

HALF YEARLY REPORT 2007





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PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Corporate Profile

Board of Directors

Mr. Zaffar A. Khan
Chairman & CEO

Mr. Kamal Afsar

Mr. Mueen Afzal

Syed Mohammad Fazal Agha

Mr. Nawid Ahsan
Secretary General Finance

Mr. Shahzad M. Husain

Mr. M. Hidayatulla Khan Khaishgi

Mr. Javed Saifullah Khan

Maj Gen. Mir Haider Ali Khan
Additional Secretary-I, Ministry of Defence

Mr. S. Ali Raza

Mr. Farooq Rehmatullah
Director General - Civil Aviation Authority

Mr. Ghazanfar Mashkooor
Secretary

Audit Committee

Mr. Kamal Afsar - Chairman
Mr. Mueen Afzal
Maj. Gen. Mir Haider Ali Khan
Mr. Shahzad M. Husain
Mr. S. Ali Raza
Mr. Shehrzad Aminullah - Secretary

**Human Resource &
Corporate Governance Committee**

Mr. Javed Saifullah Khan - Chairman
Mr. Zaffar A. Khan
Syed Mohammad Fazal Agha
Mr. M. Hidayatulla Khan Khaishgi
Mr. Farooq Rehmatullah
Mr. Wasim Bari - Secretary

Registered Office

PIA Building
Jinnah International Airport
Karachi - Pakistan
Web site: www.piac.com.pk

Executive Management

Mr. Zaffar A. Khan
Chairman & CEO

Mr. Umar Ghafoor
Deputy Managing Director

Mr. Muhammad Abdul Aleem
Chief Financial Officer

Mr. Wasim Bari
SVP Human Resources & Administration

Mr. Anwaar Rasul
SVP Sales

Mr. Arif Majeed
SVP Finance

Capt. Shahnawaz Dara
SVP Flight Safety & HSE

Capt. Mahboob Haque
SVP Flight Operations

Mr. S. Kamran Hassan
SVP Commercial

Mr. Nadeem Ikram
SVP Information Technology

Mr. Shahnawaz Rehman
SVP Financial Monitoring & Appraisal

Mr. Salah Uddin
SVP Flight Services

Mr. Sohail Mustafa
Acting SVP Procurement Logistics &
Coordination

Mr. Muhammad Tariq Farooq
Acting SVP Engineering

AVM Muhammad Rafi
SVP Precision Engineering



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Directors' Report to the Shareholders

The Directors of Pakistan International Airlines present their report along with interim condensed financial statements for the half year ended June 30, 2007.

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

	2 nd Quarter		Half Year	
	2007	2006	2007	2006
	(Rs. In Million)		(Rs. In Million)	
Revenue	17,207	16,671	34,881	33,507
Operating Expenses	19,018	18,755	39,199	37,706
Gross Margin	(1,811)	(2,084)	(4,318)	(4,199)
Financing Cost	1,827	1,182	3,396	2,088
Loss after Taxation	(3,795)	(3,064)	(7,749)	(6,144)

The high loss levels being sustained by the airline continued in the second quarter pushing up the loss level for the first half of the year to Rs.7.7 billion. The growth in revenue of 4 % was not sufficient to offset increased operating and financial costs.

During the period under review, the passenger traffic in Pakistan showed a mixed trend. The overall air travel showed marginal growth of 1.5%. The international passenger traffic showed an increase of 4.5% whereas domestic air travel declined by 4.4%. PIA overall market share in domestic segment was 69%, which is unchanged from last year. However, due to intense competition from regional airlines and some capacity limitations on account of EU action, PIA share of the international market segment declined to 46%, which is 3% less than last year.

In terms of sales revenue, PIA total revenue increased by 4 % supported by passenger revenue growth of 7.1% which was partially offset by a 12.6 % drop in cargo revenue. Cargo business so far this year has not performed well.

The airline incurred an operating loss of Rs 4.3 billion which is 3 % higher than last year. The operating costs excluding fuel increased by 17% primarily reflecting the impact of 2006 salary hike, the increase in depreciation and lease rentals of aircraft due to induction of three new Boeing 777 and seven ATR 42s aircraft since July 2006. The total fuel cost showed a 13% decline in the first half due to lower quantities consumed in part due to utilization of newer fuel efficient aircraft. Further, financing requirements of the Corporation also increased due to the additional financing required to sustain operations in view of the increase in accumulated losses. Overall the airline suffered an after tax loss of Rs 7.7 billion against the after tax loss of Rs 6.1 billion in the same period last year.

To deal with the financial loss situation, the Management has urgently undertaken many steps to improve the operating and financial performance of the airline. It has put together a revised operating plan for the July-December 2007 period. This entails shutting down of loss making routes, enhancement of airfares and curtailment of operating costs. It is expected that these measures coupled with the implementation of the Revenue Management System will appreciably control the current high rate of losses. Close monitoring and additional strategies to enhance revenue and control cost are being developed to restore the profitability of the airline. Further, fuel hedging arrangements have been finalized with two international banks and PIA is now ready to undertake fuel hedging as soon as a sensible price opportunity arises.



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Directors Report to the Shareholders(Continued)

During the first half 2007, the performance of PIA subsidiaries have shown improvements. PIA Investments Ltd (PIAIL) reported a revenue of US \$ 58 million (2006: US\$ 49 million) and profit of US \$ 3.9 million (2006: US\$ 2.3 million). During the same period Sky Rooms earned a revenue of Rs 100 million (2006: Rs 73 million) and a profit after tax of Rs 18.4 million. (2006: loss of Rs. 7.4 million). For the first time since its incorporation in September 1977, PIAIL has declared a dividend of US \$ 6.2 million in mid July 2007. PIA owns 99% shares of PIAIL.

As communicated in March 2007, European Union imposed restrictions on PIA's fleet of Boeing 747s and Airbus 310s (a total of twenty aircraft) from operating to Europe. PIA developed a comprehensive Recovery Action Plan (RAP) to address the EU's concerns. We are pleased to report that based on improvements made by PIA and regular reviews with the authorities, EU decided in late June to remove restriction on eleven out of twenty aircraft that were restricted. These aircraft have been allowed to operate to EU destinations subject to clearance by CAA Pakistan. PIA management is committed to giving safety and reliability, the highest priority.

The airline recently signed a letter of intent to lease seven new Airbus320 aircraft for induction in 2009. These aircraft will replace the Boeing 737 and will bring down the average age of the fleet to about ten years.

Finally, we are pleased to report that GoP approved financial re-structuring plan envisaging re-profiling of PIA's debt is progressing on schedule. Completion is expected before the end of the year.

For and on behalf of the Board

Zaffar A. Khan
Chairman & CEO

August 30, 2007



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
REPORT TO THE MEMBERS ON
REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

FORD RHODES SIDAT HYDER & CO.

Chartered Accountants
Progressive Plaza
Beaumont Road
Karachi.

ANJUM ASIM SHAHID RAHMAN

Chartered Accountants
1st Floor, Modern Motors House,
Beaumont Road ,
Karachi.

Introduction

We have reviewed the accompanying interim condensed balance sheet of **PAKISTAN INTERNATIONAL AIRLINES CORPORATION** (the Corporation) as of **June 30, 2007** and the related interim condensed profit and loss account, and interim condensed statements of cash flows and changes in equity, together with the notes forming part thereof (herein after referred to as "interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

- i) note 14.1(a) to the interim condensed financial information, explaining the difference between the amount due as per the Corporation's records and amount claimed by the Civil Aviation Authority for which a reconciliation and settlement exercise is in progress through the Ministry of Defence; and
- ii) note 1.2 to the interim condensed financial information, which states that the Corporation has incurred a net loss of Rs.7,749 (June 30, 2006: Rs.6,144) million during the half year ended June 30, 2007, resulting in accumulated losses of Rs.31,992 (December 31, 2006: Rs.24,563) million as of the balance sheet date. Further, as of that date, the Corporation's current liabilities exceeded its current assets by Rs.24,414 (December 31, 2006: Rs.22,672) million. However, the accompanying interim condensed financial information have been prepared on a going concern basis, the validity of which is dependent upon the successful outcome of the measures being taken by the management, as described in the aforesaid note.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Karachi: August 30, 2007

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Balance Sheet (Un-audited)
As at June 30, 2007

		(Un-audited) June 30, 2007	(Audited) December 31, 2006	(Un-audited) June 30, 2007
	Note	(Rupees in thousand)	(US\$ in thousand)	
ASSETS				
NON CURRENT ASSETS				
Fixed assets				
Property, plant and equipment	5	89,198,891	78,964,162	1,474,362
Intangibles		86,654	98,275	1,432
		89,285,545	79,062,437	1,475,794
Long term investments	6	4,531,658	4,528,198	74,903
Long term receivables		1,669,000	1,684,000	27,587
Long term deposits and prepayments		3,722,099	3,263,699	61,522
		99,208,302	88,538,334	1,639,806
CURRENT ASSETS				
Stores and spares	7	3,209,159	3,371,040	53,044
Trade debts		5,997,788	6,129,673	99,137
Advances	8	1,741,916	592,068	28,792
Trade deposits and prepayments		1,205,258	1,229,333	19,922
Accrued interest		35,656	51,010	589
Other receivables		834,826	865,255	13,799
Short term investments		419,816	421,394	6,939
Taxation - net		47,353	233,738	783
Cash and bank balances	9	1,726,847	5,459,924	28,543
		15,218,619	18,353,435	251,548
TOTAL ASSETS		114,426,921	106,891,769	1,891,354
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital		19,473,631	19,473,631	321,878
Reserves		4,280,712	4,280,712	70,756
Unrealized gain on remeasurement of investments		23,445	21,013	387
Accumulated losses		(31,991,513)	(24,563,386)	(528,785)
		(8,213,725)	(788,030)	(135,764)
SURPLUS ON REVALUATION OF FIXED ASSETS - net		605,514	926,318	10,008
NON CURRENT LIABILITIES				
Advance against equity from GoP	10	1,057,741	-	17,483
Long term financing	11	17,600,933	6,900,478	290,925
Term finance certificates		12,868,485	13,246,970	212,702
Liabilities against assets subject to finance leases	12	47,921,930	42,503,444	792,098
Long term deposits		271,019	261,711	4,480
Deferred liabilities		2,682,390	2,815,588	44,337
		82,402,498	65,728,191	1,362,025
CURRENT LIABILITIES				
Trade and other payables		15,637,116	16,617,024	258,465
Accrued interest / mark-up / profit		829,847	812,278	13,716
Short term borrowings	13	12,300,960	15,543,446	203,322
Current portion of:				
Long term financing		4,959,897	2,599,916	81,982
Term finance certificates		756,970	756,970	12,512
Liabilities against assets subject to finance leases		4,794,928	3,914,491	79,255
Long term murabaha		352,916	781,165	5,833
		39,632,634	41,025,290	655,085
CONTINGENCIES AND COMMITMENTS	14			
TOTAL EQUITY AND LIABILITIES		114,426,921	106,891,769	1,891,354

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Profit & Loss Account (Un-audited)
For the half year ended June 30, 2007

	Note	Half-year Ended		Quarter Ended		Half-year Ended
		June 30,	June 30,	June 30,	June 30,	June 30,
		2007	2006	2007	2006	2007
		(Rupees in thousand)		(US\$ in thousand)		
TURNOVER – net	15	34,881,364	33,506,630	17,206,729	16,671,459	576,551
COST OF SERVICES						
Aircraft fuel		(14,292,200)	(16,441,597)	(6,870,563)	(8,405,276)	(236,235)
Others	16	(20,320,074)	(17,158,536)	(9,664,691)	(8,194,447)	(335,869)
		(34,612,274)	(33,600,133)	(16,535,254)	(16,599,723)	(572,104)
GROSS PROFIT / (LOSS)		269,090	(93,503)	671,475	71,736	4,447
Distribution costs		(1,972,716)	(2,079,118)	(838,209)	(914,798)	(32,607)
Administrative expenses		(2,613,695)	(2,027,246)	(1,644,334)	(1,240,773)	(43,202)
		(4,586,411)	(4,106,364)	(2,482,543)	(2,155,571)	(75,809)
LOSS FROM OPERATIONS		(4,317,321)	(4,199,867)	(1,811,068)	(2,083,835)	(71,362)
Finance costs	17	(3,395,896)	(2,087,938)	(1,826,711)	(1,181,829)	(56,131)
Other provisions and adjustments - net		(81,284)	(132,217)	(231,573)	(21,472)	(1,343)
		(3,477,180)	(2,220,155)	(2,058,284)	(1,203,301)	(57,474)
Other operating income		219,977	443,170	160,110	306,520	3,636
LOSS BEFORE TAXATION		(7,574,524)	(5,976,852)	(3,709,242)	(2,980,616)	(125,200)
Taxation		(174,407)	(167,631)	(86,034)	(83,357)	(2,883)
NET LOSS FOR THE PERIOD		(7,748,931)	(6,144,483)	(3,795,276)	(3,063,973)	(128,083)
LOSS PER SHARE						
'A' class Ordinary shares of Rs.10 each (Rupees/US\$)		3.98	3.42	1.71	1.70	0.07
'B' class Ordinary shares of Rs. 5 each (Rupees/US\$)		1.99	1.71	0.85	0.85	0.03

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Cash Flow Statement (Un-audited)
For the six months period ended June 30, 2007

		June 30, 2007	June 30, 2006	June 30, 2007
Note	(Rupees in thousand)			(US\$ in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES				
	18	(3,684,390)	(4,983,022)	(60,899)
		124,510	103,775	2,058
		(176,275)	(23,859)	(2,914)
		(3,378,327)	(1,941,125)	(55,840)
		(160,762)	(7,014)	(2,657)
		-	(193,266)	-
		(6,088)	(60,781)	(101)
		(449,092)	(912,670)	(7,423)
		(7,730,424)	(8,017,962)	(127,776)
CASH FLOWS FROM INVESTING ACTIVITIES				
		(3,972,398)	(1,248,290)	(65,659)
		76,413	85,173	1,263
		-	(4,073,326)	-
		-	584,826	-
		(3,895,985)	(4,651,617)	(64,396)
CASH FLOWS FROM FINANCING ACTIVITIES				
		1,057,741	1,144,755	17,483
		13,060,436	3,429,180	215,875
		(378,485)	(378,485)	(6,256)
		(2,175,625)	(1,879,318)	(35,961)
		(428,249)	(411,017)	(7,078)
		11,135,818	1,905,115	184,063
		(490,591)	(10,764,464)	(8,109)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD				
		(10,083,522)	2,252,616	(166,670)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD				
		(10,574,113)	(8,511,848)	(174,779)
CASH AND CASH EQUIVALENTS				
		1,726,847	3,216,755	28,543
		(12,300,960)	(11,728,603)	(203,322)
		(10,574,113)	(8,511,848)	(174,779)

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Statement of Changes in Equity (Un-audited)
For the six months period ended June 30, 2007

	Paid-up capital	RESERVES			Unrealized (loss) / gain on re-measurement of investments	Accumulated losses	Total
		Capital reserves	Revenue reserves	Total Reserves			
(Rupees in thousand)							
Balance as at January 01, 2006	17,980,659	2,501,038	1,779,674	4,280,712	(15,107)	(11,799,966)	10,446,298
Unrealized loss on re-measurement of investments	-	-	-	-	(40,035)	-	(40,035)
Net loss for the period	-	-	-	-	-	(6,144,483)	(6,144,483)
Balance as at June 30, 2006	<u>17,980,659</u>	<u>2,501,038</u>	<u>1,779,674</u>	<u>4,280,712</u>	<u>(55,142)</u>	<u>(17,944,449)</u>	<u>4,261,780</u>
Balance as at January 01, 2007	19,473,631	2,501,038	1,779,674	4,280,712	21,013	(24,563,386)	(788,030)
Unrealized gain on re-measurement of investments	-	-	-	-	2,432	-	2,432
Net loss for the period	-	-	-	-	-	(7,748,931)	(7,748,931)
Less: Transfer from surplus on revaluation - net of tax	-	-	-	-	-	320,804	320,804
	-	-	-	-	-	(7,428,127)	(7,428,127)
Balance as at June 30, 2007	<u>19,473,631</u>	<u>2,501,038</u>	<u>1,779,674</u>	<u>4,280,712</u>	<u>23,445</u>	<u>(31,991,513)</u>	<u>(8,213,725)</u>

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

1. CORPORATE INFORMATION

- 1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated in Pakistan on April 18, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act). Its shares are quoted on all Stock Exchanges of Pakistan. The registered office is situated at the Karachi Airport. The principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services.
- 1.2 During the current period, the Corporation has incurred a net loss of Rs.7,749 (June 30, 2006: Rs. 6,144) million, resulting in accumulated losses of Rs.31,992 (December 31, 2006: Rs. 24,563) million as of the balance sheet date. Further, as of that date the current liabilities of the Corporation exceeded its current assets by Rs.24,414 (December 31, 2006: Rs. 22,672) million. The management has initiated corrective measures to improve the operating results of the Corporation. Further, the Ministry of Finance has extended its support by approving a financial restructuring package which is currently in the process of implementation.

The Government of Pakistan (GoP), as a majority shareholder, is committed to ensure the going concern status of the Corporation at all times. Also, historically support of the GoP is available to the Corporation as GoP has already issued guarantees to secure certain long term finance and Term Finance Certificates (TFCs) of the Corporation. The GoP had agreed to provide equity contribution to the Corporation equivalent to accumulated loss of the Corporation as at December 31, 2000, to cover interest / profit payments on long term finances and TFCs. As part of the financial package, an amount of Rs.7,981 (2006: Rs.6,923) million has been provided to the Corporation up to June 30, 2007 against which 692,306,294 (2006: 692,306,294) 'A' class ordinary shares of Rs.10 each were issued to GoP up to that date. The remaining 105,774,100 ordinary shares are expected to be issued during the current year. Hence, the Corporation expects continued financial support of GoP in future as well. In view of the above, the Corporation has prepared these financial statements on a going concern basis.

In addition GoP had approved a fleet replacement plan as a result of which the Corporation entered into an agreement for purchase of eight new Boeing 777 aircraft. GoP had provided funding of US\$ 150 million (Rs.8,816 million) in the form of equity and guarantees for acquisition of the said aircraft up to December 31, 2006.

During the current period, the Corporation was advised by the European Union (EU) that some of its aircraft were temporarily restrained from flying to various countries in Europe. The Corporation took necessary steps to address the issues raised by the EU. As a result, subsequent to the balance sheet date, the Air Safety Committee has proposed to the European Committee for the modification of the operational restrictions imposed on the Corporation so as to allow eleven aircraft (out of twenty aircraft subject to the aforesaid restrictions) to operate in the region.

2. BASIS OF PREPARATION

These interim condensed financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting", as applicable in Pakistan.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Corporation's annual financial statements as at December 31, 2006.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Financial Statements (Un-audited)
For the six months period ended June 30, 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements of the Corporation for the year ended December 31, 2006.

4. CHANGES IN ACCOUNTING ESTIMATES

During the current period, the Corporation changed its method of computation of depreciation on assets, other than aircraft fleet, whereby, with effect from the current period, depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletion, to better reflect the pattern of utilization of economic benefits derived from the assets, as against the previous method of charging full year's depreciation in the year of additions during the first six months' whereas six months depreciation was charged on additions during the second half of the year, and no depreciation was charged in the year of disposal.

Had the Corporation not made the above change, loss before taxation for the current period would have been higher by Rs.5.4 million whereas depreciation charge for the period would have been higher by the same amount.

Further, during the current period, the Corporation changed its method of computation of depreciation on aircraft fleet, whereby, with effect from the current period, depreciation on aircraft whether owned or subject to finance lease is separately charged for the airframes and engines based on their respective estimated useful life, to better reflect the pattern of utilisation of economic benefits derived from the assets, as against the previous method of charging depreciation on the aircraft as a whole.

Had the Corporation not made the above change, loss before taxation for the current period would have been higher by Rs.192 million whereas depreciation charge for the period would have been higher by the same amount.

5. PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) June 30, 2007	(Audited) December 31, 2006
Note	(Rupees in thousand)	
Operating fixed assets	84,373,913	72,326,396
Capital work-in-progress	4,824,978	6,637,766
	<u>89,198,891</u>	<u>78,964,162</u>

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

	(Un-audited) June 30, 2007	(Un-audited) June 30, 2006
Additions / transfers Owned	(Rupees in thousand)	
Buildings on leasehold land	18,775	21,834
Workshops and hangers	465	-
Renovation and improvements	24,467	-
Aircraft fleet	3,070,722	694,201
Operating ground equipment, catering, communication and meteorological equipment	20,996	15,807
Engineering equipment and tools	51,078	-
Motor transport	3,730	-
Traffic equipment	31,232	76,184
Furniture, fixtures and fittings	12,230	17,172
Office equipment	531	-
Computers and office automation	53,824	80,398
Other equipment	38,865	17,951
Capital spares	645,483	563,555
Balance c/f	<u>3,972,398</u>	<u>1,487,102</u>

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Financial Statements (Un-audited)
For the six months period ended June 30, 2007

		(Un-audited) June 30, 2007	(Un-audited) June 30, 2006
	Note	(Rupees in thousand)	
	Balance b/f	3,972,398	1,487,102
Leased			
Aircraft fleet	5.1.2	10,488,244	18,611,465
		<u>14,460,642</u>	<u>20,098,567</u>
Deletions			
Owned			
Traffic equipment		-	16,066
Renovation and improvements		1,525	-
Aircraft fleet		231,584	-
Operating ground equipment, catering, communication & metrological equipment		3,274	-
Motor transport		480	-
Traffic equipment		3,414	-
Furniture, fixtures and fittings		1,300	-
Office equipment		435	-
Computers and office automation		520	-
Other equipment		287	-
Capital spares		1,728	40,570
		<u>244,547</u>	<u>56,636</u>
Leased			
Vehicles		2,415	-
		<u>246,962</u>	<u>56,636</u>

5.1.1 This includes four ATR 42 aircraft purchased by the Corporation during the current period.

5.1.2 This represents cost of a Boeing 777 ER aircraft acquired during the current period in accordance with the fleet replacement plan approved by the GoP.

	(Un-audited) June 30, 2007	(Audited) December 31, 2006
6. LONG TERM INVESTMENTS		
Investments in related parties - at cost		
- Subsidiaries	4,415,712	4,415,712
- Associate	396	396
- Joint venture	1	1
	<u>4,416,109</u>	<u>4,416,109</u>
Other investments	115,549	112,089
	<u>4,531,658</u>	<u>4,528,198</u>
7. STORES AND SPARES		
Stores	793,444	828,560
Spares	3,859,435	3,387,842
	<u>4,652,879</u>	<u>4,216,402</u>
Less: Provision for slow moving stores and spares	1,694,339	1,604,338
	<u>2,958,540</u>	<u>2,612,064</u>
Inventory held for disposal		
Cost	2,198,381	2,266,825
Less: Adjustment to write down surplus inventory to net realisable value	2,166,515	1,935,827
	<u>31,866</u>	<u>330,998</u>
Goods-in-transit	218,753	427,978
	<u>3,209,159</u>	<u>3,371,040</u>

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Financial Statements (Un-audited)
For the six months period ended June 30, 2007

	(Un-audited) June 30, 2 0 0 7	(Audited) December 31, 2 0 0 6
Note	(Rupees in thousand)	
8. ADVANCES		
Considered good		
Subsidiaries		
PIA Investments Limited	1,128	-
Sky Rooms (Private) Limited	64,416	62,915
	65,544	62,915
Others		
Executives and employees	102,264	140,476
Suppliers	1,568,556	383,070
Others	5,552	5,607
	1,676,372	529,153
Considered doubtful	28,985	28,985
Less: provision for doubtful advances	28,985	28,985
	-	-
	1,741,916	592,068
9. CASH AND BANK BALANCES		
With banks		
In current accounts		
Collection	1,940,541	3,360,993
Overdrawn bank balances	(1,048,214)	(684,597)
	892,327	2,676,396
In short term deposit accounts	771,271	2,682,287
	1,663,598	5,358,683
In hand	11,848	4,467
In transit	51,401	96,774
	1,726,847	5,459,924

9.1 This includes a sum of Rs.0.697 (December 31, 2006: Rs.1.700) million placed with a bank in Libya, which is currently not repatriable due to restrictions imposed by the Libyan Government.

10. ADVANCE AGAINST EQUITY FROM GoP

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

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Financial Statements (Un-audited)
For the six months period ended June 30, 2007

11. LONG TERM FINANCING - secured

Financier	Type of facility	Limit (Rupees in million)	Repayment period	Number of Instalments/ mode	Mark-up %	(Un-audited) June 30, 2007	(Audited) December 31, 2006
						(Rupees in thousand)	
United Bank Limited	Syndicate Finance	1,650	2005-2009	6 Half-yearly	6 months KIBOR + 0.79%	1,486,007	1,621,098
Citibank / DVB Bank	Syndicate Finance	6,603	2006-2008	(note 11.1)	1 month KIBOR + 0.77%	2,674,161	3,491,443
Habib Bank Limited	Demand Finance	530	2006-2009	36 monthly	1 month KIBOR + 1.50%	353,333	456,389
Citibank, N.A.	Demand Finance	4,985	2006-2016	20 Half-yearly	5.28%	4,774,826	2,180,178
Habib Bank Limited	Demand Finance	200	2006-2009	36 monthly	1 month KIBOR + 1.75%	155,555	194,444
ABN AMRO Bank	Demand Finance	3,099	2009-2013	19 quarterly	3 months KIBOR + 1.60%	3,084,031	1,556,842
National Bank of Pakistan / Habib Bank Limited	Syndicate Finance	7,260	Bullet	1 Bullet	3 months LIBOR + 1.325%	7,260,000	-
Standard Chartered Bank Dubai	Demand Finance	3,025	2007-2009	12 quarterly	3 months LIBOR + 1.325%	2,772,917	-
Less: current portion						22,560,830	9,500,394
						4,959,897	2,599,916
						17,600,933	6,900,478

11.1 The said finance is in the assignment of the purchase contract, relating to a B 777 ER aircraft. The repayment is to be made at the time of the delivery of the said aircraft.

12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Present value of future rental obligations - aircraft fleet			
A 310		5,364,641	5,665,539
B 777 ER	12.1	32,793,948	25,540,393
B 777 LR		14,485,632	15,118,103
		52,644,221	46,324,035
Present value of future rental obligations - vehicles (MT, TGS)			
		72,637	93,900
		52,716,858	46,417,935
Less: Current portion thereof		4,794,928	3,914,491
		47,921,930	42,503,444

12.1 During the year ended December 31, 2006, the Corporation arranged an Ex - Im Bank guaranteed financing of US\$ 472 million to acquire three Boeing 777 ER aircraft from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is ABN AMRO Bank. The salient features of the lease are as under:

Discount rate - aircraft	3 months LIBOR	0.04%	3 months LIBOR	0.04%
Lease period - aircraft	144 months		144 months	
Lease period - engine	96 months		96 months	
Security deposits (Rupees in thousand)	319,568		319,568	

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Financial Statements (Un-audited)
For the six months period ended June 30, 2007

	Note	(Un-audited) June 30, 2007	(Audited) December 31, 2006
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(Rupees in thousand)

13. SHORT TERM BORROWINGS

Secured			
Short term loans	13.1	10,165,416	14,580,244
Running finances under mark-up arrangements	13.2	2,135,544	963,202
		<u>12,300,960</u>	<u>15,543,446</u>

13.1 Short term loans - secured

Financier	Security	Repayment period	Mark-up rate		
From Banking Companies					
Citibank - Karachi *	GoP Guarantee	3 months	One month KIBOR + 0.25%	2,000,000	2,000,000
United Bank Limited - Dubai	UAE Receivables	1 year	One month LIBOR + 2.00%	-	58,840
National Bank of Pakistan - Bahrain				-	-
Habib Bank Limited - Export Processing Zone	GoP Guarantee	1 year	One month LIBOR + 0.60%	-	4,260,900
Standard Chartered Bank - Dubai	GoP Guarantee	1 year	One month LIBOR + 0.50%	4,265,812	3,043,500
Standard Chartered Bank - Dubai	GoP Guarantee	3 months	Three months LIBOR + 1.325%	-	1,217,400
Habib Bank Limited - Karachi	Hypothecation charge over current assets	6 months	One month KIBOR + 0.5%	900,000	1,000,000
Standard Chartered Bank - Karachi	GoP Guarantee	6 months	Six months KIBOR + 0.75%	2,999,604	2,999,604
				<u>10,165,416</u>	<u>14,580,244</u>

* The Corporation intends to restructure this facility as a long term loan.

13.2 Running finances under mark-up arrangements - secured

Financier	Security	Repayment period	Mark-up rate		
From Banking Companies					
United Bank Limited - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	One month KIBOR + 1.50%	1,560,544	365,372
National Bank of Pakistan - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	One month KIBOR + 1.25%	575,000	50,000
Habib Allied International Bank Limited - London	Receivables in Europe	1 Year	One month KIBOR + 2.25%	-	547,830
				<u>2,135,544</u>	<u>963,202</u>

The facilities for short term running finances from banks amounted to Rs.2,480 (December 31, 2006: Rs.6,380) million as at the end of the current period. The re-purchase prices are repayable on various dates, during the year.

The rate of mark-up ranges between 10.65% and 11.50% (December 31, 2006: 5.50% and 11.50%) per annum, payable monthly, quarterly or semi-annually.

Facilities, aggregating to Rs.344 (December 31, 2006: Rs.1,417) million remained un-utilized as of the balance sheet date.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- a) Civil Aviation Authority (CAA), Pakistan has claimed additional amounts, aggregating to Rs.4,295 (December 31, 2006: Rs.4,135) 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 has been made in this regard for any liability that may arise as a result of the above in these financial statements.
- b) The Collector Central Excise had raised demand of Rs. 717 (December 31, 2006: Rs.1,046) million in respect of duties levied on tickets provided by the Corporation to its staff either free of charge or at concessional rates, non availability of invoices, import related to miscellaneous consignments, printed materials 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 (December 31, 2006: Rs.100) million, which is considered fully recoverable by the management. During the period, the claim of Rs.329 million in respect of duties levied on repair/replacement of re-imported aircraft engines was settled for Rs.79 million, which has been provided for by the Corporation. Moreover, the Corporation has filed appeals with the Customs, Central Excise and 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.
- c) There has been no change in the status of other contingencies as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2006.

14.2 Commitments

- a) Commitments for purchase of aircraft amounted to Rs.7,921 (December 31, 2006 : Rs.23,842) million.
- b) Commitments for capital expenditure amounted to Rs.17.2 (December 31, 2006: Rs.10.6) million.
- c) Outstanding letters of credit amounted to Rs. 86 (December 31, 2006: Rs.141) million.
- d) Outstanding letters of guarantee amounted to Rs. 194 (December 31, 2006: Rs.141) million.
- e) Commitments for rentals under operating lease agreement in respect of aircraft as at June 30, 2007 amounted to Rs.7,596 (December 31, 2006: Rs.962.7) million, payable as follows:

<u>Years</u>	<u>Rupees in million</u>
2007	585
2008	779
2009	779
2010	779
2011	779
2012	779
2013	779
2014	779
2015	779
2016	779
	<u>7,596</u>

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Financial Statements (Un-audited)
For the six months period ended June 30, 2007

	Half year ended		Quarter ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
(Rupees in thousand)				
15. TURNOVER - net				
Passengers	30,747,005	28,706,131	15,053,739	14,126,466
Cargo	2,284,340	2,613,628	1,205,576	1,415,251
Excess baggage	415,605	383,444	188,862	168,057
Charter	84,965	243,511	13,674	124,747
Engineering services	319,195	623,107	160,609	436,410
Handling and related services	436,468	432,630	269,887	211,080
Mail	156,425	137,048	82,234	65,449
Others	437,361	367,131	232,148	123,999
	<u>34,881,364</u>	<u>33,506,630</u>	<u>17,206,729</u>	<u>16,671,459</u>
16. COST OF SERVICES - Others				
Salaries, wages and allowances	3,495,658	2,822,955	1,729,717	1,435,743
Welfare and social security costs	123,395	92,233	25,678	22,861
Retirement benefits	223,851	153,441	109,243	11,886
Compensated absences	6,012	5,923	4,212	1,232
Legal and professional charges	56,121	45,242	41,391	28,136
Stores and spares consumed	839,567	1,158,787	233,809	531,370
Maintenance and overhaul	3,374,037	2,713,756	1,805,689	1,405,222
Flight equipment rental	2,298,336	1,486,209	894,422	341,763
Landing and handling	4,122,010	3,912,735	2,035,982	1,878,876
Passenger services	1,427,201	1,387,468	681,119	742,830
Crew layover	1,064,875	951,659	545,406	488,747
Staff training	37,537	39,410	16,091	16,796
Utilities	6,159	3,598	3,751	2,355
Communication	33,080	36,867	18,209	23,344
Insurance	538,479	524,495	274,228	261,227
Rent, rates and taxes	139,947	148,749	70,506	80,809
Repair and maintenance	56,835	69,102	30,197	38,743
Printing and stationery	66,754	46,653	51,015	30,398
Amortization	1,238	862	619	464
Depreciation	2,303,495	1,463,137	1,052,332	804,339
Others	105,487	95,255	41,075	47,306
	<u>20,320,074</u>	<u>17,158,536</u>	<u>9,664,691</u>	<u>8,194,447</u>
17. FINANCE COSTS				
Mark-up on long term financing - secured	348,653	205,767	198,242	123,369
Profit on term finance certificates	680,962	682,574	339,703	330,993
Interest on liabilities against assets subject to finance leases	1,380,078	810,130	807,904	483,364
Mark-up on long term murabaha	34,353	59,443	15,763	32,826
Mark-up on short-term borrowings	759,225	245,353	432,022	167,558
Arrangement, agency and commitment fee	168,691	63,977	22,036	33,863
Bank charges, guarantee commission and other related charges	23,934	20,694	11,041	9,856
	<u>3,395,896</u>	<u>2,087,938</u>	<u>1,826,711</u>	<u>1,181,829</u>

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Financial Statements (Un-audited)
For the six months period ended June 30, 2007

	June 30, 2007	June 30, 2006
(Rupees in thousand)		
18. CASH USED IN OPERATIONS		
Loss before taxation	(7,574,524)	(5,976,852)
Adjustments for:		
Depreciation	2,411,256	1,594,175
Gain on disposal of fixed assets	(75,109)	(81,686)
Amortization	15,810	14,994
Provision for slow moving stores and spares	90,000	-
Adjustment to write down surplus inventory to net realisable value	230,688	-
Provision for employees' benefits	245,928	254,841
Provision for doubtful debts	164,319	-
Finance costs	3,395,896	2,087,938
Interest income on advances to an associated company	-	(123,355)
Profit on bank deposits	(109,156)	(85,986)
Operating profit before working capital changes	(1,204,892)	(2,315,931)
Working capital changes		
Increase in stores and spares	(158,807)	(281,692)
Increase in trade debts	(32,434)	(703,071)
Increase in advances	(1,149,848)	(95,975)
Decrease / (increase) in trade deposits and prepayments	24,075	(156,521)
Decrease / (increase) in other receivables	45,783	(194,539)
Decrease in trade and other payables	(1,208,267)	(1,235,293)
	(2,479,498)	(2,667,091)
Cash used in operations	(3,684,390)	(4,983,022)

Half year ended		Quarter ended	
June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
(Rupees in thousand)			

19. GEOGRAPHICAL SEGMENTS

Revenue analysis

USA / Canada	3,324,939	3,498,549	1,829,398	1,907,803
Europe	8,366,556	8,509,577	3,603,209	3,797,094
Middle East / Africa	5,740,251	4,783,095	3,122,834	2,581,219
Asia (excluding Pakistan)	1,944,405	1,865,375	1,055,418	1,005,057
Pakistan	15,505,213	14,850,034	7,595,870	7,380,286
	34,881,364	33,506,630	17,206,729	16,671,459

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

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.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
 Notes to the Interim Condensed Financial Statements (Un-audited)
 For the six months period ended June 30, 2007

	June 30, 2007	June 30, 2006
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20. TRANSACTIONS WITH RELATED PARTIES

(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:

Recovery of advances from PIAL	-	588,553
Interest on advances to PIAL	-	123,355
Catering services from Sky Rooms (Private) Limited	87,620	42,138
Contribution to retirement funds	-	182,865

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

21. RELATED PARTIES RELATIONSHIP

The Corporation has related party relationships with the following undertakings:

Sky Rooms (Private) Limited	Subsidiary	Subsidiary
Midway House (Private) Limited (under winding-up)	Subsidiary	Subsidiary
PIA Investment Limited (PIAIL)	Subsidiary	Associate
Abacus Distribution Systems Pakistan (Private) Limited	Joint Venture	-
Minhal Incorporated - Sharjah	Associate	Associate
Duty Free Shops (Private) Limited	-	Associate

22. AUTHORISATION OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue in the Board of Directors Meeting held on August 30, 2007.

23. GENERAL

- 23.1** The figures for the quarter ended June 30, 2007 and June 30, 2006 appearing in the profit and loss account have not been subject to limited scope review by the auditors.
- 23.2** Figures have been rounded off to the nearest thousand rupees.
- 23.3** The US Dollar amounts in Balance Sheet, Profit and Loss Account and Cash Flow Statement have been translated into US Dollars at the rate of Rs.60.50 = US\$1 solely for convenience purposes and have not been subject to limited scope review by the auditors.
- 23.4** The information as to the available capacity and utilization thereof during the period is disclosed in the statistics annexed to the interim condensed financial statements.

Zaffar A. Khan
 Chairman & CEO

Kamal Afsar
 Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Quarterly Summary

		2007		2006			
		1st Quarter	2nd Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Traffic Operations							
Available Seat Kilometers (million)	International	4,045	4,157	4,209	4,490	4,645	4,103
	Domestic	771	687	649	670	681	697
	Hajj	772	-	882	-	-	773
	Total	5,588	4,844	5,740	5,160	5,326	5,573
Revenue Passenger Kilometers (million)	International	2,942	2,857	2,953	3,101	3,614	2,758
	Domestic	464	465	465	493	532	461
	Hajj	393	-	451	-	-	393
	Total	3,799	3,322	3,869	3,594	4,146	3,612
Seat Factor (%)	International	72.73	68.73	70.16	69.06	77.80	67.22
	Domestic	60.18	67.69	71.65	73.58	78.12	66.14
	Hajj	50.91	0.00	51.13	0.00	-	50.84
	Total	67.98	68.58	67.40	69.65	77.84	64.81
Available Freight Tonne Kilometers (million)	International	128	148	126	163	160	146
	Domestic	31	28	20	24	25	27
	Total	159	176	146	187	185	173
Revenue Freight Tonne Kilometers (million)	International	74	80	83	104	116	88
	Domestic	8	9	9	9	9	9
	Total	82	89	92	113	125	97
Load Factor (%)	International	57.81	54.05	65.87	63.80	72.50	60.27
	Domestic	25.81	32.14	45.00	37.50	36.00	33.33
	Total	51.57	50.57	63.01	60.43	67.57	56.07
Financial							
(----- Rupees in million -----)							
Operating Revenue	17,674	17,207	16,836	16,671	18,263	18,798	
Operating Expenses	20,180	19,018	18,950	18,755	19,812	21,646	
Operating profit/(loss)	(2,506)	(1,811)	(2,116)	(2,084)	(1,549)	(2,848)	
Profit/(loss) before taxation	(3,865)	(3,709)	(2,996)	(2,981)	(2,952)	(4,286)	
Profit/(loss) after taxation	(3,954)	(3,795)	(3,080)	(3,064)	(3,043)	(3,576)	
Fixed Assets	87,095	89,285	67,219	67,802	68,505	79,062	
Current Assets	15,222	15,219	12,865	14,566	14,163	18,353	
Current Liabilities	43,211	39,633	30,497	34,891	38,437	41,025	
Long-term Debts	69,483	78,391	51,938	52,310	52,254	62,651	
Net Worth	(4,635)	(8,214)	7,345	4,262	1,246	(788)	
Jet Fuel Prices (Rs. Per US Gallon)	114.28	125.03	113.88	128.26	135.31	118.23	



PAKISTAN INTERNATIONAL AIRLINES CORPORATION

GROUP CONSOLIDATED
FINANCIAL STATEMENTS

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Consolidated Balance Sheet (Un-audited)
As at June 30, 2007

		(Unaudited) June 30, 2007	(Audited) December 31, 2006	(Unaudited) June 30, 2007
	Note	(Rupees in thousand)	(US\$ in thousand)	
ASSETS				
NON - CURRENT ASSETS				
Fixed assets				
Property, plant and equipment	4	112,779,350	102,579,997	1,864,121
Intangibles		2,063,457	2,075,078	34,107
		114,842,807	104,655,075	1,898,228
Long term investments	5	159,684	156,224	2,639
Long term advances and other receivables	6	2,266,310	2,153,902	37,460
Long term deposits and prepayments		3,724,060	3,406,397	61,555
Total non - current assets		120,992,861	110,371,598	1,999,882
CURRENT ASSETS				
Stores and spares	7	3,222,963	3,382,328	53,272
Trade debts		6,630,885	6,521,586	109,601
Advances		1,680,916	552,856	27,784
Trade deposits and prepayments		1,205,258	1,476,145	19,922
Accrued interest		35,656	51,010	589
Other receivables		859,504	1,100,676	14,207
Short term investments		650,943	606,868	10,759
Taxation - net		71,270	261,674	1,178
Cash and bank balances	8	3,754,099	7,079,105	62,051
		18,111,494	21,032,248	299,363
TOTAL ASSETS		139,104,355	131,403,846	2,299,245
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT				
Share capital		19,473,631	19,473,631	321,878
Reserves		4,280,712	4,280,712	70,756
Unrealized gain on remeasurement of investments		23,445	21,013	388
Foreign exchange translation reserve		1,998,090	1,847,591	33,026
Accumulated losses		(30,877,678)	(23,717,778)	(510,375)
		(5,101,800)	1,905,169	(84,327)
MINORITY INTEREST		532,638	520,692	8,804
TOTAL EQUITY		(4,569,162)	2,425,861	(75,523)
Surplus on revaluation of fixed assets - net		3,286,162	3,601,840	54,317
		(1,283,000)	6,027,701	(21,206)
NON - CURRENT LIABILITIES				
Advance against equity from GoP	9	1,057,741	-	17,483
Long term financing	10	27,981,483	18,682,829	462,504
Term finance certificates		12,868,485	13,246,970	212,702
Liabilities against assets subject to finance lease	11	47,921,930	42,503,444	792,098
Long term murabaha		-	-	0
Long term deposits		271,151	261,843	4,482
Deferred liabilities		7,928,235	8,045,670	131,045
Total non - current liabilities		98,029,025	82,740,756	1,620,314
CURRENT LIABILITIES				
Trade and other payables		16,890,478	18,023,185	279,181
Accrued interest / mark-up / profit		847,358	812,278	14,006
Short term borrowings	12	12,300,960	15,543,446	203,322
Tax payable		-	89,299	-
Current portion of:		-	-	-
Long term financing		6,414,720	2,714,555	106,028
Term finance certificates		756,970	756,970	12,512
Liabilities against assets subject to finance lease		4,794,928	3,914,491	79,255
Long term murabaha		352,916	781,165	5,833
Total current liabilities		42,358,330	42,635,389	700,137
CONTINGENCIES AND COMMITMENTS				
TOTAL EQUITY AND LIABILITIES	13	139,104,355	131,403,846	2,299,245

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Consolidated Profit and Loss Account (Un-audited)
For the half year ended June 30, 2007

	Note	Half Year Ended		Quarter Ended		Half-Year Ended
		JUNE 30,	JUNE 30,	JUNE 30,	JUNE 30,	JUNE 30,
		2007	2006	2007	2006	2007
		(Rupees in thousand)				(US\$ in thousand)
Turnover - net	14	38,410,731	36,498,084	19,259,087	19,049,449	634,888
Cost of services						
Aircraft fuel		(14,292,200)	(16,441,597)	(6,870,563)	(8,405,276)	(236,235)
Others	15	(22,500,992)	(19,244,628)	(10,555,374)	(9,680,605)	(371,917)
		(36,793,192)	(35,686,225)	(17,425,937)	(18,085,881)	(608,152)
Gross Profit / (Loss)		1,617,539	811,859	1,833,150	963,568	26,736
Distribution costs		(2,128,529)	(2,220,679)	(994,023)	(1,056,359)	(35,182)
Administrative expenses		(3,036,896)	(2,348,645)	(2,063,536)	(1,558,723)	(50,197)
		(5,165,425)	(4,569,324)	(3,057,559)	(2,615,082)	(85,379)
Loss from operations		(3,547,886)	(3,757,465)	(1,224,409)	(1,651,514)	(58,643)
Finance costs	16	(3,797,911)	(2,473,423)	(2,004,091)	(1,545,408)	(62,775)
Other provisions and adjustments - net		(81,284)	(132,217)	(231,573)	(21,472)	(1,344)
		(3,879,195)	(2,605,640)	(2,235,664)	(1,566,880)	(64,119)
Other operating income		237,338	435,935	156,544	344,879	3,923
Loss before tax		(7,189,743)	(5,927,170)	(3,303,529)	(2,873,515)	(118,839)
Taxation		(302,847)	(84,217)	(210,064)	(18)	(5,006)
Loss after tax		(7,492,590)	(6,011,387)	(3,513,593)	(2,873,533)	(123,845)
Attributable to:						
Shareholders of the holding company		(7,498,475)	(6,033,245)	(3,519,147)	(2,894,884)	(123,942)
Minority interest		5,885	21,858	5,554	21,351	97
		(7,492,590)	(6,011,387)	(3,513,593)	(2,873,533)	(123,845)
Loss per share						
'A' class Ordinary shares (Rupees/US\$)		3.85	3.36	1.69	1.61	0.06
'B' class Ordinary shares (Rupees/US\$)		1.93	1.68	0.85	0.81	0.03

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Consolidated Cash Flow Statement (Un-audited)
For the six months period ended June 30, 2007

	(Unaudited) June 30, 2007	(Unaudited) June 30, 2007
<i>Note</i> (Rupees in thousand) (US\$ in thousand)		
Cash flows from operating activities		
Cash (used in) / generated from operations	17 (2,737,948)	(45,255)
Profit on bank deposits received	124,510	2,058
Deferred custom duty paid	(176,275)	(2,914)
Finance costs paid	(3,731,530)	(61,678)
Taxes paid	(178,715)	(2,954)
Staff retirement benefits paid	(597)	(10)
Compensated absences paid	(6,088)	(101)
Long term deposits - net	(479,092)	(7,919)
Net cash used in operating activities	(7,185,735)	(118,773)
Cash flows from investing activities		
Fixed capital expenditure	(4,096,997)	(67,719)
Proceeds from sale of fixed assets	112,822	1,865
Net cash used in investing activities	(3,984,175)	(65,854)
Cash flows from financing activities		
Advance against Equity	1,057,741	17,483
Proceeds / (repayment) of long term financing	13,012,008	215,075
Redemption of term finance certificates	(378,485)	(6,256)
Repayment of obligations under finance lease	(2,175,625)	(35,961)
Repayment of long term murabaha	(428,249)	(7,078)
Net cash generated from / (used in) financing activities	11,087,390	183,263
Decrease in cash and cash equivalents	(82,520)	(1,364)
Cash and cash equivalents at the beginning of the year	(8,464,341)	(139,906)
Cash and cash equivalents at the end of half year	(8,546,861)	(141,270)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,754,099	62,051
Short term borrowings	(12,300,960)	(203,322)
	(8,546,861)	(141,271)

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Interim Condensed Consolidated Statement of Changes in Equity (Un-audited)
For the half year ended June 30, 2007

Attributable to shareholders of the holding company

Share capital	Capital reserves			Revenue reserves		Minority interest	Total Equity
	Capital reserves	Unrealized gain / (loss) on re-measurement of investments	Foreign exchange translation reserves	Revenue reserves	Accumulated losses		

(Rupees in thousand)

Balance as at January 01, 2006	17,980,659	2,501,038	(15,107)	1,562,720	1,779,674	(11,291,593)	-	12,517,391
Unrealized loss on re-measurement of investments	-	-	(40,035)				-	(40,035)
Loss for the Period	-	-	-			(6,033,245)	1,022	(6,032,223)
Currency translation difference				179,635			(4,959)	174,676
Minority interest arising on acquisition							516,595	516,595
Balance as at June 30, 2006	17,980,659	2,501,038	(55,142)	1,742,355	1,779,674	(17,324,838)	512,658	7,136,404
Balance as at January 01, 2007	19,473,631	2,501,038	21,013	1,847,591	1,779,674	(23,717,778)	520,692	2,425,861
Unrealized gain on re-measurement of investments	-	-	2,432				-	2,432
Loss for the period	-	-	-			(7,498,475)	5,885	(7,492,590)
Currency translation difference				150,499			6,061	156,560
Transfer from surplus on revaluation						338,575		338,575
Balance as at June 30, 2007	19,473,631	2,501,038	23,445	1,998,090	1,779,674	(30,877,678)	532,638	(4,569,162)

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
 Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
 For the six months period ended June 30, 2007

1. STATUS AND ACTIVITY

1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated in Pakistan on April 18, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act) and its shares are quoted on all Stock Exchanges of Pakistan. The registered office is situated at Karachi Airport. Principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services.

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

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

1.3 During the current period, the Group has incurred a net loss of Rs.7,498 (June 30,2006 : Rs.6,033) million resulting in accumulated losses of Rs. 30,878 (Dec 31,2006: Rs. 23,718) million as of the balance sheet date. Further, as of that date the current liabilities of the Group exceeded its current assets by Rs. 24,247 (December 31, 2006: Rs. 21,603) million. In case of PIAC, the holding company, the management has initiated corrective measures to improve the operating results. Further the Ministry of Finance has extended its support by approving a financial restructuring package which is currently in the process of implementation.

The Government of Pakistan (GoP) as a majority shareholder has committed to ensure the going concern status of the holding company at all times. Also, historically support of the GoP is available to the holding company as GoP has already issued guarantees to secure certain long term finance and Term Finance Certificates (TFCs) of the holding company. The GoP had agreed to provide equity contribution to the holding company equivalent to accumulated loss of the holding company as at December 31, 2000, to cover interest / profit payments on long term finances and TFCs. As part of the financial package, an amount of Rs.7,981 (2006: Rs. 6,923) million has been provided to the holding company up to June 30, 2007 against which 692,306,294 (2006: 692,306,294). A class Ordinary Shares of Rs.10 each were issued to GoP up to that date. The remaining 105,774,100 Ordinary Shares are expected to be issued during the current year. Hence, the holding company expects continued financial support of GoP in future as well. In view of the above, the holding company has prepared its financial statements on a going concern basis.

In addition GoP had approved a fleet replacement plan as a result of which the holding company entered into an agreement for purchase of eight new Boeing 777 aircraft. GoP had provided funding of US\$ 150 million (Rs.8,816 million) in the form of equity and guarantees for acquisition of the said aircraft up to December 31, 2006.

During the current period, the holding company was advised by the European Union (EU) that some of its aircraft were temporarily restrained from flying to various countries in Europe. The holding company took necessary steps to address the issues raised by the EU. As a result, subsequent to the balance sheet date, the Air Safety Committee has proposed to the European Committee for the modification of the operational restrictions imposed on the holding company to allow eleven aircraft (out of twenty aircraft subject to the aforesaid restrictions) to operate in the region.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are unaudited but the holding company's accounts are subject to limited scope review by auditors and are being submitted to its shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges and have been prepared in accordance with the requirements of the International Accounting Standard (IAS)-34 "Interim Financial Reporting", as applicable in Pakistan.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at December 31, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and estimates adopted in the preparation of these interim condensed consolidated financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2006, except as mentioned in the holding company's financial statements.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
For the six months period ended June 30, 2007

4. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) June 30, 2007	(Audited) December 31, 2006
	(Rupees in thousand)	
Operating fixed assets (note 4.1)	107,954,372	95,942,231
Capital work-in-progress	4,824,978	6,637,766
	112,779,350	102,579,997
4.1 Following are the major additions and deletions during the current period.		
	(Unaudited) June 30, 2007	(Unaudited) June 30, 2006
Additions /transfers		
Owned		
Buildings on leasehold land	18,775	21,834
Workshops and hangers	465	-
Renovation and improvements	57,637	229,946
Aircraft fleet (note 4.1.1)	3,070,722	694,201
Operating ground equipment, catering communication & meteorological equipment	20,996	15,807
Engineering equipment and tools	51,078	-
Motor transport	5,334	1,356
Traffic equipment	31,232	76,184
Furniture, fixture and fitting	102,796	18,405
Office equipment	531	402
Computer and office automation	53,910	80,398
Other equipment	38,865	17,951
Capital spares	645,483	563,555
	4,097,824	1,720,039
Leased		
Aircraft fleet (note 4.1.2)	10,488,244	18,611,465
	14,586,068	20,331,504
Deletions		
Owned		
Traffic equipment	-	16,066
Renovation and improvements	1,525	-
Aircraft fleet	231,584	-
Operating ground equipment, catering communication & meteorological equipment	3,274	-
Motor transport	480	274
Traffic equipment	3,414	-
Furniture, fixture and fitting	37,853	12,704
Office equipment	435	-
Computer and office automation	520	-
Other equipment	287	-
Capital spares	1,728	40,570
	281,100	69,614
Leased		
Vehicles	2,415	-
	283,515	69,614

4.1.1 This includes four ATR 42 aircraft purchased by the holding company during the current period.

4.1.2 This represents cost of a Boeing 777ER aircraft acquired during the current period in accordance with the fleet replacement plan approved by GoP for the holding company.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
For the six months period ended June 30, 2007

5. LONG TERM INVESTMENTS

	(Unaudited) June 30, 2007	(Audited) December 31, 2006
(Rupees in thousand)		
Investments - at cost		
Associates/Joint Venture	44,136	44,136
Others	115,548	112,088
	<u>159,684</u>	<u>156,224</u>

6. LONG TERM ADVANCES AND OTHER RECEIVABLES

Long term advances	597,310	469,902
Other Receivables - pension funds	1,669,000	1,684,000
	<u>2,266,310</u>	<u>2,153,902</u>

7. STORES AND SPARES

Stores	795,928	839,848
Spares	3,870,755	3,387,842
	<u>4,666,683</u>	<u>4,227,690</u>
Less: provision for slow moving stores and spares	1,694,339	1,604,338
	<u>2,972,344</u>	<u>2,623,352</u>
Inventory held for disposal	2,198,381	2,266,825
Less: adjustment to write down surplus inventory to net realizable value	2,166,515	1,935,827
	<u>31,866</u>	<u>330,998</u>
Goods-in-transit	218,753	427,978
	<u>3,222,963</u>	<u>3,382,328</u>

8. CASH AND BANK BALANCES

With banks		
In current accounts		
Collection (8.1)	3,967,793	4,589,327
Overdrawn bank balances	(1,048,214)	(684,597)
	<u>2,919,579</u>	<u>3,904,730</u>
In short term deposits accounts	771,271	3,062,339
	<u>3,690,850</u>	<u>6,967,069</u>
In hand	11,848	6,586
In transit	51,401	105,450
	<u>3,754,099</u>	<u>7,079,105</u>

8.1 This includes holding company's sum of Rs. 0.697 (2006: Rs. 1.700) million placed with a bank in Libya, which is currently not repatriable due to restrictions imposed by the Libyan Government.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
For the six months period ended June 30, 2007

9. ADVANCE AGAINST EQUITY FROM GoP

This represents the amount received from GoP towards equity contribution under the terms of Financial Package, as disclosed in note 1.3 to these interim consolidated financial statements.

10. LONG TERM FINANCING - secured

Financier	Limit (Rupees in million)	Repayment Period	Number of instalments/ mode	Mark-up %	(Unaudited) June 30, 2007	(Audited) December 31, 2006
(Rupees in thousand)						
From Banking Companies						
United Bank Limited	1,650	2005 - 2009	6 Half-yearly	6 months KIBOR + 0.79%	1,486,007	1,621,098
Citibank / DVB Bank	6,603	2006 - 2008	Note 10.1	1 month KIBOR + 0.77%	2,674,161	3,491,443
Habib Bank Limited	530	2006 - 2009	36 Monthly	1 month KIBOR + 1.5%	353,333	456,389
Citibank, N.A.	4,985	2006 - 2016	20 Half-yearly	5.28%	4,774,826	2,180,178
Habib Bank Limited	200	2006 - 2009	36 Monthly	1 month KIBOR + 1.75%	155,555	194,444
ABN Amro Bank	3,099	2009 - 2013	19 Quarterly	3 months KIBOR + 1.6%	3,084,031	1,556,842
NBP/HBL	7,260	Bullet	1 Bullet	3 months LIBOR + 1.325%	7,260,000	-
Standard Chartered Bank Dubai	3,025	2007-2009	12 Quarterly	3 months LIBOR + 1.325%	2,772,917	-
J. P. Morgan Chase	6,087	2006-2009	Variable	6.025% p.a.	5,846,759	5,882,516
J. P. Morgan Chase	3,652	2006-2009	Variable	6.025% p.a.	3,630,000	3,652,200
Honk Kong Shangai Banking Company CCF	2,362	2004-2012	Variable	3 months EURIBOR + 1.15%	2,358,614	2,362,274
					34,396,203	21,397,384
Less : current portion					6,414,720	2,714,555
					27,981,483	18,682,829

10.1 The said finance is in the assignment of the purchase contract, relating to a B777 ER aircraft. The repayment is to be made at the time of the delivery of the said aircraft.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Present value of future rental obligations - aircraft fleet		
A-310	5,364,641	5,665,539
B-777ER	32,793,948	25,540,393
B-777LR (11.1)	14,485,632	15,118,103
	52,644,221	46,324,035
Present value of future rental obligations - vehicles (MT,TGS)		
	72,637	93,900
	52,716,858	46,417,935
Less: current portion	4,794,928	3,914,491
	47,921,930	42,503,444

11.1 During the year ended December 31, 2006, the holding company arranged an Ex-Im Bank guaranteed financing of US\$ 472 million to acquire three B-777ER aircraft from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands. The guaranteed lender is ABN AMRO Bank. The salient features of the lease are as under:

Discount rate - aircraft	3 months LIBOR - 0.04%	3 months LIBOR - 0.04%
Lease period - aircraft	144 months	144 months
Lease period - engine	96 months	96 months
Security deposits (Rs. in '000')	319,568	319,568

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
For the six months period ended June 30, 2007

12. SHORT TERM BORROWINGS

	(Unaudited) June 30, 2007	(Audited) December 31, 2006
	(Rupees in thousand)	
Secured		
Short term loans (note 12.1)	10,165,416	14,580,244
Running finance under mark-up arrangements (note 12.2)	2,135,544	963,202
	12,300,960	15,543,446

12.1 Short term loans - secured

Financier	Security	Repay- ment period	Markup %		
From Banking Companies					
Citibank - Karachi*	GoP Guarantee	3 months	1 month KIBOR + 0.25%	2,000,000	2,000,000
United Bank Limited - Dubai	UAE Receivables	1 Year	1 month LIBOR + 2%	-	58,840
National Bank of Pakistan - Bahrain	GoP Guarantee	1 Year	1 month LIBOR + 0.6%	-	4,260,900
Habib Bank Limited - Export Processing Zone					
Standard Chartered Bank - Dubai	GoP Guarantee	1 Year	1 month LIBOR + 0.5%	4,265,812	3,043,500
Standard Chartered Bank - Dubai	GoP Guarantee	3 months	1 months LIBOR + 1.325%	-	1,217,400
Habib Bank Limited - Karachi	Hypothecation charge over current assets	6 months	1 month KIBOR + 0.5%	900,000	1,000,000
Standard Chartered Bank - Karachi	GoP Guarantee	6 months	6 months KIBOR + 0.75%	2,999,604	2,999,604
				10,165,416	14,580,244

* The holding company intends to restructure this facility as a long term loan.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
For the six months period ended June 30, 2007

12.2 Running finance under mark-up arrangements - secured

Financier	Security	Repay- ment period	Mark-up Rate %	(Unaudited) June 30, 2007	(Audited) December 31, 2006
(Rupees in thousand)					
From Banking Companies					
United Bank Limited - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	1 month KIBOR + 1.50%	1,560,544	365,372
National Bank of Pakistan - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	1 month KIBOR + 1.25%	575,000	50,000
Habib Allied International Bank Limited - London	Receivables in Europe	1 Year	1 month KIBOR + 2.25%	-	547,830
				2,135,544	963,202

The facilities for short term running finances from banks amounted to Rs.2,480 million (December 31, 2006: Rs. 6,380 million) as at the end of the current period. The re-purchase prices are repayable on various dates, during the year.

The rate of mark-up ranges between 10.65% and 11.50% (December 31, 2006: 5.50% and 11.50%) per annum, payable monthly, quarterly or semi-annually.

Facilities aggregating to Rs.344 million (December 31, 2006: Rs. 1,417 million) remained un-utilized as of the balance sheet date.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- a) Civil Aviation Authority (CAA), Pakistan has claimed from holding company additional amounts aggregating to Rs.4,295 (December 31, 2006 : Rs. 4,135) 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 has been made in this regard for any liability that may arise as a result of the above, in these financial statements.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
 Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
 For the six months period ended June 30, 2007

- b) The Collector Central Excise had raised demand of Rs.717 (December 31, 2006: Rs. 1,046) million in respect of duties levied on tickets provided by the holding company to its staff either free of charge or at concessional rates, non-availability of invoices, import related to miscellaneous consignment, 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 holding company has already paid an amount of Rs.100(December 31,2006: Rs.100) million, which is considered fully recoverable by the management. During the period, the claim of Rs.329 million in respect of duties levied on repair / replacement of re-imported aircraft engines was settled for Rs.79 million, which has been provided by the holding company. Moreover, the holding company has filed appeals with the Customs, Central Excise and Sales Tax Tribunal, which are pending adjudication. Management is confident that the decision would be made in holding company's favour. Consequently, no provision has been made in these financial statements.
- c) The management of Sky Rooms (Private) Limited is contesting demand raised by Civil Aviation against the company, which the contender is claiming with retrospective effects for the past several years. The aggregate claim works out to about Rs. 50 million. The management is in the process of settlement and is confident that based on the progress of the negotiation the outcome will be in favour of the company.
- d) There has been no change in the status of other contingencies as disclosed in the annual financial statements for the year ended December 31, 2006.

13.2 Commitments

- a) Commitments for purchase of aircraft amounted to Rs. 7.921 (Dec. 2006: Rs.23,842) million.
- b) Commitments for capital expenditure amounted to Rs.17.2 (Dec. 2006: Rs.10.6) million.
- c) Outstanding letters of credit amounted to Rs.86 (Dec. 2006: Rs.141) million.
- d) Outstanding letters of guarantee amounted to Rs.194 (Dec. 2006: Rs.141) million.
- e) Commitments for rentals under operating lease agreements in respect of aircraft as at June 30, 2007 amounted to Rs. 7,596 (December 31, 2006: Rs. 962.7)million payable as follows:

YEARS	(Rupees in million)
2007	585
2008	779
2009	779
2010	779
2011	779
2012	779
2013	779
2014	779
2015	779
2016	779
	<u>7,596</u>

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
For the six months period ended June 30, 2007

14. TURNOVER - net

	Half year ended		Quarter ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(Rupees in thousand)			
Passenger	30,747,005	28,706,131	15,053,739	14,126,466
Cargo	2,284,340	2,613,628	1,205,576	1,415,251
Excess baggage	415,605	383,444	188,862	168,057
Charter	84,965	243,511	13,674	124,747
Engineering services	319,195	623,107	160,609	436,410
Handling and related services	436,468	432,630	269,887	192,089
Mail & telephone	170,243	148,570	84,763	72,304
Rooms sales	2,616,810	2,203,404	1,534,402	1,755,841
Food & beverages	682,352	575,327	349,769	437,808
Shop and other rentals	153,952	129,528	115,093	113,460
Others	499,796	438,804	282,713	207,016
	38,410,731	36,498,084	19,259,087	19,049,449

15. COST OF SERVICES - others

Salaries, wages and allowances	3,518,717	2,845,850	1,739,139	1,682,880
Welfare and social security costs	130,094	98,615	28,616	27,494
Retirement benefits	223,851	153,441	109,243	11,886
Compensated absences	6,012	5,923	4,212	1,232
Legal and professional charges	56,121	45,242	41,391	28,136
Stores and spares consumed	841,441	1,160,241	234,860	532,441
Maintenance and overhaul	3,374,037	2,713,756	1,798,741	1,401,991
Flight equipment rental	2,298,336	1,486,209	894,422	341,763
Landing and handling	4,122,010	3,912,735	2,035,982	1,878,876
Passenger services	1,427,201	1,387,468	681,119	747,106
Crew layover	1,064,875	951,659	545,406	488,747
Hotel running expenses	1,343,142	1,303,482	659,024	791,432
Staff training	37,537	39,410	16,091	16,796
Food cost	786,716	719,403	372,030	485,671
Utilities	15,106	12,818	8,132	9,452
Communication	33,265	36,962	18,343	23,415
Insurance	538,519	524,535	274,247	261,257
Rent, rates and taxes	143,030	151,577	71,999	82,898
Repair and maintenance	62,589	88,077	35,951	57,718
Printing and stationery	67,033	46,939	51,179	30,630
Amortization	1,238	862	619	464
Depreciation	2,304,635	1,464,169	893,554	731,012
Others	105,487	95,255	41,074	47,308
	22,500,992	19,244,628	10,555,374	9,680,605

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
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For the six months period ended June 30, 2007

16. FINANCE COSTS

	Half year ended		Quarter ended	
	(Unaudited) June 30, 2007	(Unaudited) June 30, 2006	(Unaudited) June 30, 2007	(Unaudited) June 30, 2006
	(Rupees in thousand)			
Mark-up on long term financing	750,668	591,252	375,622	486,948
Profit on term finance certificate	680,962	682,574	339,703	330,993
Interest on liabilities against assets subject to finance leases	1,380,078	810,130	717,562	483,364
Mark-up on long term murabaha	34,353	59,443	15,763	32,826
Mark-up on short-term borrowings	759,225	245,353	432,022	167,558
Arrangement, agency and commitment fee	168,691	63,977	112,378	33,863
Bank charges, guarantee commission and other related charges	23,934	20,694	11,041	9,856
	3,797,911	2,473,423	2,004,091	1,545,408

CASH (USED IN) / GENERATED FROM OPERATIONS

	(Unaudited) June 30, 2007	(Unaudited) June 30, 2007
	(Rupees in thousand)	(US\$ in thousand)
Loss before tax	(7,189,743)	(118,839)
Adjustments for:		
Depreciation	2,708,674	44,771
Gain on disposal of fixed assets	(75,109)	(1,241)
Amortization	15,810	261
Provision for stores and spares	320,688	5,301
Provision for employees' benefits	247,328	4,088
Provision for doubtful debts	164,319	2,716
Finance costs	3,796,323	62,749
Profit on bank deposits	(109,156)	(1,804)
	(120,866)	(1,998)
Working capital changes		
(Increase) in stores and spares	(161,331)	(2,667)
Decrease in trade debts	203,379	3,362
(Increase) / decrease in advances	(1,138,678)	(18,821)
(Increase) in trade deposits and prepayments	(321,625)	(5,316)
Decrease in other receivables	44,637	738
(Decrease) in trade and other payables	(1,243,464)	(20,553)
	(2,617,082)	(43,257)
Cash (used in) / generated from operations	(2,737,948)	(45,255)

AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on August 30, 2007.



PAKISTAN INTERNATIONAL AIRLINES CORPORATION
Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)
For the six months period ended June 30, 2007

19. GENERAL

- 19.1** Figures have been rounded off to the nearest thousand rupee.
- 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. 60.50 = US\$ 1 solely for convenience purposes and have not been subject to limited scope review by the auditors.

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director



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