The issue of TFCs is secured by guarantee given by the GoP. Standard Chartered Bank (Pakistan) Limited has been appointed as Trustee under the trust deed to protect the interest of the TFC holders.

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	(Un-audited) June 30, 2009	(Audited) December 31, 2008
Rupees in '000		
Present value of future rental obligations - aircraft fleet		
A-310 - 300	5,659,896	5,845,881
B-777 - 200 ER	16,498,023	17,176,361
B-777 - 200 LR	16,365,602	16,682,976
B-777 - 300 ER	32,152,114	32,555,909
	70,675,635	72,261,127
Present value of future rental obligations - vehicles	4,811	16,392
	70,680,446	72,277,519
Current maturity shown under current liabilities	(7,632,895)	(7,252,859)
	63,047,551	65,024,660

15. SHORT-TERM BORROWINGS - secured

Financier	Security	Repayment period	Mark-up %	(Un-audited)	(Audited)
				June 30, 2009	December 31, 2008
Rupees in '000					
Short term loans				15.1	26,972,969
Running finance under mark-up arrangements				15.2	4,428,412
					31,401,381
					30,500,062
15.1 Short term loans - secured					
Rupees in '000					
From Banking Companies					
Habib Bank Limited	GoP Guarantee	3 months	1 month KIBOR +0.65%	2,000,000	2,000,000
Habib Bank Limited	GoP Guarantee	1 Year	1 month KIBOR +0.90%	1,600,000	1,600,000
Habib Bank Limited	Charge over domestic receivables	1 Year	1 month KIBOR +2.50%	250,000	600,000
Habib Bank Limited - NYC	Euro Receivables	1 Year	3 month LIBOR +4.50%	390,309	384,788
United Bank Limited - Dubai	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month LIBOR +2.0% - 2.25%	1,791,194	1,736,211
United Bank Limited	GoP Guarantee	3 months	6 month LIBOR +2.0%	812,000	789,000
Habib Allied Bank Limited - London	Euro Receivables	1 Year	1 month LIBOR +2.25%	730,800	710,100
Habib Allied Bank Limited - London	Euro Receivables	1 Year	1 month LIBOR +2.50%	-	328,750
United Bank Limited - Bahrain	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month LIBOR +2.25%	1,049,851	1,030,381
National Bank - Bahrain	Saudi Receivables	6 months	1 month SIBOR +5.0%	541,375	-
Habib Bank Limited	Domestic Receivable	1 Year	3 month KIBOR +2.50%	250,000	250,000
Habib Bank Limited	Domestic Receivable	1 Year	3 month KIBOR +2.50%	600,000	600,000
Habib Bank Limited	GoP Guarantee	1 Year	1 month KIBOR +0.65%	2,000,000	2,000,000
Standard Chartered Bank - Dubai	GoP Guarantee	3 months	1 month LIBOR +2.0%	-	3,578,115
Standard Chartered Bank (Pakistan) Limited	GoP Guarantee	1 Year	Relevant KIBOR +0.75%	3,000,000	2,999,905
National Bank of Pakistan	GoP Guarantee	1 Year	3 month KIBOR +0.90%	1,100,000	1,100,000
National Bank of Pakistan	GoP guarantee and ranking hypothecation charge over all current and fixed assets	1 Year	3 month KIBOR +0.65%	1,500,000	1,500,000
United Bank Limited	GoP Guarantee	3 months	3 month KIBOR +0.90%	976,000	976,000
Habib Bank Limited	GoP Guarantee	1 Year	3 month KIBOR +0.65%	1,000,000	1,000,000
Hong Kong Shanghai Bank Corporation	GoP Guarantee	3 months	3 month KIBOR +0.90%	1,000,000	1,000,000
Barclays PLC	GoP Guarantee	1 Year	3 month KIBOR +0.65%	1,000,000	1,000,000
Askari Bank Limited	GoP guarantee and charge on current assets	1 Year	3 month KIBOR +0.65%	1,500,000	1,500,000
KASB Bank Limited	GoP Guarantee	1 Year	3 month KIBOR +0.65%	500,000	500,000
National Bank - Bahrain GBP	UK Receivables	1 Year	1 month LIBOR +5.0%	2,163,440	-
Faysal Bank	GoP guarantee and ranking hypothecation charge over all current assets	1 Year	3 month LIBOR +2.0%	1,218,000	-
				26,972,969	27,183,250

15.2 Running finance under mark-up arrangements - secured

Financier	Security	Repayment period	Mark-up %	(Un-audited)	(Audited)
				June 30, 2009	December 31, 2008
Rupees in '000					
From Banking Companies					
United Bank Limited	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month KIBOR +2.0%	2,501,970	2,505,112
Habib Allied Bank Limited - London	Receivables in Europe	1 Year	1 month LIBOR +2.25%	228,853	236,700
National Bank of Pakistan	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month KIBOR +1.25%	575,000	575,000
KASB Bank Limited	Domestic Receivables	6 months	3 month KIBOR +2.0%	400,000	-
Arif Habib Bank Limited	Domestic receivables and mortgage charge over Air Bus A-310 aircraft	1 Year	3 month KIBOR +2.5%	281,477	-
Habib Bank Limited	Hypothecation charge over all present and future spare parts, accessories of aircraft and domestic receivables	1 Year	1 month KIBOR +2.0%	441,112	-
				4,428,412	3,316,812

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- a) The Civil Aviation Authority (CAA), Pakistan has claimed additional amounts aggregating to Rs. 3,464 million (December 31, 2008: Rs.3,381 million) in respect of rent and allied charges, landing and housing charges, aviation security and bay charges, interest / surcharge etc. The matter has been referred to Ministry of Defence through which a reconciliation and settlement exercise is currently in progress. The management considers that no additional liability of material amount is likely to arise as a result of such exercise. However, as a matter of prudence, the Corporation made a provision of Rs. 1,500 million against the above referred claim of CAA, which the management considers to be adequate.
- b) During the financial year 2008, a show cause notice was served to the Corporation by the Additional Collector, LTU Karachi, as a result of finding during the audit of the Corporation records pertaining to 2004-2005 and 2005-2006. The Collector has raised demands of Rs. 6.80 million for the federal excise duty and Rs. 277.62 million for sales tax in respect of the late filing of monthly returns of excise duty, sales tax of various taxable activities and incorrect rate of duty charged and paid along with input tax paid on various utilities. As a consequence of the appeal filed by the Corporation to the Additional Collector, the demand was reduced to Rs. 44.117 million including additional tax and penalty through an Order-in-Appeal # 1361/08. The Additional Collector has issued a recovery notice on February 2, 2009 for the aforesaid amount. The Corporation has filed appeal against the above order, which is pending for hearing. The Corporation is confident that the decision will be in its favour. Consequently, no provision has been made in these condensed interim financial statements.
- c) During the financial year 2008, a show cause notice was served to the Corporation by Additional Collectorate LTU for claim of sales tax amounting to Rs. 1,319 million, and federal excise duty amounting to Rs. 2.07 million, on the basis of investigation conducted by Directorate General Intelligence, FBR. The amount was claimed against incorrect / inadmissible adjustment on exempt activity and incorrect charging of rates on federal excise duty and sales tax rate. During the current period, the Corporation has filed replies to the show cause notice on February 16, 2009 and April 22, 2009 but no order has been received. The Corporation is confident that the decision of order, when received, will be in its favour and consequently, no provision has been made in these condensed interim financial statements.
- d) There has been no change in the status of other contingencies as disclosed in the note 26.1 (b, d, f, g, h, j, k,) to annual financial statements of the Corporation for the year ended December 31, 2008. Contingencies relating to income tax matters are disclosed in note 21.2.

16.2 Commitments

	(Un-audited)	(Audited)
	June 30, 2009	December 31, 2008
Rupees in '000		
Commitments for purchase of simulator	1,540,000	-
Commitments for capital expenditure	325,110	394,500
Outstanding letters of credit	138,790	65,300
Outstanding letters of guarantee	232,530	203,900
Rentals under operating lease commitments	6,621,000	7,701,000

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Rupees in '000				
Passenger	37,547,673	33,577,948	18,326,629	17,682,024
Cargo	2,199,382	2,359,423	1,162,506	1,263,075
Excess baggage	449,178	381,595	216,295	159,355
Charter	278,994	96,332	208,677	33,778
Engineering services	446,401	283,727	274,218	162,096
Handling and related services	266,853	291,349	156,063	147,460
Mail	140,788	131,719	75,658	58,077
Others	591,397	440,050	253,124	230,541
	41,920,666	37,562,143	20,673,170	19,736,406

17. REVENUE - net

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Rupees in '000				
Passenger	37,547,673	33,577,948	18,326,629	17,682,024
Cargo	2,199,382	2,359,423	1,162,506	1,263,075
Excess baggage	449,178	381,595	216,295	159,355
Charter	278,994	96,332	208,677	33,778
Engineering services	446,401	283,727	274,218	162,096
Handling and related services	266,853	291,349	156,063	147,460
Mail	140,788	131,719	75,658	58,077
Others	591,397	440,050	253,124	230,541
	41,920,666	37,562,143	20,673,170	19,736,406

18. COST OF SERVICES - Others

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Rupees in '000				
Salaries, wages and allowances	4,153,940	3,829,874	2,088,717	1,912,293
Welfare and social security costs	196,071	133,866	15,232	21,566
Retirement benefits	562,255	349,550	322,959	213,419
Compensated absences	59,455	50,197	34,455	26,197
Legal and professional charges	43,313	33,672	31,079	16,069
Stores and spares consumed	876,124	668,840	375,022	214,058
Maintenance and overhaul	2,144,509	1,549,202	1,107,377	730,636
Flight equipment rental	593,315	474,000	291,187	207,731
Landing and handling	4,803,796	3,948,004	2,416,757	2,047,329
Passenger services	1,308,924	1,271,750	680,022	669,058
Crew layover	1,233,886	957,912	630,148	503,920
Staff training	32,340	25,539	13,460	11,975
Utilities	10,512	8,482	6,203	4,019
Communication	26,702	26,497	9,184	9,591
Insurance	656,080	568,326	341,553	245,450
Rent, rates and taxes	267,381	157,297	109,820	73,696
Printing and stationery	113,543	46,883	78,234	23,995
Amortization	1,288	1,127	560	438
Depreciation	4,521,029	3,616,634	2,322,466	1,896,030
Others	166,832	164,712	95,659	99,788
	21,771,295	17,882,364	10,970,094	8,927,258

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	Rupees in '000			
19. OTHER PROVISION AND ADJUSTMENTS - net				
Loss on fixed assets written off	-	1,453	-	-
Provision for slow moving stores and spares	203,993	145,701	160,838	54,525
Provision written back of doubtful debts	(92,108)	(174,142)	(48,842)	(174,142)
Provision against claims by the CAA	-	1,500,000	-	1,500,000
	<u>111,885</u>	<u>1,473,012</u>	<u>111,996</u>	<u>1,380,383</u>
20. FINANCE COSTS				
Mark-up on:				
long-term financing	902,136	649,452	406,161	313,865
Murabaha financing	3,723	9,327	3,723	6,235
short-term borrowings	1,712,065	963,980	858,183	493,385
	<u>2,617,924</u>	<u>1,622,759</u>	<u>1,268,067</u>	<u>813,485</u>
Return on term finance certificates	921,228	702,390	492,906	352,914
Interest on liabilities against assets subject to finance lease	1,029,634	1,218,624	470,739	557,182
Arrangement, agency and commitment fee	194,675	148,302	128,029	73,199
Bank charges, guarantee commission and other related charges	20,831	18,109	10,115	9,030
	<u>4,784,292</u>	<u>3,710,184</u>	<u>2,369,856</u>	<u>1,805,810</u>
21. TAXATION				
Current	209,603	-	209,603	-
Deferred	(653,015)	-	(653,015)	-
	<u>(443,412)</u>	<u>-</u>	<u>(443,412)</u>	<u>-</u>

21.1 During the period, section 113 of the Income Tax Ordinance, 2001, for charge of minimum tax has been re-introduced through Finance Act, 2009, due to which the Corporation will be liable for minimum tax at the rate of 0.5% of revenue. Accordingly, minimum tax has been provided for in these condensed interim financial statements.

21.2 Returns for the tax years 2003 to 2008 have been deemed to be assessed under provisions of the Income Tax Ordinance, 2001.

The minimum tax on turnover, under section 80D of the Repealed Ordinance, was levied by the tax authorities up to the assessment year 2002-03, after adding 10% of net turnover on estimated basis. The Corporation filed appeals there against for the assessment years 1991-92, 1992-93 and 1997-98 to 2002-03. The CIT (Appeal) deleted the above referred enhancement, vide Orders No. 4 to 8 dated October 10, 2006 for tax years 1991-92, 1992-93 and 1997-98 to 1999-00, whereas appeals for remaining tax years are pending for adjudication.

The Department thereafter filed an appeal in the office of the Income Tax Appellate Tribunal (ITAT) against the aforesaid orders, which is also pending adjudication. The ITAT has deleted enhancement of turnover tax for the years 2001-02 and 2002-03, vide its order ITA No. 1668/KB/2005, dated August 08, 2007. However, appeal effect order against the said order is currently awaited. In respect of the remaining years, the Corporation anticipates favourable outcome of the appeals filed by the Department.

The Corporation had also made a representation to Secretary - Ministry of Law, GoP and also applied to the Federal Board of Revenue to constitute a committee under section 134A of the Income Tax Ordinance, 2001 for the resolution of above hardship and dispute. The proceedings of the said committee have commenced and its decision is currently pending.

22. CASH GENERATED FROM / (USED IN) FROM OPERATIONS

	June 30, 2009	June 30, 2008
	Rupees in '000	
Loss before taxation	(5,838,605)	(17,999,328)
Adjustments for:		
Depreciation	4,855,162	3,704,412
Loss on disposal of store and spares	-	1,453
Gain on disposal of property, plant and equipment	(1,362)	(198,184)
Amortization	11,224	14,285
Dividend income	-	406,800
Provision for slow moving stores and spares	203,845	145,701
Provision for employees' benefits	470,626	606,358
Provision written back on doubtful debts	(95,330)	(174,142)
Finance costs	4,784,292	3,710,184
Profit on bank deposits	(14,071)	(105,366)
Operating gain / (loss) before working capital changes	<u>4,375,781</u>	<u>(9,887,827)</u>
Working capital changes		
Increase in stores and spare parts	(449,586)	(68,952)
Increase in trade debts	(601,911)	(1,738,612)
Decrease in advances	104,959	236,250
Decrease in trade deposits and prepayments	534,219	38,917
Increase in other receivables	(134,844)	(437,142)
(Increase) / Decrease in trade and other payables including provisions	<u>(1,047,258)</u>	<u>998,935</u>
	<u>(1,594,421)</u>	<u>(970,604)</u>
Cash generated from / (used in) operations	<u>2,781,360</u>	<u>(10,858,431)</u>

23. 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 condensed interim financial statements are as follows:

	June 30, 2009	June 30, 2008
	Rupees in '000	
Skyrooms (Private) Limited - Subsidiary		
Catering services	-	3,178
Retirement funds Contribution	399,749	381,706
Interest on advances	100,040	55,740
Profit oriented state - controlled entities - various		
Rent	72,000	73,000
Aeronautical expenses	882,480	723,470
Non aero expenses	98,100	43,900
Insurance premium	635,000	571,000

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

24. CORRESPONDING FIGURES

Corresponding figures have been reclassified to reflect more appropriate presentation of transactions for the purposes of comparison. Reclassifications made are as follows:

From	To	Nature	Rupees in '000
Other provisions and adjustments - net	Exchange loss - net	Exchange loss	8,848,215

25. AUTHORIZATION OF FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on August 20, 2009.

26. GENERAL

- 26.1 The figures for the quarter ended June 30, 2009 and June 30, 2008 appearing in the profit and loss account and statement of comprehensive income have not been subject to limited scope review by the auditors.
- 26.2 Figures have been rounded off to the nearest thousand rupees.
- 26.3 In compliance with Section 241 (2) of the Companies Ordinance, 1984, these statements have been signed by two directors as chairman PIA is currently abroad.

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

		2009		2008			
		1st Quarter	2nd Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Traffic Operations							
Available Seat Kilometers (million)	International	3,429	4,164	3,314	3,801	4,127	3,672
	Domestic	629	650	652	607	645	599
	Hajj	295	-	615	-	-	1,444
	Total	4353	4814	4581	4,408	4,772	5,715
Revenue Passenger Kilometers (million)	International	2,589	2,943	2,383	2,756	3,184	2,798
	Domestic	416	452	464	477	458	449
	Hajj	143	-	313	-	-	703
	Total	3148	3395	3160	3,233	3,642	3,950
Seat Factor (%)	International	75.50	70.68	71.91	72.51	77.15	76.20
	Domestic	66.14	69.54	71.17	78.58	71.01	74.96
	Hajj	48.47	0.00	50.89	0.00	0.00	48.68
	Total	72.32	70.52	68.98	73.34	76.32	69.12
Available Freight Tonne Kilometers (million)	International	109	124	107	118	132	117
	Domestic	17	18	20	17	18	18
	Total	126	142	127	135	150	135
Revenue Freight Tonne Kilometers (million)	International	45	56	60	71	94	59
	Domestic	5	7	9	9	10	7
	Total	50	63	69	80	104	66
Load Factor (%)	International	41.28	45.16	56.07	60.17	71.21	50.43
	Domestic	29.41	38.89	45.00	52.94	55.56	38.89
	Total	39.68	44.37	54.33	59.26	69.33	48.89

Financial

(----- Rupees in million -----)

Operating Revenue	21,247	20,673	17,826	19,736	22,834	28,806
Operating Expenses	19,232	20,883	19,801	22,470	27,223	25,757
Operating profit/(loss)	2,015	(210)	(1,975)	(2,734)	(4,389)	3,049
Profit/(loss) before taxation	(2,049)	(3,790)	(5,398)	(12,601)	(20,437)	(1,293)
Profit/(loss) after taxation	(2,049)	(3,346)	(5,487)	(12,601)	(20,437)	2,556
Fixed Assets	113,395	111,698	100,973	99,061	97,468	115,123
Current Assets	15,256	16,198	14,236	14,809	17,375	15,039
Current Liabilities	70,140	83,418	55,198	62,066	71,516	71,708
Long-term Debts	97,580	86,925	83,211	87,033	99,487	96,926
Net Worth	(48,028)	(50,814)	(17,171)	(29,383)	(49,833)	(46,702)
Jet Fuel Prices (Rs. Per US Gallon)	122.53	126.64	174.47	241.22	274.01	182.18



GROUP CONSOLIDATED
FINANCIAL STATEMENTS

	Note	(Un-audited)	(Audited)	(Un-audited)	(Audited)
		June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
		Rupees in '000		US\$ in '000	
ASSETS					
NON - CURRENT ASSETS					
Fixed assets					
Property, plant and equipment	4	155,331,927	157,811,321	1,915,314	2,000,143
Intangibles		2,805,505	2,745,223	34,593	34,794
Long-term investments	5	158,137,432	160,556,544	1,949,907	2,034,937
Receivable from Centre Hotel		80,194	140,185	989	1,777
Long term loans, advances and other receivable		612,646	596,027	7,554	7,554
Long-term deposits and prepayments		9,129	7,629	113	97
		5,174,384	5,173,580	63,803	65,571
		164,013,785	166,473,965	2,022,366	2,109,936
CURRENT ASSETS					
Stores and spare parts	6	4,006,090	3,764,276	49,397	47,709
Trade debts	7	6,910,602	6,190,561	85,211	78,461
Advances	8	1,241,520	1,379,248	15,309	17,481
Trade deposits and prepayments		1,523,824	1,688,239	18,789	21,397
Accrued interest		-	1,325	-	17
Other receivables		1,723,413	1,623,644	21,250	20,579
Short-term investments		176,735	97,977	2,179	1,242
Taxation - net		785,278	321,855	9,683	4,079
Cash and bank balances		4,132,548	4,059,865	50,957	51,456
		20,500,010	19,126,990	252,775	242,421
TOTAL ASSETS		184,513,795	185,600,955	2,275,140	2,352,357
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		21,423,014	21,423,014	264,156	271,521
Reserves	9	(71,472,932)	(67,359,472)	(881,294)	(853,732)
Attributable to the Holding company's shareholders		(50,049,918)	(45,936,458)	(617,138)	(582,211)
Minority Interest		794,792	743,935	9,800	9,429
TOTAL EQUITY		(49,255,126)	(45,192,523)	(607,338)	(572,782)
SURPLUS ON REVALUATION OF FIXED ASSETS		27,885,866	28,493,164	343,845	361,130
ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN	10	933,592	-	11,512	-
NON CURRENT LIABILITIES					
Long-term financing	11	26,356,052	34,426,312	324,982	436,328
Term finance certificates		12,800,000	12,430,143	157,830	157,543
Liabilities against assets subject to finance lease	12	63,104,327	65,088,789	778,105	824,953
Long-term deposits		301,103	301,902	3,713	3,826
Advance rent		2,649	3,486	33	44
Deferred liabilities		17,233,327	16,269,775	212,495	206,208
		119,797,458	128,520,407	1,477,158	1,628,902
CURRENT LIABILITIES					
Trade and other payables, including provisions		27,288,293	28,860,083	336,477	365,781
Accrued interest / mark-up / profit		1,584,384	1,475,456	19,536	18,700
Short-term borrowings	13	31,401,381	30,500,062	387,193	386,566
Tax Payable		24,567	23,534	303	298
Current maturities of:					
Long-term financing	11	17,201,492	5,649,136	212,102	71,599
Advance rent		2,487	3,300	31	42
Liabilities against assets subject to finance lease	12	7,649,401	7,268,336	94,321	92,121
		85,152,005	73,779,907	1,049,963	935,107
CONTINGENCIES AND COMMITMENTS					
TOTAL EQUITY AND LIABILITIES		184,513,795	185,600,955	2,275,140	2,352,357

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

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

	Note	Six-month period ended		Quarter Ended		Six-month period ended	
		June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
		Rupees in '000		US\$ in '000			
REVENUE - net	15	45,972,766	41,850,831	23,033,918	22,199,758	566,865	615,453
COST OF SERVICES							
Aircraft fuel		(12,380,361)	(19,624,897)	(6,527,589)	(10,975,784)	(152,655)	(288,601)
Others	16	(24,574,120)	(20,404,010)	(12,250,391)	(10,244,131)	(303,010)	(300,059)
		(36,954,481)	(40,028,907)	(18,777,980)	(21,219,915)	(455,665)	(588,660)
GROSS PROFIT / (LOSS)		9,018,285	1,821,924	4,255,938	979,843	111,200	26,793
Distribution costs		(2,832,611)	(2,413,905)	(1,397,046)	(1,114,858)	(34,927)	(35,499)
Administrative expenses		(3,753,736)	(3,026,828)	(2,544,922)	(1,834,843)	(46,285)	(44,512)
Other provisions and adjustments - net	17	(111,885)	(1,473,012)	(111,996)	(1,380,383)	(1,380)	(21,662)
Exchange loss - net		(2,999,756)	(8,848,215)	(1,149,161)	(7,097,892)	(36,988)	(130,121)
Other operating income		261,552	392,092	60,798	11,927	3,225	5,766
		(9,436,436)	(15,369,868)	(5,142,327)	(11,416,049)	(116,355)	(226,028)
LOSS FROM OPERATIONS		(418,151)	(13,547,944)	(886,389)	(10,436,206)	(5,155)	(199,234)
Finance costs	18	(4,971,116)	(4,035,998)	(2,457,796)	(1,963,060)	(61,296)	(59,353)
LOSS BEFORE TAXATION		(5,389,267)	(17,583,942)	(3,344,185)	(12,399,266)	(66,451)	(258,587)
Taxation	19	368,224	(260,649)	371,206	(131,074)	4,540	(3,833)
LOSS FOR THE PERIOD		(5,021,043)	(17,844,591)	(2,972,979)	(12,530,340)	(61,911)	(262,420)
Attributable to:							
Shareholders of the holding company		(5,036,900)	(17,856,722)	(2,984,911)	(12,539,815)	(62,107)	(262,599)
Minority interest		15,857	12,131	11,932	9,475	196	178
		(5,021,043)	(17,844,591)	(2,972,979)	(12,530,340)	(61,911)	(262,420)
LOSS PER SHARE							
		------(Rupees)-----		------(US\$)-----			
'A' class Ordinary shares of Rs.10 each		2.52	8.60	1.56	6.00	0.03	0.13
'B' class Ordinary shares of Rs. 5 each		1.26	4.30	0.78	3.00	0.02	0.06

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

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	Rupees in '000			
Net loss for the period	(5,021,043)	(17,844,591)	(2,972,979)	(12,530,340)
Other Comprehensive Income				
Unrealised (loss) / gain on re-measurement of investments	(54,912)	(5,187)	(1,651)	7,350
Surplus on revaluation of fixed assets realised during the period on account of incremental depreciation charged thereon	2,052,693	1,166,988	2,157,638	453,380
Income tax relating to components of other comprehensive income	(718,442)	(408,446)	-	-
Other comprehensive income for the period (net of tax)	1,279,339	753,355	2,155,987	460,730
Comprehensive Income Transferred To Equity	(3,741,704)	(17,091,236)	(816,992)	(12,069,610)
Components of Comprehensive Income Not Transferred to Equity				
Surplus on revaluation of fixed assets realised during the period on account of incremental depreciation charged thereon (net of tax)	(1,334,251)	(758,542)	(2,157,638)	(453,380)
	(5,075,955)	(17,849,778)	(2,974,630)	(12,522,990)

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

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

	Note	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
		Rupees in '000		US\$ in '000	
Cash flows from operating activities					
Cash generated from / (used in) operations after working capital changes	20	3,343,702	(9,573,080)	41,229	(140,781)
Profit on bank deposits received		15,396	127,636	190	1,877
Finance costs paid		(4,885,973)	(3,863,247)	(60,246)	(56,812)
Taxes paid		(196,761)	(629,860)	(2,426)	(9,263)
Staff retirement benefits paid		(685)	(1,443)	(8)	(21)
Deferred custom duty paid		(113,554)	(113,554)	(1,400)	(1,670)
Compensated absences paid		-	(18,809)	-	(277)
Long term deposits - net		(425)	(734,017)	(5)	(10,794)
Net cash used in operating activities		(1,838,300)	(14,806,374)	(22,666)	(217,741)
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,532,198)	6,104,766	(18,893)	89,776
Proceeds from sale of property, plant and equipment		2,829	215,651	35	3,171
Proceeds from short-term investment		12,106	(110,983)	149	(1,632)
Long term receivable		3,270	-	40	-
(Increase)/Decrease in marketable securities		152,522	-	1,881	-
Translation adjustments		(227,380)	-	(2,804)	-
Net cash (used in) / generated from investing activities		(1,588,851)	6,209,434	(19,592)	91,315
Cash flows from financing activities					
Advance against equity from Government of Pakistan		933,592	544,940	11,511	8,014
Proceeds from long term financing-net		3,044,841	1,275,887	37,544	18,763
Proceeds from term finance certificates		369,857	(378,485)	4,561	(5,566)
Repayment of obligations under finance lease-net		(1,605,617)	1,643,222	(19,798)	24,165
Net cash generated from financing activities		2,742,673	3,085,564	33,818	45,376
Decrease in cash and cash equivalents		(684,478)	(5,511,377)	(8,440)	(81,050)
Cash and cash equivalents at the beginning of the period		(26,584,355)	(13,640,522)	(327,797)	(200,596)
Cash and cash equivalents at the end of the period		(27,268,833)	(19,151,899)	(336,237)	(281,646)
Cash and cash equivalents					
Cash and bank balances		4,132,548	3,585,856	50,956	52,733
Short-term borrowings	13	(31,401,381)	(22,737,755)	(387,193)	(334,379)
		(27,268,833)	(19,151,899)	(336,237)	(281,646)

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

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

	RESERVES									
	Issued, subscribed, and paid-up capital	Capital reserves	Revenue reserves	Unrealized loss on remeasur- ement of investments	Foreign Exchange Translation Reserves	Accumulated losses	Other reserves	Total	Minority Interest	Total
	Rupees in '000									
Balance as at January 01, 2008	20,878,074	2,501,038	1,779,674	97,366	2,116,441	(36,029,644)	-	(8,657,051)	527,860	(8,129,191)
Total comprehensive income for the period transferred to equity	-	-	-	-	-	(17,091,237)	-	(17,091,237)	12,131	(17,079,106)
Foreign currency translation	-	-	4,129	-	175,047	-	-	179,176	30,503	209,679
Balance as at June 30, 2008	20,878,074	2,501,038	1,783,803	97,366	2,291,488	(53,120,881)	-	(25,569,112)	570,494	(24,998,618)
Balance as at January 01, 2009	21,423,014	2,501,038	1,779,674	73,265	(602,014)	(71,016,296)	(95,139)	(45,936,458)	743,935	(45,192,523)
Total comprehensive income for the period transferred to equity	-	-	-	-	-	(3,741,704)	-	(3,741,704)	-	(3,741,704)
Unrealised loss on re-measurement of investments	-	-	-	(54,912)	-	-	-	(54,912)	-	(54,912)
Fair value of cash flow hedge-net of tax	-	-	-	-	-	-	95,139	95,139	-	95,139
Foreign currency translation	-	-	-	-	(411,983)	-	-	(411,983)	-	(411,983)
Minority interest	-	-	-	-	-	-	-	-	50,857	50,857
Balance as at June 30, 2009	21,423,014	2,501,038	1,779,674	18,353	(1,013,997)	(74,758,000)	-	(50,049,918)	794,792	(49,255,126)

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

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director

1. THE GROUP AND ITS OPERATIONS

The Group consist of:

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 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services. The head office of the Corporation is situated at PIA Building, Jinnah International Airport, Karachi.

1.2 The following subsidiary companies have been consolidated in the financial statements of Pakistan International Airlines (PIA: the Holding Company).

Subsidiary Companies	Nature of Business	Holding
PIA Investments Ltd. (PIA-IL)	Promoters of and investors in projects related to construction, development and operations of hotels, motels and restaurants throughout the world.	99%
Skyrooms (private) Limited (SRL)	To manage Airport Hotel at Karachi.	100%

1.3 During the current period, the Group incurred a net loss of Rs. 5,021 (June 30, 2008: Rs. 17,844) million, resulting in accumulated losses of Rs. 74,758 (December 31, 2008: Rs. 71,016) million as of the balance sheet date. Further, as of the balance sheet date current liabilities of the Group exceeded its current assets by Rs. 64,652 (December 31, 2008: Rs. 54,653) million. The Government of Pakistan (GoP), as a majority shareholder, is committed to ensure the going concern status of the Corporation at all times. Historically, the support of the GoP has always been available to the Corporation, as evident by the GoP issuing guarantees to secure certain long-term finances and term finance certificates (TFCs).

The GoP had also agreed to provide equity contribution to the Corporation to cover interest/profit payments on long term financing and TFCs and an amount of Rs. 9,806 (December 31, 2008: Rs. 8,872) million has been provided to the Group up to June 30, 2009 against which 887,244,605 (2008: 887,244,605) 'A' class Ordinary shares of Rs. 10 each have been issued to the GoP. The remaining 93,359,200 Ordinary shares are expected to be issued during the current year.

During the current period, the Ministry of Finance (MoF) has also provided soft loan of Rs. 2 billion. Further, the MoF have also provided additional Rs. 3 billion as soft loan subsequent to June 30, 2009. The GoP has also agreed to provide further equity contributions during the coming months and restructuring of short term loans.

The Group, therefore, believes that the going concern assumption is appropriate and has, as such, prepared these condensed interim financial statements on this basis.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting", as applicable in Pakistan and submitted to shareholders in accordance with Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

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 Corporation's annual financial statements for the year ended December 31, 2008.

The US\$ amounts in the balance sheet have been translated into US\$ at the rate of Rs. 81.10 = US\$1 (December 31, 2008: Rs. 78.90 = US\$1). The US\$ amounts in profit and loss account and cash flow statement have been translated into US\$ at the rate of Rs. 81.10 = US\$1 (June 30, 2008: Rs. 68 = US\$1)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgments and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Group for the year ended December 31, 2008, except for the adoption of new standards noted below:

IAS 1 (Revised) 'Presentation of Financial Statements'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IFRS 7 'Financial Instruments: Disclosures'

This standard requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The adoption of this standard does not impact the recognition and measurement of financial instruments. These disclosures will be reported in the annual financial statements for the year ending December 31, 2009.

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

	(Un-audited) June 30, 2009	(Audited) December 31, 2008
	154,614,743	157,332,451
	717,184	478,870
	<u>155,331,927</u>	<u>157,811,321</u>

Rupees in '000

June 30,
2009

June 30,
2008

Rupees in '000

4.1 Following are the major additions and deletions during the period:

	June 30, 2009	June 30, 2008
Addition / transfers		
Owned		
Buildings on leasehold land	7,590	17,688
Workshops and hangars	39,702	-
Renovation and improvements	34,623	47,083
Aircraft fleet	-	115,766
Aircraft fleet / Engines Overhauling	143,311	258,101
Operating ground equipment, catering, communication and meteorological equipment	3,828	1,282
Engineering equipment and tools	11,573	11,383
Motor transport	18,832	9,328
Traffic equipment	7,509	14,192
Furniture, fixture and fittings	95,573	176,170
Office equipment	167	335
Computers and office automation	21,915	15,658
Precision engineering equipment	-	299
Other equipment	2,986	27,386
Capital spares	154,671	357,446
	<u>542,280</u>	<u>1,052,117</u>
Leased		
Aircraft fleet / Engines overhauling	749,956	13,203,677
	<u>1,292,236</u>	<u>14,255,794</u>
Deletions		
Owned		
Leasehold Land	-	103
Operating ground equipment, catering, communication and meteorological equipment	-	106
Motor transport	3,306	9,609
Traffic equipment	3,866	22,874
Furniture, fixture and fittings	98	10,302
Office equipment	-	455
Computers and office automation	190	132
Capital spares	-	7,187
	<u>7,460</u>	<u>50,768</u>
Leased		
Vehicles	1,530	13,805
	<u>8,990</u>	<u>64,573</u>

	(Un-audited) June 30, 2009	(Audited) December 31, 2008
	Rupees in '000	
5. LONG-TERM INVESTMENTS		
Investments in related parties		
Associates	60,275	58,651
Joint venture	2	2
	<u>60,277</u>	<u>58,653</u>
Other investments	19,917	81,532
	<u>80,194</u>	<u>140,185</u>
6. STORES AND SPARE PARTS		
Stores	1,045,467	974,157
Spare parts	4,860,903	4,451,179
	<u>5,906,370</u>	<u>5,425,336</u>
Provision for slow moving and obsolete stores and spare parts	(2,420,456)	(2,216,611)
	<u>3,485,914</u>	<u>3,208,725</u>
Inventory held for disposal	252,859	2,207,092
Adjustment for write down of surplus inventory to net realizable value	-	(1,944,539)
Disposal during the period	-	(9,694)
	<u>252,859</u>	<u>252,859</u>
Stores and spares-in-transit	267,317	302,692
	<u>4,006,090</u>	<u>3,764,276</u>
7. TRADE DEBTS		
Considered good	6,910,602	6,190,561
Considered doubtful	645,000	740,330
Provision for doubtful debts	(645,000)	(740,330)
	<u>6,910,602</u>	<u>6,190,561</u>

	(Un-audited) June 30, 2009	(Audited) December 31, 2008
	Rupees in '000	
8. ADVANCES		
Considered good		
Executives and employees	106,416	224,781
Suppliers	956,491	961,815
Civil Aviation Authority	143,835	143,835
Others	34,778	48,817
	<u>1,241,520</u>	<u>1,379,248</u>
Considered doubtful	31,915	31,700
Provision for doubtful advances	(31,915)	(31,700)
	<u>-</u>	<u>-</u>
	<u>1,241,520</u>	<u>1,379,248</u>
9. RESERVES		
Capital reserves		
Reserve for replacement of fixed assets	1,966,779	1,966,779
Capital redemption reserve fund	250,000	250,000
Others	284,259	284,259
	<u>2,501,038</u>	<u>2,501,038</u>
Revenue reserve	1,779,674	1,779,674
	<u>4,280,712</u>	<u>4,280,712</u>
Unrealised gain on re-measurement of investments	18,353	73,265
Accumulated losses	(74,758,000)	(71,016,296)
Foreign exchange translation reserve	(1,013,997)	(602,014)
Other reserves	-	(95,139)
	<u>(75,753,644)</u>	<u>(71,640,184)</u>
	<u>(71,472,932)</u>	<u>(67,359,472)</u>
10. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN (GoP)		

10. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN (GoP)

This represents the amount received from GoP towards equity contribution under the terms of financial package, as disclosed in note 1.2 to these condensed interim financial statements.

11. LONG TERM FINANCING

Financier	Type of facility	Limit in million)	Repayment period	Number of instalments/ mode	Mark-up %	Un-audited	Audited
						June 30, 2009	December 31, 2008
Rupees in '000							
From Banking Companies-secured							
United Bank Limited	Syndicate Finance	1,650 PKR	2007 - 2010	6 Half-yearly	6 month KIBOR +0.79%	405,275	675,458
Habib Bank Limited	Demand Finance	530 PKR	2006 - 2009	36 Monthly	1 month KIBOR +1.50%	-	88,333
Citibank, N.A.	Demand Finance	82 US\$	2006 - 2017	20 Half-yearly	5.28% fixed	5,083,424	5,261,363
Habib Bank Limited	Demand Finance	200 PKR	2006 - 2009	36 Monthly	1 month KIBOR +1.75%	22,222	55,556
Royal Bank of Scotland Finance	Demand	50.98 US\$	2009 - 2013	19 Quarterly	3 month LIBOR +1.60%	4,326,736	4,339,396
National Bank Pakistan/ Habib Bank Limited	Syndicate Finance	120 US\$	2010	1 Bullet	3 month LIBOR +1.325%	9,744,000	9,468,000
Standard Chartered Bank - Dubai	Demand Finance	50 US\$	2007-2010	12 Quarterly	3 month LIBOR +1.325%	1,015,000	1,643,750
National Bank of Pakistan	Demand Finance	500 PKR	2007-2010	12 Quarterly	3 month KIBOR +1.50%	250,000	333,333
National Bank of Pakistan-Bahrain	Demand Finance	50 US\$	2008-2010	24 Monthly	6 month LIBOR +2.55%	2,030,000	2,958,750
Standard Chartered Bank (Pakistan) Limited	Syndicate Finance	3,591 PKR	2009 - 2011	22 Monthly	1 month KIBOR +1.25%	3,102,140	-
JP Morgan Chase	Loan	6,087	2006-2009	variable	6.025% pa	7,837,556	7,624,947
JP Morgan Chase	Mezzanine Finance	3,652	2006-2009	variable	6.025% pa	4,866,000	4,734,000
Hong Kong Shanghai Banking Corporation	Loan	2,362	2004-2012	variable	3months EURIBOR + 1.15%	2,875,191	2,892,562
Others - unsecured							
Long-term loan - GoP	Term loan	2,000 PKR	2011 - 2019	16 Half-yearly	10% fixed	2,000,000	-
						43,557,544	40,075,448
Current maturity shown under current liabilities						(17,201,492)	(5,649,136)
						26,356,052	34,426,312

(Un-audited) (Audited)
June 30, 2009 December 31, 2008
Rupees in '000

12. Liabilities against assets subject to finance lease

Present value of future rental obligations - aircraft fleet

A-310 - 300	5,659,896	5,845,881
B-777 - 200 ER	16,498,023	17,176,361
B-777 - 200 LR	16,365,602	16,682,976
B-777 - 300 ER	32,152,114	32,555,909
	70,675,635	72,261,127

Present value of future rental obligations - vehicles Equipment

	4,811	16,392
	73,282	79,606

Current maturity shown under current liabilities

	70,753,728	72,357,125
	(7,649,401)	(7,268,336)
	63,104,327	65,088,789

13. SHORT-TERM BORROWINGS - secured

		(Un-audited) June 30, 2009	(Audited) December 31, 2008
Short term loans	13.1	26,972,969	27,183,250
Running finance under mark-up arrangements	13.2	4,428,412	3,316,812
		31,401,381	30,500,062

13.1 Short term loans - secured

Financier	Security	Repayment period	Mark-up %	(Un-audited)	(Audited)
				June 30, 2009	December 31, 2008
Rupees in '000					
From Banking Companies					
Habib Bank Limited	GoP Guarantee	3 months	1 month KIBOR +0.65%	2,000,000	2,000,000
Habib Bank Limited	GoP Guarantee	1 Year	1 month KIBOR +0.90%	1,600,000	1,600,000
Habib Bank Limited	Charge over domestic receivables	1 Year	1 month KIBOR +2.50%	250,000	600,000
Habib Bank Limited - NYC	Euro Receivables	1 Year	3 month LIBOR +4.50%	390,309	384,788
United Bank Limited - Dubai	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month LIBOR +2.0% - 2.25%	1,791,194	1,736,211
United Bank Limited	GoP Guarantee	3 months	6 month LIBOR +2.0%	812,000	789,000
Habib Allied Bank Limited - London	Euro Receivables	1 Year	1 month LIBOR +2.25%	730,800	710,100
Habib Allied Bank Limited - London	Euro Receivables	1 Year	1 month LIBOR +2.50%	-	328,750
United Bank Limited - Bahrain	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month LIBOR +2.25%	1,049,851	1,030,381
National Bank of Pakistan - Bahrain	Saudi Receivables	6 months	1 month SIBOR +5.0%	541,375	-
Habib Bank Limited	Domestic Receivable	1 Year	3 month KIBOR +2.50%	250,000	250,000
Habib Bank Limited	Domestic Receivable	1 Year	3 month KIBOR +2.50%	600,000	600,000
Habib Bank Limited	GoP Guarantee	1 Year	1 month KIBOR +0.65%	2,000,000	2,000,000
Standard Chartered Bank - Dubai	GoP Guarantee	3 months	1 month LIBOR +2.0%	-	3,578,115
Standard Chartered Bank (Pakistan) Limited	GoP Guarantee	1 Year	Relevant KIBOR +0.75%	3,000,000	2,999,905
National Bank of Pakistan	GoP Guarantee	1 Year	3 month KIBOR +0.90%	1,100,000	1,100,000
National Bank of Pakistan	GoP guarantee and ranking hypothecation charge over all current and fixed assets	1 Year	3 month KIBOR +0.65%	1,500,000	1,500,000
United Bank Limited	GoP Guarantee	3 months	3 month KIBOR +0.90%	976,000	976,000
Habib Bank Limited	GoP Guarantee	1 Year	3 month KIBOR +0.65%	1,000,000	1,000,000
Hong Kong Shanghai Bank Corporation	GoP Guarantee	3 months	3 month KIBOR +0.90%	1,000,000	1,000,000
Barclays PLC	GoP Guarantee	1 Year	3 month KIBOR +0.65%	1,000,000	1,000,000
Askari Bank Limited	GoP guarantee and charge on current assets	1 Year	3 month KIBOR +0.65%	1,500,000	1,500,000
KASB Bank Limited	GoP Guarantee	1 Year	3 month KIBOR +0.65%	500,000	500,000
National Bank of Pakistan Bahrain GBP	UK Receivables	1 Year	1 month LIBOR +5.0%	2,163,440	-
Faysal Bank	GoP guarantee and ranking hypothecation charge over all current assets	1 Year	3 month LIBOR +2.0%	1,218,000	-
				26,972,969	27,183,250

13.2 Running finance under mark-up arrangements - secured

Financier	Security	Repayment period	Mark-up %	(Un-audited)	(Audited)
				June 30, 2009	December 31, 2008
Rupees in '000					
From Banking Companies					
United Bank Limited	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month KIBOR +2.0%	2,501,970	2,505,112
Habib Allied Bank Limited - London	Receivables in Europe	1 Year	1 month LIBOR +2.25%	228,853	236,700
National Bank of Pakistan	First pari passu hypothecation charge on all present and future current assets	1 Year	1 month KIBOR +1.25%	575,000	575,000
KASB Bank Limited	Domestic Receivables	6 months	3 month KIBOR +2.0%	400,000	-
Arif Habib Bank Limited	Domestic receivables and mortgage charge over Air Bus A-310 aircraft	1 Year	3 month KIBOR +2.5%	281,477	-
Habib Bank Limited	Hypothecation charge over all present and future spare parts, accessories of aircraft and domestic receivables	1 Year	1 month KIBOR +2.0%	441,112	-
				4,428,412	3,316,812

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- The Civil Aviation Authority (CAA), Pakistan has claimed additional amounts aggregating to Rs. 3,464 million (December 31, 2008: Rs.3,381 million) in respect of rent and allied charges, landing and housing charges, aviation security and bay charges, interest / surcharge etc. The matter has been referred to Ministry of Defence through which a reconciliation and settlement exercise is currently in progress. The management considers that no additional liability of material amount is likely to arise as a result of such exercise. However, as a matter of prudence, the Corporation made a provision of Rs. 1,500 million against the above referred claim of CAA, which the management considers to be adequate.
- During the financial year 2008, a show cause notice was served to the Corporation by the Additional Collector, LTU Karachi, as a result of finding during the audit of the Corporation records pertaining to 2004-2005 and 2005-2006. The Collector has raised demands of Rs. 6.80 million for the federal excise duty and Rs. 277.62 million for sales tax in respect of the late filing of monthly returns of excise duty, sales tax of various taxable activities and incorrect rate of duty charged and paid along with input tax paid on various utilities. As a Consequence of the appeal filed by the Corporation to the Additional Collector, the demand was reduced to Rs. 44.117 million including additional tax and penalty through an Order-in-Appeal # 1361/08. The Additional Collector has issued a recovery notice on February 2, 2009 for the aforesaid amount. The Corporation has filed appeal against the above order, which is pending for hearing. The Corporation is confident that the decision will be in its favour. Consequently, no provision has been made in these condensed interim financial statements.
- During the financial year 2008, a show cause notice was served to the Corporation by Additional Collector LTU for claim of sales tax amounting to Rs. 1,319 million, and federal excise duty amounting to Rs. 2.07 million, on the basis of investigation conducted by Directorate General Intelligence, FBR. The amount was claimed against incorrect / inadmissible adjustment on exempt activity and incorrect charging of rates on federal excise duty and sales tax rate. During the current period, the Corporation has filed replies to the show cause notice on February 16, 2009 and April 22, 2009 but no order has been received. The Corporation is confident that the decision of order, when received, will be in its favour and consequently, no provision has been made in these condensed interim financial statements.
- There has been no change in the status of other contingencies as disclosed in the annual financial statements of the Group for the year ended December 31, 2008.

	(Un-audited)	(Audited)
	June 30, 2009	December 31, 2008
Rupees in '000		
14.2 Commitments		
Commitments for purchase of simulator	1,540,000	-
Commitments for capital expenditure	325,110	400,600
Outstanding letters of credit	138,790	65,300
Outstanding letters of guarantee	232,530	203,900
Rentals under operating lease commitments	6,621,000	7,701,000

15. REVENUE - net

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Rupees in '000				
Passenger	37,547,673	33,577,948	18,326,629	17,682,024
Cargo	2,199,382	2,359,423	1,162,506	1,263,075
Excess baggage	449,178	381,595	216,295	159,355
Charter	278,994	96,332	208,677	33,778
Engineering services	446,401	283,727	274,218	162,096
Handling and related services	266,853	291,349	156,063	147,460
Mail	140,788	131,719	75,658	58,077
Room, food and beverages sales	4,050,118	4,193,313	2,407,150	2,412,753
Others	593,379	535,425	206,722	281,140
	45,972,766	41,850,831	23,033,918	22,199,758

16. COST OF SERVICES - Others

Salaries, wages and allowances	4,186,611	3,861,072	2,088,717	1,912,293
Welfare and social security costs	207,860	140,645	27,021	25,560
Retirement benefits	562,255	349,550	322,959	213,419
Compensated absences	59,455	50,197	34,455	26,196
Legal and professional charges	43,313	33,672	31,079	16,069
Stores and spares consumed	877,595	669,248	332,718	213,762
Maintenance and overhaul	2,161,046	1,560,441	1,167,069	1,049,849
Flight equipment rental	593,315	474,000	291,187	207,731
Landing and handling	4,803,796	3,948,004	2,416,757	2,047,329
Passenger services	1,308,924	1,271,750	680,022	669,059
Crew layover	1,233,886	957,912	634,277	503,920
Staff training	32,340	25,539	13,460	11,975
Food cost	1,012,785	780,871	575,026	455,140
Hotel running expenses	1,707,156	1,676,295	789,240	672,175
Utilities	25,321	17,427	16,553	10,061
Communication	26,818	26,753	9,245	9,647
Insurance	656,120	568,366	341,573	245,470
Rent, rates and taxes	271,272	161,265	111,767	76,122
Printing and stationery	113,963	47,205	78,426	24,157
Amortization	1,288	1,127	560	438
Depreciation	4,522,169	3,617,959	2,192,621	1,753,972
Others	166,832	164,712	95,659	99,787
	24,574,120	20,404,010	12,250,391	10,244,131

	Six-month period ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	Rupees in '000			
17. OTHER PROVISION AND ADJUSTMENTS - net				
Loss on fixed assets written off	-	1,453	-	-
Provision for slow moving stores and spares	203,993	145,701	160,838	54,525
Provision written back of doubtful debts	(92,108)	(174,142)	(48,842)	(174,142)
Provision against claims by the CAA	-	1,500,000	-	1,500,000
	<u>111,885</u>	<u>1,473,012</u>	<u>111,996</u>	<u>1,380,383</u>
18. FINANCE COSTS				
Mark-up on:				
long-term financing	1,088,960	975,266	494,101	471,115
Murabaha financing	3,723	9,327	3,723	6,235
short-term borrowings	1,712,065	963,980	858,183	493,385
	<u>2,804,748</u>	<u>1,948,573</u>	<u>1,356,007</u>	<u>970,735</u>
Return on term finance certificates	921,228	702,390	492,906	352,914
Interest on liabilities against assets subject to finance lease	1,029,634	1,218,624	470,739	557,182
Arrangement, agency and commitment fee	194,675	148,302	128,029	73,199
Bank charges, guarantee commission and other related charges	20,831	18,109	10,115	9,030
	<u>4,971,116</u>	<u>4,035,998</u>	<u>2,457,796</u>	<u>1,963,060</u>
19. TAXATION				
Current	284,791	260,649	281,809	131,074
Deferred	(653,015)	-	(653,015)	-
	<u>(368,224)</u>	<u>260,649</u>	<u>(371,206)</u>	<u>131,074</u>

19.1 During the period, section 113 of the Income Tax Ordinance, 2001, for charge of minimum tax has been re-introduced through Finance Act, 2009, due to which the Corporation will be liable for minimum tax at the rate of 0.5% of revenue. Accordingly, minimum tax has been provided for in these condensed interim financial statements.

19.2 Returns for the tax years 2003 to 2008 have been deemed to be assessed under provisions of the Income Tax Ordinance, 2001.

The minimum tax on turnover, under section 80D of the Repealed Ordinance, was levied by the tax authorities up to the assessment year 2002-03, after adding 10% of net turnover on estimated basis. The Corporation filed appeals there against for the assessment years 1991-92, 1992-93 and 1997-98 to 2002-03. The CIT (Appeal) deleted the above referred enhancement, vide Orders No. 4 to 8 dated October 10, 2006 for tax years 1991-92, 1992-93 and 1997-98 to 1999-00, whereas appeals for remaining tax years are pending for adjudication.

The Department thereafter filed an appeal in the office of the Income Tax Appellate Tribunal (ITAT) against the aforesaid orders, which is also pending adjudication. The ITAT has deleted enhancement of turnover tax for the years 2001-02 and 2002-03, vide its order ITA No. 1668/KB/2005, dated August 08, 2007. However, appeal effect order against the said order is currently awaited. In respect of the remaining years, the Corporation anticipates favourable outcome of the appeals filed by the Department.

The Corporation had also made a representation to Secretary - Ministry of Law, GoP and also applied to the Federal Board of Revenue to constitute a committee under section 134A of the Income Tax Ordinance, 2001 for the resolution of above hardship and dispute. The proceedings of the said committee have commenced and its decision is currently pending.

	June 30, 2009	June 30, 2008
	Rupees in '000	
20. CASH GENERATED FROM / (USED IN) FROM OPERATIONS		
Loss before taxation	(5,389,267)	(17,583,942)
Adjustments for:		
Depreciation	5,131,506	4,031,395
Gain on disposal of property, plant and equipment	(1,362)	(198,184)
Amortization on Premium	846	-
Provision for gratuity	2,200	-
Scrappage	-	1,453
Amortization	11,224	15,131
Provision for slow moving stores and spares	203,845	145,701
Provision for employees' benefits	470,626	607,858
Provision (written back) on doubtful debts	(95,330)	(174,142)
Finance costs	4,974,229	4,002,714
Profit on bank deposits	(14,071)	(105,366)
Operating gain / (loss) before working capital changes	<u>5,294,446</u>	<u>(9,257,382)</u>
Working capital changes		
Increase in stores and spare parts	(449,862)	(72,812)
Stock in trade	(178)	-
Increase in trade debts	(605,001)	(1,803,203)
Decrease in advances	(18,781)	148,358
Decrease in trade deposits and prepayments	233,147	38,917
Increase in other receivables	(134,977)	(441,855)
Inventories	5,313	-
Amount due to related parties	4,426	-
(Increase) / Decrease in trade and other payables including provisions	(984,831)	1,814,897
	<u>(1,950,744)</u>	<u>(315,698)</u>
Cash generated from / (used in) operations	<u>3,343,702</u>	<u>(9,573,080)</u>

21. AUTHORIZATION OF FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue in the Board of Directors meeting held on August 20, 2009.

22. GENERAL

22.1 Figures have been rounded off to the nearest thousand rupees.

22.2 These financial Statement have not been subject to limited scope review by the auditors.

22.3 In compliance with Section 241 (2) of the Companies Ordinance, 1984, these statements have been signed by two directors as chairman PIA is currently abroad.

Lt Gen (Retd.) Syed Athar Ali
Director

Malik Nazir Ahmed
Director



Great People to Fly With

Secretary - PIA

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

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