

===== Page 1 =====

Half Yearly Report

2014

PAKISTAN

International Airlines

Great People to Fly With

===== Page 2 =====

Half Yearly Report 2014

Contents

Corporate Profile 02

Board of Directors' Committees 04

Directors' Report 05

Unconsolidated Financial Statements 07

Consolidated Financial Statements 32

PAKISTAN International Airlines

Great People in the West

01

===== Page 3 =====

Half Yearly Report 2014

Corporate Profile (as at September 23, 2014)

BOARD OF DIRECTORS

Syed Muhammad Ali Gardezi

Federal Secretary Aviation & Acting Chairman-PIA

Mr Ghiasuddin Ahmed

Malik Nazir Ahmed

Syed Yawar Ali

Mr Atif Aslam Bajwa

Dr Miftah Ismail

Mr Nasser N S Jaffer

Mr Aslam Khaliq

Dr Waqar Masood Khan

Federal Secretary Finance

Mr Muhammad Azam Saigol

Mr Yousaf Waqar

Mr Younus M Khan

Secretary-PIA

Mr Jawed Mansha

Chief Internal Auditor (Officiating)

EXECUTIVE MANAGEMENT

Mr Shahnawaz Rehman

Managing Director

Mr Magsood Ahmed

Director - Engineering & Maintenance

Syed Ajjaz Mazhar

Director-Airport Services

Mr Nayyar Hayat

Chief Financial Officer

Ms Ghazala Rashid

Executive Director-Skyrooms (Pvt) Ltd

Capt Qasim Hayat

Director - Flight Operations

Mr Amir Ali

Director- MRO Training & EASA-145

Mr Anjum Amin Mirza

Director-Commercial Purchase & Accountability

Mr Amanullah Qureshi

Director-Food & Flight Services

Mr W J Bornshin

Special Assistant to Chairman-PIA

Capt Salman Azhar

Director- Safety & Quality Assurance

AVM Sohali Ahmed Malik

Director- Precision Engineering Complex

Mr Waseem Bari Salimi

Chief Legal Officer

Fit Lt (Retd) Waseem Ahmed Khan

Director-Vigilance & Monitoring

Mr Rashid Aziz

Director-Marketing (Officiating)

Mr Khurrram Mushtaq

Director-Without Assignment

Mr Rashid Ahmed

Director-Without Assignment

Mr Omar Razzaq

Director-Without Assignment

Mr S Saminuddin Naqvi

Director-ON-LPR

PAKISTAN

International Airlines

Great People in the UK

02

===== Page 4 =====

Half Yearly Report 2014

EXTERNAL AUDITORS

Messrs A. F. Ferguson & Co.

Chartered Accountants

Member firm of

PriceWaterhouse

Coopers(PwC)

Messrs KPMG Taseer Hadi & Co.

Chartered Accountants

Member firm of KPMG

International Cooperative

Share Registrar

Central Depository Company of Pakistan Limited

Shares Registrar Department

CDC House

99-B, Block-B

Sindhi Muslim Cooperative Housing Society

Main Shahrah-e-Faisal

Karachi-74400, Pakistan

Ph: Customer Support Services

(Toll Free) 0800-CDCPL (23275)

Fax: (92-21) 3432 6053

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

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

Head Office

PIA Building

Jinnah International Airport

Karachi-75200

PAKISTAN

Tel: 0092-21-99040000

UAN: 111-786-786/111-FLY-PIA

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

[Blank Page]

===== Page 6 =====

## Half Yearly Report 2014

### Directors' Report

Dear shareholders

The directors of Pakistan International Airlines Corporation are pleased to present their report along with the financial statements for the period of six month ended June 30, 2014.

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

	2014 (Rs. Billion)	2013 (Rs. Billion)
Revenues (Net)	53.34	47.67
Operating Cost & Expenses		
Fuel Cost	26.94	27.23
Other Cost of Services	26.07	23.00
Distribution & Admin Expenses	7.16	7.42
Exchange (Gain)/Loss	(5.23)	1.46
Other Income & adjustment	0.94	0.68
Finance Cost	7.33	6.03
Loss Before Taxation	9.86	18.15
Loss After Taxation	10.13	18.38

Against the backdrop of prevailing economic scenario and despite capacity constraints, the corporation has managed to achieve improved seat factor of 75% (2013: 73%) coupled with 11.7% increase in yield that posted a healthy impact of almost 15% increase in revenue during the period under review in comparison to the corresponding period of last year. Combined effect of decline in capacity, load factor and cargo yield registered a decline of PKR 726 million in cargo revenue during this period.

The decision of induction of fuel efficient 4 narrow body aircraft, on wet lease during this period, not only supported the Airline to improve its operations but also enabled in bringing efficiency and better control on fuel cost which remained 50.51% of revenue in comparison to 57.12% in the corresponding period.

The appreciation in Pak Rupee against US\$ supported the financial results of the Corporation with an exchange gain of PKR 5.23 billion (2013: exchange loss PKR 1.46 billion). However, increased landing, handling and navigation charges at key metro airports across the network, along with increased operational and finance cost, continued to put strain on financial performance of the Corporation. Finance cost increased by PKR 1,308 million as the Corporation was forced to borrow heavily in order to meet working capital requirements.

In order to augment the capacity, the Corporation has acquired three narrow body aircraft on dry lease subsequent to the period under review and seven narrow body aircraft will be acquired on wet lease that will become the part of fleet during the last quarter of the current year. Furthermore, tenders have been published for the acquisition of ten narrow body and five turboprop aircraft on dry lease. Management envisions that rationalization of fleet with the induction of newer and fuel efficient aircraft along with an intense cost cutting drive will bring efficiencies in the operations during the forthcoming period. Management has initiated an intense cost cutting drive and certain key decisions have already been taken like closing the operations on loss making routes, shutting down of seven international stations and layover of contractual staff at international stations.

Despite the adverse circumstances the Government of Pakistan continues to support the Corporation to facilitate it in its recuperation. The measures taken by the Government are outlined in greater detail in note 1.2 to the financial statements. Meanwhile, our subsidiary companies namely PIA Investments Limited and Skyrooms (Pvt.) Limited posted net profit of USD 6.42 million and PKR 15.81 million, respectively.

To conclude, I would like to personally thank our customers, the shareholders and the valuable support of Government of Pakistan. I am grateful to the aircraft lessors and banks for their trust and confidence in the airline. I also wish to thank each member of the management and staff for their loyalty, dedication, commitment and hard work to overcome the adverse conditions that the company is

passing through. We are confident that with the dedication of our people and commitment of our management we shall bring the organization out of this difficult situation.

For and on behalf of the Board

Muhammad A. Gardezi

Chairman

23 September, 2014

05

===== Page 7 =====

Half Yearly Report 2014

This page has been left intentionally blank

PAKISTAN

International Airlines

Great People in the West

06

===== Page 8 =====

Half Yearly Report 2014

Unconsolidated financial statements



PAKISTAN

International Airlines

Great People in the West

07

===== Page 9 =====

Half Yearly Report 2014

A. F. Ferguson & Co.

Chartered Accountants

State Life Building No. 1-C

I. I. Chundrigar Road

P. O. Box 4716

Karachi – 74000

KPMG Taseer Hadi & Co.

Chartered Accountants

Sheikh Sultan Trust, Bldg. No. 2

Beaumont Road

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, 2014 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, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2014.

#### 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 period ended June 30, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

#### Emphasis of matter

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 10,131.312 million, resulting in accumulated losses of Rs 207,685.505 million as of June 30, 2014, and, as of that date, the Corporation's current liabilities exceeded its current assets by Rs 171,768.013 million. These conditions indicate existence of a material

uncertainty which may cast doubt on the Corporation's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

08

===== Page 10 =====

Half Yearly Report 2014

A. F. Ferguson & Co.

Chartered Accountants

KPMG Taseer Hadi & Co.

Chartered Accountants

Other matter

The financial statements of the Corporation for the six months period ended June 30, 2013 and for the year ended December 31, 2013 were reviewed and audited by A. F. Ferguson & Co. Chartered Accountants and M. Yousuf Adil Saleem & Co. Chartered Accountants who through their reports dated September 26, 2013 and April 29, 2014, expressed an unqualified conclusion and opinion thereon.

A. F. Ferguson & Co.

Chartered Accountants

Engagement Partner

Khurshid Hasan

Date:

Place: Karachi

Chartered Accountants

Engagement Partner

Muhammad Nadeem

PAKISTAN

## International Airlines

## Great People in the West

09

===== Page 11 =====

Half Yearly Report 2014

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET

AS AT JUNE 30, 2014

	June 30, 2014 (un-audited)	December 31, 2013 (audited)	June 30, 2014 (un-audited)	December 31, 2013 (audited)
Operating income	1,000	1,000	1,000	1,000
Operating expenses	(500)	(500)	(500)	(500)
Operating profit	500	500	500	500
Other income	100	100	100	100
Other expenses	(50)	(50)	(50)	(50)
Income before taxes	550	550	550	550
Taxes	(110)	(110)	(110)	(110)
Income after taxes	440	440	440	440
Other income	100	100	100	100
Other expenses	(50)	(50)	(50)	(50)
Income before taxes	550	550	550	550
Taxes	(110)	(110)	(110)	(110)
Income after taxes	440	440	440	440

A number line with five equal intervals, each marked with a tick and a dashed line segment. The first interval is labeled '1' below the line, and the second interval is labeled '2' below the line.

ASSETS	Note	Rupees in '000-'	US \$ in '000-'
--------	------	------------------	-----------------

## NON CURRENT ASSETS

Fixed assets	4	89,751,670	89,632,833	908,444
848,045				
- Property, plant and equipment		72,114	88,204	730
835				
- Intangibles		89,823,784	89,721,037	909,174
848,800				
Long-term investments		4,601,294	4,465,759	45,561
42,252				
Long-term advances		-	-	-
Long-term deposits and prepayments		5,751,582	6,104,677	
58,216	57,758			
		100,076,660	100,291,473	1,012,951
948,890				

#### CURRENT ASSETS

Stores and spares	4	4,254,067	3,641,768	43,059
34,456				
Trade debts		8,135,595	8,712,578	82,346
82,432				
Advances	5	963,293	1,110,535	9,750
10,507				
Trade deposits and prepayments		2,712,312	2,551,545	27,453
24,141				
Other receivables	6	7,362,725	6,039,732	74,524
57,144				
Short-term investments		19,220	19,220	195
182				
Cash and bank balances	7	5,205,521	2,290,134	52,889
21,658				
		28,652,733	24,365,502	290,016
230,390				
TOTAL ASSETS		128,729,393	124,656,975	1,302,967
1,179,420				

## EQUITY AND LIABILITIES

### SHARE CAPITAL AND RESERVES

Issued, subscribed and paid-up share capital	5	28,779,674	28,779,674
291,301	272,294		
Reserves		4,364,334	4,328,799
40,956			44,175
Accumulated losses		(207,885,505)	(197,797,852)
(2,102,142)	(1,871,429)		
	(174,541,497)	(164,689,379)	(1,766,666)
(1,558,179)			
Advance against equity from Government of Pakistan (GoP)	8	18,294,061	
14,921,244	185,168	141,175	
TOTAL EQUITY		(156,247,436)	(149,768,135)
(1,417,004)			(1,581,498)

SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET	5,247,304	
5,490,963	53,112	51,952

### NON CURRENT LIABILITIES

Long-term financing	9	36,057,075	31,407,996	394,961
297,161				
Term finance and subuk certificates	10	24,333,466	31,357,890	
246,297	296,687			
Liabilities against assets subject to finance lease		2,371,131	1,479,709	
24,000	14,000			
Advance from a subsidiary		427,719	435,398	4,329
4,119				
Long-term deposits		16,119,388	15,190,860	163,158
143,728				
Deferred liabilities		79,308,779	79,871,853	802,743
755,953				

## CURRENT LIABILITIES

Trade and other payables	11	83,340,751	76,111,721	843,555
720,117				

Accrued interest	12	12,031,675	12,798,646	121,782
121,102				

Provision for taxation		241,080	223,421	2,440
2,114				

Short-term borrowings	13	85,585,685	56,747,538	592,990
536,907				

Current maturities of:

- Long-term financing	9	16,795,526	13,306,189	170,000
125,913				

- Term finance and subuk certificates	10	15,589,700	19,589,760	
189,283	165,345			

- Liabilities against assets subject to finance lease		9,836,268	10,232,019	
99,660	97,261			

		200,420,746	189,062,294	2,028,610	
1,788,779					

TOTAL LIABILITIES		279,729,525	268,934,147	2,831,353
2,544,472				

TOTAL EQUITY AND LIABILITIES		128,729,393	124,656,975	
1,302,967	1,179,420			

CONTINGENCIES AND COMMITMENTS	14			

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

Chairman

Chairman

Director

Chief Financial Officer

===== Page 12 =====

Half Yearly Report 2014

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

| | Six months period ended June 30, 2014 | June 30, 2013 | Quarter ended June 30,  
2014 | Six months period ended June 30, 2013 | June 30, 2014 | June 30, 2013 |

|-----|-----|-----|-----|-----  
-----|-----|-----|

| Note | Rupees in '000-' | | | US \$ in '000-'  
| | |

| REVENUE - NET | 15 | 53,347,755 | 47,672,196 | 25,392,691  
| 22,653,212 | 539,973 | 481,781 |

#### COST OF SERVICES

Aircraft fuel | 16 | (26,943,152) | (27,228,898) | (12,211,496)  
| (12,965,049) | (272,712) | (275,178) |

Others | | (26,065,786) | (22,999,171) | (12,739,871)  
| (11,548,150) | (253,831) | (232,432) |

| | (33,008,938) | (50,228,069) | (24,951,367)  
| (24,533,198) | (536,543) | (507,610) |



GROSS PROFIT / (LOSS)	17	338,817	(2,555,873)	441,324
(1,879,987)   3,430	(25,829)			
Distribution costs	18	(2,821,753)	(2,773,226)	(1,438,619)
(1,228,259)   (28,561)	(28,027)			
Administrative expenses		(4,337,696)	(4,652,660)	(1,891,389)
(2,320,877)   (43,905)	(47,020)			
Other provisions and adjustments		(1,081,496)	(1,864,591)	
(1,066,131)	(1,731,661)   (10,947)	(18,844)		
Exchange gain / (loss) - net		5,231,511	(1,459,044)	(370,267)
(462,755)   52,952	(14,745)			
Other income		140,285	1,186,162	128,455
1,158,702   1,420	11,987			
		(2,869,148)	(9,563,359)	(4,637,951)
(4,584,850)   (29,041)	(96,649)			
LOSS FROM OPERATIONS	19	(2,530,331)	(12,119,232)	
(4,196,627)	(6,464,837)   (25,611)	(122,478)		
Finance cost	18	(7,334,242)	(6,025,885)	(3,825,603)
(3,122,399)   (74,235)	(60,888)			
LOSS BEFORE TAXATION	19	(9,864,573)	(18,145,117)	
(8,022,230)	(9,587,236)   (99,846)	(183,376)		
Taxation	19	(266,739)	(238,361)	(126,964)
(175,814)   (2,700)	(2,409)			
LOSS FOR THE PERIOD	20	(10,131,312)	(18,383,478)	
(8,149,194)	(9,763,050)   (102,546)	(185,785)		

Rupees---US \$---

EARNINGS PER SHARE - BASIC AND DILUTED

Loss attributable to:

- 'A' class ordinary shares of Rs 10 each   20	(2.26)	(5.92)	(1.77)
(3.12)   (0.02)   (0.06)			
- 'B' class ordinary shares of Rs 5 each   20	(1.13)	(2.99)	(0.89)
(1.56)   (0.01)   (0.03)			

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

Chairman

Chairman I

Chief Financial Officer

Director

PAKISTAN

International Airlines

Great People in the UK

===== Page 13 =====

Half Yearly Report 2014

PAKISTAN INTERNATIONAL AIRLINES CORPORATION UNCONSOLIDATED CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE  
30, 2014

Six months period ended

June 30, 2014

June 30, 2013

Rupees in '000---

Quarter ended

June 30, 2014

June 30, 2013

Loss for the period (10,131,312) (18,383,478) (8,149,194) (9,763,050)

Other comprehensive income:

Items that may be reclassified subsequently to profit and loss account

Unrealised gain on re-measurement of available for sale investments 35,535 23,189 35,535 15,754

Total comprehensive income for the period (10,095,777) (18,360,289) (8,113,659) (9,747,296)

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 25 form an integral part of these unconsolidated condensed interim financial statements.

Chairman / Chairman

Chief Financial Officer

Director /

12

===== Page 14 =====

Half Yearly Report 2014

PAKISTAN INTERNATIONAL AIRLINES CORPORATION  
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

Six months period ended June 30, 2014

June 30, 2013

June 30, 2014

June 30, 2013

Note — — — Rupees in '000 — — — US \$ in '000 —

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations 21 2,770,528 7,150,237 28,043 72,261

Profit on bank deposits received 28,906 4,138 293 42

Finance cost paid (7,799,765) (3,998,164) (78,947) (40,406)

Taxes paid (249,080) (158,061) (2,521) (1,597)

Staff retirement benefits paid (364,824) (356,173) (3,693) (3,600)

Long-term deposits and prepayments - net (507,790) 142,295 (5,140) 1,438

Net cash (used in) / generated from operating activities (6,122,025) 2,784,272 (61,965) 28,138

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment (2,800,235) (1,537,100) (28,343) (15,534)

Purchase of intangibles - (33,717) - (341)

Proceeds from disposal of property, plant and equipment 2,907 70,157 29 709

Net cash used in investing activities (2,797,328) (1,500,660) (28,314) (15,166)

## CASH FLOWS FROM FINANCING ACTIVITIES

Receipt of advance against equity from GoP 3,372,817 1,017,864 34,139 10,287

Receipt of advance from a subsidiary 984,212 - 9,962 -

Repayment of long-term financing (5,568,903) (3,433,946) (56,367) (34,704)

Proceeds from long-term financing 16,239,371 2,000,000 164,371 20,212

Repayment of short-term borrowings (1,548,497) (946,945) (15,674) (9,569)

Proceeds from short-term borrowings 3,400,000 5,000,000 34,414 50,531

Long-term deposits - net (7,679) (19,370) (78) (196)

Repayment of obligations under finance lease - net (5,085,293) (4,585,131) (51,472) (46,338)

Net cash generated from / (used) in financing activities 11,786,028 (967,528) 119,295 (9,777)

Increase in cash and cash equivalents 2,866,675 316,084 29,016 3,195

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (2,397,665) (2,624,317) (24,269) (26,522)

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD 22 469,010 (2,308,233) 4,747 (23,327)

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

Chairman / Chief Financial Officer

Chairman Director

PAKISTAN International Airlines

Great People in the West

13

===== Page 15 =====

[Blank Page]

===== Page 16 =====

Half Yearly Report 2014

PAKISTAN INTERNATIONAL AIRLINES CORPORATION  
NOTES TO THE UNCONSOLIDATED CONDENSED  
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

1. THE CORPORATION AND ITS OPERATIONS

1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under the Pakistan International Airlines Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (the 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 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 10,131,312 million (June 30, 2013: Rs 18,383,478 million) resulting in accumulated loss of Rs 207,685,505 million as of June 30, 2014 (December 31, 2013: Rs 197,797,852 million). Further, as of June 30, 2014, current liabilities of the Corporation exceeded its current assets by Rs 171,768,013 million (December 31, 2013: Rs 164,696,792 million). Furthermore, as disclosed in notes 9, 10 and 13, the Corporation has not been able to pay interest and principal amount of term finance and other borrowings, which were overdue as at June 30, 2014.

The Government of Pakistan (GoP), being majority shareholder of the Corporation, had through its finance division's letter dated September 2, 2008 communicated that it would extend all maximum support to maintain the Corporation's going concern status. Accordingly, since then it has been extending support to the Corporation through the following measures to ensure that it (the Corporation) continues and sustains in the long-term as a viable business entity:

- Reimbursement of financial charges on term finance and sukuk certificates payable by the Corporation. In this respect, amounts aggregating to Rs 11,276 million have been provided to the Corporation towards equity since the year ended December 31, 2008;

- During the years ended December 31, 2009 and 2010, the GoP has provided long-term financing aggregating to Rs 8,000 million to meet working capital requirements of the Corporation;

- Issuance / renewal of guarantees to financial institutions, both local and foreign, so as to enable the Corporation to raise / rollover funds; and

- On July 3, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs 12,790 million along with conversion of certain short term loans amounting to Rs 20,700 million into new term finance certificates (refer notes 10.1 and 13.1.2);

During the year ended December 31, 2013, the Corporation presented a proposal for financing support required along with its interim business plan to the ECC at its meeting held on February 26, 2013. The ECC approved the following financing support proposal subject to the condition that the timeline will be fixed for repayment of loans and there will be quarterly monitoring of the Corporation's business plan by the Ministry of Finance:

- New loans / guarantees for repayment of loans amounting to Rs 11.1 billion becoming due in the year 2013;

- Rollover / extension of GoP guarantees amounting to approximately Rs 51.16 billion;
- New guarantees against loans already taken on the basis of letter of comfort amounting to Rs 13.5 billion;
- Additional funding to provide fiscal space to the Corporation amounting to Rs 12 billion; and
- Funds of US \$ 46 million for acquisition of narrow body aircraft on dry lease.

Consequent to the above approval, the GoP provided Rs 11,758 million during the year ended December 31, 2013 and Rs 2,945 million during the six months period ended June 30, 2014 as financial assistance to the Corporation to enable it to make over due payments to vendors, EXIM Bank Guaranteed loan installments and for acquisition of aircraft on dry lease.

PAKISTAN

International Airlines

Great People in the UK

15

===== Page 17 =====

Half Yearly Report 2014

To alleviate the operational problems, the Corporation has acquired four narrow body aircraft on wet lease towards the end of year 2013. Subsequent to the six months period ended June 30, 2014, the Corporation has further acquired two aircraft on dry lease. Moreover, tenders have also been floated by the Corporation for acquisition of more narrow body aircraft on operating leases to improve operational efficiency of the Corporation.



The Government of Pakistan through Privatization Commission, has also initiated the process of restructuring the Corporation leading to private sector participation in the core operations of PIA, and for this purpose a consortium has been appointed as Financial Advisor.

In addition to the above measures taken by the Corporation and the GoP, management is in the process of updating the Strategic Business Plan of the Corporation. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from noncore activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircraft on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

In view of the situation described above, material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, 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, 2014 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 (IAS) 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 unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income and notes thereto for the quarters ended June 30, 2014 and 2013 are also included in these unconsolidated condensed interim financial statements which were not subject to review by the auditors.

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 annual unconsolidated financial statements for the year ended December 31, 2013.

2.4 The US \$ amounts 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 have been translated into US \$ at the rate of Rs 98.7971 = US \$ 1 (December 31, 2013: Rs 105.69 = US \$ 1). The US \$ amounts in unconsolidated condensed interim profit and loss account and unconsolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs 98.7971 = US \$ 1 (June 30, 2013: Rs 98.95 = US \$ 1).

### 3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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 annual unconsolidated financial statements of the Corporation for the year ended December 31, 2013, except for the changes in accounting estimates as stated in note 4.2.

3.2 The Corporation's financial risk management objectives and policies are consistent with those disclosed in the annual unconsolidated financial statements for the year ended December 31, 2013.

16

===== Page 18 =====

3.3 New / revised standards, amendments to approved accounting standards and new interpretations which become effective during the six month period ended June 30, 2014:

There were certain amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the Corporation's operations and are, therefore, not disclosed in these condensed interim financial statements.

3.4 New / revised standards, amendments to approved accounting standards and new interpretations published but are not effective:

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning after January 1, 2014 but are considered not to be relevant or will not have any significant effect on the Corporation's operations and are, therefore, not detailed in these condensed interim financial statements.

| June 30, 2014 (un-audited) | December 31, 2013 (audited) |

— — — — —

	Note	Rupees in '000
--	------	----------------

#### 4. PROPERTY, PLANT AND EQUIPMENT

### Operating fixed assets

- owned

- leased

Capital work-in-progress

4.1 4.1 &amp; 4.2

24,882,896    25,933,545

63,330,708 61,399,468

1,538,066    2,299,820

89,751,670    89,632,833

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

	Six months period ended June 30, 2014 (un-audited)	June 30, 2013 (un-audited)
--	--	----------------------------

-----

Additions / Transfers / Adjustments	Rupees in '000
-------------------------------------	----------------

Owned

Buildings on lease hold land

Workshops and hangers

Renovation and improvements

Aircraft fleet / engines overhauling

Operating ground, catering, communication and meteorological equipment

Engineering equipment and tools

Traffic equipment

Furniture, fixtures and fittings

Motor transport

Precision engineering equipment

Office equipment

Computer and office automation

Other equipment

Capital spares

Leased - aircraft fleet / engines overhauling

Engines overhauling

- 481

282 2,735

3,289 1,302

213,280 1,546,791

222 454

- 3,428

- 18,213

3,580 3,217

- 1,442

- 1

189 46

4,104 6,203

267 729

10,523 42,045

235,736 1,627,087

3,326,253

3,561,999

1,627,087

PAKISTAN

International Airlines

Great People in the UK

17

===== Page 19 =====

Half Yearly Report 2014

Six months period ended

June 30, June 30,

2014 2013

(un-audited) (un-audited)

Rupees in '000---

Deletions / write offs - net book value

Owned

Aircraft fleet / engines overhauling - 3,403

Operating ground, catering,

communication and meteorological equipment - 91

Motor transport 2,106 13,136

Computer and office automation - 173

Office equipment - 34

Other equipment - 43,654

Capital spares 22,380 43,041

24,486 103,532

#### 4.2 Changes in estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2013, the useful lives of aircraft fleet have been reassessed. In addition, 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 higher by Rs 213.185 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, December 31,

2014 2013

(un-audited) (audited)

Note Rupees in '000---

#### 5. ADVANCES

Considered good

Employees 153,865 145,041

Fuel suppliers 339,007 293,321

Other suppliers 465,170 666,511

Others 5,251 5,662

963,293 1,110,535

Considered doubtful

Subsidiary - Skyrooms (Private) Limited 5.1 166,066 183,339

Others - Suppliers 55,339 55,339

221,405 238,678

Provision for doubtful advances 5.2 (221,405) (238,678)

- - -

963,293 1,110,535

5.1 Maximum aggregate gross amount due from the subsidiary at the end of any month was Rs 178.338 million (December 31, 2013: Rs 183.339 million).

Pakistan International Airlines

Great People in the UK

18

===== Page 20 =====

Half Yearly Report 2014

Note

| | June 30, 2014 (un-audited) | December 31, 2013 (audited) |

|---|---|---|

| | Rupees in '000--| |

5.2 Movement in provision is as follows:

Balance at the beginning of the period / year (Reversal) / provision for the period / year

Balance at the end of the period / year

## 6. OTHER RECEIVABLES

Considered good

Claims receivable 201,765 183,907

Excise duty 100,000 100,000

Sales tax receivable 6.1 6,316,321 4,902,346

Receivable from GoP 460,035 460,035

Others 284,604 393,444

7,362,725 6,039,732

Considered doubtful 326,862 177,077

Less: provision for doubtful other receivables (326,862) (177,077)

7,362,725 6,039,732

6.1 This includes sales tax refundable aggregating Rs 3,833.508 million representing unadjusted portion of input tax under Sales Tax Act, 1990. The Corporation has filed application for refunds upto December 31, 2011. In response, Additional Commissioner IR, LTU through a letter has interalia stated that as the Corporation is engaged in both domestic and international air travel, therefore, input tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in terms of rule 41A(14) of the Federal Excise Rules, 2005.



The Corporation in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case inter alia, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(1)/2006, which is applicable to the Corporation being registered as a Service Provider in transportation business. Management has represented before the FBR its view and subsequently no adverse inference has been communicated on the matter. Therefore, management is confident that sales tax was not payable on such imports and the amounts collected from the Corporation at the import stage shall be eventually recovered / adjusted.

June 30, 2014 (un-audited)

December 31, 2013 (audited)

Rupees in '000--

#### 7. CASH AND BANK BALANCES

In hand 12,780 7,311

In transit 49,578 268,774

With banks: 62,358 276,085

- in current accounts 4,273,236 1,081,533

- in deposit accounts 869,927 932,516

5,143,163 2,014,049

5,205,521 2,290,134

19

===== Page 21 =====

#### 8. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN (GoP)

This represents advance received from the GoP for mark-up payments on term finance and sukuk certificates. The Corporation has not issued shares to the GoP as the authorised share capital of the Corporation is insufficient to cover the amount of ordinary shares to be issued in lieu of advance against equity. The Corporation is currently in the process of increasing its authorised share capital. Further, during the year ended December 31, 2013 and six months period ended June 30, 2014, the Corporation has received Rs 11,758 million and Rs 2,945 million respectively from GoP as financial support in respect of restructuring plan of the Corporation as stated in note 1.2 to these unconsolidated condensed interim financial statements.

## 9. LONG-TERM FINANCING

Financier	Note	Type of facility	Facility amount (million)	Repayment period	Number of installments / Mode	June 30, 2014 (un-audited)	December 31, 2013 (audited)
-----------	------	------------------	---------------------------	------------------	-------------------------------	----------------------------	-----------------------------

---	---	---	---	---	---	---	---
-----	-----	-----	-----	-----	-----	-----	-----

Secured - from Banking Companies							Rupees in '000---
----------------------------------	--	--	--	--	--	--	-------------------

Citibank, N.A.		Demand Finance	82 US \$	2006 - 2017	20 Half yearly	1,889,652	2,396,256
----------------	--	----------------	----------	-------------	----------------	-----------	-----------

Citibank, N.A.		Islamic Finance	75 US \$ & 91,825 AED	2011 - 2014	30 Monthly	1,980,287	4,231,216
----------------	--	-----------------	-----------------------	-------------	------------	-----------	-----------

Citibank, N.A.		Islamic Finance	120 US \$ & 36.73 AED	2014 - 2016	33 Monthly	11,287,020	13,740,155
----------------	--	-----------------	-----------------------	-------------	------------	------------	------------

Faysal Bank Limited		Term Finance	2,000 PKR	2013 - 2016	36 Monthly	1,276,291	1,665,338
---------------------	--	--------------	-----------	-------------	------------	-----------	-----------

Faysal Bank Limited	9.3	Term Finance	2,000 PKR	2015 - 2018	12 Quarterly	2,000,000	2,000,000
---------------------	-----	--------------	-----------	-------------	--------------	-----------	-----------

Faysal Bank Limited	9.4	Term Finance	2,000 PKR	2016 - 2019	12 Quarterly	2,000,000	-
---------------------	-----	--------------	-----------	-------------	--------------	-----------	---

National Bank of Pakistan - Bahrain	9.5	Syndicate Finance	120 US \$	2013 - 2023	40 Quarterly	11,658,058	12,683,220
-------------------------------------	-----	-------------------	-----------	-------------	--------------	------------	------------

Standard Chartered Bank - United Kingdom	9.6	Syndicate Finance	137.5 US \$	2014 - 2017	33 Monthly	12,761,293	-
--	-----	-------------------	-------------	-------------	------------	------------	---

Others - unsecured

Long-term loan - GoP	9.7	Term Finance	8,000 PKR	2011 - 2020	16 Half yearly	8,000,000	8,000,000	
Current maturity shown under current liabilities								
						52,852,601	44,716,165*	
						(16,795,526)	(13,308,189)	
						36,057,075	31,407,996	

9.1 Borrowings in PKR and foreign currency comprise of fixed and variable rate borrowings. Fixed rate borrowing in PKR carries mark-up at the rate of 10% (December 31, 2013: 10% per annum) whereas variable rate borrowings carry markup with a spread of 1.5% to 1.75% over 3 months and 6 months KIBOR (December 31, 2013: spread of 1.5% to 2.5% over 3 month and 6 months KIBOR). Fixed rate borrowing in foreign currency carries markup of 5.28% (December 31, 2013: 5.28% per annum) whereas variable rate borrowings carry markup with a spread of 3.75% to 4.25% over 1 month and 3 months LIBOR and EIBOR (December 31, 2013: 1.6% to 5.25% over 1 month and 3 months LIBOR, EIBOR and SIBOR).

9.2 There has been no change in the securities for the above loans as disclosed in note 21 to the annual unconsolidated financial statements for the year ended December 31, 2013. However, two new facilities have been obtained during the period, the details of which are disclosed in note 9.4 and note 9.6.

9.3 During the period, the Corporation did not pay markup amounting to Rs. 56,041 million on the due date. The bank rescheduled the repayment of the aforementioned amount which was paid subsequent to June 30, 2014.

9.4 The finance is secured by way of unconditional and irrevocable guarantee by GoP for an amount equivalent to the facility amount.

PAKISTAN International Airlines

Great People in the UK

===== Page 22 =====

9.5 During the period, the Corporation did not repay the principal amounting to Rs 39.518 million and mark-up amounting to Rs 118.583 million on the due dates. However, mark-up on US \$ 100 million (to

one of the two syndicate financiers) has been paid subsequent to June 30, 2014 in accordance with the rescheduling allowed by the related financier.

9.6 The syndicate finance has been obtained from a syndicate of international banks and the lead arrangers are:

- Standard Chartered Bank - United Kingdom
- Mashreqbank psc - United Arab Emirates

The finance is secured by first priority security over the sales in UK received through BSP UK.

9.7 The Corporation has not paid any installment since the due date of first installment i.e October 23, 2011. The overdue principal and markup as at June 30, 2014 is Rs 2,562.500 million and Rs 3,894.521 million respectively. The overdue principal amount is included in current maturity.

## 10. TERM FINANCE AND SUKUK CERTIFICATES

Note	Security	Repayment period	Number of installments	Mark-up	June 30, 2014 (un-audited)	December 31, 2013 (audited)
------	----------	------------------	------------------------	---------	----------------------------	-----------------------------

---	---	---	---	---	---	---
-----	-----	-----	-----	-----	-----	-----

Term finance certificates	10.1	GoP Guarantee	2009–2014	10 half yearly	6 month KIBOR + 0.65%	12,789,760   12,789,760
---------------------------	------	---------------	-----------	----------------	-----------------------	-------------------------

Sukuk certificates	10.2	GoP Guarantee	October 20, 2014	Bullet	6 month KIBOR + 1.75%	6,800,000   6,800,000
--------------------	------	---------------	------------------	--------	-----------------------	-----------------------

Less: Current maturity						19,589,760   19,589,760
------------------------	--	--	--	--	--	-------------------------

						(19,589,760)   (19,589,760)
--	--	--	--	--	--	-----------------------------

10.1 The Corporation has not made payments of principal redemptions aggregating Rs 12,789.760 million due on various dates as per repayment schedule. Management applied for restructuring of these term finance certificates (TFCs) prior to the due date of first redemption and the Trustee on behalf of the TFC investors has not notified any event of default to the Corporation. On July 3, 2012, the ECC decided / approved the restructuring of these TFCs from various banks alongwith restructuring of certain short-term borrowings (refer note 13.1.2) into new TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by Ministry of Finance. Presently, finalisation

of the restructuring process with a consortium of TFC investors is at an advanced stage. The overdue principal amount as at June 30, 2014 is included in current maturity.

10.2 The Corporation had issued GoP guaranteed privately placed Sukuk Certificates in financial year ended December 31, 2009. The principal amount was payable after two years in six equal half yearly installments, however, the Corporation has not made any principal payments that were due until December 30, 2013. The Sukuk investors were requested to re-profile the principal repayment schedule alongwith other terms of Sukuk Certificates with the assistance of Ministry of Finance. On December 30, 2013, the Sukuk agreement with Sukuk investors has been rescheduled by virtue of which the Corporation is required to pay the entire principal on October 20, 2014. The markup rate and security have remained unchanged.

PAKISTAN International Airlines

Great People in the USA

21

===== Page 23 =====

Half Yearly Report 2014

## 11. TRADE AND OTHER PAYABLES

Trade creditors

Goods 10,549,724 9,898,067

Services 5,252,242 4,888,853

Airport related charges 12,424,927 11,109,426

Others 28,226,893 25,896,346

Collection on behalf of others 16,733,692 14,207,067

Advance against transportation (unearned revenue) 9,851,385 7,906,619

Payable to employees' provident fund 7,945,107 7,210,729

Federal excise duty - international travel 6,534,269 6,428,488

Accrued liabilities 5,844,321 6,941,462

Obligation for compensated absences 4,490,313 4,330,387

Unredeemed frequent flyer liabilities 1,685,593 1,518,577

Advances from customers 738,110 890,455

Income tax deducted at source 390,710 348,964

Short-term deposits 379,149 417,063

Customs and Federal excise duty 512,716 7,071

Unclaimed dividend - Preference shares 8,493 8,493

83,340,751 76,111,721

## 12. ACCRUED INTEREST

Mark-up / profit payable on:

- long-term financing 4,387,846 3,961,506

- term finance certificates 3,349,204 2,669,678

- provident fund 2,399,075 2,022,809

- short-term borrowings 1,548,828 3,537,986

- sukuk certificates 269,809 539,955

- advance from a subsidiary 76,914 67,712

12,031,676 12,799,646

PAKISTAN International Airlines

Great People in the West

===== Page 24 =====

[Blank Page]

===== Page 25 =====

## Half Yearly Report 2014

Financier	Note	Security	Facility amount (million)	Expiry date	June 30, 2014 (un-audited)	December 31, 2013 (audited)
-----------	------	----------	---------------------------	-------------	----------------------------	-----------------------------

---	---	---	---	---	---	---
-----	-----	-----	-----	-----	-----	-----

					Rugees in '000	
--	--	--	--	--	----------------	--

National Bank of Pakistan	13.1.2 & 13.1.4	Unconditional irrevocable continuing GpP Guarantee; lien and specific right to set-offover all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	Balance brought forward	34,849,174	34,911,242	
---------------------------	-----------------	---	-------------------------	------------	------------	--

National Bank of Pakistan	13.1.4	Unconditional irrevocable continuing GpP Guarantee; lien and specific right to set-offover all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,800 PKR	31-Jul-14	3,600,000	3,600,000
---------------------------	--------	---	-----------	-----------	-----------	-----------

National Bank of Pakistan	13.1.4	Unconditional irrevocable continuing GpP Guarantee; lien and specific right to set-offover all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,500 PKR	31-Jul-14	3,500,000	3,500,000
---------------------------	--------	---	-----------	-----------	-----------	-----------

National Bank of Pakistan	13.1.4	Unconditional irrevocable continuing GpP Guarantee; lien and specific right to set-offover all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	3,000 PKR	31-Jul-14	3,000,000	3,000,000
---------------------------	--------	---	-----------	-----------	-----------	-----------

National Bank of Pakistan	13.1.2 & 13.1.4	Unconditional irrevocable continuing GpP Guarantee; lien and specific right to set-offover all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Jul-14	2,000,000	2,000,000
---------------------------	-----------------	---	-----------	-----------	-----------	-----------

National Bank of Pakistan	13.1.2 & 13.1.4	Unconditional irrevocable continuing GpP Guarantee; lien and specific right to set-offover all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.	2,000 PKR	31-Jul-14	2,000,000	2,000,000
---------------------------	-----------------	---	-----------	-----------	-----------	-----------

| National Bank of Pakistan | 13.1.2 & 13.1.4 | GpP Guarantee | 1,500 PKR | 31-Jul-14 | 1,500,000 | 1,500,000 |

| National Bank of Pakistan | | Hypothecation of entire receivables, book debts, stocks and spares amounting to PKR 2,667 million with 25% margin and lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. | 2,000 PKR | 13-Mar-14 | - | 1,067,592 |

| National Bank of Pakistan | | Hypothecation of present and future receivables and book debts amounting to PKR 4,533 Million along with 25% margin and lien / specific right to set-off over all receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi. | 3400 PKR | 13-Feb-15 | 3,400,000 | - |

| National Bank of Pakistan - Bahrain | | Lien over all present and future receivables generated from sales of tickets (through MTA agent and PIA courier) and cargo services within the frontier of Kingdom of Saudi Arabia, Sultanate of Oman and Bangladesh. | 5 US \$ | 28-Feb-14 | - | 480,905 |

53,949,174 52,059,739

13.1.1 The borrowings in PKR carry mark up with a spread of 0.85% to 2.0% over 1 month and 3 months KIBOR (December 31, 2013: spread of 0.85% to 2.0% over 1 month and 3 months KIBOR). The borrowings in foreign currency carry markup with a spread of 3.5% to 5.75% over 1 month and 3 months LIBOR (December 31, 2013: 3.5% to 5.75% over 1 month and 3 months LIBOR).

PAKISTAN International Airlines

Great People in the UK

24

===== Page 26 =====

Half Yearly Report 2014

13.1.2 On July 3, 2012, the ECC has approved the conversion of short-term loans amounting to Rs 20,700 million into TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by the Ministry of Finance. At present, the finalisation of the restructuring process is at an advanced stage (refer note 10.1).



13.1.3 During the period, the Corporation has not paid mark-up on respective due dates aggregating Rs 40,611 million. However, the amount has been paid subsequently to the period ended June 30, 2014.

13.1.4 The terms of these borrowings have expired and the Corporation is currently in the process of renewal of these loans with the financiers.

### 13.2 Running finance under mark-up arrangements

Banks	Note	Security	Facility amount (million)	Unavailed credit (million)	Expiry date
June 30, 2014 (un-audited)	December 31, 2013 (audited)				

-----

| | | | | 13.2.2 | | | | || Secured | | | | | | | | |

-----

Habib Bank Limited	13.2.3	Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables.	350 PKR	-	9-Feb-15	468,765	315,073	
--------------------	--------	---	---------	---	----------	---------	---------	--

Habib Allied International Bank Limited - London	EURO	receivables	3 US \$	0.99 US \$	On Demand	198,750	306,286	
--	------	-------------	---------	------------	-----------	---------	---------	--

<p>  National Bank of Pakistan   13.2.4   First pari passu hypothecation charge of PKR 766,667 million on all present and future current assets with a margin of 25%; lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.   575 PKR   -   31-Jul-14   559,479   555,542  </p>					
--	--	--	--	--	--

| The Bank of Punjab | | | | | | | |

		Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 1,000 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BOP counter.	550 PKR	-	1-Jan-15	550,000	544,574	
--	--	--	---------	---	----------	---------	---------	--

United Bank Limited - Karachi		13.2.4   Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore.		2,570 PKR		-	
8-Aug-14		2,569,591		2,568,283			

Un-secured							
------------	--	--	--	--	--	--	--



## 14.1 Contingencies

14.1.1 There has been no material change in the status of contingencies as disclosed in notes 30.1 (a) to (k) to the annual unconsolidated financial statements for the year ended December 31, 2013.

14.1.2 Contingencies relating to income tax matters are disclosed in note 19.

## 14.2 Commitments

(a) Commitments for capital expenditure amounted to Rs 66.727 million (December 31, 2013: Rs 63.009 million).

(b) Outstanding letters of credit amounted to Rs 230.835 million (December 31, 2013: Rs 113.930 million).

(c) Outstanding letters of guarantee amounted to Rs 593.396 million (December 31, 2013: Rs 583.403 million).

(d) The amount of future payments in operating lease arrangement relating to Aircraft 777-200 ER and the period in which these payments will become due is as follows:

	June 30, 2014 (un-audited)	December 31, 2013 (audited)
	---	---
	Rupees in '000—	
Not later than one year	1,237,996	1,481,774
Later than one year but not later than five years	2,063,326	2,869,560
	3,301,322	4,351,334

(e) There has been no change in the commitments as disclosed in note 30.2 (d) to the annual unconsolidated financial statements for the year ended December 31, 2013.

===== Page 28 =====

## Half Yearly Report 2014

### 15. REVENUE - net

Passenger	48,641,260	42,322,383	22,813,858	19,863,116
Cargo	2,301,771	3,012,844	1,207,837	1,481,062
Excess baggage	467,491	430,503	211,181	205,073
Charter services	299,953	276,178	148,138	204,936
Engineering services	142,846	305,030	79,715	137,109
Handling and related services	461,894	304,358	347,630	173,052
Mail	206,515	221,135	105,438	122,564
Others	826,025	799,765	478,894	466,300
	53,347,755	47,672,196	25,392,691	22,653,212

### 16. COST OF SERVICES - Others

Salaries, wages and allowances	6,039,142	5,486,632	3,133,344	2,656,120
Welfare and social security costs	22,845	28,939	11,504	24,210
Retirement benefits	1,023,930	793,520	496,179	292,276
Compensated absences	107,235	170,194	54,373	73,908
Legal and professional charges	8,704	17,271	4,013	11,926
Stores and spares consumed	610,609	1,003,887	328,297	572,054
Maintenance and overhaul	1,625,591	1,474,706	766,164	820,846
Flight equipment rental	3,149,033	638,717	1,234,579	197,405
Landing and handling	6,890,725	6,575,699	3,365,603	3,703,654

Passenger services 1,430,620 1,555,575 743,282 753,325

Crew layover 1,336,578 1,488,272 726,834 771,842

Staff training 41,006 23,542 25,354 10,758

Utilities 21,173 12,198 17,170 7,017

Communication 12,255 15,812

Page 28

Half Yearly Report 2014

#### 14. CONTINGENCIES AND COMMITMENTS

##### 14.1 Contingencies

14.1.1 There has been no material change in the status of contingencies as disclosed in notes 30.1 (a) to (k) to the annual unconsolidated financial statements for the year ended December 31, 2013.

14.1.2 Contingencies relating to income tax matters are disclosed in note 19.

##### 14.2 Commitments

(a) Commitments for capital expenditure amounted to Rs 66.727 million (December 31, 2013: Rs 63.009 million).

(b) Outstanding letters of credit amounted to Rs 230.835 million (December 31, 2013: Rs 113.930 million).

(c) Outstanding letters of guarantee amounted to Rs 593.396 million (December 31, 2013: Rs 583.403 million).

(d) The amount of future payments in operating lease arrangement relating to Aircraft 777-200 ER and the period in which these payments will become due is as follows:

June 30, 2014 (un-audited)	December 31, 2013 (audited)
----------------------------	-----------------------------

Not later than one year	1,237,996      1,481,774
-------------------------	--------------------------

Later than one year but not later than five years 2,063,326      2,869,560  
 3,301,322      4,351,334

(e) There has been no change in the commitments as disclosed in note 30.2 (d) to the annual unconsolidated financial statements for the year ended December 31, 2013.

Page 29

#### 15. REVENUE - net

	Six months period ended June 30, 2014	June 30, 2013	Quarter ended June 30, 2014	June 30, 2013
Passenger	48,641,260	42,322,383	22,813,858	19,863,116
Cargo	2,301,771	3,012,844	1,207,837	1,481,062
Excess baggage	467,491	430,503	211,181	205,073
Charter services	299,953	276,178	148,138	204,936
Engineering services	142,846	305,030	79,715	137,109
Handling and related services	461,894	304,358	347,630	173,052
Mail	206,515	221,135	105,438	122,564
Others	826,025	799,765	478,894	466,300
Total	53,347,755	47,672,196	25,392,691	22,653,212

#### 16. COST OF SERVICES - Others

Salaries, wages and allowances: 6,039,142

Welfare and social security costs: 22,845

Retirement benefits: 1,023,930

Compensated absences: 107,235

Legal and professional charges: 8,704

Stores and spares consumed: 610,609

Maintenance and overhaul: 1,625,591

Flight equipment rental: 3,149,033

Landing and handling: 6,890,725

Passenger services: 1,430,620

Crew layover: 1,336,578

Staff training: 41,006

Utilities: 21,173

Communication: 12,255

Insurance: 483,754

Rent, rates and taxes: 346,613

Printing and stationery: 119,506

Depreciation: 2,486,646

Amortisation of intangibles: 833

Others: 308,988

Total: 26,065,786

Page 30

#### 17. OTHER PROVISIONS AND ADJUSTMENTS

Property, plant and equipment written off: 14,739

Provision for slow moving and obsolete spares: 61,409

Provision for doubtful debts: 457,782

Reversal of provision for doubtful advances: (17,273)

Deficit realised on aircraft written off: -

Others: 564,839

Total: 1,081,496

#### 18. FINANCE COST

Mark-up on:

long-term financing: 1,528,996

term finance certificates: 679,525

short-term borrowings: 3,249,481

advance from a subsidiary: 16,474

Profit on sukuk certificates: 389,359

Interest on liabilities against assets subject to finance lease: 326,473

Interest on overdue balance of provident fund: 376,267

Arrangement, agency and commitment fee: 331,262

Discounting on deposits: 302,447

Amortisation of prepaid exposure fee: 108,627

Bank charges, guarantee commission and other related charges: 25,331

Total: 7,334,242

Page 31

## 19. TAXATION

Current - for the period: 266,739

for prior periods: -

19.1 In view of tax loss situation, provision for minimum taxation has been made under section 113 of the Income Tax Ordinance, 2001 through Finance Act 2014 issued by the Federal Board of Revenue (FBR) the rate of minimum tax for the Corporation has been fixed at 0.5% of its turnover. Therefore, the applicable rate of minimum tax for the Corporation for the tax year 2015 is 0.5% of its turnover and the provision for taxation has been made accordingly.

19.2 As disclosed in note 38.1.3 to the annual unconsolidated financial statements for the year ended December 31, 2013, the tax department has issued orders under section 161 / 205 (related to 'assessee-in-default') of the Income Tax Ordinance, 2001 pertaining to tax years 2011 and 2012 and raised a



demand of Rs. 324.319 million and Rs. 1,834.103 million respectively. The Corporation had filed an application for revision of order of tax year 2012 and appeals against the orders before CIR(A).

During the six months period ended June 30, 2014, tax department has issued revised order pertaining to tax year 2012 dated May 22, 2014 and raised a revised demand of Rs 43.978 million. In addition to above, the tax department has also issued an order pertaining to tax year 2013 dated June 24, 2014 amounting to Rs 37.974 million. The Corporation has filed an application for revision of orders and appeals against the orders before CIR (A) which are pending. However, management is confident of a favourable outcome therefore no provision has been recorded in these condensed interim financial statements.

19.3 There has been no change in the status of contingencies as disclosed in note 38.1 to the annual unconsolidated financial statements for the year ended December 31, 2013 except for the changes disclosed in note 19.2 to these unconsolidated interim financial statements.

Page 32

## 20. EARNINGS PER SHARE - BASIC AND DILUTED

Loss for the period: (10,131,312)

Weighted average number of ordinary shares outstanding: 4,482,823,704

Loss attributable to:

'A' class ordinary shares: (2.26)

'B' class ordinary shares: (1.13)

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

20.2 The weighted average number of shares as at June 30, 2014, exceeds the number of authorised shares of the Corporation due to the reason mentioned in note 8.

20.3 There were no dilutive potential ordinary shares outstanding as at June 30, 2013 or 2014.

Page 33

## 21. CASH GENERATED FROM OPERATIONS

Loss before taxation: (9,864,573)

Adjustments for:

Depreciation: 2,656,912

Loss / (gain) on disposal of property, plant and equipment - net: 6,840

Amortisation of intangibles: 16,090

Property, plant and equipment written off: 14,739

Provision for slow moving obsolete stores and spares: 61,409

Provision for employees' benefits: 1,453,278

Provision for doubtful debts: 457,782

Reversal of provision for doubtful advances: (17,273)

Finance cost: 7,334,242

Unrealised exchange (gain) / loss: (4,484,241)

Profit on bank deposits: (28,906)

Deficit realised on disposal of aircraft: -

Working capital changes:

(Increase) / decrease in stores and spares: (673,718)

Decrease / (Increase) in trade debts: 119,201

Decrease in advances: 164,515

(Increase) in trade deposits and prepayments: (191,880)

(Increase) in other receivables: (1,322,993)

Increase in trade and other payables: 7,069,104

Cash generated from operations: 2,770,528

PAKISTAN INTERNATIONAL AIRLINES CORPORATION  
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT June 30, 2014

ASSETS Note June 30, 2014 (un-audited) December 31, 2013 (audited)

NON CURRENT ASSETS

Fixed assets	4	150,830,238	155,319,884	
- Property, plant and equipment			2,993,837	3,521,475
- intangibles		153,824,075	158,841,359	
Long-term investments		65,194	103,368	
Receivable from Centre Hotel			746,537	798,648
Long-term loans and advances		-	8,696	
Long-term deposits and prepayments			5,882,106	6,266,652
Total Non-Current Assets			160,537,902	166,035,741

| CURRENT ASSETS | | |

Stores and spares	4,305,792	3,686,116
Trade debts	8,789,522	9,366,145
Short-term loans and advances	972,821	1,116,518
Trade deposits and prepayments	3,319,939	3,164,950
Other receivables	5	8,203,139
Short-term investments	418,886	305,019
Taxation - net	131,359	129,748
Cash and bank balances	6	10,645,544
Total Current Assets	36,783,636	32,391,682
TOTAL ASSETS	197,321,538	198,427,423

## EQUITY AND LIABILITIES

Note	June 30, 2014 (un-audited)	December 31, 2013 (audited)
SHARE CAPITAL AND RESERVES		
Share capital	28,779,674	28,779,674
Reserves	(180,545,978)	(180,983,457)
Advance against equity from the Government of Pakistan (GoP) 7	18,294,061	14,921,244
Attributable to the Holding company's shareholders	(143,473,243)	(137,282,549)
Non-controlling interest	1,759,025	1,752,273
TOTAL EQUITY	(141,714,218)	(135,530,276)
SURPLUS REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX	29,970,174	27,488,558
NON-CURRENT LIABILITIES		
Long-term financing 8	50,715,297	32,871,889
Term finance and sukuk certificates 9	24,333,466	31,357,890
Liabilities against assets subject to finance lease	427,581	455,530
Long-term deposits	14,727,096	20,825,961
Deferred liabilities	16,182,404	15,245,803
Total Non-Current Liabilities	105,386,104	100,587,173

Page 36

## CURRENT LIABILITIES

Note	June 30, 2014 (un-audited)	December 31, 2013 (audited)
Trade and other payables 10	85,339,797	75,594,908
Accrued interest	11,977,403	12,788,401
Provision for taxation	324,618	284,221
Short-term borrowings 11	58,585,685	56,747,538
Current maturities of:		
- Long-term financing	17,025,946	27,815,121
- Term finance and sukuk certificates 9	19,589,760	19,589,760

- Liabilities against assets subject to finance lease	9,836,268	10,282,019
---	-----------	------------

Total Current Liabilities	202,679,478	205,901,566
---------------------------	-------------	-------------

TOTAL LIABILITIES	300,065,582	306,469,141
-------------------	-------------	-------------

TOTAL EQUITY AND LIABILITIES	197,321,538	198,427,423
------------------------------	-------------	-------------

#### CONTINGENCIES AND COMMITMENTS

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

Chairman

Chairman

Director

Chief Financial Officer

Page 37

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

Six months period ended June 30, 2014	June 30, 2013	Quarter ended June 30, 2014	June 30, 2013
---------------------------------------	---------------	-----------------------------	---------------

Loss for the period	(9,011,674)	(17,343,242)	(7,541,800)	(9,898,951)
---------------------	-------------	--------------	-------------	-------------

Other comprehensive income

Unrealised loss on re-measurement of available for sale investments: 35,535 | 23,189 | 35,535 | 15,754

Exchange differences on translation of foreign operations: (824,279) | (552,361) | 96,690 | (2,452,114)

Total comprehensive income: (9,800,418) | (17,872,414) | (7,409,575) | (12,335,311)

Attributable to:

Equity holders of the Holding company: (9,807,170) | (17,892,832) | (7,416,299) | (12,355,700)

Non-controlling interest: 6,752 | 20,418 | 6,724 | 20,389

Total: (9,800,418) | (17,872,414) | (7,409,575) | (12,335,311)

Surplus / (deficit) arising on revaluation of operating fixed assets has been reported in accordance with the requirements of the Companies Ordinance, 1984, in a separate account below equity.

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

Chairman

Chairman

Chief Financial Officer

Director

Page 38

PAKISTAN INTERNATIONAL AIRLINES CORPORATION  
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

Six months period ended June 30, 2014   June 30, 2013   Six months period ended June 30, 2014   June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	20	9,442,499	7,047,596	95,574	71,223
--------------------------------	----	-----------	-----------	--------	--------

Profit on bank deposits received	-	-	4,138	-	42
Finance costs paid	(8,560,603)	(4,403,961)	(86,648)		(44,506)
Taxes paid	(474,952)	(399,457)	(4,807)	(4,037)	
Staff retirement benefits paid	(786,372)	(356,173)	(7,959)	(3,599)	
Long-term deposits and prepayments - net		376,867	94,828	3,815	958
Net cash (used in) / generated from operating activities	(2,561)	1,986,972	(25)		20,079

Page 39

#### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment: (2,800,235) | (1,537,100)

Proceeds from sale of operating fixed assets: 2,907 | 70,157

Currency translation differences: - | -

Purchase of intangibles: - | (33,717)

Payments against long term loans and advances: - | -

Short term investments - net: (113,867) | (19,370)

Net cash used in investing activities: (2,911,195) | (1,500,660)

#### CASH FLOWS FROM FINANCING ACTIVITIES

Advance against equity: 3,372,817 | 1,017,864

Repayment of long-term financing: (5,568,903) | (3,433,946)

Proceeds from long-term financing: 16,239,371 | 2,000,000

Redemption of term finance certificates: - | -

Receipt / (payment) of advance rent: 984,212 | -

Proceeds from long-term deposits: - | -

Payment of dividend to non-controlling interest: - | -

Repayment of obligations under finance lease - net: (5,085,293) | (4,585,131)

Net cash generated from financing activities: 9,942,204 | (5,001,213)

Decrease in cash and cash equivalents: 7,028,448 | (4,514,901)

Cash and cash equivalents at the beginning of the year: (2,397,665) | (2,624,317)

Cash and cash equivalents at the end of the period: 4,630,783 | (7,139,218)

#### CASH AND CASH EQUIVALENTS

Cash and bank balances: 10,645,544 | 8,309,897

Short-term borrowings: (6,014,761) | (15,449,115)

Total: 4,630,783 | (7,139,218)

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

Chairman

Chairman

Chief Financial Officer

Director

Page 40

PAKISTAN INTERNATIONAL AIRLINES Holding company

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014



## 1. THE GROUP AND ITS OPERATIONS

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

### Pakistan International Airlines Holding company

Pakistan International Airlines Holding company (the Holding company) was incorporated on January 10, 1955 under PIAC Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Holding company 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 (PIALI) 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 1966 PIALI 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 PIALI is 100% (December 2013: 100%). Following are the details of PIALI's subsidiaries:

Location	Nature of business	Effective ownership and voting power of PIALI (%)			
Effective ownership and voting power of the Holding company (%)					
• RHC Operating LLC	Slate of Delaware, USA	Owner of Roosevelt Hotel, New York	100	100	
• Minhal France (Curacao) N.V. [Formerly Minhal France (Curacao) N. V.]			Luxembourg	See note (A)	100
• Minhal France B.V.	Netherlands	See note (A)	100	100	
• Minhal France S.A. (MFSA)	France	Owner of Scribe Hotel, Paris	90	90	

• PIA Fuel Management Limited British Virgin Islands	See note (A)	100	100
• PIA Aviation Limited (PAL) British Virgin Islands	See note (A)	100	100
• Avant Hotels (Private) Limited Pakistan	See note (C)	62.5	62.5

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

Note (B): Roosevelt Hotel Holding company 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.

Page 41

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.

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 markets and distributes 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 2013. Abacus has been consolidated on the basis of its unaudited financial statements as the same is not considered to be material to these consolidated financial statements.

## 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%.

1.2 During the current period, the Holding company incurred a net loss of Rs 10,131,312 million (June 30, 2013: Rs 18,383,478 million) resulting in accumulated loss of Rs 207,685,505 million as of June 30, 2014 (December 31, 2013: Rs 187,797,852 million). Further, as of June 30, 2014, current liabilities of the Holding company exceeded its current assets by Rs 171,788,013 million (December 31, 2013: Rs 164,696,792 million)

The Government of Pakistan (GoP), being majority shareholder of the Holding company, had through its finance division's letter dated September 2, 2008 communicated that it would extend all maximum support to maintain the Holding company's going concern status. Accordingly, since then it has been extending support to the Holding company through the following measures to ensure that it (the Holding company) continues and sustains in the long-term as a viable business entity:

Reimbursement of financial charges on term finance and sukuk certificates payable by the Holding company. In this respect, amounts aggregating to Rs 11,276 million have been provided to the Holding company towards equity since the year ended December 31, 2008;

During the years ended December 31, 2009 and 2010, the GoP has provided long-term financing aggregating to Rs 8,000 million to meet working capital requirements of the Holding company;

Issuance / renewal of guarantees to financial institutions, both local and foreign, so as to enable the Holding company to raise / rollover funds;

On July 3, 2012, the Economic Coordination Committee (ECC) of the Cabinet accorded approval for extending the repayment period of the term finance certificates aggregating Rs 12,790 million along with conversion of certain short term loans amounting to Rs 20,700 million into new term finance certificates (refer notes 10.1 and 13.1.2); and

During the year ended December 31, 2013, the Holding company presented a proposal for financing support required along with its interim business plan to the ECC at its meeting held on February 26, 2013. The ECC approved the following financing support proposal subject to the condition that the timeline will be fixed for repayment of loans and there will be quarterly monitoring of the Holding company business plan by the Ministry of Finance:

New loans / guarantees for repayment of loans amounting to Rs 11.1 billion becoming due in the year 2013;

Rollover / extension of GoP guarantees amounting to approximately Rs 51.16 billion;

New guarantees against loans already taken on the basis of letter of comfort amounting to Rs 13.5 billion;

Additional funding to provide fiscal space to the Holding company mounting to Rs 12 billion; and

Funds of US \$ 46 million for acquisition of narrow body aircraft on dry lease.

Consequent to the above approval, the GoP provided Rs 11,758 million during the year ended December 31, 2013 and Rs 2,945 million during the six months period ended June 30, 2014 as financial assistance to the Holding company to enable it to make over due payments to vendors, EXIM Bank Guaranteed loan installments and for acquisition of aircraft on dry lease.

To alleviate the operational problems, the Holding company has acquired four narrow body aircraft on wet lease during the six months period ended June 30, 2014. Subsequent to the six months ended June 30, 2014, the Holding company has further acquired two aircraft on dry lease. Moreover, tenders have also been floated by the Holding company for acquisition of more narrow body aircraft on operating leases to improve operational efficiency of the Holding company.

The Government of Pakistan through Privatization Commission, has also initiated the process of restructuring the Holding Company leading to private sector participation in the core operations of PM, and for this purpose a consortium has been appointed as Financial Advisor.

In addition to the above measures taken by the Holding company and the GoP, management is in the process of updating the Strategic Business Plan of the Holding Company. The objectives of the business plan, among other measures, include attaining fuel efficiency through fleet modernization and optimum fleet deployment on network, enhancing revenues through additional frequencies on high demand high yield routes, separation of the core airline business from noncore activities and controlling costs. The business plan also seeks GoP's support in terms of providing necessary funding for recapitalization, acquisition of aircrafts on dry lease, restructuring of existing loans to reduce finance cost and issuance of GoP guarantees.

In view of the situation described above, material uncertainty exists that may cast significant doubt on the Holding company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, 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 consolidated condensed interim financial statements on a going concern basis.

## BASIS OF PREPARATION

2.1 These condensed interim financial statements of the Group for the six month period ended June 30, 2014 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 six month periods ended June 30, 2014 and 2013 are also included in these condensed interim financial statements which were not subjected to review.

2.3 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's December 2013 consolidated financial statements.

2.4 The US \$ amount reported in the consolidated condensed interim balance sheet, consolidated condensed interim profit and loss account and consolidated condensed interim cash flow statement are stated as additional information, solely for the convenience of the users of these consolidated condensed interim financial statements. The US \$ amounts in the consolidated condensed interim balance sheet have been translated into US \$ at the rate of Rs 98.7971 = US \$ 1 (December 31, 2013: Rs 105.69 = US \$ 1). The US \$ amounts in unconsolidated condensed interim profit and loss account, and consolidated condensed interim cash flow statement have been translated into US \$ at the rate of Rs 98.7971 = US \$ 1 (June 30, 2013: Rs 98.95 = US \$ 1)

## SIGNIFICANT ACCOUNTING POLICIES

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, 2013.

Note	June 30, 2014 (unaudited)	December 31, 2013 (audited)
------	---------------------------	-----------------------------

PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	4.1 & 4.2	149,147,780
------------------------	-----------	-------------

Capital work-in-progress		153,003,453
--------------------------	--	-------------

2,316,431

155,319,884

Page 43

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

Additions / Transfers / Adjustments	Six month period ended June 30, 2014	June 30, 2013
-------------------------------------	--------------------------------------	---------------

Rupees in '000	Rupees in '000
----------------	----------------

Owned

Buildings on lease hold land

Workshops and hangers

Renovation and improvements

Aircraft fleet / engines overhauling

meteorological equipment

Engineering equipment and tools

Traffic equipment

Furniture, fixtures and fillings

Motor transport

Office equipment

Computer and office automation

Other equipment

Capital spares

Leased - aircraft fleet / engines overhauling

Engines overhauling

Deletions

Owned

Aircraft fleet / engines overhauling

communication and meteorological equipment

Furniture, fixtures and fillings

Motor transport

Computer and office automation

Office equipment

Other equipment

Capital spares

Leased

Vehicles

#### 4.2 Change in Estimates

As a result of revaluation exercise conducted by an independent valuer as of December 31, 2013, the useful lives of aircraft fleet have been reassessed. In addition, management of Holding company 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 higher by Rs 21.185 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.

Note    June 30, 2014 (un-audited)      December 31, 2013 (audited)

Rupees in '000

## 5 OTHER RECEIVABLES

Considered good

Claims receivable

Excise duty

Sales tax receivable

Rental income

Receivable from GoP

Others

5.1

Considered doubtful Less: provision for doubtful other receivables	201.765	183.907
100.000	100.000	
6,316,321	4,902,346	
-	136.687	
460.035	460.035	
1,124,018	528,314	
8,202,139	6,311,289	
177,077	177,077	
(177,077)	(177,077)	
-	-	
8,202,139	6,311,289	

Page 44

5.1 This includes sales tax refundable aggregating Rs 3,833,508 million representing unadjusted portion of input tax under Sales Tax Act, 1990. The Holding company has filed application for refunds upto December 31, 2011. In response, Additional Commissioner IR, TU through a letter has interalla stated that as the Holding company is engaged in both domestic and international air travel. Therefore, input



tax paid is adjustable only against the domestic air travel services as no input tax adjustment is allowed against the international air travel services in

The Holding company in consultation with its tax advisor believes that apportionment rule is not applicable in the subject case interalla, at first instance, no sales tax was required to be collected at import stage on capital goods (spares / engines / aircraft) in view of the exemption available under entry No. 16 of SRO 575(1)/2006, which is applicable to the Holding company being registered as a Service Provider in transportation business. Management of Holding company has represented before the FBR its view and subsequently no adverse inference has been communicated on the matter. Therefore, management of Holding company is confident that sales tax was not payable on such imports and the amounts collected from the Holding company at the import stage shall be eventually recovered / adjusted.

Note    June 30, 2014 (un-audited)      December 31, 2013 (audited)

Rupees in '000

#### 6 CASH AND BANK BALANCES

In hand

In transit

With banks:

in current accounts

in savings accounts

16,997    22,426

77,600    288,566

94,597    310,992

5,416,179      6,424,421

5,132,769      1,574,484

10,548,947      7,998,905

10,643,544      8,309,897

Page 45

## 7 ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN

This represents advance received from the GoP for mark-up payments on term finance and sukuk certificates. The Holding company has not issued shares to the GoP as the authorised share capital of the Holding company is insufficient to cover the amount of ordinary shares to be issued in lieu of advance against equity. The Holding company is currently in the process of increasing its authorised share capital. Further, during the year ended December 31, 2013 and six months period ended June 30, 2014, the Holding company has received Rs 11,758 million and Rs 2,945 million from GoP as financial support in respect of restructuring plan of the Holding company as stated in note 1.2 to these consolidated condensed interim financial statements.

## 8 LONG-TERM FINANCING

Financier 30, 2014	Type of facility December 31, 2013	Facility amount (million)	Repayment period	Note	June
Secured - from Banking Companies			Rupees in '000		
Citibank, N.A.	Demand Finance	82 US \$ 2005 - 2017	1,889,652	2,396,256	
Citibank, N.A.	Islamic Finance	75 US \$ & 91.825 AED 2011 - 2014	1,980,287		
		4,231,216			
Citibank, N.A.	Islamic Finance	120 US \$ & 36.73 AED 2014 - 2016	11,287,020		
		13,740,155			
Faysal Bank Limited	Term Finance	2,000 PKR 2013 - 2016	1,276,291		
		1,665,338			
Faysal Bank Limited	Term Finance	2,000 PKR 2015 - 2018	8.3	2,000,000	
		2,000,000			
Faysal Bank Limited	Term Finance	2,000 PKR 2016 - 2019	8.4	2,000,000	-
National Bank of Pakistan - Bahrain	Syndicate Finance	120 US \$ 2013 - 2023	8.5		
		11,658,058      12,683,220			
Balance carried forward		32,091,308      36,716,185			

Page 46

Financier June 30, 2014	Type of facility December 31, 2013	Facility amount (million)	Number of installments / Mode	Note
----------------------------	---------------------------------------	---------------------------	-------------------------------	------

--- Rupees in '000 ---

Standard Chartered Bank - United Kingdom	Syndicate Finance	137.5 US \$	Balance
brought forward 33 Monthly	8.6	32,091,308	12,761,293
		36,716,185	-
Others - unsecured			
Long-term loan - GoP	Term Finance	8,000 PKR	16 Half yearly
			8.7
		8,000,000	
Others - unsecured		52,852,601	(16,795,526)
(13,308,189)			44,716,185
Current maturity shown under current liabilities			
		36,057,075	
		31,407,996	

8.1 Borrowings in PKR and foreign currency comprise of fixed and variable rate borrowings. Fixed rate borrowing in PKR carries mark-up at the rate of 10% (December 31, 2013: 10% per annum) whereas variable rate borrowings carry markup with a spread of 1.5% to 1.75% over 3 months and 6 months KIBOR (December 31, 2013: spread of 1.5% to 2.5% over 3 month and 6 months KIBOR). Fixed rate borrowing in foreign currency carries markup of 5.28% (December 31, 2013: 5.28% per annum) whereas variable rate borrowings carry markup with a spread of 3.75% to 4.25% over 1 month and 3 months LIBOR and EIBOR (December 31, 2013: 1.6% to 5.25% over 1 month and 3 months LIBOR, EIBOR and SIBOR).

8.2 There has been no change in the securities for the above loans as disclosed in note 22 to the annual consolidated financial statements for the year ended December 31, 2013. However, two new facilities have been obtained during the period, the details of which are disclosed in note 8.4 and note 8.6.

8.3 During the period, the Holding company has not paid markup amounting to Rs. 56,041 million due on the due dates. However, the amount has been paid subsequently to the period ended June 30, 2014.

8.4 The finance is secured by way of unconditional and irrevocable guarantee by GoP for an amount equivalent to the facility amount.

8.5 During the period, the Holding company did not repay the principal amounting to Rs 39,518 million and mark-up amounting to Rs 118,583 million on the due dates. However, mark-up on US \$ 100 million (to one of the two syndicate financiers) has been paid subsequent June 30, 2014 in accordance with the rescheduling allowed by the related financier.

8.6 The syndicate finance has been obtained by Holding company from a syndicate of international banks and the lead arrangers are:

Standard Chartered Bank - United Kingdom

The finance is secured by first priority security over the sales in UK received through BSP UK.

8.7 The Holding company has not paid any installment since the due date of first installment i.e October 23, 2011. The overdue principal and markup as at June 30, 2014 is Rs 2,562,500 million and Rs 3,894,521 million respectively. The overdue principal amount is included in -

Page 47

## 9 TERM FINANCE AND SUKUK CERTIFICATES

Note	Repayment period	Mark-up	June 30, 2014	December 31, 2013
Rupees in '000 ---				
Term finance certificates		9.1	2009 - 2014	6 month KIBOR + 0.85%
12,789,760				12,789,760
Sukuk certificates	0	October 20, 2014	6 month KIBOR + 1.75%	6,800,000
6,800,000				
Less: Current maturity			19,589,760 (19,589,760)	19,589,760
(19,589,760)				

9.1 The Holding Company has not made payments of principal redemptions aggregating Rs 12,789,760 million due on various dates as per repayment schedule. Management applied for restructuring of these term finance certificates (TFCs) prior to the due date of first redemption and the Trustee on behalf of the TFC investors has not notified any event of default to the Holding Company. On July 3, 2012, the ECC decided / approved the restructuring of these TFCs from various banks alongwith restructuring of certain short-term borrowings (refer note 11.1) into new TFCs for a period of 6 years with 2 years grace period on the terms and conditions to be approved by Ministry of Finance. Presently, finalisation of the restructuring process with a consortium of TFC investors is at an advanced stage. The overdue principal amount as at June 30, 2014 is included in current maturity.

Page 48

## 11.2 Running finance under mark-up arrangements

Banks	Note	SecurityFacility amount (million)	Unavailed credit (million)	Expiry date
		June 30, 2014 (un-audited)	December 31, 2013 (audited)	

Secured Note 13.22

Habib Bank 11.2.3 Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables. 350 PKR - 9-Feb-15 468,765  
315,073

Habib Allied International Bank Limited - London EURO receivables 3 US \$ 0.99 US \$  
On Demand 198,750 306,286

National Bank of Pakistan 11.2.4 First pari passu hypothecation charge of PKR 766 667 million on all present and future current assets with a margin of 25%, lien and specific right to set-off over receivables in connection with sales routed through collection account in NBP Airport Branch, Karachi.  
575 PKR - 31-Jul-14 559,479 555,542

The Bank of Punjab 11.2.4 Ranking charge on present and future stocks and book debts of Mirpur Azad Jammu Kashmir (AJK) for PKR 1,000 million including 25% margin; irrevocable undertaking to route all collection in Mirpur, AJK from BOP counter. 550 PKR - 1-Jan-15 550,000  
544,574

United Bank Limited- Karachi 11.2.4 Hypothecation charge of PKR 3,427 million on all present and future stocks and spares and assignment of receivables from Karachi and Lahore. 2,570 PKR  
- 8-Aug-14 2,569,591 2,568,263

Un-secured

Habib American- 1.5 US \$ 0.6 US \$ On Demand 93,535 90,980

Citibank N.A. - 3 US \$ - On Demand 298,391 317,081

11.2.1 The borrowings in PKR carry mark-up with a spread of 2.0% to 2.5% over 1 month and 3 months KIBOR (December 31, 2013: 2.0% to 2.5% over 1 month and 3 months KIBOR). Borrowings in US \$ comprise of fixed and variable rate borrowings. Fixed rate borrowing carries mark-up at the rate of 3.25% (December 31, 2013: 3.25% per annum) whereas variable rate borrowings carry mark-up with a spread of 4% over 1 month LIBOR and 3.5% over US \$ Prime Rate (December 31, 2013: spread of 4% over 1 month LIBOR and 3.5% over US \$ Prime Rate).

11.2.2 Unavailed credit represents the difference between the facility amount and the balance as per bank statement as at June 30, 2014.

11.2.3 This represents book overdraft of Rs 119 million in excess of the available facility of Rs 350 million.

11.2.4 The terms of these facilities have expired and the Holding company is currently in the process of renewal of these facilities with the banks.

Page 49

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

12.1.1 There has been no material change in the status of contingencies as disclosed in notes 30.1 (e) to (m) to the annual consolidated financial statements for the year ended December 31, 2013.

12.1.2 Contingencies relating to income tax matters are disclosed in note 18.

### 12.2 Commitments

12.2.1 Commitments for capital expenditure amounted to Rs 68,727 million (December 31, 2013: Rs 63,009 million).

12.2.2 Outstanding letters of credit amounted to Rs 230,835 million (December 31, 2013: Rs 113,930 million).

12.2.3 Outstanding letters of guarantee amounted to Rs 593,396 million (December 31, 2013: Rs 583,403 million).

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

June 30, 2014 (un-audited)	December 31, 2013 (audited)
Not later than one year 1,237,996	1,481,774
Later than one year but not later than five years 2,059,326	2,860,560

3,301,322      4,351,334

12.2.5 There has been no change in the commitments as disclosed in note 31.2 (e) to the consolidated financial statements for the year ended December 31, 2013.

Page 50

### 13 REVENUE - Net

Six month period ended June 30, 2014 (un-audited)	June 30, 2013 (un-audited)	Quarter Ended
June 30, 2014 (un-audited)	June 30, 2013 (un-audited)	

---Rupees in '000---

Passenger	48,641,260	42,322,283	22,813,858	19,863,116	
Cargo	2,301,771	3,012,844	1,207,837	1,481,062	
Excess baggage	467,491	430,503	467,491	205,073	
Charter	299,963	276,178	176,141	204,936	
Engineering services	142,846	305,030	79,715	137,109	
Handling and related services	461,894	304,358	347,830	173,052	
Mail	206,515	221,135	105,438	122,564	
Room, food and beverages sales		6,085,157	5,678,836	3,537,015	3,403,815
Others	1,285,021	1,441,315	705,938	777,559	
	59,902,908	53,989,582	29,466,091	26,367,966	

### 14 COST OF SERVICES - Others

Six month period ended June 30, 2014 (un-audited)	June 30, 2013 (un-audited)	Quarter Ended
June 30, 2014 (un-audited)	June 30, 2013 (un-audited)	

---Rupees in '000---

Salaries, wages and allowances	8,231,393	7,608,256	4,435,065	4,286,057
Welfare and social security costs	22,845	47,116	11,504	42,387
Retirement benefits	1,023,930	793,520	496,179	292,276
Compensation/Absences	-	170,194	(52,862)	73,908
Legal and professional charges	8,704	17,271	4,013	11,926

Repair, Maintenance and overhaul	1,630,645	1,903,887	(262,312)	572,054
Flight equipment rental	3,149,033	638,717	1,234,579	197,405
Landing and handling	6,890,725	6,575,699	3,365,603	4,103,654
Passenger services	1,430,620	1,555,575	743,282	753,325
Crow layover	1,395,578	1,488,272	726,834	771,842
Staff training	41,006	23,542	28,354	10,758
Food Cost	-	20,272	1,705	11,314
Hotel running expense	-	243,007	2,061	43,007
Utilities	21,704	30,916	17,494	25,572
Communication	35,124	62,521	14,162	31,992
Insurance	483,754	587,165	231,772	292,805
Rent, rates and taxes	349,524	322,570	235,037	208,987
Pricing and stationery	119,606	152,267	68,979	126,523
Amortisation	833	1,284	422	958
Depreciation	2,490,688	2,557,946	1,205,540	966,929
Others	1,559,286	419,800	1,177,999	145,844
	28,825,897	25,810,899	14,433,839	13,802,472

Page 51

#### 15 OTHER PROVISIONS AND ADJUSTMENTS

Property, plant and equipment written off: -

Provision for slow moving stores and spares: 14,739

Provision against doubtful debts: 61,409

Provision against doubtful advances: 440,309

Deficit realised on aircraft written off: -

Others: 564,839

Total: 1,081,469

#### 16 OTHER OPERATING INCOME



This include insurance claim in respect to aircraft in amounting to Rs. 50.78 million.

## 17 FINANCE COSTS

Mark-up on:

Long term financing: 1,528,996

short term borrowings: 3,249,481

Return on term finance certificates: 679,525

Profit on sukuk certificates: 389,359

Interest on liabilities against assets subject to finance leases: 326,473

Interest to pension / provident fund: 376,267

Arrangement, agency and commitment fee: 331,262

Bank charges, guarantee commission and other related charges: 25,333

Total: 7,447,158

## 18 TAXATION

Current - for the period: 266,739

for prior periods: -

18.1 In view of tax loss situation, provision for minimum taxation has been made under section 113 of the Income Tax Ordinance, 2001 through Finance Act 2014 issued by the Federal Board of Revenues (FBR) the rate of minimum tax for the Corporation has been fixed at 0.5% of its turnover. Therefore, the applicable rate of minimum tax for the Holding company for the tax year 2015 is 0.5% of its turnover and the provision for taxation has been made accordingly.

18.2 As disclosed in note 38.13 to the annual consolidated financial statements for the year ended December 31, 2013, the tax department has issued orders under section 107/205 (related to assessors-in-default) of the Income Tax Ordinance, 2001 pertaining to tax years 2011 and 2012 and raised a demand of Rs. 324,319 million and Rs. 1,943,103 million respectively. The Holding company had filed an application for revision of order of tax year 2012 and appeals against the orders before CIR(A).

During the six months period ended June 30, 2014, tax department has issued revised order pertaining to tax year 2012 dated May 22, 2014 and raised a revised demand of Rs. 43,978 million. In addition to above, the tax department has also issued an order pertaining to tax year 2013 dated June 24, 2014 amounting to Rs 37,974 million. The Holding company has filed an application for revision of orders and appeals against the orders before CIR (A) which are pending. However, management is confident of a favourable outcome therefore no provision has been recorded in these condensed interim financial statements.

18.3 There has been no change in the status of contingencies as disclosed in note 39.1 to the annual consolidated financial statements for the year ended December 31, 2013 except for the changes disclosed in note 19 to these consolidated interim financial statements.

## 19 EARNINGS PER SHARE - BASIC AND DILUTED

Loss after taxation: (9,011,674)

Weighted average number of ordinary shares outstanding: 2,951,256,415

Loss attributable to:

A\* class ordinary shares: 3.05

B\* class ordinary shares: 1.53

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

19.2 There were no dilutive potential ordinary shares outstanding as at June 30, 2013 and 2014.

## 20 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

Loss before taxation: (8,497,935)

Adjustments for non cash items:

Depreciation: 2,925,059

Gain on disposal of property, plant and equipment: (7,447)

Amortisation on premium: -

Provision for gratuity: -

Amortization: 16,703

Provision for slow moving stores and spares: 14,739

Provision for employees' benefits: 1,131,165

Capital Spares written off: -

Provision for doubtful debts: 1,825,811

Finance costs: 7,749,605

Profit on bank deposits: (584)

Cash generated from operations before working capital changes: 5,157,115

Working capital changes:

Decrease / (increase) in stores and spare parts: (634,415)

Increase / (decrease) in trade debts: 517,214

Decrease / (increase) in advances: 160,970

Decrease in trade deposits and prepayments: (612,425)

Increase in other receivables: (1,690,550)

Increase / (decrease) in trade and other payables: 9,744,889

Cash generated from operations after working capital changes: 4,285,384

Total: 9,442,499

## 21 TRANSACTIONS WITH RELATED PARTIES

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

Six month period ended June 30, 2014 (un-audited)      June 30, 2013 (un-audited)

---Rupees in '000---

Retirement funds

Contribution to Provident fund	215,495	210,361
--------------------------------	---------	---------

Interest on loans from provident fund	376,267	281,181
---------------------------------------	---------	---------

Profit oriented state - controlled - 856,000

entities - common ownership

Purchase fee	10,374,724	10,358,000
--------------	------------	------------

Insurance Premium	222,141	566,712
-------------------	---------	---------

Finance cost charged	2,909,274	2,686,014
----------------------	-----------	-----------

GoF - Major shareholder

Finance cost charged	396,712	396,708
----------------------	---------	---------

Advance against equity from GoF	3,372,817	1,017,864
---------------------------------	-----------	-----------

Advance against transportation - Hajj	984,454	3,000,000
---------------------------------------	---------	-----------

Key management personnel

Salaries, wages and others benefits	41,956	41,398
-------------------------------------	--------	--------

The Holding company sales of transportation services to subsidiaries, associates, directors and key management personnel are not determined.

22 BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

Exempt from IFRS 2. Had it been applied, losses would increase by Rs 712.759 million.

23 DATE OF AUTHORISATION FOR ISSUE

Financial statements authorized by the Board on September 23, 2014.

#### Key Observations

Financial Distress: PIA reported a net loss of Rs 10.13 billion for 6M 2014, with accumulated losses reaching Rs 207.69 billion.

Government Support: Critical for survival, including:

Rs 18.29 billion in equity advances

Loan guarantees and restructuring

Operational Challenges:

High fuel costs (50.51% of revenue)

Overdue loan payments and tax disputes