

1st Quarterly Report '09

In **growth** lies
success!



Great People to Fly With

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Board of Directors

Ch. Ahmed Mukhtar
Minister for Defence and
Chairman - PIA

Syed Naseer Ahmad

Malik Nazir Ahmed

Mr Javed Akhtar

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

Capt. Mohammad Aijaz Haroon
Managing Director - PIA

Prof. Mian Ijaz ul Hassan

Mr Mubashir Iftikhar

Mr Husain Lawai

Mr Shaukat Ali Rana

Mr Salman Siddique
Federal Secretary Finance

Corporate Secretary
Mr Muhammad Shuaib

Head of Internal Audit
Mr S. Fazal Ahmad

Executive Management

Capt. Mohammad Aijaz Haroon
Managing Director

Mr Arif Majeed
Chief Financial Officer

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

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

Mr Shahnawaz Rehman
Director - Corporate Planning

Mr Salah Uddin
Director - Marketing

AVM Muhammad Kamal Alam Siddiqui
Director - Precision Engineering Complex

Capt. Shuja Naqvi
Director - Flight Operations

Mr Shahid Sarwar
Director - Information Technology

Mr Mohammad Ziyad A. Syed
Director - Finance

Mr Dilawar Fareed Beg
Director - Training and
Development

Mr Maqsood Ahmed
Director - Engineering and Maintenance

Mr S. Kamran Hasan
Director

Share Registrar

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Shares Registrar Department
CDC House, 99 - B, Block 'B',
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Main Shahrah-e-Faisal,
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Audit Committee

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

Brand and Advertisement Committee

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

Finance Committee

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

Human Resource Committee

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

- The Directors of Pakistan International Airlines present their report alongwith condensed financial statements (un-audited) for the first quarter ended March 31, 2009.
- The financial results for the period under review are summarized below:

First Quarter ended March	2009	2008
	(Rs. Billion)	
Revenue - Net	21.25	17.83
Operating expenses excluding depreciation	16.75	17.71
Depreciation	2.33	1.86
Exchange loss - net	1.81	1.75
Operating profit / (loss)	0.36	(3.49)
Finance costs	2.41	1.90
(Loss) before tax	(2.05)	(5.39)
(loss) after tax	(2.05)	(5.49)

- The Board is pleased to advise that after fourteen consecutive quarters of operating losses, the airline has started witnessing operating profits since Q4 2008.
- As can be seen in Q1 2009 results, the airline posted an operating profit of Rs. 0.36 billion as compared to a loss of Rs. 3.49 billion in the corresponding period of previous year.
- Thus, PIA has been able to substantially reduce the loss after tax from Rs. 5.49 billion in Q1 2008 to Rs. 2.05 billion in Q1 2009.
- The loss of Rs. 2.05 billion includes exchange loss of Rs. 1.81 billion booked on US\$ loans as required in terms of International Accounting Standards. This is no reflection on PIA's operating performance for the period under review, yet there is no escaping it.
- It is heartening to note that despite a global slowdown in markets, PIA was able to improve its revenue generation from its deployed capacity. Total revenues in Q1 2009 grew by 19% over Q1 2008 as the airline achieved improvement in its passenger yield by 21% over the corresponding period of last year.
- In the midst of gloomy scenarios emerging from the worst recession after 1930's, there has also been a silver lining as the price of aviation fuel witnessed a substantial downward slide. PIA has equally benefited from this relief, achieving a reduction of Rs. 2.80 billion - 32% in its fuel cost in Q1 2009 over last year's corresponding period.
- The overall improvement in operating parameters has come about from cumulative endeavours; the management undertook a series of fresh initiatives as well as fortified the implementation of some of the measures initiated earlier.
- However, there is no room for complacency as the airline has a long way to go to reverse the trend of losses. Apart from imaginative and sound planning, we need to remain vigilant in the current business environment which is both cut-throat and volatile. Any significant adverse movements in US\$ / Rupee parity and aviation fuel prices can disrupt the recovery process.

- The global economic meltdown has adversely impacted the hospitality industry as well. PIA Investments Limited (PIAIL) reported revenue of US\$ 21.3 million compared to US\$ 28.7 million in the corresponding period. PIAIL, that owns Roosevelt Hotel in New York and Scribe Hotel in Paris, was able to earn a small net profit for the three months ended 31st March, 2009, despite the reduction in revenue mainly attributable to slow down in business travel and international tourism. Sky Rooms (Private) Limited, 100% owned subsidiary of Pakistan International Airlines Corporation reported revenue of Rs. 50.4 million and profit after tax of Rs. 0.12 million.
- The thrust in marketing towards earning higher revenues shall continue, aided by improved revenue management and network optimization, besides a more focused management of the field sales force.
- The management stays committed to firmly and steadily tread on the path to recovery and indeed achieve further milestones. As it does so, it shall look forward to continue receiving the support of the Government of Pakistan, shareholders and other stakeholders. Equally importantly, it shall also draw upon the strength of its employees, whose loyalty, cooperation and understanding as well as creative contribution remains an invaluable asset for the national airline.

For and on behalf of the Board

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

April 30, 2009.

This report has been signed by two Directors as Chairman PIA is currently abroad due to official commitments.

		MAR-2009	DEC-2008	MAR-2009	DEC-2008
	Note	(Rupees in thousand)		(US\$ in thousand)	
ASSETS					
NON - CURRENT ASSETS					
Fixed assets					
Property, plant and equipment	3	113,287,377	115,010,337	1,409,924	1,457,673
Intangibles		107,161	113,154	1,334	1,434
		<u>113,394,538</u>	<u>115,123,491</u>	<u>1,411,258</u>	<u>1,459,107</u>
Long term investments		4,444,975	4,497,642	55,320	57,004
Long term deposits and prepayments		5,022,558	5,009,452	62,509	63,491
Total non - current assets		<u>122,862,071</u>	<u>124,630,585</u>	<u>1,529,087</u>	<u>1,579,602</u>
CURRENT ASSETS					
Stores and spares	4	3,763,288	3,726,940	46,836	47,236
Trade debts	5	6,540,333	5,757,849	81,398	72,977
Advances		1,151,182	1,418,610	14,327	17,980
Trade deposits and prepayments		977,076	1,591,583	12,160	20,172
Accrued interest		273	1,325	3	17
Other receivables		1,567,419	1,441,564	19,507	18,271
Short term investments		42,815	42,505	533	539
Taxation - net		455,421	269,351	5,668	3,414
Cash and bank balances		758,368	789,555	9,438	10,007
Total current assets		<u>15,256,175</u>	<u>15,039,282</u>	<u>189,870</u>	<u>190,613</u>
Total assets		<u>138,118,246</u>	<u>139,669,867</u>	<u>1,718,957</u>	<u>1,770,215</u>
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		21,423,014	21,423,014	266,621	271,521
Reserves	6	(69,451,384)	(68,124,941)	(864,361)	(863,434)
Total equity		<u>(48,028,370)</u>	<u>(46,701,927)</u>	<u>(597,740)</u>	<u>(591,913)</u>
Surplus on revaluation of fixed assets - net		13,770,050	14,192,700	171,376	179,882
		<u>(34,258,320)</u>	<u>(32,509,227)</u>	<u>(426,364)</u>	<u>(412,031)</u>
NON - CURRENT LIABILITIES					
Advance against equity from GoP	7	933,592	-	11,619	-
Long term financing	8	20,466,127	19,471,411	254,712	246,786
Term finance certificates		12,800,000	12,430,143	159,303	157,543
Liabilities against assets subject to finance lease		64,314,007	65,024,660	800,423	824,140
Long term deposits		341,995	301,770	4,256	3,825
Deferred liabilities		3,381,172	3,243,205	42,081	41,105
Total non - current liabilities		<u>102,236,893</u>	<u>100,471,189</u>	<u>1,272,394</u>	<u>1,273,399</u>
CURRENT LIABILITIES					
Trade and other payables		25,665,887	27,127,000	319,426	343,815
Accrued interest / mark-up / profit		956,816	1,475,456	11,908	18,700
Short term borrowings		28,666,260	30,500,062	356,767	386,566
Current portion of:					
Long term financing		7,401,961	5,352,528	92,121	67,839
Liabilities against assets subject to finance lease		7,448,749	7,252,859	92,704	91,927
Total current liabilities		<u>70,139,673</u>	<u>71,707,905</u>	<u>872,927</u>	<u>908,847</u>
CONTINGENCIES AND COMMITMENTS					
		<u>138,118,246</u>	<u>139,669,867</u>	<u>1,718,957</u>	<u>1,770,215</u>

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

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

Note	MAR-2009		MAR-2008		
	(Rupees in thousand)	(US\$ in thousand)	(Rupees in thousand)	(US\$ in thousand)	
REVENUE - Net	10	21,247,496	17,825,737	264,437	284,075
COST OF SERVICES					
Aircraft fuel		(5,852,772)	(8,649,113)	(72,841)	(137,834)
Others	11	(10,844,356)	(8,955,106)	(134,964)	(142,711)
		(16,697,128)	(17,604,219)	(207,805)	(280,545)
GROSS PROFIT		4,550,368	221,518	56,632	3,530
Distribution costs		(1,399,340)	(1,192,569)	(17,416)	(19,005)
Administrative expenses		(1,178,310)	(1,004,198)	(14,665)	(16,003)
Other provisions and adjustments - net		43,266	(92,629)	538	(1,476)
Exchange loss - net		(1,850,595)	(1,750,323)	(23,032)	(27,894)
Other operating income		200,366	324,592	2,494	5,173
		(4,184,613)	(3,715,127)	(52,081)	(59,205)
PROFIT/(LOSS) FROM OPERATIONS		365,755	(3,493,609)	4,551	(55,675)
Finance costs	12	(2,414,436)	(1,904,374)	(30,049)	(30,349)
LOSS BEFORE TAXATION		(2,048,681)	(5,397,983)	(25,498)	(86,024)
Taxation		-	(89,129)	-	(1,420)
LOSS AFTER TAXATION		(2,048,681)	(5,487,112)	(25,498)	(87,444)
		(Rupees)	(US\$)	(Rupees)	(US\$)
LOSS PER SHARE					
'A' class ordinary shares of Rs.10 each		(0.96)	(2.63)	(0.01)	(0.04)
'B' class ordinary shares of Rs.5 each		(0.48)	(1.32)	(0.01)	(0.02)

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

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

Note	MAR-2009		MAR-2008		
	(Rupees in thousand)	(US\$ in thousand)	(Rupees in thousand)	(US\$ in thousand)	
Cash flows from operating activities					
Cash (used in) / generated from operations	13	1,292,319	(3,583,558)	16,084	(57,108)
Profit on bank deposits received		7,298	69,981	91	1,115
Finance costs paid		(2,933,076)	(2,142,551)	(36,504)	(34,144)
Taxes paid		(125,855)	(223,547)	(1,566)	(3,563)
Long term deposits - net		(53,331)	(703,784)	(664)	(11,216)
Net cash used in operating activities		(1,812,645)	(6,583,459)	(22,559)	(104,916)
Cash flows from investing activities					
Fixed capital expenditure		(514,349)	(7,145,800)	(6,401)	(113,877)
Proceeds from sale of fixed assets		6,961	229,030	87	3,650
Net cash used in investing activities		(507,388)	(6,916,770)	(6,314)	(110,227)
Cash flows from financing activities					
Advance against Equity		933,592	350,591	11,619	5,587
Proceeds / (repayment) of long term financing		3,044,149	(1,682,929)	37,886	(26,820)
Redemption of term finance certificates		(369,856)	(378,485)	(4,603)	(6,032)
Repayment of obligations under finance lease		514,763	10,515,548	6,407	167,578
Net cash generated from / (used in) financing activities		4,122,648	8,804,725	51,309	140,313
Increase / (Decrease) in cash and cash equivalents		1,802,615	(4,695,504)	22,436	(74,830)
Cash and cash equivalents at the beginning of the year		(29,710,507)	(16,130,425)	(369,764)	(257,059)
Cash and cash equivalents at the end of the quarter		(27,907,892)	(20,825,929)	(347,329)	(331,889)
CASH AND CASH EQUIVALENTS					
Cash and bank balances		758,368	1,164,476	9,438	18,557
Short term borrowings		(28,666,260)	(21,990,405)	(356,767)	(350,445)
		(27,907,892)	(20,825,929)	(347,329)	(331,889)

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

	Share capital	Capital reserves	Revenue reserves	Unrealized gain / (loss) on re-measurement of investments	Accumulated losses	Other Reserves	Total equity
..... (Rupees in thousand)							
Balance as at December 31, 2007	20,878,074	2,501,038	1,779,674	97,366	(37,159,710)	-	(11,903,558)
Issue of share capital 'A' class ordinary shares	544,940	-	-	-	-	-	544,940
Unrealized loss on re-measurement of investments	-	-	-	(24,101)	-	-	(24,101)
Fair value of cash flow hedge-net of tax	-	-	-	-	-	(125,271)	(125,271)
Surplus on revaluation of aircraft fleet realised during the year on a/c of incremental depreciation charged thereon	-	-	-	-	686,220	-	686,220
Loss for the Year	-	-	-	-	(35,880,157)	-	(35,880,157)
Balance as at December 31, 2008	21,423,014	2,501,038	1,779,674	73,265	(72,353,647)	(125,271)	(46,701,927)
Issue of share capital 'A' class	-	-	-	-	-	-	-
Unrealized loss on re-measurement of investments	-	-	-	(53,261)	-	-	(53,261)
Fair value of cash flow hedge-net of tax	-	-	-	-	-	125,271	125,271
Surplus on revaluation of aircraft fleet realised during the Quarter on a/c of incremental depreciation charged thereon	-	-	-	-	650,228	-	650,228
Loss for the Quarter	-	-	-	-	(2,048,681)	-	(2,048,681)
Balance as at March 31, 2009	21,423,014	2,501,038	1,779,674	20,004	(73,752,100)	-	(48,028,370)

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 the Pakistan International Airlines Corporation Act, 1956 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide air transportation services. Other activities of the Corporation include provision of engineering and other allied services. The Head Office of the Corporation is situated at PIA Building, Jinnah International Airport, Karachi.
- 1.2 The 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 its processes of operational and financial restructuring, seeking financial support from the Government for taking various measures, which includes: debt restructuring, sale of non-core assets, 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, 2008.

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, 2008.

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

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (note 3.1)
Capital work-in-progress

	MAR-2009	DEC-2008
	(Rupees in thousand)	
Operating fixed assets (note 3.1)	112,757,531	114,538,250
Capital work-in-progress	529,846	472,087
	<u>113,287,377</u>	<u>115,010,337</u>

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

Addition / transfers

Owned

	MAR-2009	MAR-2008
	(Rupees in thousand)	
Buildings on leasehold land	360	9,146
Renovation and improvements	431	5,669
Aircraft fleet / Engines	-	115,766
Operating ground equipment, Catering Communication & meteorological equipment	806	672
Engineering equipment and tools	3,141	2,260
Motor transport	7,225	1,237
Traffic equipment	-	12,698
Furniture, fixture and fitting	678	7,735
Office equipment	167	121
Computer and office automation	5,325	7,257
Other equipment	755	23,658
Capital spares	33,758	157,839
	<u>52,646</u>	<u>344,058</u>

Leased

Aircraft fleet / Engines	399,261	12,526,999
	<u>451,907</u>	<u>12,871,057</u>

Deletions

Owned

Land	-	(103)
Operating ground equipment, Catering Communication & meteorological equipment	-	(24)
Motor transport	(846)	(2,521)
Traffic equipment	(3,866)	-
Furniture, Fixture and fitting	-	(239)
Office equipment	-	(30)
Computer and office automation	-	(64)
Capital spares	-	(7,122)
	<u>(4,712)</u>	<u>(10,103)</u>

Leased

Vehicles	-	(1,674)
	<u>(4,712)</u>	<u>(11,777)</u>

4. STORES AND SPARES

Stores
Spares parts

	MAR-2009	DEC-2008
	(Rupees in thousand)	
Stores	890,633	938,488
Spares parts	4,531,586	4,449,512
	<u>5,422,219</u>	<u>5,388,000</u>
Less: provision for slow moving stores and spares (note 4.1)	<u>(2,259,766)</u>	<u>(2,216,611)</u>
	<u>3,162,453</u>	<u>3,171,389</u>

Less: provision for slow moving stores and spares (note 4.1)

Inventory held for disposal
adjustment to write down
surplus inventory to net realizable value
Disposal during the period

Inventory held for disposal	252,859	2,207,092
adjustment to write down	-	(1,944,539)
surplus inventory to net realizable value	-	(9,694)
Disposal during the period	-	-
	<u>252,859</u>	<u>252,859</u>

Goods-in-transit

Goods-in-transit	347,976	302,692
	<u>3,763,288</u>	<u>3,726,940</u>

4.1 Movement in provision is as follows:

Balance at the beginning of the year
Provision made during the period

Balance at the beginning of the year	2,216,611	1,930,145
Provision made during the period	43,155	286,466
	<u>2,259,766</u>	<u>2,216,611</u>

Balance at the end of the period

Balance at the end of the period	<u>2,259,766</u>	<u>2,216,611</u>
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5. TRADE DEBTS

Considered good

Considered good	6,540,333	5,757,849
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Considered doubtful
Less: provision for doubtful debts

Considered doubtful	697,033	740,330
Less: provision for doubtful debts	(697,033)	(740,330)
	<u>-</u>	<u>-</u>

	<u>6,540,333</u>	<u>5,757,849</u>
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5.1 Movement in provision is as follows:

Balance at the beginning of the year
Provision Written back
Written off during the period
Provision made during the period

Balance at the beginning of the year	740,330	721,000
Provision Written back	(43,266)	(67,000)
Written off during the period	(31)	-
Provision made during the period	-	86,330
	<u>697,033</u>	<u>740,330</u>

Balance at the end of the period

Balance at the end of the period	<u>697,033</u>	<u>740,330</u>
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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.

6. RESERVES

	MAR-2009	DEC-2008
	(Rupees in thousand)	
Capital reserves		
Reserve for replacement of fixed assets	1,966,779	1,966,779
Capital redemption reserve fund	250,000	250,000
Others	284,259	284,259
	<u>2,501,038</u>	<u>2,501,038</u>
Revenue reserve	1,779,674	1,779,674
	<u>4,280,712</u>	<u>4,280,712</u>
Unrealised gain on remeasurement of investment	20,004	73,265
Accumulated losses	(73,752,100)	(72,353,647)
Other reserves	-	(125,271)
	<u>(73,732,096)</u>	<u>(72,405,653)</u>
	<u>(69,451,384)</u>	<u>(68,124,941)</u>

7. 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.

8. LONG TERM FINANCING

During the quarter, the Corporation converted its GoP guaranteed short-term loan of US\$ 45.35 million from Standard Chartered Bank (Pakistan) Limited into a term loan of two years in Pak Rupees in the equivalent amount of Rs.3.59 billion at one month KIBOR plus 1.25% per annum payable in equal monthly installments.

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, 2008.

10. REVENUE - net

	MAR-2009	MAR-2008
	(Rupees in thousand)	
Passenger	19,221,044	15,895,923
Cargo	1,036,876	1,096,348
Excess baggage	232,883	222,240
Charter	70,317	62,554
Engineering services	172,183	121,632
Handling and related services	110,790	143,889
Mail	65,130	73,641
Others	338,273	209,510
	<u>21,247,496</u>	<u>17,825,737</u>

11. COST OF SERVICES - others

	MAR-2009	MAR-2008
	(Rupees in thousand)	
Salaries, wages and allowances	2,065,223	1,917,581
Welfare and social security costs	180,839	112,300
Retirement benefits	239,296	136,131
Compensated absences	25,000	24,000
Legal and professional charges	12,234	17,603
Stores and spares consumed	544,257	454,782
Maintenance and overhaul	1,000,195	777,257
Flight equipment rental	302,128	266,269
Landing and handling	2,387,039	1,900,675
Passenger services	628,902	602,692
Crew layover	603,738	453,992
Staff training	18,880	13,564
Utilities	4,309	4,463
Communication	17,518	16,906
Insurance	314,527	322,876
Rent, rates and taxes	157,561	83,601
Repair and maintenance	36,937	41,309
Printing and stationery	35,309	22,888
Amortization	728	689
Depreciation	2,198,563	1,720,604
Others	71,173	64,924
	<u>10,844,356</u>	<u>8,955,106</u>

12. FINANCE COSTS

Mark-up on long term financing	451,876	371,428
Profit on term finance certificates	428,322	349,476
Interest on liabilities against assets subject to finance lease	558,895	661,442
Mark-up on long term murabaha	-	3,092
Mark-up on short-term borrowings	853,882	470,595
Interest to pension / provident funds	44,099	14,813
Arrangement, agency and commitment fee	66,646	24,449
Bank charges, guarantee commission and other related charges	10,716	9,079
	<u>2,414,436</u>	<u>1,904,374</u>

13. CASH (USED IN) / GENERATED FROM OPERATIONS

Loss before tax	(2,048,681)	(5,397,983)
Adjustments for:		
Depreciation	2,238,149	1,762,092
Scrappage	-	1,453
Gain on disposal of fixed assets	(1,808)	(225,938)
Amortization	5,993	7,187
Provision against stores and spares	43,155	91,175
Finance costs	2,414,436	1,904,374
Profit on bank deposits	(6,246)	(80,540)
	<u>2,644,998</u>	<u>(1,938,180)</u>
Working capital changes		
(Increase)/Decrease in stores and spares	(79,545)	2,720
(Increase)/Decrease in trade debts	(739,218)	(1,074,595)
(Increase)/Decrease in advances	267,428	(151,615)
(Increase)/Decrease in trade deposits and prepayments	614,507	79,310
(Increase)/Decrease in other receivables	(125,855)	(510,579)
Increase/(Decrease) in trade and other payables	(1,289,996)	9,381
	<u>(1,352,679)</u>	<u>(1,645,378)</u>
Cash (used in) / generated from operations	<u>1,292,319</u>	<u>(3,583,558)</u>

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-2009	MAR-2008
	(Rupees in thousand)	
Retirement funds Contribution	200,854	148,695
Profit oriented state -- controlled entities -- various		
Rent	13,634	13,159
Aeronautical expenses	426,050	367,540
Insurance premium	304,799	313,158

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

	MAR-2009	MAR-2008
	(Rupees in thousand)	

15. RELATED PARTY 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	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 30, 2009.

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.80.35 = US\$1 (December 2008: Rs.78.90 = US\$ 1) solely for convenience purposes.
- 17.3 Figures have been rounded off to the nearest thousand rupee.
- 17.4 In compliance with Section 241(2) of the Companies Ordinance, 1984, these Statements have been signed by two Directors as Chairman-PIA is currently abroad due to official commitments.

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

	2009	2008				2007	
	1st Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	
Traffic Operations							
Available Seat Kilometers (million)	International Domestic Hajj	3,429 629 295	3,314 652 615	3,801 607 -	4,127 645 -	3,672 599 1,444	4,045 771 772
Total		4353	4581	4,408	4,772	5,715	5,588
Revenue Passenger Kilometers (million)	International Domestic Hajj	2,589 416 143	2,383 464 313	2,756 477 -	3,184 458 -	2,798 449 703	2,942 464 393
Total		3148	3160	3,233	3,642	3,950	3,799
Seat Factor (%)	International Domestic Hajj	75.50 66.14 48.47	71.91 71.17 50.89	72.51 78.58 0.00	77.15 71.01 0.00	76.20 74.96 48.68	72.73 60.18 50.91
Total		72.32	68.98	73.34	76.32	69.12	67.98
Available Freight Tonne Kilometers (million)	International Domestic	109 17	107 20	118 17	132 18	117 18	128 31
Total		126	127	135	150	135	159
Revenue Freight Tonne Kilometers (million)	International Domestic	45 5	60 9	71 9	94 10	59 7	74 8
Total		50	69	80	104	66	82
Load Factor (%)	International Domestic	41.28 29.41	56.07 45.00	60.17 52.94	71.21 55.56	50.43 38.89	57.81 25.81
Total		39.68	54.33	59.26	69.33	48.89	51.57

Financial

	Rupees in million					
Operating Revenue	21,247	17,826	19,736	22,834	28,806	17,679
Operating Expenses	19,288	21,320	22,470	27,223	25,757	20,181
Operating profit/(loss)	1,959	(3,494)	(2,734)	(4,389)	3,049	(2,502)
Profit/(loss) before taxation	(2,049)	(5,398)	(12,601)	(20,437)	(1,293)	(3,865)
Profit/(loss) after taxation	(2,049)	(5,487)	(12,601)	(20,437)	2,556	(3,954)
Fixed Assets	113,395	100,973	99,061	97,468	115,123	87,095
Current Assets	15,256	14,236	14,809	17,375	15,039	15,222
Current Liabilities	70,140	55,198	62,066	71,516	71,708	43,211
Long-term Debts	97,580	83,211	87,033	99,487	96,926	69,483
Net Worth	(48,028)	(17,171)	(29,383)	(49,833)	(46,702)	(4,635)
Jet Fuel Prices (Rs. Per US Gallon)	122.53	174.47	241.22	274.01	182.18	114.28

GROUP CONSOLIDATED FINANCIAL STATEMENTS

		MAR-2009	DEC-2008	MAR-2009	DEC-2008
		(Rupees in thousand)		(US\$ in thousand)	
ASSETS	Note				
NON - CURRENT ASSETS					
Fixed assets					
Property, plant and equipment	3	156,377,416	157,811,321	1,946,203	2,000,143
Intangibles		2,068,687	2,745,223	25,746	34,794
		<u>158,446,103</u>	<u>160,556,544</u>	<u>1,971,949</u>	<u>2,034,937</u>
Long term investments		87,518	140,185	1,089	1,777
Long term advances and other receivable		829,423	603,656	10,323	7,651
Long term deposits and prepayments		5,024,944	5,173,580	62,538	65,571
Total non - current assets		<u>164,387,988</u>	<u>166,473,965</u>	<u>2,045,899</u>	<u>2,109,936</u>
CURRENT ASSETS					
Stores and spares	4	3,794,282	3,764,276	47,222	47,709
Trade debts	5	7,311,844	6,190,561	91,000	78,461
Short term loans and advances		1,076,090	1,379,248	13,393	17,481
Trade deposits and prepayments		977,076	1,688,239	12,160	21,397
Accrued interest		273	1,325	3	17
Other receivables		1,754,868	1,623,644	21,840	20,579
Short term investments		99,306	97,977	1,236	1,242
Taxation - net		509,832	321,855	6,345	4,079
Cash and bank balances		3,590,458	4,059,865	44,685	51,456
		<u>19,114,029</u>	<u>19,126,990</u>	<u>237,884</u>	<u>242,421</u>
TOTAL ASSETS		<u>183,502,017</u>	<u>185,600,955</u>	<u>2,283,783</u>	<u>2,352,357</u>
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
EQUITY ATTRIBUTABLE TO					
EQUITY HOLDERS OF PARENT					
Share capital		21,423,014	21,423,014	266,621	271,521
Reserves	6	(69,757,522)	(67,359,472)	(868,171)	(853,732)
Attributable to the holding company's shareholders		(48,334,508)	(45,936,458)	(601,550)	(582,211)
MINORITY INTEREST		756,617	743,935	9,417	9,429
TOTAL EQUITY		<u>(47,577,891)</u>	<u>(45,192,523)</u>	<u>(592,133)</u>	<u>(572,782)</u>
Surplus on revaluation of fixed assets - net		28,339,119	28,493,164	352,696	361,130
		<u>(19,238,772)</u>	<u>(16,699,359)</u>	<u>(239,437)</u>	<u>(211,652)</u>
NON - CURRENT LIABILITIES					
Advance against equity from GoP	7	933,592	-	11,619	-
Long term financing	8	35,519,390	34,426,312	442,058	436,328
Term finance certificates		12,800,000	12,430,143	159,303	157,543
Liabilities against assets subject to finance lease		64,374,828	65,088,789	801,180	824,953
Long term deposits		342,127	305,388	4,258	3,871
Deferred liabilities		16,668,156	16,269,775	207,444	206,208
Total non - current liabilities		<u>130,638,093</u>	<u>128,520,407</u>	<u>1,625,862</u>	<u>1,628,904</u>
CURRENT LIABILITIES					
Trade and other payables, including provisions		27,309,079	28,863,383	339,877	365,822
Accrued interest / mark-up / profit		956,816	1,475,456	11,908	18,700
Short term borrowings		28,666,260	30,500,062	356,767	386,566
Tax payable		22,917	23,534	285	298
Current portion of:					
Long term financing		7,684,710	5,649,136	95,640	71,599
Liabilities against assets subject to finance lease		7,462,914	7,268,336	92,881	92,121
Total current liabilities		<u>72,102,696</u>	<u>73,779,907</u>	<u>897,358</u>	<u>935,105</u>
CONTINGENCIES AND COMMITMENTS	9				
TOTAL EQUITY AND LIABILITIES		<u>183,502,017</u>	<u>185,600,955</u>	<u>2,283,783</u>	<u>2,352,357</u>

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

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

Interim Condensed Consolidated Profit and Loss Account (Un-audited)
For the first quarter ended March 31, 2009

Interim Condensed Consolidated Cash Flow Statement (Un-audited)
For the first quarter ended March 31, 2009

Note	Quarter Ended		Quarter Ended	
	MAR-2009	MAR-2008	MAR-2009	MAR-2008
	(Rupees in thousand)		(US\$ in thousand)	
Turnover - net	22,938,848	19,651,073	285,487	313,165
Cost of services				
Aircraft fuel	(5,852,772)	(8,649,113)	(72,841)	(137,834)
Others	(12,366,884)	(10,159,879)	(153,913)	(161,910)
	(18,219,656)	(18,808,992)	(226,754)	(299,744)
Gross Profit / (Loss)	4,719,192	842,081	58,733	13,421
Distribution costs	(1,435,565)	(1,299,047)	(17,866)	(20,702)
Administrative expenses	(1,208,814)	(1,191,985)	(15,044)	(18,996)
Other provisions and adjustments - net	43,266	(92,629)	538	(1,476)
Exchange loss - net	(1,850,595)	(1,750,323)	(23,032)	(27,894)
Other operating income	200,754	380,165	2,498	6,058
	(4,250,954)	(3,953,819)	(52,906)	(63,010)
Profit/(Loss) from operations	468,238	(3,111,738)	5,827	(49,589)
Finance costs	(2,513,320)	(2,072,938)	(31,280)	(33,035)
Loss before tax	(2,045,082)	(5,184,676)	(25,453)	(82,624)
Taxation	(2,982)	(129,575)	(37)	(2,065)
Loss after tax	(2,048,064)	(5,314,251)	(25,490)	(84,689)
Attributable to:				
Shareholders of the holding company	(2,051,989)	(5,316,905)	(25,538)	(84,731)
Minority interest	3,925	2,654	48	42
	(2,048,064)	(5,314,251)	(25,490)	(84,689)
	(Rupees)		(US\$)	
Loss per share				
'A' class ordinary shares	(0.96)	(2.55)	(0.01)	(0.04)
'B' class ordinary shares	(0.48)	(1.28)	(0.01)	(0.02)

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

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

Note	MAR-2009	MAR-2008	MAR-2009	MAR-2008
	(Rupees in thousand)		(US\$ in thousand)	
Cash flows from operating activities				
Cash (used in) / generated from operations	1,776,226	(3,059,088)	22,106	(48,750)
Profit on bank deposits received	7,298	69,981	91	1,115
Finance costs paid	(3,050,006)	(2,321,398)	(37,959)	(36,994)
Taxes paid	(266,990)	(623,753)	(3,323)	(9,940)
Staff retirement benefits paid	-	(293)	-	(5)
Long term deposits - net	(53,756)	(703,784)	(669)	(11,216)
Net cash used in operating activities	(1,587,228)	(6,638,335)	(19,754)	(105,790)
Cash flows from investing activities				
Fixed capital expenditure	(753,611)	(7,262,710)	(9,379)	(115,740)
Long term receivable	(49,666)	-	(618)	-
Proceeds from sale of fixed assets	6,961	237,608	87	3,787
Investment - net	-	(66,591)	-	(1,061)
Net cash used in investing activities	(796,316)	(7,091,693)	(9,910)	(113,014)
Cash flows from financing activities				
Advance against Equity	933,592	350,591	11,619	5,587
Proceeds / (repayment) of long term financing	2,848,365	(1,516,007)	35,449	(24,159)
Redemption of term finance certificates	(369,856)	(378,485)	(4,603)	(6,032)
Proceeds from obligations under finance lease	508,681	10,515,548	6,331	167,578
Net cash generated from / (used in) financing activities	3,920,782	8,971,647	48,796	142,974
Increase / (Decrease) in cash and cash equivalents	1,537,238	(4,758,381)	19,132	(75,830)
Cash and cash equivalents at the beginning of the period	(26,613,040)	(13,872,704)	(331,214)	(221,079)
Cash and cash equivalents at the end of the period	(25,075,802)	(18,631,085)	(312,082)	(296,910)
CASH AND CASH EQUIVALENTS				
Cash and bank balances	3,590,458	3,359,320	44,685	53,535
Short term borrowings	(28,666,260)	(21,990,405)	(356,767)	(350,445)
	(25,075,802)	(18,631,085)	(312,082)	(296,910)

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

.....Attributable to shareholders of the holding company.....

	Share capital	Capital reserves			Revenue reserves			Minority interest	Total Equity
		Capital Reserve	Unrealized gain / (loss) on re-measurement of investments	Foreign exchange translation reserves	Revenue Reserve	Accumulated losses	Other reserve		
..... (Rupees in thousand)									
Balance as at January 01, 2008	20,878,074	2,501,038	97,366	2,116,441	1,779,674	(36,029,644)	-	527,860	(8,129,191)
Issue of share capital 'A' class Ordinary shares	544,940								544,940
Unrealized loss on re-measurement of investments	-	-	(24,101)	-	-	-	-	-	(24,101)
Surplus on revaluation of aircraft fleet and Hotel building realized during the year on account of incremental depreciation charged thereon								1,001,525	1,001,525
Fair value of cash flow hedge - net of tax							(125,271)		(125,271)
Mandatory statutory reserve							30,132		30,132
Foreign currency translation				(2,718,455)				181,336	(2,537,119)
Loss for the year	-	-	-	-	(35,976,511)	-	-	-	(35,976,511)
Dividend paid					(11,666)			11,666	-
Minority interest arising on business combination								23,073	23,073
Balance as at December 31, 2008	21,423,014	2,501,038	73,265	(602,014)	1,779,674	(71,016,296)	(95,139)	743,935	(45,192,523)
Unrealized loss on re-measurement of investments	-	-	(53,261)	-	-	-	-	-	(53,261)
Fair value of cash flow hedge - net of tax	-	-	-	-	-	-	125,271	-	125,271
Loss for the period	-	-	-	-	(2,051,989)	-	-	3,925	(2,048,064)
Currency translation difference	-	-	-	(1,068,299)	-	-	-	8,757	(1,059,542)
Transfer from surplus on revaluation	-	-	-	-	650,228	-	-	-	650,228
Balance as at March 31, 2009	21,423,014	2,501,038	20,004	(1,670,313)	1,779,674	(72,418,057)	30,132	756,617	(47,577,891)

1. STATUS AND ACTIVITY

- 1.1 Pakistan International Airlines Corporation (the Corporation), was incorporated on January 10, 1955 under the PIAC Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation's Act 1956 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services.
- 1.2 The following subsidiary companies have been consolidated in the financial statements of Pakistan International Airlines (PIA: the Holding Company).

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

- 1.3 The Government of Pakistan (GoP) as a majority shareholder has committed to ensure the going concern status of the Group at all times. As a result of the adverse financial position of the Group during the last few years, the Ministry of Finance, after considering the financial constraints and future funding requirements of the Group agreed to jointly develop a robust operational and financial restructuring plan with the objective of converting the Group 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 Group commenced its process of operational and financial restructuring, seeking financial support from the government for taking various measures, which includes: debt restructuring, sale of non-core assets, fleet modernization, marketing efforts, route rationalization, improved non-core business and organizational strengthening.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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, 2008.

The accounting policies, estimates and methods of computation 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, 2008.

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

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director

3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (note 3.1)
Capital work-in-progress

	MAR-2009	DEC-2008
	(Rupees in thousand)	
	155,847,570	157,332,451
	529,846	478,870
	<u>156,377,416</u>	<u>157,811,321</u>

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

Addition / transfers

Owned

	MAR-2009	MAR-2008
	(Rupees in thousand)	
Buildings on leasehold land	360	9,146
Renovation and improvements	431	19,888
Aircraft fleet / Engines	-	115,766
Communication & meteorological equipment	806	-
Engineering equipment and tools	3,141	2,932
Motor transport	7,225	1,237
Traffic equipment	-	12,698
Furniture, fixture and fitting	678	35,035
Office equipment	167	121
Computer and office automation	5,325	7,551
Other equipment	755	23,658
Capital spares	33,758	157,839
	<u>52,646</u>	<u>385,871</u>

Leased

Aircraft fleet	399,261	12,526,999
	<u>451,907</u>	<u>12,912,870</u>

Deletions

Owned

Land	-	(103)
Engineering equipment and tools	-	(24)
Motor transport	(846)	-
Traffic equipment	(3,866)	-
Furniture, fixture and fitting	-	(8,722)
Office equipment	-	(30)
Computer and office automation	-	(64)
Capital spares	-	(7,122)
	<u>(4,712)</u>	<u>(16,065)</u>

4. STORES AND SPARES

Stores
Spares

	MAR-2009	DEC-2008
	(Rupees in thousand)	
	1,021,627	974,157
	4,531,586	4,451,179
	<u>5,553,213</u>	<u>5,425,336</u>
	(2,259,766)	(2,216,611)
	<u>3,293,447</u>	<u>3,208,725</u>

Less: provision for slow moving stores and spares

Inventory held for disposal
Less: adjustment to write down
surplus inventory to net realizable value
Disposal during the period

	252,859	2,207,092
	-	(1,944,539)
	-	(9,694)
	<u>252,859</u>	<u>252,859</u>

Goods-in-transit

	247,976	302,692
	<u>3,794,282</u>	<u>3,764,276</u>

4.1 Movement in provision is as follows:

Balance at the beginning of the year
Transferred to inventory held for disposal
Provision made during the period

	2,216,611	1,930,145
	-	-
	43,155	286,466
	<u>2,259,766</u>	<u>2,216,611</u>

Balance at the end of the period

5. TRADE DEBTS

Considered good

	7,311,844	6,190,561
	697,358	740,655
	(697,358)	(740,655)
	-	-
	<u>7,311,844</u>	<u>6,190,561</u>

Considered doubtful

5.1 Movement in provision is as follows:

Balance at the beginning of the year
Provision Written back
Written off during the period
Provision made during the period

	740,655	721,000
	(43,266)	(67,000)
	(31)	-
	-	86,655
	<u>697,358</u>	<u>740,655</u>

Balance at the end of the period

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.

6. RESERVES

	MAR-2009	DEC-2008
	(Rupees in thousand)	
Capital reserves		
Reserve for replacement of fixed assets	1,966,779	1,966,779
Capital redemption reserve fund	250,000	250,000
Others	284,259	284,259
	<u>2,501,038</u>	<u>2,501,038</u>
Revenue reserve	1,779,674	1,779,674
	<u>4,280,712</u>	<u>4,280,712</u>
Unrealised gain on remeasurement of investment	20,004	73,265
Accumulated losses	(73,418,057)	(71,016,296)
Foreign exchange translation reserve	(1,670,313)	(602,014)
Other reserves	30,132	(95,139)
	<u>(74,038,234)</u>	<u>(71,640,184)</u>
	<u>(69,757,522)</u>	<u>(67,359,472)</u>

7. 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.

8. LONG TERM FINANCING

During the quarter, the Corporation converted its GoP guaranteed short-term loan of US\$ 45.35 million from Standard Chartered Bank (Pakistan) Limited into a term loan of two years in Pak Rupees in the equivalent amount of Rs.3.59 billion at one month KIBOR plus 1.25% per annum payable in equal monthly installments.

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, 2008.

10. TURNOVER - net

	MAR-2009	MAR-2008
	(Rupees in thousand)	
Passenger	19,221,044	15,895,924
Cargo	1,036,876	1,096,348
Excess baggage	232,883	222,240
Charter	70,317	62,554
Engineering services	172,183	121,632
Handling and related services	110,790	143,889
Mail	65,130	73,641
Rooms, food and beverages sales	1,643,019	1,685,309
Others	386,606	349,536
	<u>22,938,848</u>	<u>19,651,073</u>

11. COST OF SERVICES - others

	MAR-2009	MAR-2008
	(Rupees in thousand)	
Salaries, wages and allowances	2,723,748	2,503,834
Welfare and social security costs	180,839	115,085
Retirement benefits	239,296	136,131
Compensated absences	25,000	24,001
Legal and professional charges	12,234	17,603
Stores and spares consumed	544,877	455,486
Maintenance and overhaul	1,000,195	777,257
Flight equipment rental	302,128	266,269
Landing and handling	2,387,039	1,900,675
Passenger services	628,902	602,691
Crew layover	603,738	453,992
Hotel running expenses	592,062	449,065
Staff training	18,880	13,564
Food cost	6,359	6,112
Utilities	8,768	7,366
Communication	17,573	17,106
Insurance	314,547	322,896
Rent, rates and taxes	159,505	85,143
Repair and maintenance	36,937	52,954
Printing and stationery	35,537	23,048
Amortization	728	689
Depreciation	2,329,548	1,863,987
Others	198,444	64,926
	<u>12,366,884</u>	<u>10,159,879</u>

12. FINANCE COSTS

Mark-up on long term financing	550,760	539,992
Profit on term finance certificates	428,322	349,479
Interest on liabilities against assets subject to finance lease	558,895	661,442
Mark-up on long term murabaha	-	3,092
Mark-up on short-term borrowings	853,882	470,595
Interest to pension / provident funds	44,099	14,813
Arrangement, agency and commitment fee	66,646	24,449
Bank charges, guarantee commission and other related charges	10,716	9,076
	<u>2,513,320</u>	<u>2,072,938</u>

	MAR-2009	MAR-2008
(Rupees in thousand)		
13. CASH (USED IN) / GENERATED FROM OPERATIONS		
Loss before tax	(2,045,082)	(5,184,676)
Adjustments for:		
Depreciation	2,369,660	1,909,076
Scrappage	-	1,453
Gain on disposal of fixed assets	(1,808)	(225,938)
Amortization	6,416	7,187
Provision for stores and spares	43,155	91,925
Finance costs	2,514,791	2,072,938
Unrealized gain on investment	-	(54,507)
Profit on bank deposits	(6,593)	(80,540)
	2,880,539	(1,463,082)
Working capital changes		
(Increase) in stores and spares	(79,305)	2,138
(Increase) in trade debts	(739,315)	(950,476)
(Increase) / decrease in advances	148,236	(151,657)
(Increase) in trade deposits and prepayments	614,507	79,310
(Increase) / decrease in other receivables	(175,093)	(511,100)
Increase (decrease) in trade and other payables	(873,343)	(64,221)
	(1,104,313)	(1,596,006)
Cash (used in) / generated from operations	1,776,226	(3,059,088)

14. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on April 30, 2009.

15. GENERAL

- 15.1 Figures have been rounded off to the nearest thousand rupee.
- 15.2 The US\$ amounts in balance sheet, profit and loss account and cash flow statement have been translated into US\$ at the rate of Rs.80.35 = US\$1 (December 2008: Rs.78.90 = US\$ 1) solely for convenience purposes.
- 15.3 In compliance with Section 241(2) of the Companies Ordinance, 1984, these Statements have been signed by two Directors as Chairman-PIA is currently abroad due to official commitments.

Capt. Mohammad Aijaz Haroon
Managing Director

Husain Lawai
Director