



# Quarterly Report

## Jan-Mar 2008

 **PIA**  
Pakistan International  
*Come Fly With Us*

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PAKISTAN INTERNATIONAL AIRLINES CORPORATION  
CORPORATE PROFILE

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as at April 28, 2008

### Board of Directors

**Mr. Kamran Rasool**

Secretary Defence and Chairman

**Mr. Mueen Afzal**

**Syed Mohammad Fazal Agha**

**Malik Nazir Ahmad**

**Mr. Shahzad M. Husain**

**Mr. Mubashir Iftikhar**

**Mr. M. Hidayatulla Khan Khaishgi**

**Maj. Gen. Mir Haider Ali Khan**

Additional Secretary-I,  
Ministry of Defence

**Dr. Waqar Masood Khan**

Secretary Finance

**Mr. Javed Saifullah Khan**

**Mr. Farooq Rahmatullah**

Director General CAA

### Managing Director

Mr. Aslam R. Khan

### Chief Financial Officer

Mr. Arif Majeed

### Corporate Secretary

Mr. Muhammad Shuaib

### Chief Internal Auditor

Mr. Shehrzad Aminullah

### Audit Committee

**Mr. Mueen Afzal**

Chairman

**Malik Nazir Ahmad**

**Mr. Shahzad M. Husain**

**Mr. Mubashir Iftikhar**

**Maj. Gen. Mir Haider Ali Khan**

**Mr. Shehrzad Aminullah**

Secretary

### Auditors

Messrs Anjum Asim Shahid Rahman

Messrs Ford Rhodes Sidat Hyder & Co.

### Share Registrar

Corporate Support Services (Pvt.) Ltd.

4th Floor, Al-Ameera Centre

Shahrah-e-Iraq, Saddar

Karachi – 74100

PAKISTAN

Ph. 5662023, 5662024 Fax. 5221192

### Head Office

PIA Building

Jinnah International Airport

Karachi – 72500

PAKISTAN

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

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**DIRECTORS' REPORT TO THE SHAREHOLDERS**

\* The Directors of Pakistan International Airlines present their report along with condensed financial statements (un-audited) for the first quarter ended March 31, 2008.

\* Financial results for the first quarter are summarized below:

**Quarter Ended March 31**  
**2008                      2007**  
**(Rs. in million)**

Revenue	<b>17,826</b>	17,679
Cost and Expenditure	<b>19,801</b>	20,181
Financing Cost	<b>1,904</b>	1,569
(Other Income)/Provision – net	<b>1,518</b>	(206)
Loss before tax	<b>5,398</b>	3,865
Loss after tax	<b>5,487</b>	3,954

\* The Corporation faced further pressure from the steep hike in oil prices and adverse movement in foreign exchange rate. However, the airline was able to maintain its position on the revenue front. The domestic seat factor improved to 71.2% as compared to 60.2% during the same period last year. International seat factor was 71.9% as compared to 72.6% during the same period last year. The system seat factor including non-scheduled operation was 69.0% (2007: 67.9%). The domestic cargo load factor was 45.6% as compared to 25.5% during same period last year whereas International cargo load factor was 56.0% as compared to 57.5% during the same period last year. The system cargo load factor was 54.4% (2007:51.4%).

\* The revenue for the period increased by 0.8% inspite of competition and curtailment/rationalization of capacity on some of the non performing sectors. The average into-plane fuel price paid by PIA rose 53% over the same period last year whereas the fuel quantity reduced by 24%. Consequently, the fuel bill increased by Rs. 1.23 billion. Other operating costs decreased by 12.6%. The increase of 21.4% in financing cost was meant to support fleet modernization and to finance operating losses. In addition, the Corporation suffered an extra burden of Rs.1.8 billion due to unfavourable foreign exchange rates.

\* To counter the adverse financial situation, the Corporation has been taking steps to strengthen the business through fleet renewal, increased fuel efficiency, restrictive use of older fleet, route rationalization, improved revenue management and E-ticketing. During the period, the Corporation acquired one Boeing 777-300ER under Ex-Im Bank guaranteed financing while three Boeing 747 aircraft were withdrawn from operation and advertised for disposal. The process of optimizing revenues is being pursued vigorously by identifying poorly performing routes and enhancing yields through aggressive revenue management. The airline has also been focussing on measures to cut non-fuel costs.

\* The performance of Corporation's subsidiaries remained satisfactory. PIAL (a 99% owned subsidiary) reported a revenue of US\$ 28.7 million (2007:US\$ 24.5 million) and earned an after tax profit of US\$ 2.8 million (2007: US\$ 0.5 million loss). Another subsidiary, Sky Rooms (Pvt.) Limited (a 100% owned subsidiary) reported a revenue of Rs. 46.5 million (2007:Rs.45.5 million) and an after tax profit of Rs.0.5 million (2007: Rs.7.4 million).

\* The PIA Board is seriously concerned about the present financial situation and is taking every possible step to overcome the adversities. The Board is confident that with the continued support of the Government of Pakistan, valued customers and employees, the airline would be able to overcome the challenges.

For and on behalf of the Board

**Kamran Rasool**  
 Chairman

April 28, 2008

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH 31, 2008**

	Note	MAR-2008 (Rupees in thousand)	DEC-2007	MAR-2008 (US\$ in thousand)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
<b>Fixed assets</b>				
Property, plant and equipment	3	100,876,314	95,497,151	1,607,591
Intangibles		96,288	103,475	1,534
		100,972,602	95,600,626	1,609,125
Long term investments		4,525,698	4,540,229	72,123
Long term advances and other receivables		1,321,000	1,283,000	21,052
Long term deposits and prepayments		4,781,500	4,098,388	76,199
<b>Total non - current assets</b>		111,600,800	105,522,243	1,778,499
<b>CURRENT ASSETS</b>				
Stores and spares	4	3,158,044	3,251,940	50,327
Trade debts	5	6,087,373	5,012,778	97,010
Advances		756,085	604,470	12,049
Trade deposits and prepayments		944,002	1,023,312	15,044
Accrued interest		43,348	32,789	691
Other receivables		1,554,550	1,043,971	24,774
Short term investments		32,371	32,093	516
Taxation - net		495,719	274,518	7,900
Cash and bank balances		1,164,476	1,975,459	18,557
<b>Total current assets</b>		14,235,968	13,251,330	226,868
<b>TOTAL ASSETS</b>		125,836,768	118,773,573	2,005,367
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Share capital		20,878,074	20,878,074	332,718
Reserves		4,280,712	4,280,712	68,219
Unrealized gain on remeasurement of investments - net		86,645	97,366	1,381
Accumulated losses		(42,416,412)	(37,159,711)	(675,959)
<b>Total equity</b>		(17,170,981)	(11,903,559)	(273,641)
Surplus on revaluation of fixed assets - net		822,273	972,040	13,104
		(16,348,708)	(10,931,519)	(260,537)
<b>NON - CURRENT LIABILITIES</b>				
Advance against equity from GoP	6	350,591	-	5,587
Long term financing	7	18,530,489	17,037,075	295,307
Term finance certificates		8,578,990	10,723,738	136,717
Liabilities against assets subject to finance lease	8	56,101,764	46,524,024	894,052
Long term deposits		300,875	321,547	4,795
Deferred liabilities		3,125,166	3,049,166	49,804
<b>Total non - current liabilities</b>		86,987,875	77,655,550	1,386,262
<b>CURRENT LIABILITIES</b>				
Trade and other payables		20,029,150	20,055,163	319,189
Accrued interest / mark-up / profit		740,140	978,317	11,795
Short term borrowings		21,990,405	18,105,884	350,445
Current portion of:				
Long term financing		2,486,108	5,662,451	39,619
Term finance certificates		4,289,495	2,523,232	68,358
Liabilities against assets subject to finance lease		5,662,303	4,724,495	90,236
<b>Total current liabilities</b>		55,197,601	52,049,542	879,642
<b>CONTINGENCIES AND COMMITMENTS</b>				
<b>TOTAL EQUITY AND LIABILITIES</b>	9	125,836,768	118,773,573	2,005,367

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

**Kamran Rasool**  
Chairman

**Mueen Afzal**  
Director

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

	Note	MAR-2008 (Rupees in thousand)	MAR-2007	MAR-2008 (US\$ in thousand)
<b>REVENUE - Net</b>	10	17,825,737	17,678,974	284,075
<b>COST OF SERVICES</b>				
Aircraft fuel		(8,649,113)	(7,421,637)	(137,834)
Others	11	(8,955,106)	(10,655,383)	(142,711)
		<b>(17,604,219)</b>	<b>(18,077,020)</b>	<b>(280,545)</b>
<b>GROSS PROFIT/(LOSS)</b>		<b>221,518</b>	<b>(398,046)</b>	<b>3,530</b>
Distribution costs		(1,192,569)	(1,134,506)	(19,005)
Administrative expenses		(1,004,198)	(969,360)	(16,003)
Other provisions and adjustments - net		(1,842,952)	150,289	(29,370)
		<b>(4,039,719)</b>	<b>(1,953,577)</b>	<b>(64,378)</b>
Other operating income		324,592	55,528	5,173
<b>LOSS FROM OPERATION</b>		<b>(3,493,609)</b>	<b>(2,296,095)</b>	<b>(55,675)</b>
Finance costs	12	(1,904,374)	(1,569,186)	(30,349)
<b>LOSS BEFORE TAXATION</b>		<b>(5,397,983)</b>	<b>(3,865,281)</b>	<b>(86,024)</b>
Taxation		(89,129)	(88,395)	(1,420)
<b>LOSS AFTER TAXATION</b>		<b>(5,487,112)</b>	<b>(3,953,676)</b>	<b>(87,444)</b>
		<b>(Rupees)</b>		<b>(US\$)</b>
<b>LOSS PER SHARE</b>				
'A' class ordinary shares of Rs.10 each		(2.63)	(2.03)	(0.04)
'B' class ordinary shares of Rs.5 each		(1.32)	(1.01)	(0.02)

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

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

Note	MAR-2008 (Rupees in thousand)	MAR-2007 (US\$ in thousand)	MAR-2008 (US\$ in thousand)
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	13 (3,583,558)	(3,300,184)	(57,108)
Profit on bank deposits received	69,981	13,264	1,115
Deferred custom duty paid	-	(54,361)	-
Finance costs paid	(2,142,551)	(1,793,321)	(34,144)
Taxes paid	(223,547)	(94,035)	(3,563)
Compensated absences paid	-	(6,088)	-
Long term deposits - net	(703,784)	(524,229)	(11,216)
Net cash used in operating activities	(6,583,459)	(5,758,954)	(104,916)
<b>Cash flows from investing activities</b>			
Fixed capital expenditure	(7,145,800)	(9,343,001)	(113,877)
Proceeds from sale of fixed assets	229,030	(3,748)	3,650
Investments - net	-	29,227	-
Net cash used in investing activities	(6,916,770)	(9,317,522)	(110,227)
<b>Cash flows from financing activities</b>			
Advance against Equity	350,591	376,779	5,587
Proceeds / (repayment) of long term financing	(1,682,929)	960,627	(26,820)
Redemption of term finance certificates	(378,485)	(378,485)	(6,032)
Proceeds from obligations under finance lease	10,515,548	7,375,165	167,578
Repayment of long term murabaha	-	(214,819)	-
Net cash generated from/(used in) financing activities	8,804,725	8,119,267	140,313
Decrease in cash and cash equivalents	(4,695,504)	(6,957,209)	(74,830)
Cash and cash equivalents at the beginning of the year	(16,130,425)	(10,083,522)	(257,059)
Cash and cash equivalents at the end of the quarter	(20,825,929)	(17,040,731)	(331,889)
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	1,164,476	1,264,390	18,556
Short term borrowings	(21,990,405)	(18,305,121)	(350,445)
	(20,825,929)	(17,040,731)	(331,886)

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

**Kamran Rasool**  
Chairman

**Mueen Afzal**  
Director

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

	Share capital	Capital reserves	Revenue reserves	Unrealized gain / (loss) on re-measurement of investment	Accumulated losses	Total equity
.....(Rupees in thousands).....						
<b>Balance as at December 31, 2006</b>	19,473,631	2,501,038	1,779,674	21,013	(24,563,386)	<b>(788,030)</b>
Issue of share capital 'A' class ordinary shares	1,404,443	-	-	-	-	<b>1,404,443</b>
Unrealized gain on re-measurement of investments	-	-	-	76,353	-	<b>76,353</b>
Loss for the Year	-	-	-	-	(13,398,706)	
Less: Transfer from surplus on revaluation					802,382	
					(12,596,324)	<b>(12,596,324)</b>
<b>Balance as at December 31, 2007</b>	<b>20,878,074</b>	<b>2,501,038</b>	<b>1,779,674</b>	<b>97,366</b>	<b>(37,159,710)</b>	<b>(11,903,558)</b>
Unrealized loss on re-measurement of investments	-	-	-	(10,721)	-	<b>(10,721)</b>
Loss for the Quarter	-	-	-	-	(5,487,112)	
Less: Transfer from surplus on revaluation					230,410	
					(5,256,702)	<b>(5,256,702)</b>
<b>Balance as at March 31, 2008</b>	<b>20,878,074</b>	<b>2,501,038</b>	<b>1,779,674</b>	<b>86,645</b>	<b>(42,416,412)</b>	<b>(17,170,981)</b>

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

**Kamran Rasool**  
Chairman

**Mueen Afzal**  
Director



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**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

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**1. STATUS AND FUNCTION**

1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under PIAC Ordinance 1955 which was subsequently repealed and replaced by Pakistan International Airlines Corporation Act, 1956. The shares of the Corporation are quoted on all Stock Exchanges of Pakistan and are eligible Security for Central Depository System of Central Depository Company of Pakistan Limited. The Head Office is situated at Karachi Airport. Principal function of the Corporation is to provide and further develop safe, efficient, adequate, economical and properly coordinated air-transport services, internal as well as international. In discharging its functions, the Corporation has careful regard to business principles.

1.2 The Government of Pakistan (GoP) as a majority shareholder has committed to ensure the going concern status of the Corporation at all times. As a result of the adverse financial position of the Corporation during the last few years, the Ministry of Finance, after considering the financial constraints and future funding requirements of the Corporation agreed to jointly develop a robust operational and financial restructuring plan with the objective of converting the Corporation into a profitable entity. At the same time, the Ministry of Finance assured that the Government of Pakistan (GoP), as a majority shareholder, would extend all necessary support.

Consequently, the Corporation commenced process of operational and financial restructuring, seeking financial support from the Government for taking various measures, which includes: debt restructuring, sale of PIA Investment Limited Hotels, sale of non-core assets, including land and building at various locations, fleet modernization, marketing efforts, route rationalization, improved non-core businesses and organizational strengthening.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

These financial statements are un-audited 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 Standards (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and shall be read in conjunction with the annual audited financial statements of the Corporation for the year ended December 31, 2007.

The accounting policies, estimates and methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the Corporation for the year ended December 31, 2007.

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**3. PROPERTY, PLANT AND EQUIPMENT**

	MAR-2008	DEC-2007
	(Rupees in thousand)	
Operating fixed assets (note 3.1)	99,203,601	88,075,893
Capital work-in-progress	1,672,713	7,421,258
	<b>100,876,314</b>	<b>95,497,151</b>

3.1 Following are the major additions and deletions during the quarter:

	MAR-2008	MAR-2007
<b>Addition / transfers</b>		
<b><u>Owned</u></b>		
Buildings on leasehold land	9,146	3,222
Renovation and improvements	5,669	2,810
Aircraft fleet / Engines	115,766	708,597
Operating ground equipment, Catering Communication & meteorological equipment	672	-
Engineering equipment and tools	2,260	13,511
Motor transport	1,237	-
Traffic equipment	12,698	617
Furniture, fixture and fitting	7,735	197
Office equipment	121	106
Computer and office automation	7,257	8,229
Other equipment	23,658	34,285
Capital spares	157,839	346,066
	<b>344,058</b>	<b>1,117,640</b>
<b><u>Leased</u></b>		
Aircraft fleet / Engines (3.1.1)	12,526,999	10,445,849
	<b>12,871,057</b>	<b>11,563,489</b>
<b>Deletions</b>		
<b><u>Owned</u></b>		
Land	(103)	-
Operating ground equipment, Catering Communication & meteorological equipment	(24)	-
Motor transport	(2,524)	-
Furniture, Fixture and fitting	(239)	-
Office equipment	(30)	-
Computer and office automation	(64)	-
Capital spares	(7,122)	1,726
	<b>(10,103)</b>	<b>1,726</b>
<b><u>Leased</u></b>		
Vehicles	(1,674)	-
	<b>(11,777)</b>	<b>1,726</b>

3.1.1 This represents one Boeing 777-300ER aircraft/engine acquired under finance lease arrangements during the current period.

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**4. STORES AND SPARES**

	MAR-2008	DEC-2007
	(Rupees in thousand)	
Stores	821,825	849,517
Spares	4,026,760	3,986,246
	4,848,585	4,835,763
Less: provision for slow moving stores and spares (note 4.1)	(2,021,321)	(1,930,146)
	2,827,264	2,905,617
Inventory held for disposal	2,207,092	2,207,092
adjustment to write down		
surplus inventory to net realizable value	(1,944,538)	(1,944,538)
	262,554	262,554
Goods-in-transit	68,226	83,769
	<b>3,158,044</b>	<b>3,251,940</b>

**4.1 Movement in provision is as follows:**

Balance at the beginning of the year	1,930,146	1,604,338
Transferred to inventory held for disposal	-	(8,712)
Provision made during the Quarter	91,175	334,520
Balance at the end of the Quarter	<b>2,021,321</b>	<b>1,930,146</b>

**5. TRADE DEBTS**

	MAR-2008	DEC-2007
	(Rupees in thousand)	
<b>Considered good</b>	<b>6,087,373</b>	5,012,778
<b>Considered doubtful</b>	<b>721,000</b>	721,000
Less: provision for doubtful debts	<b>721,000</b>	721,000
	-	-
	<b>6,087,373</b>	<b>5,012,778</b>

5.1 Trade debts include debts due from Government agencies, other airlines and International Air Transport Association's (IATA) approved agents. Certain portion of trade debts is secured by bank guarantees received from agents but due to very large number of agents all over the world the amount of secured debts is not determinable.

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**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

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**6. ADVANCE AGAINST EQUITY FROM GoP.**

This represents the amount received from GoP towards equity contribution under the terms of financial package whereby GoP had agreed to provide equity contribution to the Corporation to cover interest/profit payments on TFCs.

**7. LONG TERM FINANCING**

During the quarter, the Corporation has arranged the following long term financing:

- a. A US\$ 20 million loan from National Bank, Bahrain, at six month LIBOR plus spread against the lien over receivables in Saudi Arabia, payable in 24 equal monthly instalments starting from the full drawdown of US\$ 50 million.
- b. A US\$ 10 million loan from Habib Allied International Bank, London at one month LIBOR plus spread against lien over receivables at European stations payable in 12 equal monthly instalments commencing from June 2008.

**8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

During the quarter the Corporation has arranged an Ex-Im Bank guaranteed financing of US\$ 172 million to acquire one Boeing B-777-300ER aircraft and an engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands, at LIBOR-0.04% payable in quarterly instalments in 144 and 96 months for aircraft and engine respectively. The guaranteed lender is ABN Amro Bank. The ownership of these aircraft and engine will be transferred to the Corporation by the end of lease term.

All other liabilities against assets subject to finance lease are the same as reported in the financial statements as at December 31, 2007 subject to repayment as per terms and conditions agreed.

**9. CONTINGENCIES AND COMMITMENTS**

There has been no change in the status of contingencies and commitments as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2007.

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**10. REVENUE - net**

	MAR-2008	MAR-2007
	(Rupees in thousand)	
Passenger	15,895,923	15,693,266
Cargo	1,096,348	1,078,764
Excess baggage	222,240	226,743
Charter	62,554	71,291
Engineering services	121,632	158,586
Handling and related services	143,889	166,581
Mail	73,641	74,191
Others	209,510	209,552
	<b>17,825,737</b>	<b>17,678,974</b>

**11. COST OF SERVICES - others**

Salaries, wages and allowances	1,917,581	1,765,941
Welfare and social security costs	112,300	97,717
Retirement benefits	136,131	114,608
Compensated absences	24,000	1,800
Legal and professional charges	17,603	14,730
Stores and spares consumed	454,782	605,758
Maintenance and overhaul	777,257	1,568,348
Flight equipment rental	266,269	1,403,914
Landing and handling	1,900,675	2,086,028
Passenger services	602,692	746,082
Crew layover	453,992	519,469
Staff training	13,564	21,446
Utilities	4,463	2,408
Communication	16,906	14,871
Insurance	322,876	264,251
Rent, rates and taxes	83,601	69,441
Repair and maintenance	41,309	26,638
Printing and stationery	22,888	15,739
Amortization	689	619
Depreciation	1,720,604	1,251,163
Others	64,924	64,412
	<b>8,955,106</b>	<b>10,655,383</b>

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**12. FINANCE COSTS**

	MAR-2008	MAR-2007
	(Rupees in thousand)	
Mark-up on long term financing	371,428	150,411
Profit on term finance certificates	349,476	341,259
Interest on liabilities against assets subject to finance lease	661,442	662,516
Mark-up on long term murabaha	3,092	18,590
Mark-up on short-term borrowings	470,595	327,203
Interest to pension / provident funds	14,813	-
Arrangement, agency and commitment fee	24,449	56,313
Bank charges, guarantee commission and other related charges	9,079	12,893
	<b>1,904,374</b>	<b>1,569,185</b>

**13. CASH (USED IN) / GENERATED FROM OPERATIONS**

Loss before tax	(5,397,983)	(3,865,281)
Adjustments for:		
Depreciation	1,762,092	1,302,916
Scrappage	1,453	-
Gain/(Loss) on disposal of fixed assets	(225,938)	3,748
Amortization	7,187	7,795
Provision against stores and spares	91,175	-
Finance costs	1,904,374	1,569,185
Profit on bank deposits	(80,540)	(56,119)
	<b>(1,938,180)</b>	<b>(1,037,756)</b>
<b>Working capital changes</b>		
(Increase)/Decrease in stores and spares	2,720	(582,206)
(Increase) in trade debts	(1,074,595)	(25,676)
(Increase)in advances	(151,615)	(403,591)
(Increase)/Decrease in trade deposits and prepayments	79,310	(22,731)
(Increase) in other receivables	(510,579)	(55,967)
Increase/(Decrease) in trade and other payables	9,381	(1,172,257)
	<b>(1,645,378)</b>	<b>(2,262,428)</b>
Cash (used in) / generated from operations	<b>(3,583,558)</b>	<b>(3,300,184)</b>

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**14. TRANSACTIONS WITH RELATED PARTY**

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

	MAR-2008	MAR-2007
	(Rupees in thousand)	
<b>Retirement funds</b>		
Contribution	148,695	133,297
Interest on advances	14,813	-

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

**15. RELATED PARTY RELATIONSHIP**

The Corporation has related party relationships with the following undertakings:

	MAR-2008	MAR-2007
- Sky Rooms (Private) Limited	Subsidiary	Subsidiary
- Midway House (Private) Limited (under winding-up)	Subsidiary	Subsidiary
- PIA Investment Limited (PIAIL)	Subsidiary	Subsidiary
- Abacus Distribution Systems Limited	Joint Venture	Joint Venture
- Minhal Incorporated - Sharjah	Associate	Associate

**16. AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue in the Board of Directors meeting held on April 28, 2008.

**17. GENERAL**

**17.1** The information as to the available capacity and utilization thereof during the quarter is disclosed in the statistics annexed to the financial statements.

**17.2** The US\$ amounts in balance sheet, profit and loss account and cash flow statement have been translated into US\$ at the rate of Rs.62.75 = US\$1 solely for convenience purposes.

**17.3** Figures have been rounded off to the nearest thousand rupee.

# PAKISTAN INTERNATIONAL AIRLINES CORPORATION

## QUARTERLY SUMMARY

		2008		2007			2006
		1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	1st Quarter
<b>Traffic Operations</b>							
Available Seat							
Kilometers (million)	International	3,314	3,516	4,040	4,157	4,045	4,209
	Domestic	652	627	625	687	771	649
	Hajj	615	978	-	-	772	882
	<b>Total</b>	<b>4581</b>	<b>5121</b>	<b>4,665</b>	<b>4,844</b>	<b>5,588</b>	<b>5,740</b>
Revenue Passenger							
Kilometers (million)	International	2,383	2,310	3,074	2,857	2,942	2,953
	Domestic	464	416	457	465	464	465
	Hajj	313	501	-	-	393	451
	<b>Total</b>	<b>3160</b>	<b>3227</b>	<b>3,531</b>	<b>3,322</b>	<b>3,799</b>	<b>3,869</b>
Seat Factor (%)							
	International	71.91	65.70	76.09	68.73	72.73	70.16
	Domestic	71.17	66.35	73.12	67.69	60.18	71.65
	Hajj	50.89	51.23	0.00	0.00	50.91	51.13
	<b>Total</b>	<b>68.98</b>	<b>63.02</b>	<b>75.69</b>	<b>68.58</b>	<b>67.98</b>	<b>67.40</b>
Available Freight Tonne							
Kilometers (million)	International	107	115	141	148	128	126
	Domestic	20	22	22	28	31	20
	<b>Total</b>	<b>127</b>	<b>137</b>	<b>163</b>	<b>176</b>	<b>159</b>	<b>146</b>
Revenue Freight Tonne							
Kilometers (million)	International	60	60	102	80	74	83
	Domestic	9	9	11	9	8	9
	<b>Total</b>	<b>69</b>	<b>69</b>	<b>113</b>	<b>89</b>	<b>82</b>	<b>92</b>
Load Factor (%)							
	International	56.07	52.17	72.34	54.05	57.81	65.87
	Domestic	45.00	40.91	50.00	32.14	25.81	45.00
	<b>Total</b>	<b>54.33</b>	<b>50.36</b>	<b>69.33</b>	<b>50.57</b>	<b>51.57</b>	<b>63.01</b>
<b>Financial</b>							
(----- Rupees in million -----)							
Operating Revenue		17,826	18,430	17,165	17,207	17,679	16,840
Operating Expenses		21,320	18,501	18,716	19,018	20,181	18,951
Operating profit/(loss)		(3,494)	(71)	(1,551)	(1,811)	(2,502)	(2,111)
Profit/(loss) before taxation		(5,398)	(2,428)	(3,069)	(3,709)	(3,865)	(2,996)
Profit/(loss) after taxation		(5,487)	(2,495)	(3,155)	(3,795)	(3,954)	(3,080)
Fixed Assets		100,973	95,601	89,390	89,285	87,095	67,219
Current Assets		14,236	13,251	15,211	15,219	15,222	12,865
Current Liabilities		55,198	52,050	44,733	39,633	43,211	30,497
Long-term Debts		83,211	74,285	76,453	78,391	69,483	51,938
Net Worth		(17,171)	(11,904)	(10,998)	(8,214)	(4,635)	7,345
Jet Fuel Prices (Rs. Per US Gallon)		174.47	160.87	134.49	125.03	114.28	113.88





**GROUP CONSOLIDATED  
FINANCIAL STATEMENTS  
MARCH 31, 2008**

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH 31, 2008**

	MAR-2008 (Rupees in thousand)	DEC-2007	MAR-2008 (US\$ in thousand)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	3 138,450,810	132,470,820	2,206,387
Intangibles	2,059,930	2,067,117	32,828
	<b>140,510,740</b>	<b>134,537,937</b>	<b>2,239,215</b>
Long term investments	109,986	188,465	1,753
Long term advances and other receivables	1,961,766	1,755,298	31,263
Long term deposits and prepayments	4,783,461	4,242,703	76,230
<b>Total non - current assets</b>	<b>147,365,953</b>	<b>140,724,403</b>	<b>2,348,461</b>
<b>CURRENT ASSETS</b>			
Stores and spares	4 3,193,517	3,286,170	50,893
Trade debts	5 6,718,797	5,395,745	107,072
Advances	679,760	549,900	10,833
Trade deposits and prepayments	944,002	1,257,980	15,044
Accrued interest	43,348	32,789	691
Other receivables	1,581,636	1,170,866	25,205
Short term investments	232,558	182,771	3,706
Taxation - net	533,633	310,239	8,504
Cash and bank balances	3,359,320	4,233,180	53,535
<b>Total current assets</b>	<b>17,286,571</b>	<b>16,419,640</b>	<b>275,483</b>
<b>TOTAL ASSETS</b>	<b>164,652,524</b>	<b>157,144,043</b>	<b>2,623,944</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b>			
Share capital	20,878,074	20,878,074	332,718
Reserves	4,284,920	4,280,712	68,286
Unrealized gain on remeasurement of investments	86,645	97,366	1,381
Foreign exchange translation reserve	2,337,389	2,116,441	37,249
Accumulated losses	(41,260,627)	(36,029,644)	(657,540)
	<b>(13,673,599)</b>	<b>(8,657,051)</b>	<b>(217,906)</b>
MINORITY INTEREST	539,717	527,860	8,601
<b>TOTAL EQUITY</b>	<b>(13,133,882)</b>	<b>(8,129,191)</b>	<b>(209,305)</b>
Surplus on revaluation of fixed assets - net	10,080,826	10,190,057	160,651
	<b>(3,053,056)</b>	<b>2,060,866</b>	<b>(48,654)</b>
<b>NON - CURRENT LIABILITIES</b>			
Advance against equity from GoP	6 350,591	-	5,587
Long term financing	7 30,851,916	28,994,934	491,664
Term finance certificates	8,578,990	10,723,738	136,717
Liabilities against assets subject to finance lease	8 56,101,764	46,524,024	894,052
Long term deposits	301,007	321,679	4,797
Deferred liabilities	14,578,860	14,689,765	232,332
<b>Total non - current liabilities</b>	<b>110,763,128</b>	<b>101,234,140</b>	<b>1,765,149</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21,509,641	21,652,372	342,783
Accrued interest / mark-up / profit	740,140	978,317	11,795
Short term borrowings	21,990,405	18,105,884	350,445
Tax payable	21,265	19,388	339
Current portion of:			
Long term financing	2,729,203	5,845,349	43,493
Term finance certificates	4,289,495	2,523,232	68,358
Liabilities against assets subject to finance lease	5,662,303	4,724,495	90,236
<b>Total current liabilities</b>	<b>56,942,452</b>	<b>53,849,037</b>	<b>907,449</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>164,652,524</b>	<b>157,144,043</b>	<b>2,623,944</b>

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

**Kamran Rasool**  
Chairman

**Mueen Afzal**  
Director

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

	Note	MAR-2008 (Rupees in thousand)	MAR-2007 (Rupees in thousand)	MAR-2008 (US\$ in thousand)
<b>Revenue - net</b>	10	19,651,073	19,151,644	313,165
<b>Cost of services</b>				
Aircraft fuel		(8,649,113)	(7,421,637)	(137,834)
Others	11	(10,159,879)	(11,945,618)	(161,910)
		(18,808,992)	(19,367,255)	(299,744)
<b>Gross Profit / (Loss)</b>		842,081	(215,611)	13,421
Distribution costs		(1,299,047)	(1,134,506)	(20,702)
Administrative expenses		(1,191,985)	(973,360)	(18,996)
Other provisions and adjustments - net		(1,842,952)	150,289	(29,370)
		(4,333,984)	(1,957,577)	(69,068)
<b>Loss from operations</b>		(3,491,903)	(2,173,188)	(55,647)
Finance costs	12	(2,072,938)	(1,793,820)	(33,035)
Other operating income		380,165	80,794	6,058
		(1,692,773)	(1,713,026)	(26,977)
<b>Loss before tax</b>		(5,184,676)	(3,886,214)	(82,624)
Taxation		(129,575)	(92,783)	(2,065)
<b>Loss after tax</b>		(5,314,251)	(3,978,997)	(84,689)
Attributable to:				
Shareholders of the holding company		(5,316,905)	(3,979,328)	(84,731)
Minority interest		2,654	331	42
		(5,314,251)	(3,978,997)	(84,689)
<b>Loss per share</b>		<b>(Rupees)</b>		<b>( US\$)</b>
'A' class Ordinary shares		(2.55)	(2.04)	(0.04)
'B' class Ordinary shares		(1.28)	(1.02)	(0.02)

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

**Kamran Rasool**  
Chairman

**Mueen Afzal**  
Director

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

	Note	MAR-2008 (Rupees in thousand)	MAR-2007 (US\$ in thousand)	MAR-2008 (US\$ in thousand)
<b>Cash flows from operating activities</b>				
Cash (used in) / generated from operations	13	(3,059,088)	(3,070,981)	(48,750)
Profit on bank deposits received		69,981	13,264	1,115
Deferred custom duty paid		-	(54,361)	-
Finance costs paid		(2,321,398)	(2,017,956)	(36,994)
Taxes paid		(623,753)	(94,035)	(9,940)
Staff retirement benefits paid		(293)	-	(5)
Compensated absences paid		-	(6,088)	-
Long term deposits - net		(703,784)	(524,229)	(11,216)
Net cash used in operating activities		(6,638,335)	(5,754,386)	(105,790)
<b>Cash flows from investing activities</b>				
Fixed capital expenditure		(7,262,710)	(9,343,001)	(115,740)
Proceeds from sale of fixed assets		237,608	(3,748)	3,787
Investments - net		(66,591)	29,227	(1,061)
Net cash used in investing activities		(7,091,693)	(9,317,522)	(113,014)
<b>Cash flows from financing activities</b>				
Advance against Equity		350,591	376,779	5,587
Proceeds / (repayment) of long term financing		(1,516,007)	960,328	(24,159)
Redemption of term finance certificates		(378,485)	(378,485)	(6,032)
Proceeds from obligations under finance lease		10,515,548	7,375,165	167,578
Repayment of long term murabaha		-	(214,819)	-
Net cash generated from / (used in) financing activities		8,971,647	8,118,968	142,974
Decrease in cash and cash equivalents		(4,758,381)	(6,952,940)	(75,830)
Cash and cash equivalents at the beginning of the period		(13,872,704)	(8,464,341)	(221,080)
Cash and cash equivalents at the end of period		(18,631,085)	(15,417,281)	(296,910)
<b>CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances		3,359,320	2,887,840	53,535
Short term borrowings		(21,990,405)	(18,305,121)	(350,445)
		(18,631,085)	(15,417,281)	(296,910)

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

**Kamran Rasool**  
Chairman

**Mueen Afzal**  
Director

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**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)								
<b>Balance as at</b>								
<b>December 31, 2006</b>	19,473,631	2,501,038	21,013	1,847,591	1,779,674	(23,717,778)	520,692	<b>2,425,861</b>
Issue of share Capital								
A' class ordinary shares	1,404,443							<b>1,404,443</b>
Unrealized gain on re-measurement of investments	-	-	76,353				-	<b>76,353</b>
Loss for the period	-	-	-			(13,208,487)	7,168	<b>(13,201,319)</b>
Currency translation difference				268,850				<b>268,850</b>
Transfer from surplus on revaluation of fixed assets						896,621		<b>896,621</b>
<b>Balance as at</b>								
<b>December 31, 2007</b>	20,878,074	2,501,038	97,366	2,116,441	1,779,674	(36,029,644)	527,860	<b>(8,129,191)</b>
Unrealized loss on re-measurement of investments	-	-	(10,721)				-	<b>(10,721)</b>
Loss for the period	-	-	-			(5,316,905)	2,654	<b>(5,314,251)</b>
Currency translation difference				220,948	4,208		9,203	<b>234,359</b>
Transfer from surplus on revaluation of fixed assets - net						85,922		<b>85,922</b>
<b>Balance as at</b>								
<b>March 31, 2008</b>	<b>20,878,074</b>	<b>2,501,038</b>	<b>86,645</b>	<b>2,337,389</b>	<b>1,783,882</b>	<b>(41,260,627)</b>	<b>539,717</b>	<b>(13,133,882)</b>

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

**Kamran Rasool**  
Chairman

**Mueen Afzal**  
Director

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**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

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**1. STATUS AND ACTIVITY**

- 1.1** Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under PIAC Ordinance 1955 which was subsequently repealed and replaced by Pakistan International Airlines Corporation Act, 1956. The shares of the Corporation are quoted on all Stock Exchanges of Pakistan and are eligible Security for Central Depository System of Central Depository Company of Pakistan Limited. The Head Office is situated at Karachi Airport. Principal function of the Corporation is to provide and further develop safe, efficient, adequate, economical and properly coordinated air-transport services, internal as well as international. In discharging its functions, the Corporation has careful regard to business principles.
- 1.2** The following subsidiary companies have been consolidated in the financial statements of Pakistan International Airlines (PIA: the Holding company).

<u>Subsidiary Companies</u>	<u>Nature of Business</u>	<u>Holding</u>
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 in Karachi.	100%

- 1.3** The Government of Pakistan (GoP) as a majority shareholder has committed to ensure the going concern status of the Corporation at all times. As a result of the adverse financial position of the Corporation during the last few years, the Ministry of Finance, after considering the financial constraints and future funding requirements of the Corporation agreed to jointly develop a robust operational and financial restructuring plan with the objective of converting the Corporation into a profitable entity. At the same time, the Ministry of Finance assured that the Government of Pakistan (GoP), as a majority shareholder, would extend all necessary support.

Consequently, the Corporation commenced process of operational and financial restructuring, seeking financial support from the Government for taking various measures, which includes: debt restructuring, sale of PIA Investment Limited Hotels, sale of non-core assets including land and building at various locations, fleet modernization, marketing efforts, route rationalization, improved non-core businesses and organizational strengthening.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

These condensed consolidated financial statements are un-audited and are being circulated to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

These condensed consolidated financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standards (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and shall be read in conjunction with the annual audited consolidated financial statements of the Corporation for the year ended December 31, 2007.

The accounting policies, estimates and methods of computation adopted in the preparation of these condensed financial statements are the same as those applied in the preparation of the annual audited consolidated financial statements of the Corporation for the year ended December 31, 2007.

**3. PROPERTY, PLANT AND EQUIPMENT**

	MAR-2008	DEC-2007
	(Rupees in thousand)	
Operating fixed assets (note 3.1)	136,778,097	125,049,562
Capital work-in-progress	1,672,713	7,421,258
	138,450,810	132,470,820

3.1 Following are the major additions and deletions during the quarter:

	Addition	Deletions
	(Rupees in thousand)	
<b><u>Owned</u></b>		
Buildings on leasehold land	9,146	103
Renovation and improvements	19,888	-
Aircraft fleet/engines	115,766	-
Engineering equipment and tools	2,932	24
Motor Transport	1,237	-
Traffic equipment	12,698	-
Furniture, fixture and fitting	35,035	8,722
Office equipment	121	30
Computer and office automation	7,551	64
Other equipment	23,658	-
Capital spares	157,839	7,122
	385,871	16,065
<b><u>Leased</u></b>		
Aircraft fleet/engines (note 3.1.1)	12,526,999	-
	12,912,870	16,065

3.1.1 This represents one Boeing 777-300ER aircraft/engines acquired under finance lease arrangements by the Parent Corporation.



**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**4. STORES AND SPARES**

	MAR-2008 (Rupees in thousand)	DEC-2007 (Rupees in thousand)
Stores	857,298	883,747
Spares	4,026,760	3,986,246
	<b>4,884,058</b>	<b>4,869,993</b>
Less: provision for slow moving stores and spares (note 4.1)	<b>(2,021,321)</b>	<b>(1,930,145)</b>
	<b>2,862,737</b>	<b>2,939,848</b>
Inventory held for disposal adjustment to write down surplus inventory to net realizable value	<b>2,207,092</b>	2,207,092
	<b>(1,944,538)</b>	<b>(1,944,539)</b>
	<b>262,554</b>	<b>262,553</b>
Goods-in-transit	<b>68,226</b>	83,769
	<b>3,193,517</b>	<b>3,286,170</b>

**4.1 Movement in provision is as follows:**

Balance at the beginning of the year	1,930,146	1,604,338
Transferred to inventory held for disposal	-	(8,711)
Provision made during the Quarter	91,175	334,519
Balance at the end of the Quarter	<b>2,021,321</b>	<b>1,930,146</b>

**5. TRADE DEBTS**

<b>Considered good</b>	<b>6,718,797</b>	5,395,745
<b>Considered doubtful</b>	<b>721,000</b>	721,000
Less: provision for doubtful debts (note 5.1)	<b>721,000</b>	721,000
	-	-
	<b>6,718,797</b>	<b>5,395,745</b>

**5.1 Movement in provision is as follows:**

Balance at the beginning of the year	721,000	455,000
Written off during the Quarter	-	(136,211)
Provision made during the Quarter	-	402,211
Balance at the end of the Quarter	<b>721,000</b>	<b>721,000</b>

**5.2** Trade debts include debts due from Government agencies, other airlines and International Air Transport Association's (IATA) approved agents. Certain portion of trade debts is secured by bank guarantees received from agents but due to very large number of agents all over the world the amount of secured debts is not determinable.

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED MARCH 31, 2008**

**6. ADVANCE AGAINST EQUITY FROM GoP**

This represents the amount received from GoP towards equity contribution under the terms of financial package whereby GoP had agreed to provide equity contribution to the Parent Corporation to cover interest/profit payments on TFCs.

**7. LONG TERM FINANCING**

During the quarter, the Parent Corporation has arranged the following long term financing:

- a. A US\$ 20 million loan from National Bank, Bahrain, at six month LIBOR plus spread against the lien over receivables in Saudi Arabia, payable in 24 equal monthly instalments starting from the full drawdown of US\$ 50 million.
- b. A US\$ 10 million loan from Habib Allied International Bank, London at one month LIBOR plus spread against lien over receivables at European stations payable in 12 equal monthly instalments commencing from June 2008.

**8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

During the quarter the Parent Corporation has arranged an Ex-Im Bank guaranteed financing of US\$ 172 million to acquire one Boeing B-777-300ER aircraft and an engine from White Crescent Limited, a special purpose entity incorporated in Amsterdam, Netherlands, at LIBOR-0.04% payable in quarterly instalments in 144 and 96 months for aircraft and engine respectively. The guaranteed lender is ABN Amro Bank. The ownership of these aircraft and engine will be transferred to the Corporation by the end of lease term.

All other liabilities against assets subject to finance lease are the same as reported in the consolidated financial statements as at December 31, 2007 subject to repayment as per terms and conditions agreed.

**9. CONTINGENCIES AND COMMITMENTS**

There has been no change in the status of contingencies and commitments as disclosed in the annual consolidated financial statements of the Corporation for the year ended December 31, 2007.

**10. REVENUE - net**

	MAR-2008	MAR-2007
	(Rupees in thousand)	
Passenger	15,895,924	15,693,266
Cargo	1,096,348	1,078,764
Excess baggage	222,240	226,743
Charter	62,554	71,291
Engineering services	121,632	158,586
Handling and related services	-	166,581
Mail & telephone	78,952	85,480
Rooms sales	1,306,060	1,082,408
Food & beverages	379,249	332,583
Shop and other rentals	89,941	38,859
Others	398,173	217,083
	<b>19,651,073</b>	<b>19,151,644</b>

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
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**11. COST OF SERVICES - others**

	MAR-2008	MAR-2007
	(Rupees in thousand)	
Salaries, wages and allowances	2,503,834	2,344,578
Welfare and social security costs	115,085	101,478
Retirement benefits	136,131	114,608
Compensated absences	24,001	1,800
Legal and professional charges	17,603	14,730
Stores and spares consumed	455,486	606,581
Maintenance and overhaul	777,257	1,575,296
Flight equipment rental	266,269	1,403,914
Landing and handling	1,900,675	2,086,028
Passenger services	602,691	746,082
Crew layover	453,992	519,469
Hotel running expenses	449,065	527,031
Staff training	13,564	21,446
Food cost	6,112	6,773
Utilities	7,366	6,974
Communication	17,106	14,922
Insurance	322,896	264,272
Rent, rates and taxes	85,143	71,031
Repair and maintenance	52,954	26,638
Printing and stationery	23,048	15,854
Amortization	689	619
Depreciation	1,863,987	1,411,081
Others	64,926	64,413
	<b>10,159,880</b>	<b>11,945,618</b>

**12. FINANCE COSTS**

Mark-up on long term financing	539,992	375,046
Profit on term finance certificates	349,479	341,259
Interest on liabilities against assets subject to finance lease	661,442	662,516
Mark-up on long term murabaha	3,092	18,590
Mark-up on short-term borrowings	470,595	327,203
Interest to pension / provident funds	14,813	-
Arrangement, agency and commitment fee	24,449	56,313
Bank charges, guarantee commission and other related charges	9,076	12,893
	<b>2,072,938</b>	<b>1,793,820</b>

**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**  
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**13. CASH (USED IN) / GENERATED FROM OPERATIONS**

	MAR-2008	MAR-2007
	(Rupees in thousand)	
Loss before tax	(5,184,676)	(3,886,214)
Adjustments for:		
Depreciation	1,909,076	1,462,834
Scrappage	1,453	
Gain on disposal of fixed assets	(225,938)	3,748
Amortization	7,187	7,795
Provision/adjustments against stores and spares	91,925	-
Finance costs	2,072,938	1,793,820
Unrealized gain on investment	(54,507)	-
Profit on bank deposits	(80,540)	(56,119)
	(1,463,082)	(674,136)
<b>Working capital changes</b>		
(Increase)/Decrease in stores and spares	2,138	(582,175)
(Increase)/Decrease in trade debts	(950,476)	128,666
(Increase) / decrease in advances	(151,657)	(402,466)
(Increase)/Decrease in trade deposits and prepayments	79,310	(22,731)
(Increase) / decrease in other receivables	(511,100)	57,131
(Decrease) in trade and other payables	(64,221)	(1,575,270)
	(1,596,006)	(2,396,845)
Cash (used in) / generated from operations	(3,059,088)	(3,070,981)

**14. AUTHORIZATION OF FINANCIAL STATEMENTS**

These consolidated financial statements were authorized for issue in the Board of Directors meeting held on April 28, 2008.

**15. GENERAL**

**15.1** Figures have been rounded off to the nearest thousand rupee.

**15.2** The US Dollar amounts in Balance Sheet, Profit and Loss Account and Cash Flow Statement have been translated into US Dollar at the rate of Rs. 62.75 = US\$ 1 solely for convenience purposes.





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