

# C o n t e n t s

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### Board of Directors

**Tariq Kirmani**

Chairman & Chief Executive

**Nawid Ahsan**

Secretary Finance

**Maj. Gen. (Retd) Muhammad Ashraf Chaudhry**

Additional Secretary-I, Ministry of Defence

**Air Marshal (Retd) Pervez Akhtar Nawaz**

Director General - Civil Aviation Authority Pakistan

**Asad Ali Khan****M. H. K. Khaishgi****Syed Mohammad Fazal Agha****Javed Saifullah Khan****Dr. Sughra Junejo****S. Ali Raza****Kamal Afsar****Secretary**

Ghazanfar Mashkoor

**Audit Committee**

Asad Ali Khan - Chairman

Maj. Gen. (Retd) Muhammad Ashraf Chaudhry

Javed Saifullah Khan

S. Ali Raza

Kamal Afsar

Shehrzad Aminullah- Secretary

**Registered Office**

PIA Building

Jinnah International Airport

Karachi - Pakistan

Web site: [www.piac.com.pk](http://www.piac.com.pk)

### Executive Management

**Tariq Kirmani**

Chairman & Chief Executive

**S. Farooq H. Shah**

Deputy Managing Director

**M. Rasheed Hasan**

Director Corporate Planning

**Wasim Bari**

Director Human Resources  
& Administration

**Umar Ghafoor**

Director Flight Services

**Anwaar Rasul Khan**

Director Co-ordination

**S. Kamran Hasan**

Director Marketing

**Capt. Javed Khan**

Director Quality Assurance

**Capt. S. Asif Abbas Reza**

Director Flight Operations

**Arif Majeed**

Director Finance

**Col. (Retd) Mudasar Asghar**

Director Works

**Col. (Retd) Ahsan Siddique**

Director Airport Services

**Shahnawaz Rehman**

Director Financial Monitoring  
& Appraisal

**Saeed Akhtar**

Director Engineering

**Salman Javed**

Director General Services

**Nadeem Ikram**

Director Information Technology

**AVM Javed Iqbal**

Director Precision Engineering

## First Quarter Directors' Report to the Shareholders

- The Directors of Pakistan International Airlines are pleased to present their report along with financial statements (un-audited) for the first quarter i.e. January – March of financial year 2005.
- Results for the quarter ended March 31, 2005 are summarized below:

	2005	2004
	(Rupees in million)	
Revenue	16,186	14,593
Cost & Expenditure	15,998	13,194
Profit before taxation	188	1,399
Profit after taxation	19	833

- Your Corporation has been successful in increasing its revenue by 11% or Rs. 1.6 billion over the same period last year. Major increase has been contributed by passenger traffic while cargo earnings have also gone up by 20% as compared to the corresponding quarter of last year. The cost and expenditure, however, has shown an increase of 21% over the corresponding quarter of last year. The average fuel price has risen by 40% from Rs. 58.55 per US gallon in first quarter of 2004 to Rs. 82.20 per US gallon in the quarter under review. This has resulted in an unprecedented increase in fuel bill by Rs. 1.7 billion in current quarter as compared to same quarter of last year. Had the fuel prices remained at last year level the profit before tax for the quarter would have been higher by Rs. 1.6 billion.
- Industry forecast for the remaining year of 2005 remains hazy due to prevailing uncertainty in fuel prices. High fuel prices continue to be a source of concern for the Corporation and will impact on the results for April – June 2005 quarter as well. Further, your Corporation is faced with severe competition internationally from foreign carriers and also experiencing a price war from the private domestic carriers.
- The challenge before the airline is to mitigate the impact of record fuel prices and take the competition head on. This requires an innovative strategy to improve market share while focusing on improving service and exploring avenues of cutting costs.
- The new management is fully aware of the situation and remedial measures have already been initiated to put the Corporation on the path of sustainable profitability and faster growth. The results will Inshallah be visible in the next few months.

For and on behalf of the Board

**Tariq Kirmani**  
Chairman

May 27, 2005

# Balance Sheet (Un-audited)

As at March 31, 2005

		MAR - 2005	DEC - 2004	MAR - 2005
	Note	(Rupees in thousand)	(US\$ in thousand)	
<b>NON CURRENT ASSETS</b>				
<b>Fixed assets</b>				
Property, plant & equipment	4	50,081,301	49,530,139	843,120
Intangibles		68,693	74,254	1,156
<b>Long-term investments</b>		<b>335,509</b>	<b>334,295</b>	<b>5,648</b>
<b>Long-term advances and other receivable</b>		<b>7,250,447</b>	<b>7,196,914</b>	<b>122,061</b>
<b>Long-term deposits and prepayments</b>		<b>1,803,852</b>	<b>1,824,686</b>	<b>30,368</b>
		<b>59,539,802</b>	<b>58,960,288</b>	<b>1,002,354</b>
<b>CURRENT ASSETS</b>				
Stores and spares		2,400,443	2,416,290	40,411
Trade debts		4,968,320	4,314,618	83,642
Advances		666,325	679,771	11,218
Trade deposits and prepayments		170,136	162,762	2,864
Taxation - advance tax net of provision		188,464	214,990	3,173
Other receivables		780,435	648,510	13,139
Short-term investments		419,100	440,446	7,056
Cash and bank balances	5	5,362,745	10,838,898	90,282
		<b>14,955,968</b>	<b>19,716,285</b>	<b>251,784</b>
		<b>74,495,770</b>	<b>78,676,573</b>	<b>1,254,138</b>
<b>SHARE CAPITAL AND RESERVES</b>				
Share capital		16,529,926	16,529,926	278,282
Reserves		4,280,712	4,280,712	72,066
Unrealized gain on remeasurement of investments		2,954	18,863	50
Accumulated loss		(7,368,884)	(7,388,309)	(124,056)
		<b>13,444,708</b>	<b>13,441,192</b>	<b>226,342</b>
<b>NON CURRENT LIABILITIES</b>				
Advance against equity from GoP	6	357,112	-	6,012
Long term financing		2,151,104	2,431,659	36,214
Term finance certificates		14,382,274	14,760,910	242,126
Liabilities against assets subject to finance lease		23,045,078	23,724,678	387,964
Long term murabaha		1,415,904	1,600,608	23,837
Long term deposits		267,648	205,260	4,506
Deferred liabilities	7	3,504,128	3,399,282	58,992
Other liability - airport related charges		122,896	122,895	2,069
		<b>45,246,144</b>	<b>46,245,292</b>	<b>761,720</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	8	10,373,159	13,654,457	174,632
Accrued markup/ interest	9	252,154	540,570	4,245
Current portion of:				
- Long term financing		1,621,110	1,621,110	27,291
- Term finance certificates		757,273	378,635	12,749
- Liabilities against assets subject to finance lease		1,999,526	1,960,217	33,662
- Long term murabaha		801,696	835,100	13,497
		<b>15,804,918</b>	<b>18,990,089</b>	<b>266,076</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	<b>74,495,770</b>	<b>78,676,573</b>	<b>1,254,138</b>

The annexed notes 1 to 19 form an integral part of these financial statements.

Tariq Kirmani  
Chairman

Asad Ali Khan  
Director

## Profit and Loss Account (Un-audited)

For the first quarter ended March 31, 2005

		2005	2004	2005
	Note	(Rupees in thousand)	(US\$ in thousand)	
TURNOVER - net	11	16,186,459	14,593,213	272,499
COST OF SERVICES	12	(13,837,619)	(11,180,226)	(232,957)
GROSS PROFIT		2,348,840	3,412,987	39,542
OTHER OPERATING INCOME		147,128	171,990	2,477
MARKETING AND DISTRIBUTION COSTS		(907,599)	(787,577)	(15,279)
ADMINISTRATIVE EXPENSES		(748,768)	(710,752)	(12,605)
		(1,509,239)	(1,326,339)	(25,408)
PROFIT FROM OPERATIONS		839,601	2,086,648	14,134
FINANCE COST	13	(631,342)	(563,821)	(10,629)
OTHER PROVISIONS AND ADJUSTMENTS	14	(20,000)	(123,736)	(337)
		(651,342)	(687,557)	(10,965)
PROFIT BEFORE TAX		188,259	1,399,091	3,169
TAXATION				
- Current		(80,932)	(72,966)	(1,362)
- Deferred		(87,902)	(492,693)	(1,480)
		(168,834)	(565,659)	(2,842)
PROFIT AFTER TAX		19,425	833,432	327
EARNINGS PER SHARE				
'A' class ordinary shares of Rs.10 each (Rupees/US\$)		0.01	0.72	0.00
'B' class ordinary shares of Rs. 5 each (Rupees/US\$)		0.005	0.36	0.00

The annexed notes 1 to 19 form an integral part of these financial statements.

Tariq Kirmani  
Chairman

Asad Ali Khan  
Director

## Cash Flow Statement (Un-audited)

For the first quarter ended March 31, 2005

		2005	2004	2005
	Note	(Rupees in thousand)		US\$ in thousand)
<b>Cash flows from operating activities</b>				
Cash generated from operations	15	(2,191,663)	757,213	(36,897)
Financial charges paid		(919,758)	(774,864)	(15,484)
Taxes paid		(54,406)	(19,125)	(916)
Dividend paid		(5,255)	-	(88)
Repayment of long-term deposits and other liability - net		62,390	-	1,050
Staff retirement benefits paid		(8,806)	-	(148)
Net cash from operating activities		(3,117,498)	(36,776)	(52,483)
<b>Cash flows from investing activities</b>				
Fixed capital expenditure		(1,624,098)	(16,917,160)	(27,342)
Advance against equity from GoP		357,112	366,577	6,012
Proceeds from investments		4,223	3,375	71
Proceeds from sale of fixed assets		-	172,260	-
Proceeds from long-term advances - net		7,762	1,259,940	131
Received from associated undertaking		14,465	-	244
Proceeds from/(payments of) long-term deposits		20,834	(1,184,406)	351
Net cash used in investing activities		(1,219,702)	(16,299,414)	(20,534)
<b>Cash flows from financing activities</b>				
Repayment of issuance of Term finance certificates		-	(152)	-
Repayment of long-term / murahaba financing		(498,662)	(206,450)	(8,395)
Payment of obligations under hire purchase		-	(211,533)	-
(Payment of)/proceeds from obligations under finance lease		(640,291)	15,536,967	(10,779)
Proceeds from long-term deposits and other liability		-	8,229	-
Payment of short-term borrowings		-	(65,000)	-
Net cash from financing activities		(1,138,953)	15,062,061	(19,174)
Increase in cash and cash equivalents		(5,476,153)	(1,274,129)	(92,191)
Cash and cash equivalents at beginning of the year		10,838,898	10,089,716	182,473
Cash and cash equivalents at end of the quarter		5,362,745	8,815,587	90,282

The annexed notes 1 to 19 form an integral part of these financial statements.

Tariq Kirmani  
Chairman

Asad Ali Khan  
Director

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

For the first quarter ended March 31, 2005

	Paid up capital	Capital reserves	Revenue reserves	Unrealized (loss)/gain on re-measurement of investments	Accumulated loss	Total
(Rupees in thousand)						
Balance as at January 01, 2004	11,514,826	2,501,038	1,779,674	(2,876)	(9,119,166)	6,673,496
Issue of share capital 'A' class ordinary shares	5,015,100	-	-	-	-	5,015,100
Un realized gain on re-measurement of investments	-	-	-	39,455	-	39,455
Tax effect on unrealized gain on re-measurement of investments	-	-	-	(17,716)	-	(17,716)
				21,739		21,739
Profit for the year	-	-	-	-	2,306,598	2,306,598
Interim dividend						
'A' class ordinary shares @ Re. 0.50 per share	-	-	-	-	(575,366)	(575,366)
'B' class ordinary shares @ Re. 0.25 per share	-	-	-	-	(375)	(375)
Balance as at December 31, 2004	16,529,926	2,501,038	1,779,674	18,863	(7,388,309)	13,441,192
Balance as at January 01, 2005	16,529,926	2,501,038	1,779,674	18,863	(7,388,309)	13,441,192
Un realized gain on re-measurement of investments	-	-	-	(15,909)	-	(15,909)
Profit after taxation	-	-	-	-	19,425	19,425
Balance as at March 31, 2005	16,529,926	2,501,038	1,779,674	2,954	(7,368,884)	13,444,708

The annexed notes 1 to 19 form an integral part of these financial statements.

# Notes to the Financial Statements (Un-audited)

For the first quarter ended March 31, 2005

## 1. CORPORATE INFORMATION

- 1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on April 18, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act 1956) and its shares are quoted on all stock exchanges of Pakistan. The registered office of the Corporation is situated in Karachi. Principal activity of the Corporation is to provide air transport services. In addition, the Corporation is engaged in providing engineering and other allied services.
- 1.2 Government of Pakistan's (GoP) financial assistance is available to the Corporation and GoP has issued guarantees to secure certain long term debts of the Corporation and Term Finance Certificates (TFCs). The GoP has agreed to provide equity contribution to the Corporation equivalent to accumulated losses of the Corporation as at December 31, 2000 to cover interest payments on long term finances and TFCs. As part of the financial package, an amount of Rs. 3,979 million has been provided to the Corporation upto March 31, 2005 against which 397,935,878 number of ordinary shares of Rs. 10 each were issued to GoP up to that date.
- 1.3 GoP had approved a fleet replacement plan. Accordingly, the Corporation has entered into an agreement for purchase of eight new Boeing 777 aircraft. GoP has provided funding of US\$ 150 million - Rs. 8,816 million (2003: US\$ 90 million- Rs. 5,250 million) in the form of equity, and guarantees for the finances raised for acquisition of the said aircraft up to March 31, 2005.

## 2. BASIS OF PREPARATION

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

These financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and shall be read in conjunction with the annual financial statements of the Corporation for the year ended December 31, 2004.

The accounting policies and methods of computations adopted in the preparation of these financial statements are the same as those applied in the preparation of financial statements of the Corporation for the year ended December 31, 2004.

## 3. CONSOLIDATION

The Corporation has been granted exemption by Securities and Exchange Commission of Pakistan (SECP) from the provisions of Section 237(1) of the Companies Ordinance 1984 relating to the preparation of consolidated annual financial statements for the year ended December 31, 2004. Accordingly these interim financial statements have also not been prepared on consolidated basis consistent with the requirement of IAS-34 'Interim Financial Reporting'.

## 4. PROPERTY, PLANT AND EQUIPMENT

	MAR - 2005	DEC - 2004
	(Rupees in thousand)	
Operating fixed assets (note 4.1)	42,913,136	43,676,363
Capital work-in-progress (note 4.2)	7,168,165	5,853,776
	<u>50,081,301</u>	<u>49,530,139</u>

#### 4.1 Operating fixed assets

Following assets were added/disposed off/adjusted during the quarter:

	<b>MARCH - 2005</b>	
	(Rupees in thousand)	
	<b>Additions</b>	<b>(Deletions)</b>
Buildings on leasehold land	6,359	-
Renovation & improvements	1,924	-
Aircraft fleet	71,220	-
Operating ground equipment catering communication & meteorological equipment	2,929	-
Engineering equipment & tools	84	-
Vehicles	2,938	-
Furniture, fixtures & fittings	2,475	-
Office equipment	633	-
Computer & office automation	6,516	-
Other equipment	156	-
Capital spares	214,473	(38,853)
	<b>309,707</b>	<b>(38,853)</b>

#### 4.2 Capital work-in-progress

	<b>MAR - 2005</b>	<b>DEC - 2004</b>
	(Rupees in thousand)	
Buildings - Civil works	11,533	6,730
Other projects / equipment	29,332	19,134
Renovation & improvements	14,098	11,235
Non refundable deposit against purchase of aircraft	7,112,508	5,815,983
Advance against revenue accounting package	694	694
	<b>7,168,165</b>	<b>5,853,776</b>

### 5. CASH AND BANK BALANCES

With banks		
In current accounts		
Collection (note 5.1)	1,955,697	3,476,988
Overdrawn bank balances	(697,770)	(693,048)
	<b>1,257,927</b>	<b>2,783,940</b>
In short-term deposit accounts	4,017,885	7,962,043
In hand	15,220	15,088
In transit	71,713	77,827
	<b>5,362,745</b>	<b>10,838,898</b>

5.1 Includes Rs. 9.899 million (Dec-2004: Rs. 10.295 million) held in Corporation's bank account with a Libyan bank which is not currently repatriable due to certain Foreign Government restrictions.

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

This represents the amount received from GoP towards equity contribution under the terms of Financial Package as stated in note. 1.2.

## 7. DEFERRED LIABILITIES

**MAR - 2005**    **DEC - 2004**  
(Rupees in thousand)

Deferred taxation (note 7.1)	<b>528,144</b>	440,242
Deferred custom duties	<b>573,040</b>	573,040
Obligations for compensated absences	<b>1,467,500</b>	1,461,000
Post retirement medical benefits	<b>935,444</b>	925,000
	<b><u>3,504,128</u></b>	<u>3,399,282</u>
<b>7.1 Deferred taxation</b>		
Deferred tax credits arising in respect of accelerated tax depreciation	<b>9,169,611</b>	9,069,346
Deferred tax credits arising in respect of un-realized gain on remeasurement of investments	<b>17,716</b>	17,716
Deferred tax debits arising in respect of temporary deductible differences due to:		
Unused tax losses	<b>(6,249,512)</b>	(6,250,080)
Provisions for liabilities and to write down other assets	<b>(2,409,671)</b>	(2,396,740)
	<b><u>528,144</u></b>	<u>440,242</u>

## 8. TRADE AND OTHER PAYABLES

Trade creditors		
Goods	<b>1,440,320</b>	1,673,024
Services	<b>1,130,974</b>	1,146,691
Airport related charges	<b>552,626</b>	685,697
	<b><u>3,123,920</u></b>	<u>3,505,412</u>
Accrued liabilities	<b>1,709,416</b>	1,825,995
Advances received		
Advance against transportation		
-Normal	<b>3,491,423</b>	4,168,174
-Haj	<b>-</b>	2,087,728
	<b>3,491,423</b>	6,255,902
Others	<b>299,671</b>	378,912
Payable to employee provident fund	<b>103,346</b>	114,095
Unclaimed dividend		
Ordinary shares	<b>-</b>	5,255
Preference shares	<b>3,297</b>	3,297
	<b>3,297</b>	8,552
Collection on behalf of others	<b>678,054</b>	582,148
Short term deposits	<b>116,657</b>	111,735
Custom and central excise duty	<b>595,877</b>	741,009
Income tax deducted	<b>52,630</b>	49,482
Stamp duties	<b>13,346</b>	13,310
Capital value tax	<b>14,641</b>	33,505
Liabilities acquired from subsidiaries	<b>18,690</b>	19,594
Others	<b>152,190</b>	14,806
	<b><u>10,373,159</u></b>	<u>13,654,457</u>

## 9. ACCRUED MARK-UP / INTEREST

	MAR - 2005	DEC - 2004
	(Rupees in thousand)	
Long-term financing	83,489	56,810
Term finance certificates	126,233	441,328
Long term murabaha	7,921	7,921
Short-term borrowings-secured	34,511	34,511
	<u>252,154</u>	<u>540,570</u>

## 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

- 10.1.1 The Corporation is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non performance of servicing stipulations due to negligence or otherwise, disputes over throughput charges on international deplaned cargo and claims for arrears of salaries and pension. The Corporation's management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialize. Accordingly no provision has been made in these financial statements against these claims amounting to Rs. 1,016 million (Dec-2004: Rs. 1,104 million).
- 10.1.2 Civil Aviation Authority, Pakistan (CAA) has claimed additional amounts aggregating to Rs. 3,110 million (Dec-2004: Rs. 3,110 million) in respect of rent and allied charges, landing and housing charges, aviation security and bay charges, interest/surcharge etc. The matter has been referred to Ministry of Defence through which a reconciliation and settlement exercise is currently in progress. The management considers that no additional liability of material amount is likely to arise as a result of such exercise. Accordingly, no provision in this respect has been made in these financial statements.
- 10.1.3 The Corporation is contesting litigations relating to suits filed against it on dispute over throughput charges aggregating to Rs. 92 million (Dec-2004: Rs. 92 million) against which it has filed appeals with the High Court and District Court which are pending. The management is of the view that ultimate outcome would be in favour of the Corporation. Accordingly, no provision in this respect has been made in these financial statements.
- 10.1.4 Various ex-employees of the Corporation have lodged claims against the Corporation for their dues specifically relating to their re-instatements. However, the liability that may arise in these cases can not be determined and consequently, no provision has been made in these financial statements.
- 10.1.5 The Collector Central Excise had raised demand of Rs. 1,059 million (2004: Rs. 1,059 million) in respect of duties levied on tickets provided by the Corporation to its staff either free of charge or at concessional rates, repair/replacement of re-imported aircraft engines, non-availability of invoices, import related to miscellaneous consignments, printed material sent at its various stations abroad for utilization, late/short payment of sales tax and central excise duty and excess baggage tickets. On protest by the Collector Central Excise, the Corporation has already paid an amount of Rs. 100 million which is considered fully recoverable by the management. The Corporation has filed appeals with the Customs, Central Excise & Sales Tax Tribunal which are pending adjudication. Management is confident that the decision would be made in Corporation's favour. Consequently no provision has been made in these financial statements.

10.1.6 Outstanding guarantees amounted to Rs. 146 million (Dec-2004: Rs. 184 million). The Corporation has given bank guarantees amounting to Rs. 21 million in respect of cases pending in respective courts.

10.2 The contingencies of the Corporation's subsidiaries as at March 31, 2005, taken over during the year 2004 are as follows:

10.2. PIA Holdings (Private) Limited

10.2.1.1 The company has filed appeals before the Commissioner of Income Tax (Appeals) [CIT(A)] against the order of the assessing officer.

10.2.1.2 Assessment years 1992-1993 and 1993-1994 aggregating liabilities of Rs. 3.8 million. The main ground in the above tax appeals relates to the disallowance of advances to PIA Hotels Limited written off against the provisions amounting to Rs. 29 million which had been added back in the total income in earlier years. Upon appeal the CIT(A) has set aside this and some other issues while maintaining some other disallowances.

10.2.1.3 Assessment years 1994-1995, 1995-1996, 1996-1997 and 1997-1998 aggregating liabilities of Rs. 2 million. The main grounds in the above appeals for four assessment years relates to taxing of financial income without allowing any expenditure against such income. Upon appeals for the above assessment years the CIT (A) has set aside the matter to be framed denovo in accordance with the law.

10.2.2 PIA Shaver Poultry Breeding Farms (Private) Limited

A case is pending in the Civil Court Lahore against the company filed by M/s. Anjum Agencies, Lahore. The said suit pertains to the recovery of Rs. 5.4 million (2004: Rs. 5.4 million) from the company. The management of the company anticipates favourable outcome of such appeal, hence no provision there against has been made in these financial statements.

10.3 Commitments

10.3.1 Outstanding commitments for the purchase of aircraft as at March 31, 2005 amount to Rs. 58,648 million (Dec-2004: Rs. 59,945 million).

10.3.2 Capital commitments for assets other than aircraft as at March 31, 2005 amounted to Rs. 12.687 million (Dec-2004: Rs. 13.340 million).

10.3.3 Outstanding letters of credit amounted to Rs. 281 million (Dec-2004: Rs. 309 million).

## 11. TURNOVER - net

	MAR - 2005	MAR - 2004
	(Rupees in thousand)	
Passenger	14,290,259	12,835,302
Excess baggage	253,786	303,877
Freight	1,008,390	841,548
Mail	88,691	47,022
Charters	85,423	93,790
Others	459,910	471,674
	<b>16,186,459</b>	<b>14,593,213</b>

## 12. COST OF SERVICES

	MAR - 2005	MAR - 2004
	(Rupees in thousand)	
Salaries, wages and allowances	1,364,798	1,348,212
Welfare & social security costs	76,713	62,726
Provident fund	37,682	38,332
Pension funds	27,701	32,785
Post retirement medical benefits	11,164	3,909
Provision for employees' compensated absences	4,680	18,000
Legal and professional charges	295	21,133
Aircraft fuel and oil	5,714,152	3,989,010
Stores and spares consumed	656,677	923,558
Maintenance and overhaul	990,207	621,481
Flight equipment rental	667,916	544,960
Landing and handling	1,776,575	1,510,009
Passenger services	543,475	486,522
Insurance	311,630	280,747
Rent, rates and taxes	47,927	37,904
Depreciation	999,989	696,307
Others	606,038	564,631
	<u>13,837,619</u>	<u>11,180,226</u>

## 13. FINANCE COST

Arrangement, agency and commitment fee	19,712	22,754
Interest on long-term finance	32,290	32,189
Interest on short-term finance	35	782
Profit on term finance certificates	298,649	301,966
Mark-up on redeemable capital	65,794	59,760
Interest on obligation under finance leases	208,670	64,885
Bank charges, guarantee commission, and other related charges	6,192	6,466
Interest on obligation under hire purchase	-	6,719
Interest to Pension / Provident Funds	-	68,300
	<u>631,342</u>	<u>563,821</u>

## 14. OTHER PROVISIONS AND ADJUSTMENTS

Provision against stores and spares	20,000	175,517
Net provision for doubtful advances	-	702
Re-instatement of certain assets	-	(52,515)
Capital spares' scrappage	-	32
	<u>20,000</u>	<u>123,736</u>

## 15. CASH GENERATED FROM OPERATIONS

	MAR - 2005	MAR - 2004
	(Rupees in thousand)	
<b>Profit before tax</b>	<b>188,259</b>	1,399,091
<b>Adjustments for:</b>		
Depreciation	1,077,328	764,951
Capital spares scrappage	-	32
Amortization of intangible assets	1,169	-
Provision for staff retirement medical benefits	19,250	10,000
Provision for staff compensated absences - net	6,500	25,000
Write back of provision for doubtful advances	-	702
Provision against stores and spares	20,000	175,517
Finance cost	631,342	563,821
Interest income on advances to an associated company	(75,760)	(48,445)
(Gain)/loss on disposal of fixed assets	-	(109,946)
Re-instatement of certain assets	-	(52,515)
Operating profit before working capital changes	<b>1,868,088</b>	2,728,208
<b>Changes in operating assets and liabilities</b>		
Decrease/(increase) in stores and spares	(4,153)	23,452
Increase in trade debts	(653,702)	(823,927)
Decrease/(increase) in advances	13,446	(93,398)
Decrease/(increase) in trade deposits and prepayments	(7,374)	(329,295)
Decrease/(increase) in other receivables	(131,925)	(187,881)
Increase/(decrease) in trade and other payables	(3,276,043)	(559,946)
Cash generated from operations	<b>(2,191,663)</b>	757,213

## 16. GEOGRAPHICAL SEGMENTS

### 16.1 Revenue analysis

The analysis of material accounts of traffic revenue is as follows:

USA/Canada	1,139,109	1,042,728
Europe	3,771,803	3,452,667
Middle East/Africa	2,157,946	2,016,772
Asia (excluding Pakistan)	889,712	523,181
Pakistan	8,227,889	7,557,865
	<b>16,186,459</b>	<b>14,593,213</b>

The analysis of turnover by origin is derived by allocating revenue to the area in which the sale was made.

Geographical analysis of net assets

The major revenue earning assets comprise the aircraft fleet, all of which are registered in Pakistan.

Since the fleet of the Corporation is employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

## 17. RELATED PARTY TRANSACTIONS

**MAR - 2005**    **MAR - 2004**  
(Rupees in thousand)

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

Catering services from Sky Rooms (Private) Limited	<u>17,893</u>	<u>14,113</u>
Advertising services from International Advertising (Private) Limited	<u>-</u>	<u>8,999</u>
Interest on advances to PIA Investments Limited	<u>72,540</u>	<u>48,445</u>
Interest on advance to pension fund	<u>-</u>	<u>64,629</u>
Interest on advance to provident fund	<u>-</u>	<u>3,671</u>
Charge/contribution to pension fund	<u>89,960</u>	<u>65,766</u>
Charge/contribution to provident fund	<u>57,919</u>	<u>59,314</u>

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

## 18. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors Meeting held on May 27, 2005.

## 19. GENERAL

- 19.1 The information as to the available capacity and utilization thereof during the period has been disclosed in the statistics annexed to the financial statements.
- 19.2 The US Dollars amounts in Balance Sheet, Profit and Loss Account and Cash Flow Statement have been translated into US Dollars at the rate of Rs. 59.40 = US\$ 1 solely for convenience purposes.

# Quarterly Summary

		2005 1st Quarter	1st Quarter	2004 2nd Quarter	3rd Quarter	4th Quarter	2003 1st Quarter
<b>Traffic Operations</b>							
Available Seat Kilometers (million)	International	<b>3,694</b>	3,460	3,790	4,362	4,152	2,911
	Domestic	<b>627</b>	678	656	689	653	650
	Hajj	<b>1,271</b>	1,294	-	-	453	1,428
	<b>Total</b>	<b>5,592</b>	5,432	4,446	5,051	5,258	4,989
Revenue Passenger Kilometers (million)	International	<b>2,731</b>	2,635	2,521	3,131	2,713	2,218
	Domestic	<b>390</b>	441	419	464	423	424
	Hajj	<b>639</b>	663	-	-	231	727
	<b>Total</b>	<b>3,759</b>	3,739	2,940	3,595	3,367	3,369
Seat Factor (%)	International	<b>73.92</b>	76.16	66.52	71.78	65.35	76.19
	Domestic	<b>62.14</b>	65.02	63.87	67.34	64.76	65.13
	Hajj	<b>50.26</b>	51.24	-	-	50.98	50.88
	<b>Total</b>	<b>67.22</b>	68.83	66.13	71.17	64.04	67.81
Available Freight Tonne Kilometers (million)	International	<b>138</b>	147	155	200	185	127
	Domestic	<b>22</b>	20	22	23	23	19
	<b>Total</b>	<b>160</b>	167	177	223	208	146
Revenue Freight Tonne Kilometers (million)	International	<b>83</b>	72	87	111	96	81
	Domestic	<b>9</b>	9	9	11	10	9
	<b>Total</b>	<b>92</b>	81	96	122	106	90
Load Factor (%)	International	<b>60.09</b>	48.98	56.13	55.50	52.02	63.78
	Domestic	<b>40.00</b>	45.00	40.91	47.83	41.88	48.22
	<b>Total</b>	<b>57.33</b>	48.50	54.24	54.71	50.90	55.03
<b>Financial</b>							
(----- Rupees in million -----)							
Operating Revenue	<b>16,186</b>	14,593	11,914	14,556	16,725	13,055	
Cost & Expenditure	<b>15,998</b>	13,194	15,382	15,251	15,799	11,552	
Profit/(loss) before taxation	<b>188</b>	1,399	(789)	(695)	926	1,503	
Profit/(loss) after taxation	<b>19</b>	833	566	(386)	1,294	1,113	
Fixed Assets	<b>50,150</b>	45,463	49,173	50,806	49,604	24,182	
Current Assets	<b>14,956</b>	22,327	18,308	16,954	19,716	17,839	
Current Liabilities	<b>15,805</b>	17,277	17,841	16,061	18,990	18,024	
Long-term Debts	<b>40,994</b>	42,291	43,618	44,637	42,518	23,597	
Net Worth	<b>13,445</b>	7,472	7,476	7,076	13,441	1,714	
Jet Fuel Prices (Rs. Per US Gallon)	<b>82.20</b>	58.55	64.29	74.81	88.61	56.22	