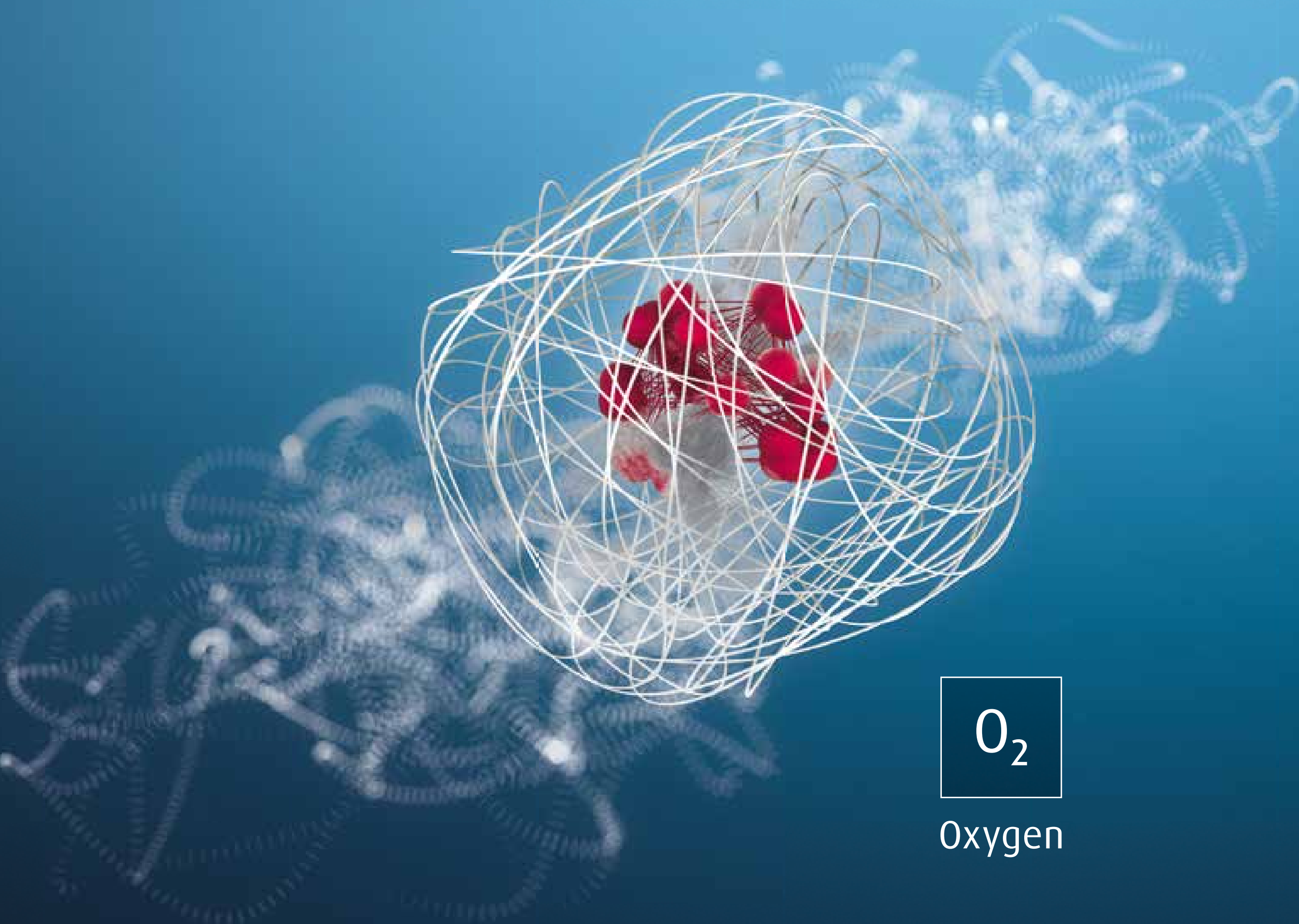
THE LINDE GROUP

# Linde Pakistan Limited.
# Annual Report 2013.



$O_2$

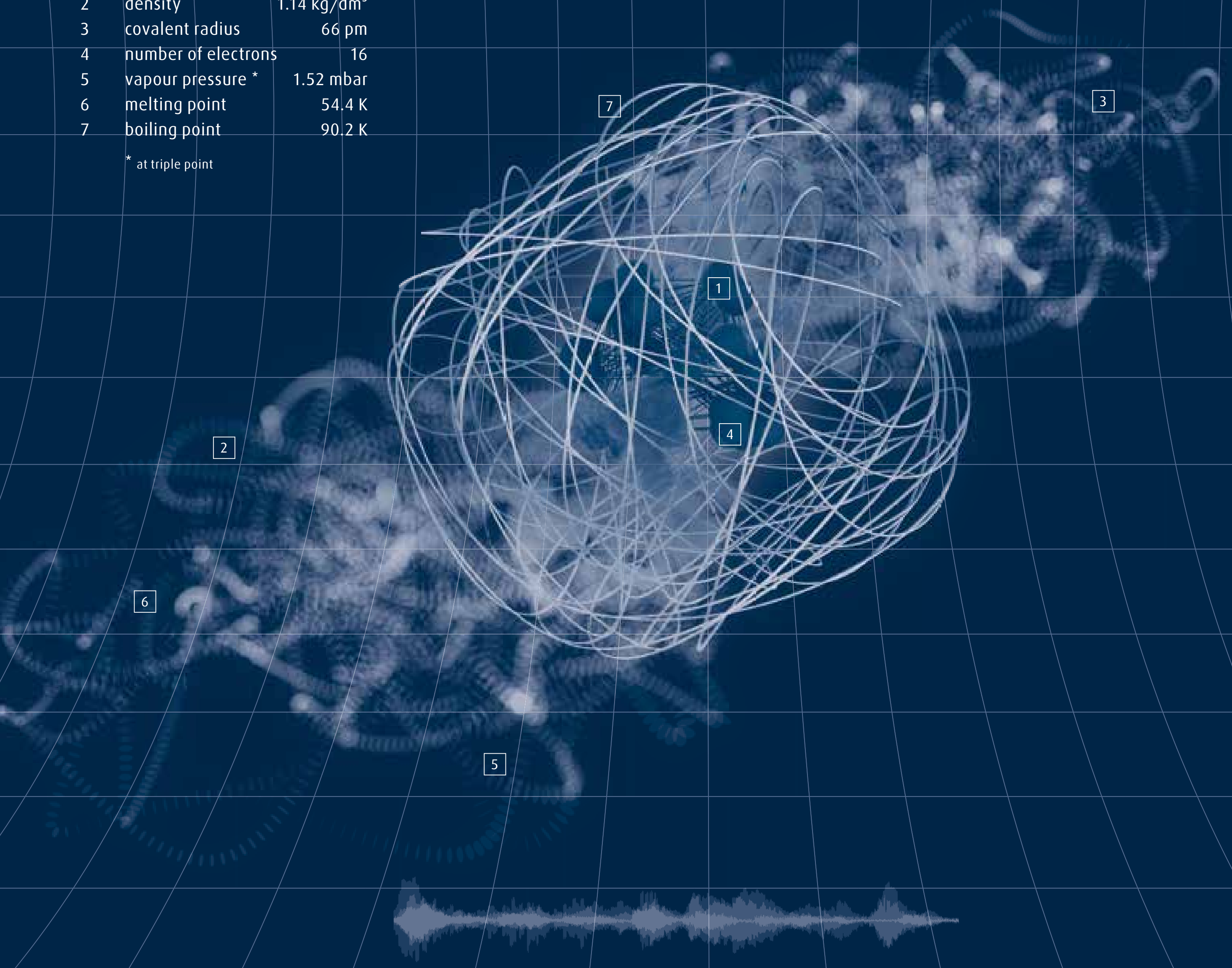
Oxygen

www.fascinating-gases.com

**How to build oxygen ($O_2$)**

| | | |
|---|---|---|
| 1 | molar mass | 32 g/mol |
| 2 | density | 1.14 $kg/dm^3$ |
| 3 | covalent radius | 66 pm |
| 4 | number of electrons | 16 |
| 5 | vapour pressure * | 1.52 mbar |
| 6 | melting point | 54.4 K |
| 7 | boiling point | 90.2 K |

* at triple point





**Making of**

We have been searching for a way of making invisible gases visible – and have developed a fascinating, unique approach: with the help of software programmed especially for this project, which calculates breathtaking representations from seven separate material properties of each gas, the gases can be visualised.

The following properties are used as the basis for visualisation:

1. Molar mass (g/mol)
2. Density at boiling point ($kg/dm^3$)
3. Covalent radius (pm)
4. Number of electrons per molecule
5. Vapour pressure (mbar)
6. Melting point (K)
7. Boiling point (K)

In a complex calculation process, the visualisations of the gases are created based on a selection of actual physical properties. By assigning graphic forms to these properties, a purely artistic interpretation emerges which does not correspond to scientific working methods.

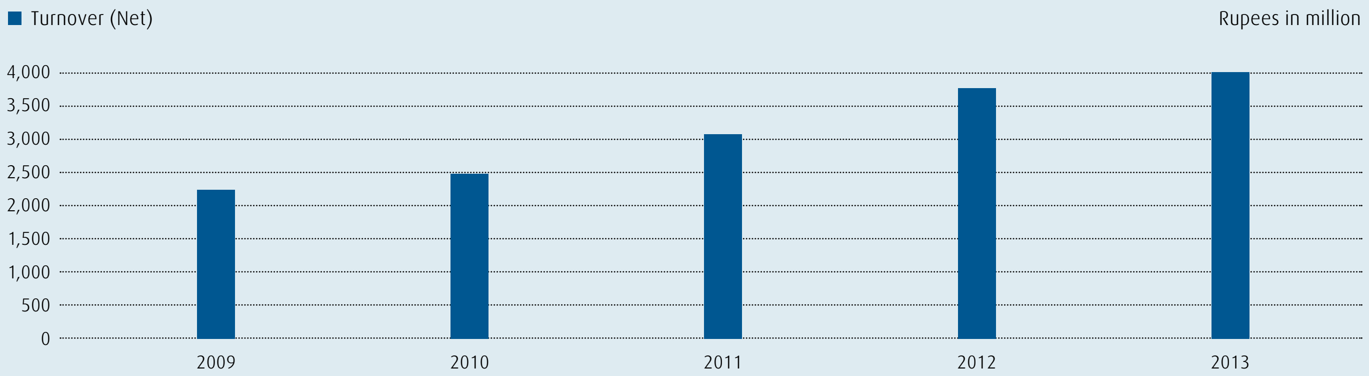
**Fascinating sound of gases**

After the gases had been given a face, the task was to make audible what would otherwise be inaudible, and to give each gas an individual sound. So we composed a soundscape to reflect in sound the ethereal quality and diffuse 'intangibility' of each gas. Without using all too definitive sounds or recognisable musical phrases, we designed a floating, organic sound texture which gives all the gases a uniform aesthetic and a personality of their own. This individuality is produced by the translation of a few physical properties of the respective gases into auditory form.

Air is our element. Although not visible at first glance, every day, we touch the lives of millions through the gases and equipment that we supply to our customers. From medical gases that sustain lives, to gases used in the steel, food and beverage and automobile industries, we develop solutions for a wide range of applications and customers.
We wanted to make these invisible gases visible so we developed a unique and fascinating approach; digital images brought to life from the gases' specific material properties. Discover a world of unseen potential with us at www.fascinating-gases.com

# Year at a glance.

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Net sales | 4,016,101 | 3,739,405 |
| Cost of sales | (3,251,870) | (2,785,235) |
| Gross profit | 764,231 | 954,170 |
| | | |
| Distribution and marketing expenses | (209,527) | (231,066) |
| Administrative expenses | (214,358) | (193,676) |
| Other operating expenses | (46,472) | (33,811) |
| Other income | 56,585 | 68,635 |
| Operating profit before reorganization / restructuring cost | 350,459 | 564,252 |
| | | |
| Reorganization / restructuring cost | - | (204,572) |
| Operating profit after reorganization / restructuring cost | 350,459 | 359,680 |
| | | |
| Finance costs | (105,051) | (44,266) |
| Profit before taxation | 245,408 | 315,414 |
| | | |
| Taxation | (63,941) | (39,125) |
| Profit for the year | 181,467 | 276,289 |
| | | |
| Earnings per share - basic and diluted in Rupees | 7.25 | 11.03 |
| | | |
| Number of permanent employees at year end | 154 | 161 |

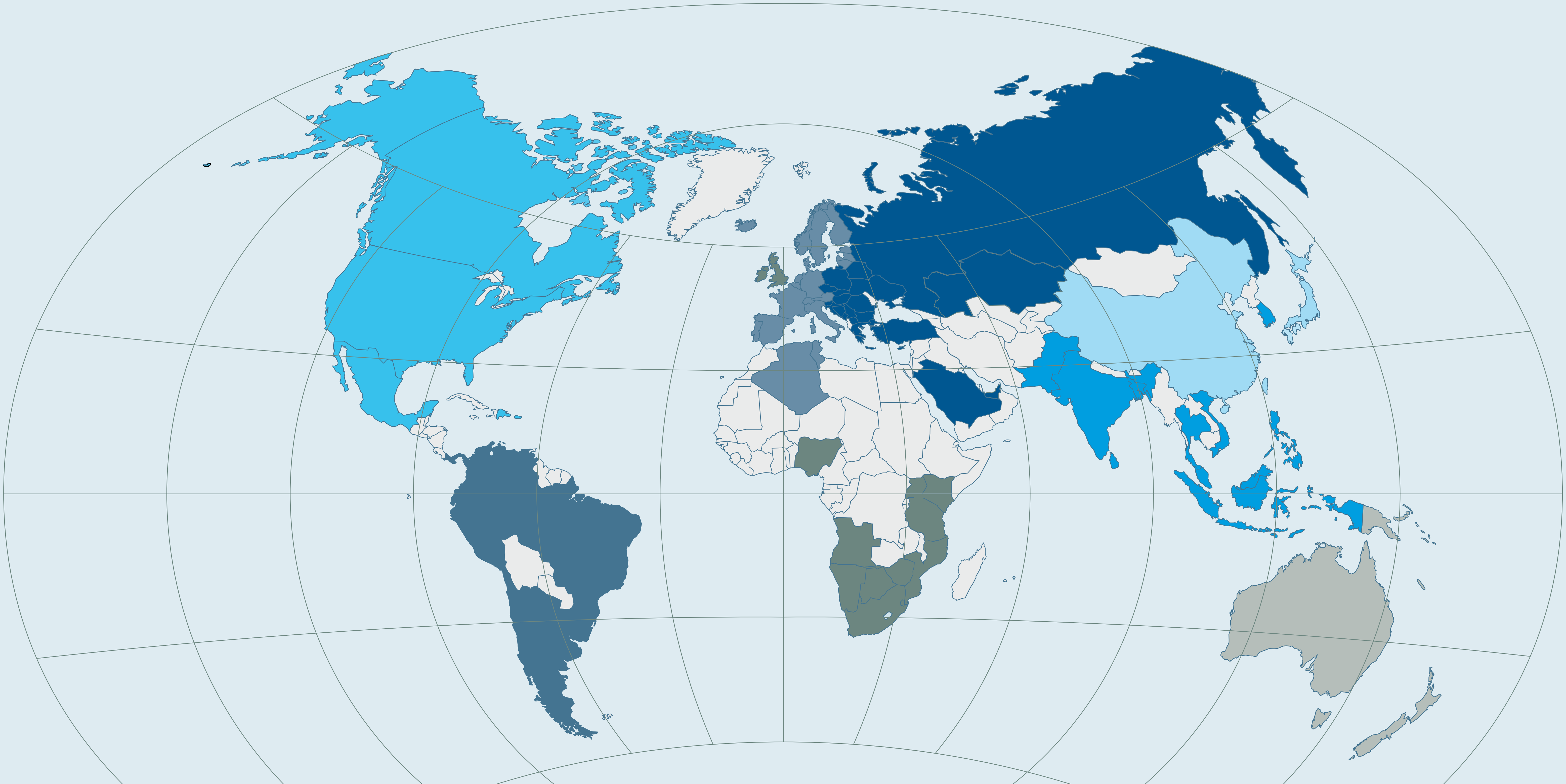





# Contents.

# About The Linde Group.

In the 2013 financial year, The Linde Group generated revenue of EUR 16.655 billion, making it the largest gases and engineering company in the world with approximately 63,500 employees working in more than 100 countries worldwide. The strategy of The Linde Group is geared towards long-term profitable growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. The Group is committed to technologies and products that unite the goals of customer value and sustainable development. The BOC Group Limited, U.K., the majority shareholder of Linde Pakistan Limited, is a wholly owned subsidiary of Linde AG, Germany. Accordingly, Linde AG is the ultimate parent company of Linde Pakistan Limited. For more information, see The Linde Group online at www.linde.com



# About Linde Pakistan.

Global expertise adapted for Pakistani needs – this is the guiding principle which Linde Pakistan Limited (LPL), a member of The Linde Group, has been practicing for more than 70 years to meet customer requirements. We are the leading industrial gases solution provider in Pakistan, supporting the gases needs of a wide range of industries and delivering innovative, high quality and reliable solutions that create value for our customers since before the inception of Pakistan.

We have continued to be a steady partner in the economic development of the country and have added strategic value to the nation's industrial and infrastructure development.

We manufacture and distribute industrial, medical and specialty gases as well as welding products and provide a wide range of related services including the installation of on-site plants, gas equipment, pipelines and associated engineering services.

At Linde Pakistan, we put safety, health, the environment and quality (SHEQ) first. We continually work to uphold a leading SHEQ culture by adhering to strict industry and international standards. For more information, see www.linde.pk

Our National Tax Number is 0709930-4
Our Company Registration Number is 000288

## Head office

Linde Pakistan Limited
P. O. Box 4845, Dockyard Road,
West Wharf, Karachi 74000, Pakistan
Phone +92.21.32313361 (9 lines)
Fax +92.21.32312968

## Customer services

Linde Pakistan Limited
P. O. Box 4845, Dockyard Road,
West Wharf, Karachi 74000, Pakistan
Phone +92.21.32314259,
+92.21.32316154
UAN +92.21.111262725
Fax +92.21.32312968



# Our legacy in Pakistan.

In Pakistan, Linde has led the development of the industrial gases industry for more than 70 years, providing global solutions with a local outlook, each customised to the specific needs of our customers.

We supply products to more than 4,000 customers from a wide spectrum of industries ranging from chemicals and petrochemicals to steel, food and healthcare. Our team of nearly 170 trained and professional staff manages 24-hour operations at ten major industrial locations across the country to support our customers wherever they may be located.

Our legacies are pioneering and sustaining technologies for the local industries. Our heritage is our partnership with our customers and enabling them to become leaders in their fields.

1935 Indian Oxygen and Acetylene Company

1949 The Company was incorporated as a private limited company under the name of Pakistan Oxygen & Acetylene Company Limited

1957 The Company's name was changed to Pakistan Oxygen Limited

1958 The Company was converted into a public limited company with 60% BOC Group holding and 40% local public shareholding

1995 Renamed as BOC Pakistan Ltd; no change in pattern of shareholding

1997 BOC Pakistan becomes a strategic partner for Lotte PTA; installs Pakistan's largest air separation unit at that time capable of producing up to 100 tons per day

2000 Becomes a strategic supplier for PARCO, the country's largest refinery, through on-site MicroLN generator; also sets up an ASU at Taxila for meeting increased oxygen, nitrogen and argon demand in northern Pakistan

2004 BOC Pakistan invests in a 60 tons per day carbon dioxide plant in Multan to meet the demand from the beverage sector in Pakistan

2006 The BOC Group Limited, U.K., the majority shareholder of the Company, became a wholly owned subsidiary of Linde AG, Germany. Accordingly, the Company became a member of The Linde Group.

2008 Invests Rs 214 million in a 23 tons per day carbon dioxide plant at Port Qasim to ensure reliable product availability for key beverage customers

2009 New nitrous oxide plant commissioned at Lahore

2010 BOC Pakistan announces Rs 2 billion investment to build Pakistan's largest air separation plant in Lahore capable of producing up to 150 tons per day

2011 BOC Pakistan rebrands as Linde Pakistan on 19 September

2012 New state-of-the-art Air Separation Unit (ASU), the largest air separation plant in the country commissioned at Sunder Industrial Estate, Lahore

2013 Relocates ASU from Taxila to Port Qasim to further improve supply reliability in south

1935 – 2013

# Our vision.

Linde Pakistan Limited (LPL) will be the leading industrial gases and hospital care Company, admired for its people, who provide innovative solutions that make a difference to the community.



# Our mission.

To engage effectively, responsibly and profitably in the industrial gases, healthcare and welding markets.

LPL consistently seeks a high standard of performance, and aims to maintain a long-term leadership position in its competitive environment. This will be achieved through operating efficiency, continued dedication to serving our customers, cost effectiveness and behavioral conformance to our values.

The Company will be recognized by the communities it operates in, as a safe and environmentally responsible organization.

Our people will be acknowledged for their integrity and talent. The corporation acknowledges that commercial success and sustained profitable growth depends on the recruitment, development and retention of competent human resources and it will continue to invest in building this organizational capacity and capability.

For shareholders, it protects their investment and provides an acceptable return. This is achieved through continued commercial success in winning new business and retaining existing customers. This is underpinned by the development and provision of new products and services to its customers, offering real value in price, quality, safety & environmental impact.

# Code of Ethics.

At Linde we work and live by a set of principles and values which we call The Linde Spirit, which encompasses our foundational principles of safety, integrity, sustainability and respect and our core values of passion to excel, innovating for customers, empowering people and thriving through diversity. Together our principles and core values underpin all our actions, decisions and behaviour, and express what we stand for as an organization and what differentiate us from our competitors. They are embedded in our organization and resonate in everything we do.

One of The Linde Group's most valuable assets is our reputation for uncompromising ethics and integrity is one of our four guiding principles ensuring that we always act with honesty and fairness.

The Linde Group has developed The Linde Code of Ethics which is a comprehensive guide to The Group's expectations for integrity in the workplace and while on company business and is structured to reflect the expectations of our main stakeholder groups. A Linde employee must learn and comply with the standards and laws that apply to their jobs and Linde actively monitors the standards set out in the code.

Since The Linde Group Code of Ethics is a comprehensive document and is supported by appropriate procedures and a 24 hours a day, 7 days a week Integrity Line, the Board of Directors of Linde Pakistan Limited have adopted the Linde Group Code of Ethics in its 467$^{th}$ meeting held on 25 October 2012.

The Code of Ethics in particular provides guidance to all employees on:

- Dealings with our customers, suppliers and markets encompassing competition, international trade, dealing with governments, our product development, ethical purchasing and advertising,
- Dealings with our shareholders, financial reporting and communication, insider dealing, protecting company secrets and protecting company assets,
- Dealings with our employees, conflicts of interest, avoidance of bribery, gifts and entertainment, data protection, SHEQ (Safety, health, environment and quality), human rights and on dealings with each other,
- Dealings with communities and the public with regard to our corporate responsibilities and on restrictions to provide support for political activities.

All employees of Linde Pakistan Limited undergo training on the Code of Ethics and are expected to comply with the standards laid out in the code. Employees are always encouraged to share and discuss any concerns with their line manager; however, where it is not possible to share or discuss an issue with a line manager then an employee may choose to raise his/her concerns via The Linde Group Integrity Line that can be accessed through the web-portal, phone, email, mail and fax. The Integrity Line is widely publicized across the company and is also available to external stakeholders to raise legitimate issues.

Information about The Linde Group Code of Ethics can be found on our web site at http://www.linde.pk/en/corporate_respobsibility/ethics_compliance/index.html and on our company intranet site in English, Urdu and many other languages.

Mr. M Ashraf Bawany, CEO & Managing Director (right) with the Linde team

Executives at work

# Our business.

Everyday we touch the lives of millions of people through the products and services we supply to our customers across a wide range of industries – from medical gases that sustain lives, to gases used in steel making and in food production and distribution. We provide innovative solutions in areas such as clean energy, food processing and distribution, waste water treatment, environmental protection and healthcare. We are relentless in our search for new technologies and applications for the benefit of our customers and our planet.

Linde Pakistan Limited proudly serves more than 4000 customers across Pakistan most of which are leading companies from a variety of industry sectors and span the petrochemicals, steel, metals, glass, food and beverage, fabrication, pharmaceutical and medical segments. We act as strategic solution providers to our customers, providing value through our innovative products and services and using best operating practices from across The Linde Group.

LPL business portfolio is strategically divided into four parts which are Tonnage, Bulk, Packaged Gases & Products (PGP) and Healthcare.

## Tonnage

Tonnage customers e.g. petrochemicals, steelmaking and refineries etc. require extremely large amounts of gases for their daily production. Linde supplies such customers with product through pipeline supply schemes and on-site production units. In addition to catering to normal business activities, we ensure logistical and production capability to support extra demand due to turnaround at customer end.

## Bulk

Bulk customers are those to whom the product is supplied through cryogenic road tankers in liquid form and is stored in storage tanks installed at their sites. The bulk product line includes Oxygen, Nitrogen, Argon, Hydrogen and Carbon Dioxide. LPL is actively involved in delivering products and solutions to a wide array of customers in industrial sectors such as chemicals, steel, glass, oil & gas, distributors and food & beverage.

## Packaged Gases and Products

Packaged Gases and Products (PGP) cover a wide range of products which include compressed industrial gases, speciality gases, welding consumables and equipments. PGP is characterized by a diversified portfolio of customers nationwide from quality control labs to pharmaceutical companies and from ship-breaking to the construction industry.

## Healthcare

Linde Pakistan has been the most trusted partner at hospitals across the country for decades and this trust has been hard-won and kept through our single minded focus on customer satisfaction. Our healthcare portfolio includes a variety of products including medical gases such as medical oxygen – liquid and compressed, nitrous oxide, special medical mixtures and medical equipment such as concentrators and flowmeters etc. LPL also provides the design, installation and maintenance of central medical gases pipeline systems.



# Our products and services.

In Pakistan our business and reputation is built around our customers. Whatever the industry or interest, we continue to respond to its needs as quickly and effectively as possible. The ever-changing requirements of customers are the driving force behind the development of all our products, technologies and support services.

Linde Pakistan provides gas products, facilities and turnkey services and solutions which are customized to meet the unique needs of our customers and add value to their businesses. Our competitive advantage is our extensive process engineering, project development and comprehensive product portfolio. We have the widest range of bulk and compressed gases product lines as well as welding consumables, equipments and safety gear.

At Linde, our highly qualified and experienced engineers, product managers, technologists and marketers excel at providing dedicated support. A Linde customer receives for each gas application, the complete solution – gas, know-how, tailor-made hardware and customised services.

## Industrial gases

Bulk gases
- Liquid oxygen
- Liquid nitrogen
- Liquid argon
- Pipeline hydrogen
- Trailer hydrogen
- Liquid carbon dioxide
- Industrial pipelines

PGP gases
- Compressed oxygen
- Aviation oxygen
- Compressed nitrogen
- Compressed argon
- Compressed air
- Compressed hydrogen
- Compressed Carbon dioxide
- Dissolved acetylene
- Dry ice

Speciality gases
- High purity gases
- Research grade gases
- Gaseous chemicals
- Calibration mixtures
- Argon mixtures
- Welding gas mixtures
- Sterilization gases
- Propane
- Helium
- Refrigerants

## Healthcare

Medical gases
- Liquid medical oxygen
- Compressed medical oxygen
- Nitrous oxide & ENTONOX®
- Specialty medical gases & mixtures e.g. helium, carbon dioxide, heliox etc.

Medical equipment
- High precision flowmeters
- Suction injector units and oxygen therapy products
- ENTONOX® delivery systems, complete with apparatus, regulators and cylinders.

Medical engineering services
- Complete range of medical gas pipeline systems through strategic alliance with Atlas Copco Beacon Medaes
- Consultation, design, installation and servicing of medical gas pipeline systems
- Safety, quality, risk analysis & training on medical gas pipeline systems

## Welding & others

Welding consumables
- Welding electrodes
- MIG welding wires

Welding machines
- Automatic
- Semi-automatic
- Manual

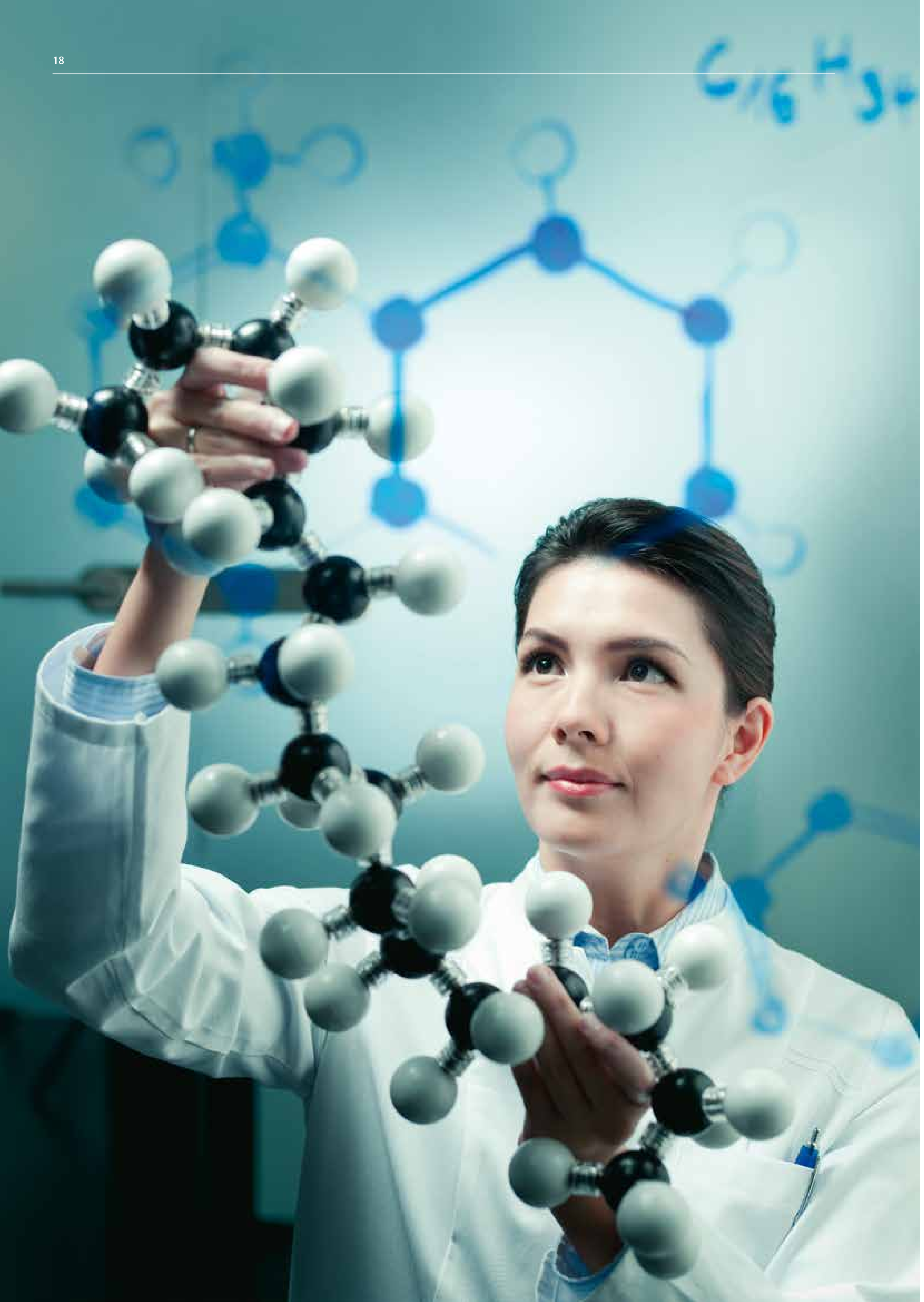
Welding accessories
- Regulators
- Cutting torches
- Welding torches
- Cutting machines
- Gas control equipment
- Safety equipment

PGP – others
- Calcium carbide



Nitrogen is used to preserve food freshness

Oxygen is used in furnaces to make glass






# Exploring the fascinating world of gases.

The atmosphere or air, as it is commonly known, is a layer which surrounds Earth and protects life by absorbing ultraviolet solar radiation, retaining heat (greenhouse effect), and reducing temperature extremes between day and night.

It is a mixture of various gases, each with its own unique properties, that are invaluable for so many industrial processes and medical therapies.

By volume, dry air consists of 78% nitrogen, 21% oxygen, 0.93% argon, 0.04% carbon dioxide, and small amounts of other rare gases such as xenon, krypton and neon. Although the ratio of this life-sustaining mixture has varied over time, the components have remained unchanged for many millions of years.

## Separating the gases

The main atmospheric gases – oxygen, nitrogen and argon – and the rare gases are generally captured by reducing the temperature of air until each component liquefies and can be separated. Carbon dioxide is usually recovered as a by-product of various industrial processes.

Linde is a pioneer in the process of cryogenic sir separation and has continually been advancing gas based technologies for sustainable growth.

## Gas applications

A few examples of gas applications promoted by Linde include:

### Oxygen applications

Oxygen is a colourless, odourless and tasteless gas and the most abundant element on the earth's surface. Although oxygen itself is not flammable, it aids all flammable material to burn more vigorously. As such it is mainly used for melting, welding and cutting in steel industries, ship breaking and ship building.

### Nitrogen applications

Gaseous nitrogen is used in a variety of chemical processes and thermal treatments of metals. Liquid nitrogen is widely used as a rapid refrigerant for preserving food freshness and fast freezing and is a zero-additive alternative to conventional preservation techniques. Liquid nitrogen dosing systems are commonly found in bottling facilities where a droplet of liquid nitrogen is added to the beverage and trapped by sealing the container. The trapped droplet expands as it vaporizes and increases the internal pressure, making the bottles rigid enough to stack. Nitrogen is also used by the petrochemical sector for blanketing, purging and sparging to improve workplace safety and maintain product quality.

### Argon applications

Argon is the most common noble gas in the earth's atmosphere. It is obtained from oxygen produced in air separation plants and used alone or in special mixtures as an inert gas (shielding gas) primarily for welding. Argon is extensively used as an ambient gas in special steel-refining processes and in the manufacture of light bulbs.

### Carbon dioxide applications

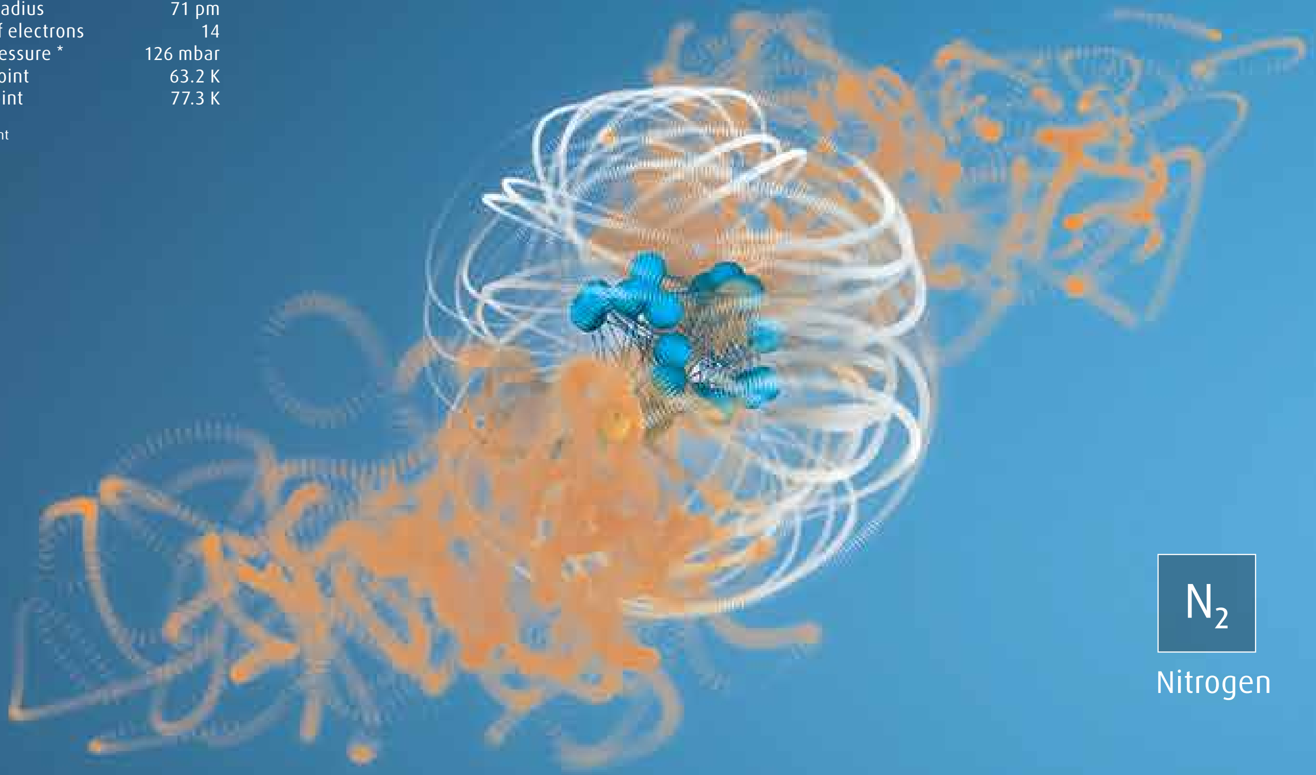
Carbon dioxide has many applications based on its varied properties. It is the most frequently used industrial gas in the beverage industry and is dissolved in drinks to create the well-known "fizz" effect. In food processing $CO_2$ is used for cooling, preservation or pH control. It is also used to blanket chemicals, control pH in water treatment, shield metal welding, and as a fire extinguishing agent.

With its innovative gas supply concepts, Linde is playing a pioneering role in the local market. As a technology leader, our task is to constantly raise the bar. Each concept is tailored specifically to meet our customers' requirements on a unique and individual basis. This applies to all industries and all companies regardless of their size.

**Material properties**

| | |
|---|---|
| molar mass | 28.01 g/mol |
| density | 0.81 kg/dm³ |
| covalent radius | 71 pm |
| number of electrons | 14 |
| vapour pressure * | 126 mbar |
| melting point | 63.2 K |
| boiling point | 77.3 K |

* at triple point



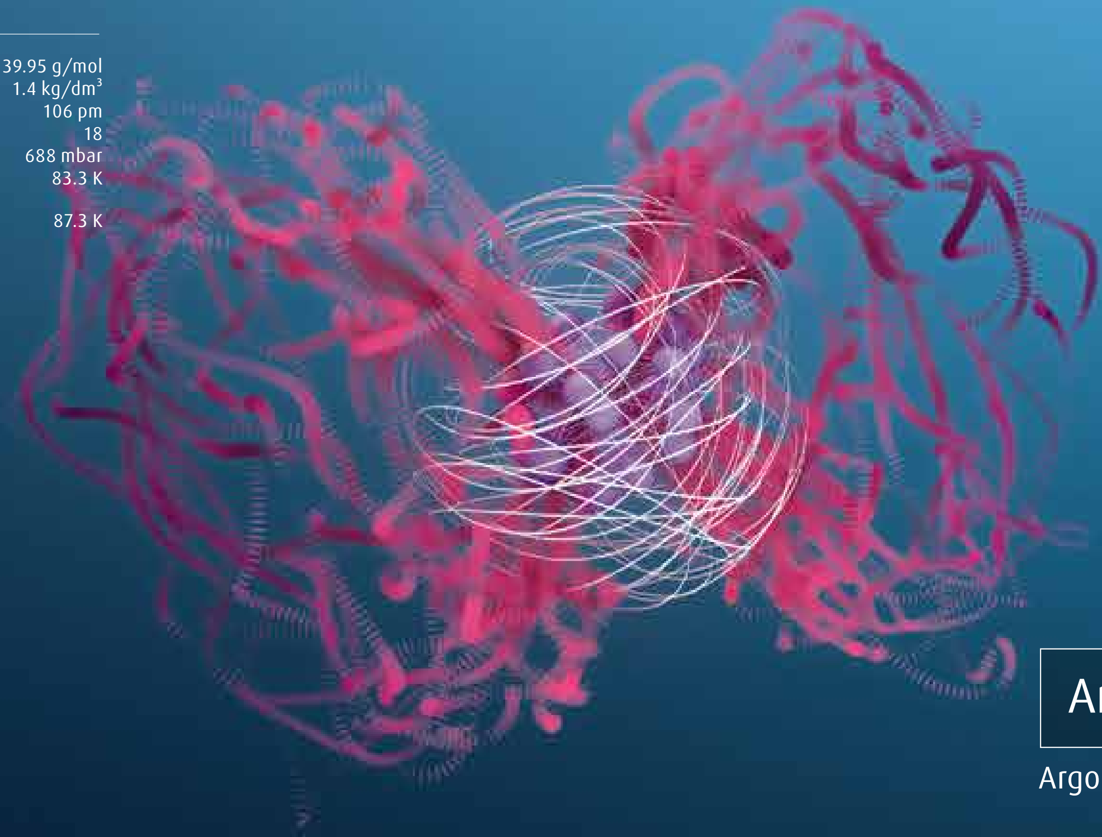
$N_2$

Nitrogen

**Material properties**

| | |
|---|---|
| molar mass | 39.95 g/mol |
| density | 1.4 kg/dm³ |
| covalent radius | 106 pm |
| number of electrons | 18 |
| vapour pressure * | 688 mbar |
| melting point | 83.3 K |
| boiling point | 87.3 K |

* at triple point



Ar

Argon

Nitrogen is widely used as a rapid refrigerant in the food and beverage industry and for inerting in the petrochemical sector. Argon is noble element, usually used as a shielding gas during welding



**Material properties**

| | |
|---|---|
| molar mass | 44.01 g/mol |
| density | 1.18 kg/dm³ |
| covalent radius | 76/66 pm |
| number of electrons | 22 |
| vapour pressure * | 5180 mbar |
| melting point | 216.6 K |
| boiling point | 194.7 K |

* at triple point

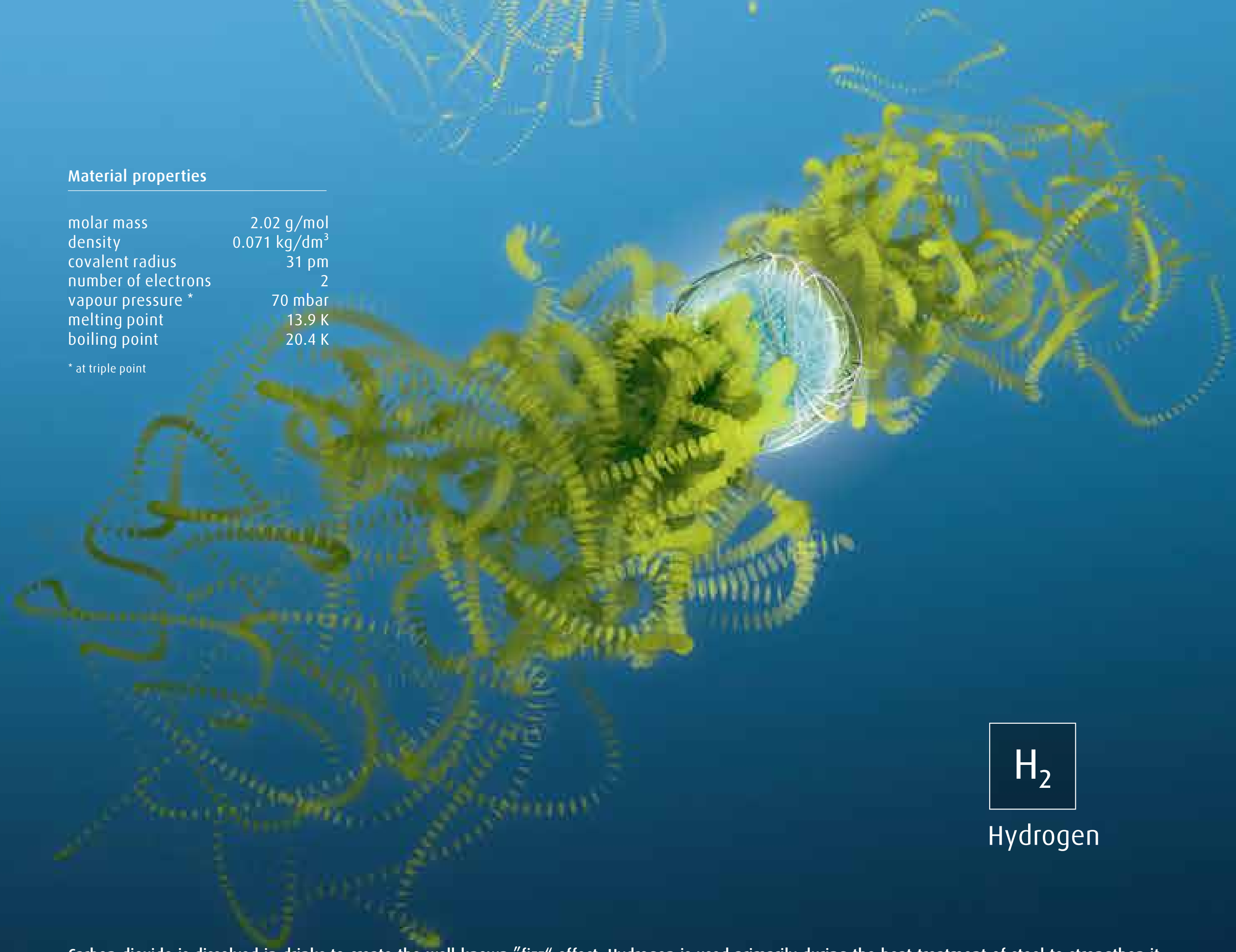
$CO_2$

Carbon dioxide

**Material properties**

| | |
|---|---|
| molar mass | 2.02 g/mol |
| density | 0.071 kg/dm³ |
| covalent radius | 31 pm |
| number of electrons | 2 |
| vapour pressure * | 70 mbar |
| melting point | 13.9 K |
| boiling point | 20.4 K |

* at triple point



$H_2$

Hydrogen

Carbon dioxide is dissolved in drinks to create the well-known "fizz" effect. Hydrogen is used primarily during the heat treatment of steel to strengthen it

# Key facilities around Pakistan.

With local capability backed by global technology and a strong commitment to quality, reliability and safety, Linde Pakistan provides the very best in technical knowhow, quality products, professional service and lifesaving dependability. This is why all major industrial corporations and hospitals throughout Pakistan depend on Linde for their complete gas solutions.

## Relibility of supply

We take our customers' trust in our reliability very seriously. To ensure that we are able to meet our customers' evolving needs, today and over the coming decades we continue to make huge investments at our plant sites to increase capacity, improve reliability and efficiencies and ensure the highest quality. And with investment in each of our eleven industrial gas plants across the country, we have built long and enduring relationships with our customers that go beyond simple product provision. We understand their processes and their needs and in response offer complete gas and equipment solutions that meet their requirements. We are a strategic partner to our customers, catering to their evolving needs, and we have seen our customers grow with us over decades.

### Air Separation plants

Our facilities include 3 Air Separation plants (ASU) at Lahore and Port Qasim, including the largest ASU in Pakistan with a capacity of 150 Tons per Day (TPD). In addition to this we also have a Micro LN (GN generator) at Qasba Gujrat, serving Pakistan's largest refinery with dedicated supplies.

### Carbon dioxide plants

We have also set up Carbon dioxide plants at Port Qasim and Multan to meet the demand of our beverage customers in the north and south of Pakistan respectively with certified food-grade $CO_2$.

### Hydrogen and Dissolved acetylene plants

Hydrogen and Dissolved acetylene plants have been installed in both the south and west regions to meet customers demand on a nationwide basis.

### Nitrous oxide plant

We have also installed a Nitrous oxide plant in Lahore which serves product to all the largest hospitals across Pakistan. As it is a medical product, we have installed state-of-the-art online purity analyzers to ensure product quality.

### Dry ice plant and speciality gases laboratory

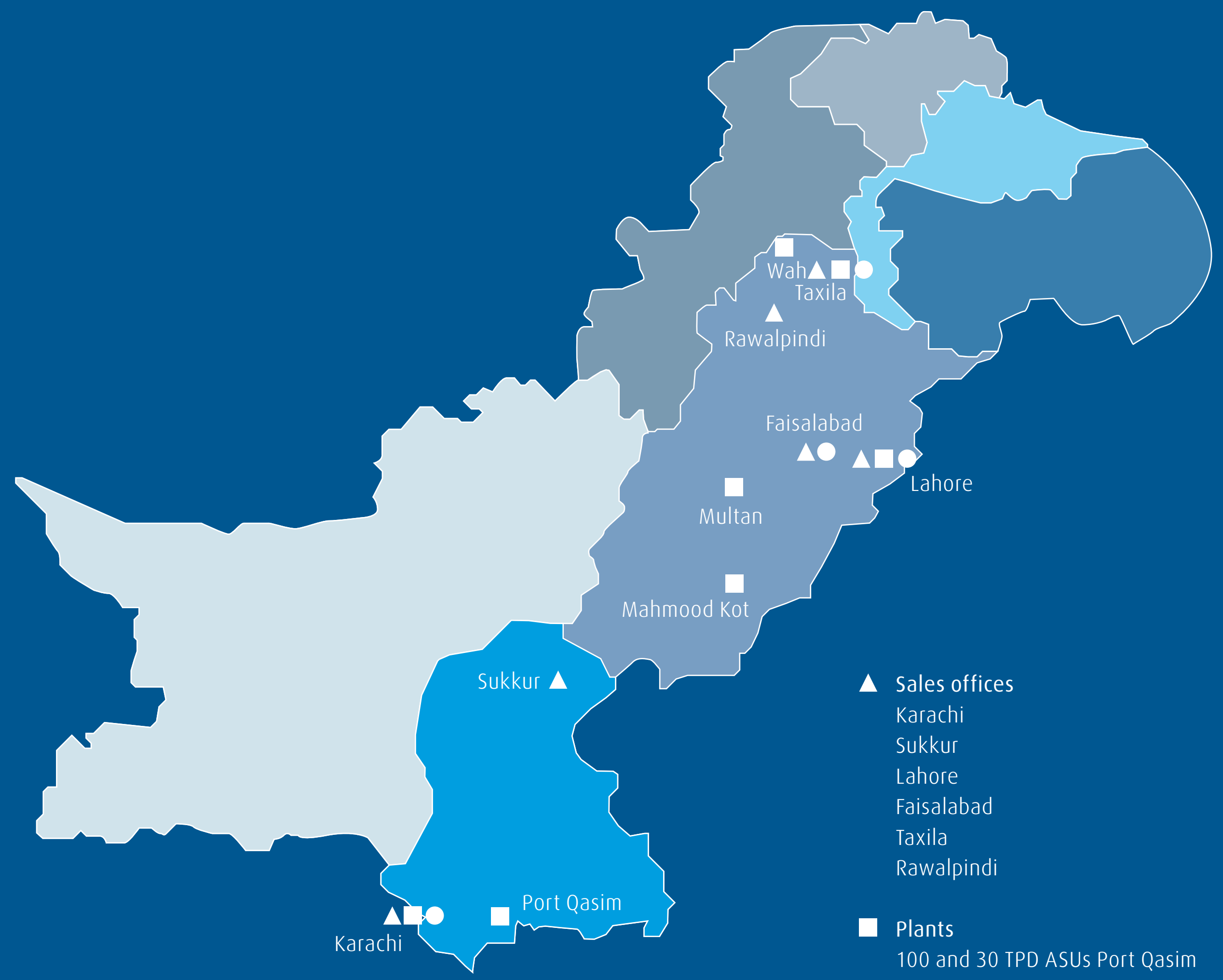
We have set up a dry ice plant which produces pellets used for both cooling and cleaning purposes and our speciality gases laboratory ensures that we are able to meet our customers demand for high purity gases as well as special mixtures in a cost-effective and timely manner.

### Compression facilities

Our compression and cylinder filling sites are located in the North, south and west of Pakistan to ensure that we are able to serve our customers in a timely manner along with Customer Service Centers and sales depots to facilitate our customers in any way possible.

In addition to ensuring that our plants are present across Pakistan, near all the major industrial hubs of the country, we have also built up the most extensive fleet of distribution vehicles in Pakistan consisting of cryogenic tankers and cylinder trucks to ensure that we are able to serve our customers regardless of where they are located.






**Sales offices**
Karachi
Sukkur
Lahore
Faisalabad
Taxila
Rawalpindi

**Plants**
100 and 30 TPD ASUs Port Qasim
23 TPD $CO_2$ Port Qasim
Electrolytic Hydrogen plant Port Qasim
Dry ice plant Port Qasim
150 TPD ASU Lahore
Nitrous Oxide plant Lahore
60 TPD $CO_2$ Multan
10 TPD $N_2$ Mahmood Kot
Hydrogen, Dissolved Acetylene Wah
Electrode, Dissolved Acetylene Karachi

**Company owned**
Compressing stations

# Company information.

| Board of Directors | |
|---|---|
| Munnawar Hamid – OBE | Non-Executive Chairman |
| Muhammad Ashraf Bawany | Chief Executive & Managing Director |
| Manzoor Ahmed | Non-Executive Director |
| Bernd Hugo Eulitz | Non-Executive Director |
| Siew Yap Wong | Non-Executive Director |
| Atif Riaz Bokhari | Non-Executive Director |
| Desiree Co Bacher | Non-Executive Director |
| Humayun Bashir | Independent Director |
| Shahid Hafiz Kardar | Independent Director |

| Chief Financial Officer | |
|---|---|
| Muhammad Samiullah Siddiqui | |

| Company Secretary | |
|---|---|
| Jamal A Qureshi | |

| Board Audit Committee | | |
|---|---|---|
| Humayun Bashir | Chairman | Independent Director |
| Bernd Hugo Eulitz | Member | Non-Executive Director |
| Siew Yap Wong | Member | Non-Executive Director |
| Atif Riaz Bokhari | Member | Non-Executive Director |
| Shahid Hafiz Kardar | Member | Independent Director |
| Jamal A Qureshi | Secretary | Company Secretary & Legal Counsel |

| Board Human Resource & Remuneration Committee | | |
|---|---|---|
| Munnawar Hamid – OBE | Chairman | Non-Executive Chairman |
| Muhammad Ashraf Bawany | Member | Chief Executive & Managing Director |
| Bernd Hugo Eulitz | Member | Non-Executive Director |
| Siew Yap Wong | Member | Non-Executive Director |
| Manzoor Ahmed | Member | Non-Executive Director |
| Muhammad Salim Sheikh | Secretary | Head of HR |

| Share Transfer Committee | | |
|---|---|---|
| Manzoor Ahmed | Chairman | Non-Executive Director |
| Muhammad Ashraf Bawany | Member | Chief Executive & Managing Director |
| Wakil Ahmed Khan | Secretary | Manager-Corporate Services |

## Bankers
Standard Chartered Bank (Pakistan) Limited
Deutsche Bank AG
Citibank N.A.
HSBC Bank Middle East Limited
Barclays Bank Plc
MCB Bank Limited
National Bank of Pakistan Limited
Meezan Bank Limited

## Share registrar
Central Depository Company of Pakistan Limited

## Auditors
KPMG Taseer Hadi & Co.

## Legal advisor
Ayesha Hamid of Hamid Law Associates

## Registered office
West Wharf, Dockyard Road, Karachi – 74000

## Website
www.linde.pk
www.linde.com



# Profile of Directors*.

## Mr. Munnawar Hamid – OBE
Chairman

Mr. Munnawar Hamid is the former Chairman and Chief Executive of the ICI Group in Pakistan, and was with the Group since his graduation from the Universities of Punjab (Government College Lahore) and Cambridge (Gonville & Caius College) and subsequent Advanced Management training at INSEAD. He retired in 2003 after nearly 35 years association with ICI including a concluding year as Advisor to the Group CEO in London. He is the Chairman of Linde Pakistan Limited since 2002.

He was the founding Chairman of the Intellectual Property Organization Pakistan, (the apex body governing intellectual property rights in Pakistan) and the Pak Britain Business Forum, as well as Chairman of International General Insurance (IGI) Ltd, Pakistan PTA Ltd (now Lotte Chemicals), the President of the Overseas Investors Chamber of Commerce and Industry, and Chairman of the Duke of Edinburgh Award in Pakistan.

He has also served on the Boards of the Civil Aviation Authority, Port Qasim Authority, the Public Procurement Regulatory Authority and the Policy Board of the Securities & Exchange Commission of the Government of Pakistan; as well as of Standard Chartered Bank, United Bank, Union Bank, and the Oil & Gas Development Corporation. He has been involved in high-level government consultative bodies including the Government's Economic Advisory Board between 1999 and 2002, and has chaired the Prime Minister's Committee on Chemical Industry in Pakistan and other committees between 1996 and 1998. Mr. Munnawar Hamid was appointed OBE by Her Majesty the Queen in October 1997.

## Mr. M Ashraf Bawany
Chief Executive Officer

Mr. M Ashraf Bawany was appointed Chief Executive Officer & Managing Director of Linde Pakistan Limited on 2 August 2013 after serving in the Company for more than 29 years. Before his appointment as CEO, he held a number of key positions within the company including Deputy Managing Director, Chief Financial Officer and Company Secretary.

Mr. Bawany is a fellow member of Institute of Cost & Management Accountants of Pakistan, Institute of Corporate Secretaries of Pakistan and a law graduate. Apart from various advanced management courses from local and foreign institutes, he is also a certified director from the Pakistan Institute of Corporate Governance.

Mr. Bawany takes keen interest in the promotion of education, trade and industry and strongly advocates these causes through various professional, corporate and trade platforms in the country.

He has been the President of the Institute of Cost & Management Accountants of Pakistan (ICMAP), Pakistan Institute of Public Finance Accountants (PIPFA), Memon Professional Forum (MPF) and a member of the Taxation Committee of the Overseas Investors Chamber of Commerce & Industries.

## Mr. Bernd Hugo Eulitz
Director

Mr. Bernd Hugo Eulitz is the Regional Business Unit Head responsible for Linde's gases business in South & East Asia, based in Singapore. He oversees Linde's business in 11 countries in Asia - Bangladesh, India, Indonesia, South Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam. He joined the Linde Pakistan Board of Directors on 10 February 2012.

Mr. Eulitz has a Master's degree in process engineering from the University of Karlsruhe, Germany. He joined Linde AG in Germany in 2004 as Head of Sales Region East, where he was responsible for sales and applications technology in the East German region. During his 4 years at Linde AG, he was responsible for the growth of the East German business and a broad range of projects for The Linde Group.

In April 2008, Mr. Eulitz was appointed Chief Executive Officer of PanGas AG, The Linde Group's unit in Switzerland, responsible for the industrial and medical products business.

In October 2011, Mr. Eulitz moved to Singapore to take up his new appointment as Regional Business Unit Head for South & East Asia.

Prior to his career in Linde, Mr. Eulitz spent 5 years in the gas industry in Germany, in sales engineering and logistics roles, and another 4 years in consulting work at A. T. Kearney in Germany, UK and France.

## Mr. Siew Yap Wong
Director

Mr. Siew Yap Wong joined the Linde Pakistan Board of Directors on 10 February 2012 after being appointed the Cluster Head of Malaysia and Pakistan, responsible for the business for both countries. He is currently the Managing Director of Linde Malaysia Holdings Berhad group of companies. He started his career with Linde Malaysia in 1982 in welding operations, and has held various strategic positions covering planning, sales, business, marketing and strategic development.

Mr. Wong holds an engineering degree from the University of Southampton, an MSc. in Welding Technology from Cranfield Institute of Technology, an MBA from the Cranfield School of Management and a Certified Diploma in Accounting & Finance from ACCA. He is also a member of the Institution of Engineers, Malaysia and a Senior Member of the Welding Institute, United Kingdom.

Besides serving as Board Member in several companies, Mr. Wong is also the Council Member of the Federation of Malaysian Manufacturers as well as Chairman of FMM Institute.

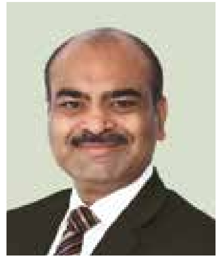
*Other offices held by Directors are disclosed on pg. 40 under Corporate Governance

## Ms. Desiree Co Bacher
Director

Ms. Desiree Bacher is the Head of Finance & Control for South & East Asia, Linde Gas Asia Pte Ltd, a member of the Linde Group. She oversees the finance & control function of the business that covers 11 countries in the region spanning Pakistan in the west to South Korea in the east. She is based in the regional headquarters in Singapore. She joined Board of Directors of Linde Pakistan Limited on 2 August 2013.

Ms. Bacher has been with Linde for over 14 years. She joined Linde Philippines in August 1999 in the finance function, first as the Financial Controller. She then took on the Commercial Manager role and in 2001 became the General Manager for Finance. In 2003, she moved from the Philippines to Singapore to take on a regional role as Service Quality Manager, Asia, responsible for finance organization development, Sarbanes Oxley and various other projects in the North and South East Asia region. With the merger of The BOC Group and Linde AG in 2006 to form The Linde Group, Ms. Bacher took on the role of Accounting & Reporting Director for South & East Asia. In 2010, she relocated to the Philippines to take on the role of Head of Accounting Centre of Excellence for South & East Asia where she spearheaded the implementation of the region's shared service centre. In September 2011, she was appointed to her current role and is now based in Singapore.

Ms. Bacher graduated Magna cum Laude from St Scholastica's College Manila with a degree in Bachelor of Science in Accountancy. She is a Certified Public Accountant in the Philippines.



## Mr. Manzoor Ahmed
Director

Mr. Manzoor Ahmed is Managing Director of National Investment Trust Limited (NITL) which is the largest asset management company of Pakistan and currently manages investment portfolios worth over Rs 81 billion. With an experience of more than 25 years in Pakistan's Mutual Fund industry, he is also an MBA and holds a D.A.I.B.P. At present, he is a candidate for CFA Level III. Mr. Ahmed has attended various training courses organized locally and internationally.

He represents NITL as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. He joined Linde Pakistan on 14 July 2010. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.



## Mr. Humayun Bashir
Director

Mr. Humayun Bashir is a certified Director under the IFC + PICG board development program and has thirty six years of diversified experience with IBM Pakistan and IBM Middle East Headquarters (Dubai) in sales, technology services, alliances, financial sector, government sector projects & general management.

Mr. Bashir served 13 years as CEO & Country General Manager at IBM Pakistan & Afghanistan. He served at IBM Middle East Africa Headquarters Dubai in 1998-99 and in 2012-13. He has served on boards like Export Processing Zone Authority, Karachi Port Trust, Silkbank, ABC & OICCI. He was elected President of American Business Council of Pakistan in 2011, President of Overseas Chamber (OICCI) in 2012 and served on the Institute of Business Administration (IBA) Advisory Council. Mr. Bashir holds a Degree in Engineering and Business qualifications from IBA & Insead France. He also served on the Board of Linde Pakistan Limited from 3 October 2011 to 25 October 2012 before his one year stint in Dubai. Mr. Bashir, after his election as Director, rejoined the Board of Linde Pakistan Limited on 30 January 2014.

## Mr. Atif Riaz Bokhari
Director

Mr. Atif Riaz Bokhari joined the Linde Pakistan Board of Directors on 21 January 2013. Mr. Bokhari, currently President & CEO, United Bank Limited (UBL), is a career banker with extensive experience in domestic and international banking. He started his banking career in 1985 with Bank of America, where he handled diverse assignments over 15 years. Subsequent to leaving Bank of America in July 2000, Mr. Bokhari joined Habib Bank Limited wherein he was Head of Corporate and Investment Banking.

Mr. Bokhari was appointed as President & CEO of UBL in May 2004 (18 months after privatization). Since then UBL has ventured into new diversified business and revenue streams namely Consumer Financing, E-commerce, Branchless Banking, Asset Management and general insurance.

Mr. Bokhari holds the office of Chairman or Director in several UBL Group companies. Mr. Bokhari is very actively involved with a private sector program for the development of education in Karachi. Specifically he is a founding Director of the Karachi School for Business & Leadership affiliated with the Judge Business School, Cambridge, UK.

## Mr. Shahid Hafiz Kardar
Director

Mr. Shahid Hafiz Kardar is the Vice Chancellor of the Beaconhouse National University (BNU). He is an ACA from England and a graduate of the University of Oxford (PPE). He has been Governor, State Bank of Pakistan and Minister for Finance and Planning and Development, Government of Punjab.

Mr. Kardar has authored three books. He also contributes to journals and newspapers both within and outside Pakistan and is interviewed regularly by both local and foreign televisions and radios.

He was, also formerly, the Chairman of Punjab Education Foundation that launched internationally acknowledged programmes during his tenure. He has remained an active Member of (i) National Commission for Government Reform, ii) Banking Laws Review Commission and (iii) Task Force on Education established by the Government of Pakistan and the British Government. He was elected as Director of Linde Pakistan Limited from 30 January 2014. He has also served as Director on several companies both in private and public sectors.



Linde gases and welding equipment are used by some of the largest companies

# Directors' report.

The Directors of your Company take pleasure in presenting the Annual Report together with the Company's audited financial statements for the year ended 31 December 2013.

## Economic environment

Year 2013 was an election year in the country as a result of which new economic managers took charge of the national economy with its wide variety of challenges. These range from power and natural gas shortages to a challenging law and order situation; from depleting foreign exchange reserves to rising public debt; from a widening current account deficit to rising unemployment and many others. Overall the country's economic activity remained subdued for yet another year, during which headline inflation increased to 9.2% from 7.9% in 2012 causing the State Bank of Pakistan (SBP) to increase its policy rate to 10.0% from 9.5% in the prior year. GDP growth was also 3.6% compared to 4.4% in 2011-12 clearly indicating that given all the economic, political and security challenges a durable stability in the economy is yet to be witnessed.

However, in the recent past very definite signs of economic improvement have become visible, in particular a significant increase in large scale manufacturing and a meaningful expansion in the private sector credit. Your Company, therefore, expects to maintain sustainable and profitable growth.

## Company's performance – overview of sales and profitability

The Directors are pleased to report that your Company continued to maintain growth in turnover during the year despite the industry specific as well as other external and economic challenges.

Despite the impact of renewing a strategically critical, long term and very large contract with one of its biggest customers on an appropriately competitive basis, the Company managed a turnover growth of over 7%, (compared to 22% last year) and reached gross sales of Rs 4.6 billion. This growth was achieved mainly through the new Lahore ASU plant which has ensured additional product availability to capture new market opportunities and consequently a strengthened footprint in the market. The Company also successfully relocated one of its plants to Port Qasim from Taxila and was able to meet growing demand in the southern region. Additionally, strong demand from the Oil & Gas and Healthcare sectors as well as increase in demand for compressed gases contributed further.

Profitability, however, remained under increasing stress for multiple reasons, the most significant one being the country-wide power shortage which not only increased the frequency of plant shutdowns but also brought down operational efficiencies. To counter this, mitigating actions were taken by installing rented diesel-Gensets at the Lahore ASU (Air Separation Unit) Plant which, although improved plant availability, led to a significant increase in cost of production. This together with the rapid and abnormal increase in electricity tariff of approximately 60% in mid-2013 increased the total fuel and power cost of the Company by 45% compared to a much lower 20% increase in the previous year. This major increase was compounded by the unavailability of raw $CO_2$, due to natural gas shortages, which kept the Multan plant idle for the whole year.

As a consequence of the imperative to be increasingly competitive and efficient with a critically strategic major customer, and the simultaneous necessity to manage the impact of external macro-economic weaknesses which increased cost very significantly, Profit After Tax and EPS was Rs 181 million and Rs 7.25 this year compared to Rs 276 million and Rs 11.03 in the previous year, respectively.

## Sales

### Industrial & medical gases

On the back of growth in the Large Scale Manufacturing (LSM) sector the Company was successful in producing a healthy growth of 12% versus last year in this sector mainly from the Steel, Oil & Gas, Chemicals, Food & Beverage and Glass industries, where new opportunities were selectively capitalized upon. The Company's capability to service its market effectively and improve reliability to reinforce customer relationships continued to be a significant differentiating factor in the market.

Linde Pakistan's Healthcare segment also witnessed a noteworthy 42% growth in turnover through an effectively executed strategy for developing untapped markets as well as increasing penetration in existing markets. Increasing reliability of supply particularly to critical customers also significantly supported growth.



Successful relocation of ASPEN-1000 from Taxila to Port Qasim

Compressed gases business is an integral part of our business

$CO_2$ availability remained a critical concern, due to the national natural gas crisis, as a result of which the $CO_2$ plant at Multan remained idle throughout the year. However, reliable supply was ensured to critical beverage and dry ice customers through the $CO_2$ plant at Port Qasim and other alternative sources, to achieve a 9% growth in this sector as well.

### Welding and others

Although the locally manufactured electrode business grew by 4%, overall turnover for the welding sector declined by 5.5% compared to last year, mainly as a result of excessive availability of cheaper welding consumables from undocumented suppliers. Efforts are in hand to introduce new technologically advanced products to maintain the Company's competitive edge in the market.

## Engineering operations

During 2013, all Linde plants operated safely, efficiently and reliably. However, as reported above, operations were severely impacted by the energy crisis and suspended feed gas supply.

The Company continues to focus on improving productivity and efficiency at its plants and has launched several new initiatives to control costs. The SAP Plant Maintenance Module has been implemented at all production facilities which is expected to improve Planned Maintenance, Corrective Maintenance, Turnaround Maintenance and other Projects. All production sites have also maintained their Quality Management Certifications (ISO 9001), including the FSSC 22000 (Food Safety Standards Certification) at the Port Qasim $CO_2$ production facility.

## Projects

In Q4 2013, as reported above, one of the ASU plants (ASPEN – 1000) was successfully relocated from Taxila, and installed and commissioned at Port Qasim. It is expected to support the growing demand and service customers more reliably, in the southern region. In 2014, among other investments, the Company is increasing storage capacities at customer locations which will augment product delivery and reliability in industry in general, and healthcare sector in particular.

Going forward your Company remains committed as always to invest in profitable growth opportunities, as they arise.

## Cash flow management

During 2013, the Company managed its funds and working capital efficiently and diligently. As a result, despite a substantial spending of Rs 667 million on capital projects, utilization of funds from external sources amounted to only Rs 345 million, and despite a capital outflow of Rs 2.8 billion for Capital projects over the last 4 years, external borrowing stands at Rs 1.2 billion as at 31 December 2013.

## Financial risk management

Overall risk exposure associated with the Company's financial assets and liabilities is very limited. The Company believes that it is not exposed to any major concentration of credit risk, exposure to which is managed through application of credit limits to its customers. The Company manages its exposure to financial risks as explained in Note 35 to the financial statements.

## Contribution to national exchequer

Information with respect to Company's contribution towards the National Exchequer has been provided in the Statement of Value Added appearing in this Report on page 55.

## Safety, Health, Environment and Quality (SHEQ)

Safety, Health, Environment and Quality (SHEQ) continues to remain a primary focus of the Company. However, during the year, although the Company achieved most of its Leading indicators in this area, two lost time incidents and one vehicle accident occurred. Each incident has been thoroughly investigated and necessary corrective and preventive measures have been implemented.

Global innovation combined with local experience

Hardwiring knowledge and experience into the company by transferring know-how

Environment and energy conservation

The Company's core business and sustainability go hand-in-hand and it constantly strives to ensure that it grows in a sustainable and efficient manner. Environment and energy conservation initiatives launched during 2012 and the early part of 2013 continued to give the desired results to ensure that all emissions and effluents remain within the prescribed limits of the National Environment Quality Standards (NEQS) and energy consumption becomes more efficient. In recognition of its efforts, Linde Pakistan was awarded the 10$^{th}$ Environment Excellence Award 2013 by the National Forum of Environment and Health Pakistan.

Occupational health and safety

Occupational health risks were effectively mitigated and there were no occupational injury cases in 2013.

## Linde Pakistan Limited – A High Performance Organization (HPO)

Linde Pakistan continues its journey of transformation to become a High Performing Organization. HPO stands for everything that drives daily work and performance, provides direction and orientation, and encourages a culture of relentless self-improvement throughout the organization which helps the Company to achieve its vision.

As part of becoming a High Performing Organization, the Company has successfully completed its migration from the localized SAP system to the regional SAP template. The key driver for this was the need to align with the regional SAP consolidation strategy. This is expected to enable the leveraging of global functionalities, like SAP Supplier Relationship Management, SAP Plant Maintenance, Product Service Offering, Business Intelligence reporting, pricing tools and SAP Invoice Management, with consequential benefits for Linde Pakistan in the future.

## Human resources

The Company's people remain its core strength and it continues to invest in them through local and international training. It remains committed to providing an enabling work environment and a culture of inclusiveness and professionalism which fosters the creation of high performing teams.

In 2013 the Company continued its journey towards becoming an HPO through a Learning and Development (L&D) initiative, "People Excellence In Action (PEIA)", which was launched in collaboration with the Global and Regional L&D Teams. This initiative focuses on developing leadership competencies for effective and efficient utilization of resources.

The Company also continues to provide its employees with international career growth opportunities within the Linde Group. In addition to a number of employees already working at various Linde offices around the world, four more employees moved to Malaysia, Philippines, Saudi Arabia and Abu Dhabi respectively. One employee has also been selected, out of 13 shortlisted candidates from South East Asia, Greater China and South Pacific, to join the Linde Group's "Asia Pacific Future Leaders Program" on a two year secondment; and two more have been selected to participate in the Leadership Accelerated Program of the South East Asia Region. Linde Pakistan's IS team also provided its services to Ceylon Oxygen Limited and supported them in their migration to the SAP template during the year.

Linde Summer Internship program

The Company offers a project-based Internship Program on an annual basis to students from top-tier Engineering Universities and leading Business Schools of Pakistan. The interns selected are provided specific projects for a period of 6-8 weeks, during which they are assigned to a full-time Linde employee for coaching and guidance on an ongoing basis. In addition to imparting greater competencies to the intern to face the challenges of the job market in general, the internship program provides Linde HR an opportunity to evaluate him/her against Linde Leadership Competencies and so identify talent for the future hiring needs of the Company. In 2013 more than twenty interns were hired through this scheme.

Industrial relations

Industrial relations in the Company remained harmonious throughout 2013.



Linde Pakistan remains committed to Safety, Health, Environment and Quality


Mr. M Ashraf Bawany, CEO & MD, receiving a plaque from Dr. Tilo Klinner, German Consul General

## Corporate social responsibility

The Linde Group is involved in a variety of projects and initiatives at its locations around the world under the HELP agenda which focuses on resolving Health and Education issues, supporting Local communities and Protecting the environment.

In line with this Policy Linde Pakistan provided assistance locally, in the form of donations, sponsorships, as well as volunteer work by employees, in the areas of education, healthcare, as well as other projects which enable Linde to meet its responsibility as a good neighbor, and bring to use its specialist knowledge as a technology and gases expert.

The Company, also as a priority, takes all possible operational measures, to ensure that all its employees as well as the communities it operates in remain safe. Environmental protection is a high priority and as such the Company is continuously striving to ensure that its production processes are eco-friendly and efficient.

Linde Pakistan remains committed to educating the local welding community in safety and health, and promoting skills development through sponsored training at the local technical training institutes. The Company provides, in addition to welding and safety equipment, experts to train staff and students at these institutes. The Company has also committed its support to the Vocational and Technical Training Program sponsored by the German Consulate General in Karachi under the banner of GPATI (German Pakistan Training Initiative), by sponsoring eight apprentices in identified trades during 2013 and 2014. The program objective is to promote demand based vocational and technical training across Pakistan.

## Country and Global Excellence awards

Excellence awards were given to several employees who exhibited outstanding performances during the year:

CSR Business Excellence Award

In recognition of its efforts as reported earlier, Linde Pakistan was awarded the 10$^{th}$ Environment Excellence Award 2013 by the National Forum of Environment and Health Pakistan.

Finance & Control team

The Finance & Control (FiCO) team maintained its position as the best performing country team in the Region with its timely, accurate and quality reporting. It was rated by the Region in its Data Quality Report at 4.85 out of 5.00.

2013 Global Healthcare Recognition Award

The Healthcare Team of Linde Pakistan was awarded the Global Healthcare Recognition Award by The Linde Group, for their commitment and leadership, as well as passion for innovation in the Healthcare business. The award recognized growth in the medical business in general and the introduction, in particular, of an innovative delivery solution to a number of small and medium sized hospitals, which has paved the way for more opportunities in future.

2013 Global HR Award (Ability to Execute)

The HR Team of Linde Pakistan was awarded the Global HR Excellence Award, in the category of "Ability to Execute", on the flawless execution of the business transformation project, which has resulted in improved productivity and a significant reduction in operational costs.

Linde Information Services – Project Excellence Award

The Information Services (IS) Team of the Company has been presented the "Project Excellence Award" by The Linde Group IS for sustained excellence in project execution and outstanding performance in the migration to the Regional SAP Template. The project secured an impressive sponsor rating of 4.63 (out of 5.00).

## Distribution of dividends and appropriation of profits

In view of the profitability of the current year, and to keep overall leverage levels within prudent limits, your Directors recommend a final cash dividend of Rs 4.00 (40%) per ordinary share of Rs 10 each, making a total dividend for the year of Rs 5.50 (55%), which represents a 75.86% payout of earnings, and also ensures suitable retention.

**The appropriations approved by the Directors are as follows:**

| Rupees in '000 | |
|---|---|
| Un-appropriated profit as at 31 December 2012 | 220,887 |
| Final dividend for the year ended 31 December 2012 | |
| at Rs 5.00 per share | (125,194) |
| Transfer to general reserve | (95,693) |
| | - |
| | |
| Net profit after taxation for the year 2013 | 181,467 |
| Re-measurement: net actuarial gains recognized in other | |
| comprehensive income | 1,357 |
| Disposable profit for appropriation | 182,824 |
| | |
| Interim dividend at Rs 1.50 per share paid in October 2013 | (37,558) |
| Un-appropriated profit carried forward | 145,266 |
| | |
| Subsequent effects: | |
| Proposed final dividend at Rs 4.00 per share | 100,155 |
| Transfer to general reserve | 45,111 |
| | 145,266 |
| | |
| Total dividend per share for the year Rs 5.50 | 137,713 |
| | |
| EPS – for the year 2013 Rs 7.25 (2012: Rs 11.03) | |

## Post balance sheet events

There has been no significant event since 31 December 2013 to date, except the declaration of final dividend which is subject to the approval of the Members at the 65th Annual General Meeting to be held on 16 April 2014. The effect of such dividend shall be reflected in the next year's financial statements.

## Holding company

The Company's holding company is The BOC Group Limited, which is incorporated in the United Kingdom. The BOC Group Limited is a wholly owned subsidiary of Linde AG, which is incorporated in Germany. As such, Linde AG is the ultimate parent company of Linde Pakistan Limited.

## Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Company for the year ending 31 December 2014, at a fee to be mutually agreed.

## Board changes

Two highly professional and experienced Directors, Mr. Sanaullah Qureshi and Mr. Towfiq Habib Chinoy, retired from the Board on 29 January 2014 after having served the Company for 18 years (since 31 January 1996) and 12 years (since 30 January 2002) respectively.

The Board wishes to place on record its appreciation for the significant contributions made by these two retiring Directors towards the progress and expansion of the Company as Directors and Chairs of their respective Committees of the Board. The Board also takes this opportunity to wish them a very happy, healthy and long life.

Mr. Humayun Bashir was elected in place of Mr. Sanaullah Qureshi and Mr. Shahid Hafiz Kardar was elected in place of Mr. Towfiq Habib Chinoy, as Directors with effect from 30 January 2014. The Board wishes to welcome the new Directors and looks forward to their advice and guidance in future.

## Future prospects – challenges & strategies

Your Company has very effectively sailed through the economic challenges the country has faced during last few years and expects to deliver positive results with new strategies in future as well. These include the implementation of global standardized processes to become more cost effective and remain competitive in an inflationary environment. Also, the introduction of new product ranges and strengthening the existing product portfolio will remain focus areas, as well as increased leveraging of the engineering expertise available within The Linde Group to provide value added and innovative solutions to customers. Linde Pakistan will also continue to leverage the research & development work done by the Linde Group on a global level and with the help of regional experts continue to deliver innovative and cutting edge solutions to its customers. An emphasis on developing new gases applications will help improve productivity and efficiency in customer processes, and at the same time allow Linde to venture into new avenues for expansion, and grow in existing business, through targeted new investment.

The above is expected to consolidate and maximize volumes as well as enhance competitiveness and productivity. Albeit the ongoing energy crises and other macro-economic weaknesses are expected to continue to erode margins for a time. As the peak of the crisis abates the underlying market strength so achieved will enable profitability to spring back to robustness quickly and sharply.

## Acknowledgement

The Board would like to take this opportunity to express its appreciation and gratitude to all its customers, suppliers, contractors, service providers and shareholders for their continued valuable support in managing the business in the prevalent difficult economic conditions. The Board also acknowledges and thanks the management and employees of the Company for their hard work and dedication shown throughout the year, particularly in the face of a highly competitive business environment, which enabled the Company to sustain growth.

On behalf of the Board

Karachi
26 February 2014

Munnawar Hamid – OBE
Chairman


LPL has the largest footprint in the gases sector through state-of-the-art plants and distribution assets

Highly trained engineering and business professionals provide customised solutions for all customer needs



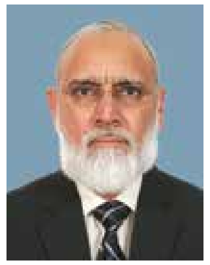
# Country Leadership Team (CLT).

Muhammad Ashraf Bawany
Managing Director

Muhammad Samiullah Siddiqui
Head of Finance & Control/CFO

Farried Aman Shaikh
Marketing Manager

Zubair Ahmad
Sales Manager North



Mashhood Zia
SHEQ Manager

Muhammad Salim Sheikh
Head of HR

Ali Ahmad
Sales Manager South

Zubair Siddiqui
Head of Operations

Mazhar Ali
Business Manager
Healthcare

Arshad Manzoor
Cluster IS Manager
Bangladesh & Pakistan

# Corporate governance.

Linde Pakistan Limited firmly believes that sound corporate governance is fundamental to sustainable corporate success. Its corporate governance philosophy is translated into strategies and policies formulated by the Board of Directors ensuring a focus on optimizing long term value for shareholders, employees, customers, other stakeholders, including the communities the Company operates in, in particular, as well as society at large in general. The management of the Company is committed to high standards of corporate governance to ensure business integrity, and fair and transparent business practices which results in sustained confidence of all stakeholders.

## Compliance statement

The Board of Directors has complied with the Code of Corporate Governance, the listing requirements of the Karachi, Lahore and Islamabad Stock Exchanges and the Financial Reporting Framework.

The Directors have confirmed that the following has been complied with:

a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

e) The Company maintains a sound internal control system which provides reasonable assurance against any material misstatement or loss. Such system is monitored effectively by the management; while the Board Audit Committee reviews internal control based on assessment of risks and reports to Board of Directors.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) Key operating and financial data of last 10-year in a summarized form is given on page 50 of this annual report.

i) Information about outstanding taxes and levies is given in the Notes to the financial statements.

j) Information with respect to significant business plans and decisions for the future prospects of profits have been stated in the Directors' Report as approved by the Board.

k) Statement of the value of investments of Company's staff retirement funds is as follows:

| Name of Funds | Un-audited | Audited |
|---|---|---|
| Staff Provident Fund | – | Rs 176 million as at 31 July 2013 |
| Employees' Gratuity Fund | Rs 102 million as at 31 December 2013 | Rs 95 million as at 31 December 2012 |
| Management Staff Pension Fund | Rs 72 million as at 31 December 2013 | Rs 67 million as at 31 December 2012 |
| Management Staff Defined Contribution Pension Fund | Rs 119 million as at 31 December 2013 | Rs 106 million as at 31 December 2012 |

The audit of these funds for the year is in progress.

## Board of Directors

Election of Directors of the Company was held on 16 January 2014 for a term of 3 years commencing from 30 January 2014. The newly reconstituted Board comprises a well-balanced mix of executive, non-executive and independent Directors including a female Director with the requisite skills, competence, knowledge and experience so that the Board as a group includes core competencies and diversity, including gender, considered relevant in the context of the company's operations. It has nine Directors including one executive, six non-executive and two independent Directors, including a Director representing a financial institution (NITL).

The Chairman of the Board, who is non-executive, ensures that the Board plays an effective role in fulfilling all its responsibilities while the non-executive Directors constructively challenge and help in formulating strategy.

During the year, five meetings of the Board of Directors were held while four Audit Committee and four meetings of the Human Resource & Remuneration Committee were held. Attendance by each Director in the meetings of the Board and its sub-committees is as follows:



| | Name of Directors | Board of Directors | Audit Committee | Human Resources & Remuneration Committee |
|---|---|---|---|---|
| | | Total number of meetings held during the year/ Attendance (2013) | | |
| | | 5 | 4 | 4 |
| 1 | Mr. Munnawar Hamid – OBE | 5/5 | – | – |
| 2 | Mr. M Ashraf Bawany* | 5/5 | – | 2/4 |
| 3 | Mr. Yousuf Husain Mirza** | 2/5 | – | 2/4 |
| 4 | Mr. Sanaullah Qureshi | 4/5 | 4/4 | – |
| 5 | Mr. Towfiq Habib Chinoy | 5/5 | – | 3/4 |
| 6 | Mr. Manzoor Ahmed | 3/5 | – | 3/4 |
| 7 | Mr. Bernd Hugo Eulitz | 3/5 | 2/4 | 2/4 |
| 8 | Mr. Siew Yap Wong | 5/5 | 3/4 | 4/4 |
| 9 | Mr. Atif Riaz Bokhari*** | 3/5 | 1/4 | – |
| 10 | Ms. Desiree Co Bacher**** | 3/5 | – | – |

*Mr. M Ashraf Bawany was appointed Member of the Human Resources & Remuneration Committee w.e.f. 02/08/13.
**Mr. Yousuf Husain Mirza resigned as Director & CEO of the Company w.e.f. 01/08/13.
***Mr. Atif Riaz Bokhari was appointed as Director of the Company w.e.f. 21/01/2013 in place Mr. Humayun Bashir.
****Ms. Desiree Co Bacher was appointed as Director of the Company w.e.f. 02/08/13 in place of Mr. Yousuf H Mirza.

Leave of absence was granted to Directors who could not attend meetings.

### Role and responsibility of the Chairman and Chief Executive

The Board of Directors has clearly defined the respective roles and responsibilities of the Chairman (Non-Executive) and the Chief Executive.

The role of the Chairman is primarily to manage the Board, its various committees and their respective processes to ensure effective oversight of the Company's operations and performance in line with strategy, and discharge its various fiduciary and other responsibilities. The Chief Executive is responsible for all matters pertaining to the operation and functioning of the Company.

### Change in the Board of Directors

The following changes have taken place in the Board of your Company since the last Annual Report 2012:

Mr. Yousuf Husain Mirza resigned as Director and Chief Executive Officer of the Company with effect from 1 August 2013.

The directors would like to express their appreciation for the valuable contributions made by Mr. Yousuf Husain Mirza during his tenure as Director and Chief Executive of the Company and wish him success in his future endeavors.

Mr. Muhammad Ashraf Bawany took over as the Chief Executive Officer & Managing Director of the Company on 2 August 2013 after serving in the Company for more than 29 years. Before his appointment as CEO, Mr. Bawany held a number of key positions within the Company including Deputy Managing Director, Chief Financial Officer and Company Secretary.

Additionally, two highly professional and experienced directors, Mr. Sanaullah Qureshi and Mr. Towfiq Habib Chinoy, retired from the Board on 29 January 2014 after having served the Company for 18 years (since 31 January 1996) and 12 years (since 30 January 2002) respectively.

The Board wishes to place on records its appreciation for the significant contributions made by these two retiring directors towards the progress and expansion of the Company as Directors and Chairs of their respective Committees of the Board. The Board also takes this opportunity to wish them a very happy, healthy and long life.

Mr. Humayun Bashir, after his election as Director with effect from 30 January 2014, rejoined the Board as an Independent Director in place of Mr. Sanuallah Qureshi.

Mr. Shahid Hafiz Kardar, a former Governor of State Bank of Pakistan, was also elected as Independent Director with effect from 30 January 2014 in place of Mr. Towfiq Habib Chinoy.

Ms. Desiree Co Bacher, Head of Finance & Control – S&E Asia of The Linde Group, was appointed as nominee Director of The BOC Group Limited, U.K. on the Board of the Company on 2 August 2013 in place of Mr. Yousuf Husain Mirza.

The Board welcomes all the newly elected directors, who bring with them a rich and diverse experience of the trade, industry, banking, commerce, finance and economy of the country and looks forward to their expert guidance and valuable contributions in the development and future growth of the Company.

## Committees of the Board

The Committees of the Board act in line with their respective terms of reference as determined by the Board. These Committees assist the Board in discharge of its fiduciary responsibilities.

Audit Committee with brief terms of reference
Board Audit Committee (BAC) assists the Board in fulfilling its responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders and complying with all relevant statutory requirements and best practices of the code of corporate governance. BAC also ascertains that internal control systems are adequate and effective and reports matters of significance to the Board. BAC is authorized to call for information from management and to consult directly with independent professionals as considered appropriate.

BAC comprises five non-executive Directors including its Chairman who is an independent director. The Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and a representative of External Auditors attend meetings by invitation. The Committee also privately meets with the External Auditors and Head of Internal Audit and other members of the internal audit function, at least once a year. During the financial year ended 31 December 2013, four meetings of the BAC were held. The present members of BAC are as follows:

| | | | |
|---|---|---|---|
| 1. | Mr. Humayun Bashir | Chairman | Independent Director |
| 2. | Mr. Bernd Hugo Eulitz | Member | Non-Executive Director |
| 3. | Mr. Siew Yap Wong | Member | Non-Executive Director |
| 4. | Mr. Atif Riaz Bokhari | Member | Non-Executive Director |
| 5. | Mr. Shahid Hafiz Kardar | Member | Independent Director |

The Secretary of the Committee is Mr. Jamal A Qureshi, Company Secretary.

Human Resource & Remuneration Committee (HR&RC)
HR&RC assists the Board in the effective discharge of its responsibilities in matters relating to appointments of senior executives and their remuneration as well as management performance review, succession planning and career development.

The Committee comprises five members, out of whom four are non-executive Directors including the Chairman while the fifth is the Chief Executive of the Company. The names of the present members are as follows:

| | | | |
|---|---|---|---|
| 1. | Mr. Munnawar Hamid – OBE | Chairman | Non-Executive Director |
| 2. | Mr. Manzoor Ahmed | Member | Non-Executive Director |
| 3. | Mr. Bernd Hugo Eulitz | Member | Non-Executive Director |
| 4. | Mr. Siew Yap Wong | Member | Non-Executive Director |
| 5. | Mr. M Ashraf Bawany | Member | Executive Director |

The Secretary of the Committee is Mr. M Salim Sheikh, Head of HR.

Share Transfer Committee
This Committee approves registration, transfers and transmission of shares, a summary of which is subsequently placed before the Board for information and ratification.

It consists of the following one executive and one non-executive Directors:

| | | | |
|---|---|---|---|
| 1. | Mr. Manzoor Ahmed | Chairman | Non-Executive Director |
| 2 | Mr. M Ashraf Bawany | Member | CEO & Managing Director |

The Secretary of the Committee is Mr. Wakil Ahmed Khan, Manager – Corporate Services

## Engagement of Directors in other companies/entities

Mr. Munnawar Hamid – OBE
- Silkbank Limited
- Human Resources and Compensation Committee of the Board, Silkbank Limited
- The Aga Khan University
- The Aga Khan University Provident Fund
- The Aga Khan University Gratuity Fund
- Physical Plant & Infrastructure Committee of the Aga Khan University, Board of Trustees
- Audit Committee, HR Committee, and Resource Development Committee of the Aga Khan University Board of Trustees

Mr. Muhammad Ashraf Bawany
- National Clearing Company of Pakistan Limited
- BOC Pakistan (Private) Limited
- Quality Assurance & Ethics Committee – ICMAP
- Pakistan German Business Forum
- Aziz Tabba Foundation of Welfare Committee
- Tabba Heart Institute of Welfare Committee
- Aziz Tabba Kidney Center of Welfare Committee
- National Council/Committees/Foundation – ICMAP
- All Pakistan Memon Federation – Education Board
- Strategic Advisory Board – Memon Professional Forum



Mr. Manzoor Ahmed
- Soneri Bank Limited
- Askari Bank Limited
- Bank Al-Habib Limited
- Sui Northern Gas Pipelines Limited
- Siemens (Pakistan) Engineering Company Limited
- Millat Tractors Limited
- Service Industries Limited
- Mari Petroleum Company Limited
- General Tyre and Rubber Co. Limited
- Nishat (Chunian) Limited
- Fauji Fertilizer Company Limited
- National Investment Trust Limited

Mr. Bernd Hugo Eulitz
- Linde Gas Asia Pte Limited
- Linde Malaysia Holdings Bhd
- Linde Gas Singapore Pte Limited
- Linde (Thailand) Public Company Limited
- Linde Bangladesh Limited
- Linde Philippines Limited
- Linde Gas Vietnam Pte Limited
- Ceylon Oxygen Limited

Mr. Siew Yap Wong
- Linde Malaysia Holdings Bhd
- Linde Malaysia Sdn Bhd
- Linde Welding Products Sdn Bhd
- Linde EOX Industries Sdn Bhd
- Linde Industrial Gases (Malaysia) Sdn Bhd
- Industrial Gases Solutions Sdn Bhd
- Kulim Industrial Gases Sdn Bhd
- Dayamox Sdn Bhd
- Linde Gas Products Malaysia Sdn Bhd
- Linde Engineering Sdn Bhd
- Federation of Malaysian Manufacturers
- FMM Institute, Malaysia

Mr. Atif Riaz Bokhari
- United Bank Limited
- United Bank A.G. Zurich, Switzerland
- United Executors & Trustees Co. Limited
- United Bank, UK
- Karachi School for Business & Leadership

Ms. Desiree Co Bacher
- Linde Gas Asia Pte Limited
- Linde Gas Singapore Pte Limited
- Linde Bangladesh
- Linde Philippines
- Ceylon Oxygen Limited
- Linde Gas Vietnam
- Linde Vietnam Limited
- Linde Korea Limited
- Linde Indonesia

Mr. Humayun Bashir
- IBM Pakistan & Afghanistan
- Silk Bank Limited

Mr. Shahid Hafiz Kardar
- Beaconhouse National University (BNU)
- Board of Governors of Shaukat Khanum Memorial Trust
- Human Rights Commission of Pakistan

## Internal and external audit

Internal audit
At Linde Pakistan Limited, the Internal audit department is an integral part of the Linde Group internal audit department. Internal audit aims to assist the Board of Directors and management in discharging their responsibilities by identifying and carrying out independent, objective audits as well as consultancy services aimed at creating value and improvement of business processes. It helps the organization to achieve its objectives by assessing and helping to improve the effectiveness of risk management, control mechanisms and the governance, management and monitoring of processes through a systematic and targeted approach.

To maintain the highest level of independence, Internal Audit has a functional reporting relationship directly to the Board Audit Committee (BAC) as well as Regional Head of South & East Asia / Pacific (Singapore). Such a reporting structure allows the Linde Pakistan Limited Head of Internal Audit to be completely independent from the Company's operations and to receive appropriate support in fulfilling her role. In addition, the Head of Internal Audit has unrestricted access to the Board Audit Committee Chairman, the Managing Director and the Chief Financial Officer of the Company to ensure that effective reporting and communication lines exist and guidance is sought as required. In order to ensure transparency, all reports are shared with the External Auditors and all material findings from both internal and external audits are fully analyzed and discussed.

The BAC reviews all Internal Audit reports which are also discussed in detail with the BAC Chairman regularly. The work of Internal Audit is focused on areas of material risks to the Company, determined on the basis of risk based planning approach. Further, globally identified high value reviews also form part of the audit plan to ensure global best practices.

The Internal Audit department is guided by a comprehensive audit manual as provided by the Global Group function. The key principles covered in the manual are: objectivity in gathering, assessment and communication of findings; independence from the audited entity; unlimited access to relevant information; integrity in execution of its functions; confidentiality with disclosure only as authorized and assured access to necessary skills and knowledge from the global function should it not exist in the department. The standard audit process is quality based, in that all reports undergo intensive quality reviews at local regional and global levels. In addition, the department is guided by the IIA standards and the Company's Code of Ethics.

External audit

Shareholders appoint the external auditors on a yearly basis at the Annual General Meeting of the Company as proposed by the Audit Committee and recommended by the Board of Directors. The annual financial statements are audited by such independent external auditors (KPMG) and half-year financial reports are subject to a review by the same firm. In addition to conducting audits and reviews, the auditors also report on any matters arising from the audit particularly in the key areas of focus.

## Best corporate practices

As part of The Linde Group, the Company is committed to integrity in all its business dealings. This is non-negotiable. Integrity and ethical values are prerequisites for everyone at the Company.

Governance standards and best corporate practices are regularly reviewed and updated by the Board to ensure their effectiveness and relevance in line with the Company's objective including implementation thereof.

The Board with active participation of all members in its meetings, formulates and approves policies, strategies, business plans and provides guidance on operations and matters of significant importance. Additionally, the Board complies with all applicable legal and listing requirements as a priority.

Linde's Code of Ethics anchors ethical conduct within the Company. In addition, since 2006, the Company (as part of The Linde Group) has pledged its commitment to the United Nations Global Compact. The UN Global Compact is a global alliance of organisations and private businesses, which aims to protect human rights, support compliance with labour standards, encourage environmental responsibility and combat corruption. The Company incorporates the principles of the UN Global Compact in our business activities.

At Linde, we have zero tolerance for corruption. The Company has in place an Anti-Corruption Compliance Guide (ACCG). The ACCG is designed to help employees conduct business in a legal and legitimate way and avoid violations of the Code of Ethics. It offers guidance to our employees on the granting and receiving of benefits, such as gifts, meals and invitations to events, that are prevalent in all cultures in general business dealings and thereby aims to minimize the risk of corruption in our business.

Insider trading

The Board has set the threshold for employees of the Company whereby an executive drawing annual basic salary exceeding Rs 1.2 million cannot deal in the shares of the Company during the closed period in any manner. The Company notifies the closed period 30 days prior to announcement of its interim and final results respectively and/or any other documents. During the closed period, no director, CEO, COO, CFO, Head of Internal Audit, Company Secretary and executives of the Company, as defined above, including their spouses and minor children can deal directly or indirectly in the shares of the Company. However, they can deal in the Company's shares only during the open period and all such transactions are required to be reported to the Company Secretary within four days of effecting the transaction with relevant details of purchase/sale of the shares.

Competition law

The Company strongly believes in free and fair competition as embodied in its Code of Ethics. The Company fully supports healthy competition in the country and aggressively but fairly competes with its competitors staying within the bounds of applicable laws. At LPL, we endeavor to win a business in a legitimate manner and to provide better products & services to our customers.

The Legal & Secretarial Department of the Company also endeavors to keep all the functional heads of the business/Company well informed of the importance of the competition laws and shares with them all related news items that appear from time to time in the press to ensure compliance with the competition law.

Disclosure and transparency

The Company in compliance with the legal and listing requirements treats all its shareholders equally. For the purpose of transparency, the Company always aims to provide shareholders and public up-to-date information about its business activities through the stock exchanges, the press, its website and periodic published financial statements as the case may be. The Company also publishes a financial calendar, which appears in its annual report, showing a tentative schedule for the announcement of financial results to be made in a calendar year.

Moreover, the Company follows the Companies Ordinance and applicable IAS and IFRS (International Accounting Standards) and endeavors to provide as much supplementary information in the financial statements as possible.

## Annual General Meeting

The Company considers the Annual General Meeting as the most appropriate forum for open and transparent discussions with its shareholders where they get an opportunity to review business performance as well as financial information as contained in the annual report and accounts. The event not only provides an opportunity for the shareholders to raise questions with the Directors present, but is also an opportunity for giving information to shareholders on the future direction of the Company. As the Company believes in transparency and disclosure of information for all its stakeholders, the Company, as required, gives notice of the general meeting in the press well before the prescribed time and offers free transportation service between a pre-designated generally convenient place and the venue of the meeting to encourage maximum attendance of its members at the general meeting.

## Pattern of shareholding

The pattern of shareholding together with additional information thereon is given on pages 96 and 97 to disclose the aggregate number of shares with the break-up of certain classes of shareholders as prescribed under the corporate and financial reporting framework.

During the year, no trading in the shares of the Company was carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and Executives and their spouses and minor children except by a director, Mr. Towfiq Habib Chinoy. Mr. Chinoy, who retired on 29 January 2014 from the Board of Directors of the Company, sold 61,580 shares of the Company which includes sale of 21,580 shares by his spouse, during the year ended 31 December 2013 and timely disclosure of the same was made as required.

# Statement of compliance with the Code of Corporate Governance. Year ended 31 December 2013.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Independent Directors

- Mr. Humayun Bashir Elected w.e.f. 30/01/2014
- Mr. Shahid Hafiz Kardar Elected w.e.f. 30/01/2014

Executive Directors

- Mr. M Ashraf Bawany Re-elected w.e.f. 30/01/2014

Non-Executive Directors

- Mr. Munnawar Hamid – OBE Re-elected w.e.f. 30/01/2014
- Mr. Manzoor Ahmed Re-elected w.e.f. 30/01/2014
- Mr. Bernd Hugo Eulitz Elected w.e.f. 30/01/2014
- Mr. Siew Yap Wong Elected w.e.f. 30/01/2014
- Mr. Atif Riaz Bokhari Elected w.e.f. 30/01/2014
- Ms. Desiree Co Bacher Elected w.e.f. 30/01/2014
- Mr. Sanaullah Qureshi Retired w.e.f. 29/01/2014
- Mr. Towfiq Habib Chinoy Retired w.e.f. 29/01/2014

The independent Directors meet the criteria of independence under clause I (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company, except Mr. Manzoor Ahmed who has been granted exemption by the SECP for a period of 2 years vide its letter SMD/SE/2(10)2002 dated 17 August 2012.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, appointment of two Directors was made within the prescribed period (90 days) to fill up the casual vacancies that occurred on the Board on 25 October 2012 and 1 August 2013.

5. In place of its earlier Code "Statement of Ethics and Business Practices", the Company's Board of Directors in its meeting held on 25 October 2012 adopted the "Code of Ethics" of the ultimate parent company, Linde AG, Germany, as the "Code of Conduct" which appears on page 12. Company ensures that the Directors and employees are familiar with the Code of Ethics besides its placement on the Company's website.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive Directors have been taken by the Board.

8. All the meetings of the Board held during the year were presided over by the Chairman. The Board met five times this year including once in every quarter for consideration and approval of the financial statements while a special meeting was held for appointment of Company's Chief Executive Officer to fill up the casual vacancy. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The newly elected Board comprises nine Directors. Of these, three Directors including Chief Executive and two non-executive Directors of the Company have already obtained certification under the Directors' Training Program (DTP) from Pakistan Institute of Corporate Governance while one non-executive Director (Chairman of the Board) meets the exemption conditions as described in clause xi of the CCG. The remaining five non-executive Directors include three foreign and two local.

   In view of the likely change in the Board due to election of Directors which was held on 16 January 2014, the Company found it appropriate to provide training to the Directors requiring certification under DTP after the election. Now arrangements have been made to complete DTP for rest of the Directors within the prescribed timeline. Additionally, orientation session was arranged for a new Director to acquaint him with the local markets, business objectives and affairs of the Company. He was also provided with the copies of Listing Regulations, Memorandum & Articles of Association of the Company and Code of Corporate Governance.

10. The Board has approved the appointment of new Company Secretary including his remuneration, terms and conditions of employment. During the year, Board also approved appointment of Head of Finance & Control of the Regional Business Unit – S&EA of The Linde Group (ultimate parent company) as the new CFO of the Company. No new appointment of Head of Internal Audit has been made during the year. Subsequent to the year-end, there has been a change of CFO and the Board has approved the appointment of new CFO including his remuneration, terms and conditions of his employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises five members. Of these, three are non-executive Directors and two are independent Directors including its Chairman being an independent Director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource & Remuneration Committee. It comprises five members. Of these, four are non-executive Directors including its Chairman while the CEO, an executive Director, has been included as a member of the Committee in terms of clause xxv of the CCG.

18. The Board has set up an effective internal audit function. The appointed Head of Internal Audit is responsible for the work plan and reports the results of all Internal Audit activities to the Board Audit Committee. The Internal Audit function remains independent from the Company by having a reporting line to the parent company and also direct access to the Chairman of the Board Audit Committee.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of

the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi
26 February 2014

Muhammad Ashraf Bawany
Chief Executive

Munnawar Hamid – OBE
Chairman



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**Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Linde Pakistan Limited** ("the Company") for the year ended 31 December 2013 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2013.

**Date: 26 February 2014**

**Karachi**

KPMG Taseer Hadi & Co.

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**

# Ten-year financial review.

| Rupees in '000 | 2004 | 2005 | 15 months ended 31 December (Restated) 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating results** | | | | | | | | | | |
| Sales | 1,521,649 | 1,752,399 | 2,299,531 | 2,174,515 | 2,453,341 | 2,307,741 | 2,530,022 | 3,044,800 | 3,739,405 | 4,016,101 |
| Gross profit | 679,848 | 735,383 | 910,212 | 934,021 | 835,647 | 710,989 | 686,774 | 769,209 | 954,170 | 764,231 |
| Profit from operations | 444,374 | 518,285 | 667,598 | 685,866 | 550,395 | 491,609* | 413,224* | 404,639 | 564,252* | 350,459 |
| Profit before taxation | 429,823 | 502,159 | 598,037 | 682,370 | 547,693 | 374,284 | 375,026 | 402,723 | 315,414 | 245,408 |
| Taxation | (97,784) | (132,235) | (130,073) | (223,321) | (145,587) | (122,672) | (131,201) | (139,848) | (39,125) | (63,941) |
| Profit after taxation | 332,039 | 369,924 | 467,964 | 459,049 | 402,106 | 251,612 | 243,825 | 262,875 | 276,289 | 181,467 |
| Dividends | 325,503 | 300,464 | 375,581 | 325,503 | 325,503 | 225,349 | 150,232 | 175,271 | 175,271 | 137,713 |
| | | | | | | | | | | |
| **Capital employed** | | | | | | | | | | |
| Paid-up capital | 250,387 | 250,387 | 250,387 | 250,387 | 250,387 | 250,387 | 250,387 | 250,387 | 250,387 | 250,387 |
| Reserves and unappropriated profits | 768,319 | 812,704 | 1,094,681 | 1,175,745 | 1,257,040 | 1,202,319 | 1,240,743 | 1,331,291 | 1,428,510 | 1,452,807 |
| **Shareholders' fund** | **1,018,706** | **1,063,127** | **1,345,068** | **1,426,132** | **1,507,427** | **1,452,706** | **1,491,130** | **1,581,678** | **1,678,897** | **1,703,194** |
| Deferred liabilities | 245,944 | 249,857 | 278,811 | 277,175 | 229,124 | 202,034 | 195,281 | 167,315 | 204,192 | 291,789 |
| Long-term liabilities & borrowings (net of cash) | 15,970 | (68,937) | (188,117) | (442,534) | (221,477) | (384,745) | (355,569) | 204,329 | 538,037 | 959,159 |
| | **1,280,620** | **1,244,047** | **1,435,762** | **1,260,773** | **1,515,074** | **1,269,995** | **1,330,842** | **1,953,322** | **2,421,126** | **2,954,142** |
| | | | | | | | | | | |
| **Represented by** | | | | | | | | | | |
| Non-current assets | 1,367,864 | 1,321,234 | 1,313,880 | 1,190,726 | 1,380,166 | 1,276,004 | 1,342,471 | 2,075,442 | 2,631,493 | 3,076,995 |
| Working capital | (87,244) | (77,187) | 121,882 | 70,047 | 134,908 | (6,009) | (11,629) | (122,120) | (210,367) | (122,853) |
| | **1,280,620** | **1,244,047** | **1,435,762** | **1,260,773** | **1,515,074** | **1,269,995** | **1,330,842** | **1,953,322** | **2,421,126** | **2,954,142** |
| | | | | | | | | | | |
| **Statistics** | | | | | | | | | | |
| Expenditure on fixed assets | 201,122 | 69,321 | 89,435 | 66,561 | 417,354 | 123,421 | 311,453 | 991,470 | 839,481 | 684,267 |
| Annual depreciation & amortisation | 126,441 | 138,780 | 144,801 | 139,319 | 148,817 | 171,647 | 177,492 | 204,304 | 268,203 | 244,873 |
| Earnings per share-Rupees | 13.26 | 14.77 | 18.69 | 18.33 | 16.06 | 10.05 | 9.74 | 10.50 | 11.03 | 7.25 |
| Dividend per share-Rupees (Note 1) | 13.00 | 12.00 | 15.00 | 13.00 | 13.00 | 9.00 | 6.00 | 7.00 | 7.00 | 5.50 |
| Dividend cover-times (Note 1) | 1.02x | 1.23 x | 1.25 x | 1.41x | 1.24 x | 1.12 x | 1.62 x | 1.50 x | 1.58x | 1.32 x |
| Net asset backing per share-Rupees | 40.69 | 42.46 | 53.72 | 56.96 | 60.20 | 58.02 | 59.55 | 63.17 | 67.05 | 68.02 |
| Return on average shareholders' fund (based on profit after tax) | 34.40% | 35.54% | 38.86% | 33.13% | 27.41% | 17.00% | 16.57% | 17.11% | 16.95% | 10.73% |
| Dividend on average shareholders' fund (Note 1) | 33.72% | 28.87% | 31.19% | 23.49% | 22.19% | 15.23% | 10.21% | 11.41% | 10.75% | 8.14% |
| Return on average capital employed (Based on profit before financial charges & tax) | 35.98% | 41.06% | 45.60% | 50.87% | 39.66% | 27.03% | 29.01% | 24.64% | 16.44% | 13.04% |
| Price/earning ratio (unadjusted) | 11.16 | 10.66 | 7.55 | 13.78 | 7.03 | 12.73 | 9.36 | 9.62 | 13.91 | 24.67 |
| Dividend yield ratio (Note 1) | 8.79% | 7.62% | 10.63% | 5.14% | 11.52% | 7.03% | 6.59% | 6.93% | 4.56% | 3.08% |
| Dividend payout ratio (Note 1) | 98.03% | 81.22% | 80.26% | 70.91% | 80.95% | 89.55% | 61.61% | 66.67% | 63.44% | 75.86% |
| Fixed assets/turnover ratio | 1.13 | 1.39 | 2.46 | 2.53 | 2.17 | 2.17 | 2.03 | 1.50 | 1.44 | 1.31 |
| Debt/equity ratio | 16:84 | 9:91 | 1:99 | 0:100 | 0:100 | 0:100 | 0:100 | 11:89 | 31:69 | 39:61 |
| Current ratio | 0.96 | 1.21 | 1.88 | 2.31 | 2.01 | 1.91 | 1.81 | 1.00 | 1.17 | 1.06 |
| Interest cover-times | 30.54 x | 32.14 x | 48.23 x | 196.19x | 203.70x | 177.13x | 171.62x | 211.19 x | 8.13x | 3.34x |
| Debtors turnover ratio | 18.36 | 16.87 | 15.92 | 14.57 | 17.15 | 14.86 | 15.72 | 18.71 | 20.78 | 17.79 |
| Gross profit ratio (as percentage of turnover) | 44.68% | 41.96% | 39.58% | 42.95% | 34.06% | 30.81% | 27.14% | 25.26% | 25.52% | 19.03% |
| Market value per share at year end - Rupees | 147.95 | 157.55 | 141.15 | 252.70 | 112.82 | 127.95 | 91.10 | 101.00 | 153.49 | 178.86 |

Note 1 includes proposed final dividend declared subsequent to the year-end
*Profit from operations represent operating profit before reorganisation / restructuring cost

# Profit and loss account.
## Vertical and horizontal analysis.

| Rupees in '000 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| Net sales | 4,016,101 | 3,739,405 | 3,044,800 | 2,530,022 | 2,307,741 | 2,453,341 |
| Cost of sales | (3,251,870) | (2,785,235) | (2,275,591) | (1,843,248) | (1,596,752) | (1,617,694) |
| **Gross profit** | **764,231** | **954,170** | **769,209** | **686,774** | **710,989** | **835,647** |
| Distribution and marketing expenses | (209,527) | (231,066) | (211,490) | (195,134) | (152,785) | (158,681) |
| Administrative expenses | (214,358) | (193,676) | (171,376) | (149,054) | (132,727) | (130,094) |
| Other operating expenses | (46,472) | (33,811) | (40,554) | (52,576) | (99,612) | (54,948) |
| Other income | 56,585 | 68,635 | 58,850 | 123,214 | 165,744 | 58,471 |
| **Operating profit before reorganization / restructuring cost** | **350,459** | **564,252** | **404,639** | **413,224** | **491,609** | **550,395** |
| Reorganization / restructuring cost | - | (204,572) | - | (36,000) | (115,200) | - |
| **Operating profit after reorganization / restructuring cost** | **350,459** | **359,680** | **404,639** | **377,224** | **376,409** | **550,395** |
| Finance costs | (105,051) | (44,266) | (1,916) | (2,198) | (2,125) | (2,702) |
| **Profit before tax** | **245,408** | **315,414** | **402,723** | **375,026** | **374,284** | **547,693** |
| Taxation | (63,941) | (39,125) | (139,848) | (131,201) | (122,672) | (145,587) |
| Profit for the year | 181,467 | 276,289 | 262,875 | 243,825 | 251,612 | 402,106 |
| | | | | | | |
| Vertical analysis - percentage % of sales | | | | | | |
| Net sales | 100 | 100 | 100 | 100 | 100 | 100 |
| Cost of sales | (81) | (74) | (75) | (73) | (69) | (66) |
| **Gross profit** | **19** | **26** | **25** | **27** | **31** | **34** |
| Distribution and marketing expenses | (5) | (6) | (7) | (8) | (7) | (6) |
| Administrative expenses | (5) | (5) | (6) | (6) | (6) | (5) |
| Other operating expenses | (1) | (1) | (1) | (2) | (4) | (2) |
| Other income | 1 | 2 | 2 | 5 | 7 | 2 |
| **Operating profit before reorganization / restructuring cost** | **9** | **16** | **13** | **16** | **21** | **23** |
| Reorganization / restructuring cost | 0 | (5) | 0 | (1) | (5) | 0 |
| **Operating profit after reorganization / restructuring cost** | **9** | **11** | **13** | **15** | **16** | **23** |
| Finance costs | (3) | (1) | 0 | 0 | 0 | 0 |
| **Profit before tax** | **6** | **10** | **13** | **15** | **16** | **23** |
| Taxation | (2) | (1) | (5) | (5) | (5) | (6) |
| Profit for the year | 5 | 9 | 8 | 10 | 11 | 17 |
| | | | | | | |
| Horizontal analysis (year on year)<br>Percentage increase / (decrease) over preceeding year | | | | | | |
| Net sales | 7 | 23 | 20 | 10 | (6) | |
| Cost of sales | 17 | 22 | 23 | 15 | (1) | |
| **Gross profit** | **(20)** | **24** | **12** | **(3)** | **(15)** | |
| Distribution and marketing expenses | (9) | 9 | 8 | 28 | (4) | |
| Administrative expenses | 11 | 13 | 15 | 12 | 2 | |
| Other operating expenses | 37 | (17) | (23) | (47) | 81 | |
| Other income | (18) | 17 | (52) | (26) | 183 | |
| **Operating profit before reorganization / restructuring cost** | **(38)** | **39** | **(2)** | **(16)** | **(11)** | |
| Reorganization / restructuring cost | (100) | 100 | (100) | (69) | 100 | |
| **Operating profit after reorganization / restructuring cost** | **(3)** | **(11)** | **7** | **0** | **(32)** | |
| Finance costs | 137 | 2210 | (13) | 3 | (21) | |
| **Profit before tax** | **(22)** | **(22)** | **7** | **0** | **(32)** | |
| Taxation | 63 | (72) | 7 | 7 | (16) | |
| Profit for the year | (34) | 5 | 8 | (3) | (37) | |

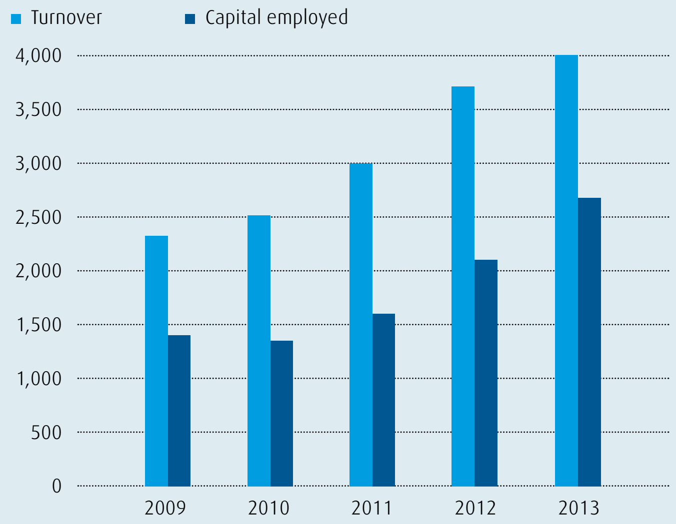


# Balance sheet.
## Vertical and horizontal analysis.

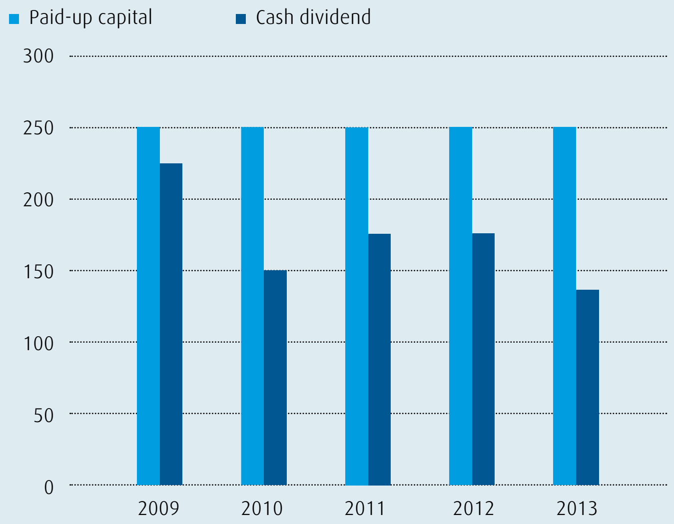
| Rupees in '000 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | | |
| Total equity | 1,703,194 | 1,678,897 | 1,581,678 | 1,491,130 | 1,452,706 | 1,507,427 |
| Total non-current liabilities | 1,441,147 | 1,095,778 | 497,195 | 317,776 | 317,599 | 342,125 |
| Total current liabilities | 1,045,058 | 863,816 | 692,760 | 578,329 | 545,644 | 462,748 |
| Total equity and liabilities | 4,189,399 | 3,638,491 | 2,771,633 | 2,387,235 | 2,315,949 | 2,312,300 |
| **Assets** | | | | | | |
| Total non-current assets | 3,076,995 | 2,631,493 | 2,075,442 | 1,342,471 | 1,276,004 | 1,380,166 |
| Total current assets | 1,112,404 | 1,006,998 | 696,191 | 1,044,764 | 1,039,945 | 932,134 |
| Total assets | 4,189,399 | 3,638,491 | 2,771,633 | 2,387,235 | 2,315,949 | 2,312,300 |
| | | | | | | |
| **Vertical analysis** | | | | | | |
| **Equity and liabilities** | | | | | | |
| Total equity | 41 | 46 | 57 | 63 | 63 | 65 |
| Total non-current liabilities | 34 | 30 | 18 | 13 | 14 | 15 |
| Total current liabilities | 25 | 24 | 25 | 24 | 23 | 20 |
| Total equity and liabilities | 100 | 100 | 100 | 100 | 100 | 100 |
| **Assets** | | | | | | |
| Total non-current assets | 73 | 72 | 75 | 56 | 55 | 60 |
| Total current assets | 27 | 28 | 25 | 44 | 45 | 40 |
| Total assets | 100 | 100 | 100 | 100 | 100 | 100 |
| | | | | | | |
| **Horizontal analysis (year on year)<br>Percentage increase / (decrease) over preceeding year** | | | | | | |
| **Equity and liabilities** | | | | | | |
| Total equity | 1 | 6 | 6 | 3 | (4) | |
| Total non-current liabilities | 32 | 120 | 56 | 0 | (7) | |
| Total current liabilities | 21 | 25 | 20 | 6 | 18 | |
| Total equity and liabilities | 15 | 31 | 16 | 3 | 0 | |
| **Assets** | | | | | | |
| Total non-current assets | 17 | 27 | 55 | 5 | (8) | |
| Total current assets | 10 | 45 | (33) | 0 | 12 | |
| Total assets | 15 | 31 | 16 | 3 | 0 | |

# Key financial data.

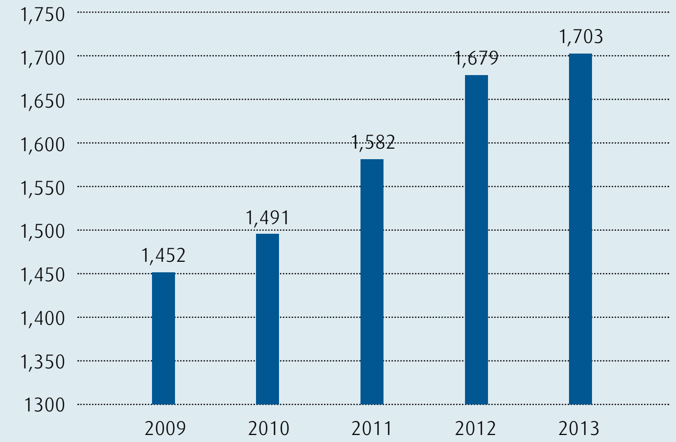
### Turnover (net) and average capital employed (Rupees in million)



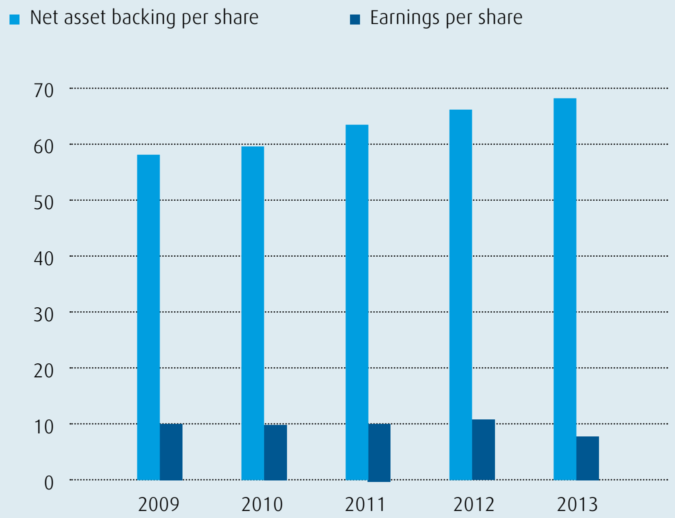

### Paid-up capital and cash dividend (Rupees in million)



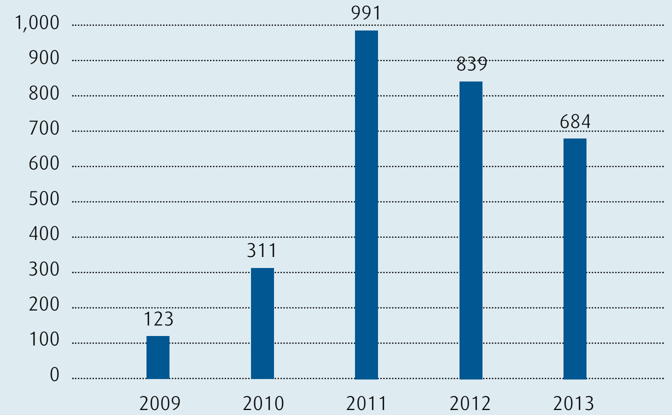

### Shareholders' fund (Rupees in million)



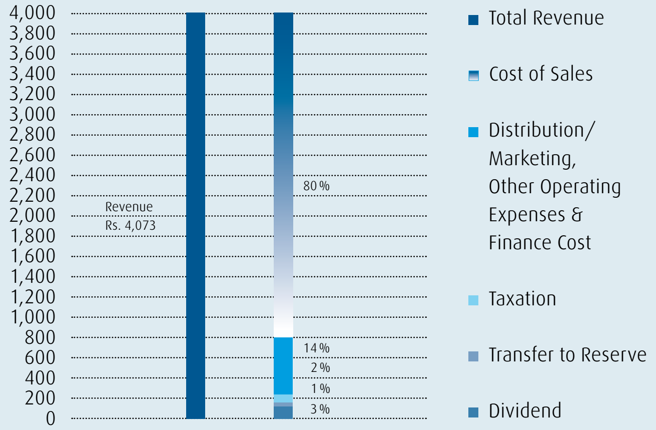

### Break up value and EPS (Rupees)




### Capital expenditure (Rupees in million)




### Application of revenue 2013 (Rupees in million)





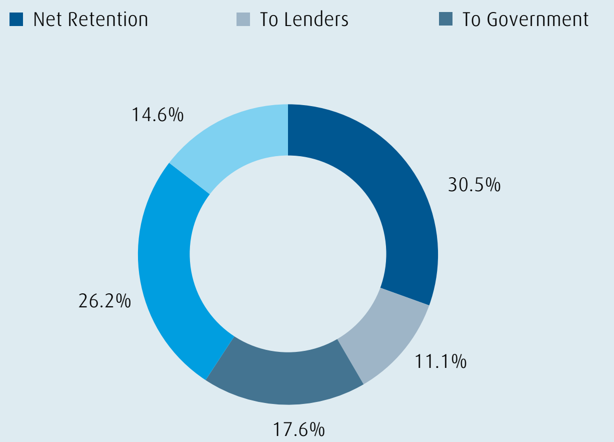

# Statement of value added during 2013.

The statement below shows the amount of wealth generated by the Company employees and its assests during the year and the way this wealth has been distributed:

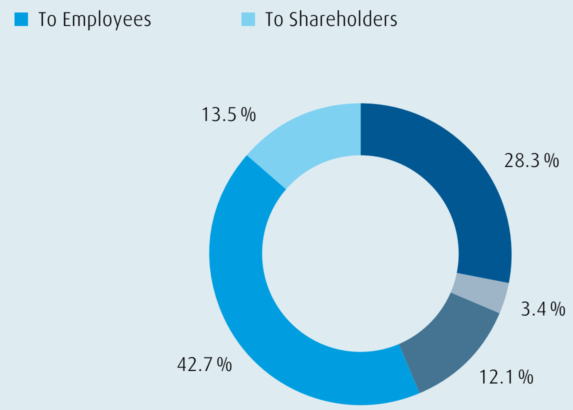
| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| **Wealth generated** | | |
| Total revenue (net of sales tax) | 4,072,686 | 3,808,040 |
| Bought-in material & services | (3,126,856) | (2,504,577) |
| | 945,830 | 1,303,462 |
| **Wealth distributed** | | |
| **To employees** | | |
| Salaries, wages and benefits | 247,903 | 351,850 |
| Reorganization / restructuring cost | - | 204,572 |
| | **247,903** | **556,422** |
| **To government** | | |
| Income tax on profit, workers' funds, import duties (exclusive of capital items) and un-adjustable sales tax | 166,536 | 158,283 |
| **To providers of capital** | | |
| Cash dividends to shareholders* | 137,713 | 175,271 |
| **To lenders** | | |
| Finance cost | 105,051 | 44,266 |
| **Retained in the business** | | |
| Represented by depreciation and transfer to general reserve for replacement of fixed assets | 288,627 | 369,221 |
| | 945,830 | 1,303,463 |

*Includes proposed final dividend declared subsequent to year end

### Wealth generated and distributed 2013




### Wealth generated and distributed 2012



# Financial Statements of the Company.






KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk


## Auditors' Report to the Members

We have audited the annexed balance sheet of **Linde Pakistan Limited** ("the Company") as at 31 December 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

KPMG Taseer Hadi & Co.

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

**Date: 26 February 2014**

**Karachi**

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**
**Moneeza Usman Butt**

# Profit and loss account.

| Rupees in '000 | Note | For the year ended 31 Dec. 2013 | For the year ended 31 Dec. 2012 |
|---|---|---|---|
| Gross sales | 5 | 4,553,537 | 4,252,294 |
| Trade discount and sales tax | 5 | (537,436) | (512,889) |
| **Net sales** | | **4,016,101** | **3,739,405** |
| | | | |
| Cost of sales | 6 | (3,251,870) | (2,785,235) |
| **Gross profit** | | **764,231** | **954,170** |
| | | | |
| Distribution and marketing expenses | 7 | (209,527) | (231,066) |
| Administrative expenses | 8 | (214,358) | (193,676) |
| Other operating expenses | 9 | (46,472) | (33,811) |
| Other income | 10 | 56,585 | 68,635 |
| **Operating profit before reorganization / restructuring cost** | | **350,459** | **564,252** |
| | | | |
| Reorganization / restructuring cost | | - | (204,572) |
| **Operating profit after reorganization / restructuring cost** | | **350,459** | **359,680** |
| | | | |
| Finance costs | 11 | (105,051) | (44,266) |
| **Profit before taxation** | | **245,408** | **315,414** |
| | | | |
| Taxation | 12 | (63,941) | (39,125) |
| Profit for the year | | 181,467 | 276,289 |
| | | | |
| **Earnings per share – basic and diluted in Rupees** | 13 | **7.25** | **11.03** |

The annexed notes 1 to 43 form an integral part of these financial statements.

Muhammad Ashraf Bawany
Chief Executive

Munnawar Hamid – OBE
Chairman

# Statement of comprehensive income.

| Rupees in '000 | Note | For the year ended 31 Dec. 2013 | For the year ended 31 Dec. 2012 |
|---|---|---|---|
| Profit for the year | | 181,467 | 276,289 |
| | | | |
| Other comprehensive income | | | |
| Items that will never be reclassified to profit and loss account | | | |
| Net re-measurement on defined benefit plans | 33.1 | 2,056 | (8,193) |
| Tax thereon | | (699) | 2,868 |
| | | 1,357 | (5,325) |
| Items that will be reclassified subsequently to profit and loss account | | | |
| Gain on derivative financial instruments | 25 | 6,401 | 2,348 |
| Tax thereon | | (2,176) | (822) |
| | | 4,225 | 1,526 |
| Total comprehensive income for the year | | 187,049 | 272,490 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Muhammad Ashraf Bawany
Chief Executive

Munnawar Hamid – OBE
Chairman



# Balance sheet.

| Rupees in '000 | Note | As at 31 Dec. 2013 | As at 31 Dec. 2012 |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 3,021,241 | 2,590,400 |
| Intangible assets | 15 | 29,026 | 14,343 |
| Investment in subsidiary | | 10 | 10 |
| Long term loans | 16 | 55 | 49 |
| Long term deposits | | 26,663 | 26,691 |
| | | 3,076,995 | 2,631,493 |
| Current assets | | | |
| Stores and spares | 17 | 113,146 | 116,732 |
| Stock-in-trade | 18 | 226,226 | 208,695 |
| Current maturity of net investment in finance lease | | - | 14,260 |
| Trade debts | 19 | 248,320 | 203,269 |
| Loans and advances | 20 | 11,291 | 19,135 |
| Deposits and prepayments | 21 | 33,105 | 27,029 |
| Other receivables | 22 | 68,547 | 40,175 |
| Taxation – net | | 121,570 | 24,154 |
| Cash and bank balances | 23 | 290,199 | 353,549 |
| | | 1,112,404 | 1,006,998 |
| Total assets | | 4,189,399 | 3,638,491 |
| Equity and liabilities | | | |
| Share capital and reserves | | | |
| Issued, subscribed and paid-up capital | 24 | 250,387 | 250,387 |
| Reserves | | 1,307,541 | 1,207,623 |
| Unappropriated profit | | 145,266 | 220,887 |
| | | 1,703,194 | 1,678,897 |
| Non-current liabilities | | | |
| Long-term financing | 26 | 995,000 | 750,000 |
| Long-term deposits | 27 | 154,358 | 141,586 |
| Deferred liabilities | 28 | 291,789 | 204,192 |
| | | 1,441,147 | 1,095,778 |
| Current liabilities | | | |
| Trade and other payables | 30 | 945,058 | 863,816 |
| Current maturity of long term financing | | 100,000 | - |
| | | 1,045,058 | 863,816 |
| Total equity and liabilities | | 4,189,399 | 3,638,491 |
| | | | |
| Contingencies and commitments | 31 | | |

The annexed notes 1 to 43 form an integral part of these financial statements.

Muhammad Ashraf Bawany
Chief Executive

Munnawar Hamid – OBE
Chairman

# Cash flow statement.

| Rupees in '000 | Note | For the year ended 31 Dec. 2013 | For the year ended 31 Dec. 2012 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 32 | 554,147 | 792,857 |
| Finance costs paid | | (94,902) | (36,885) |
| Income tax paid | | (83,128) | (113,737) |
| Post retirement medical benefits paid | | (584) | (200) |
| Interest received on investment in finance lease | | - | 1,752 |
| Long term loans and deposits | | 22 | 632 |
| Long term deposits | | 12,772 | 11,706 |
| Net investment in finance lease | | - | 12,495 |
| **Net cash from operating activities** | | **388,327** | **668,620** |
| | | | |
| **Cash flow from investing activities** | | | |
| Acquisition of property, plant and equipment | | (666,986) | (839,481) |
| Addition to intangible assets | | (17,281) | - |
| Proceeds from disposal of operating assets | | 45,299 | 15,819 |
| Interest received on balances with banks | | 5,714 | 8,544 |
| Investment in subsidiary | | - | (10) |
| **Net cash used in investing activities** | | **(633,254)** | **(815,128)** |
| | | | |
| **Cash flow from financing activities** | | | |
| Long term financing | | 345,000 | 550,000 |
| Dividends paid | | (163,423) | (175,494) |
| **Net cash from financing activities** | | **181,577** | **374,506** |
| | | | |
| **Net (decrease) / increase in cash and cash equivalents** | | **(63,350)** | **227,998** |
| | | | |
| Cash and cash equivalents at beginning of the year | | 353,549 | 125,551 |
| Cash and cash equivalents at end of the year | 23 | 290,199 | 353,549 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Muhammad Ashraf Bawany
Chief Executive

Munnawar Hamid – OBE
Chairman



# Statement of changes in equity.

For the year ended 31 Dec. 2013

| Rupees in '000 | Issued, subscribed and paid-up capital | Reserves: Hedging reserve | Reserves: General reserve | Unappropriated profit | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2012** | **250,387** | **(1,526)** | **1,128,069** | **204,748** | **1,581,678** |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 276,289 | 276,289 |
| Other comprehensive income for the year | - | 1,526 | - | (5,325) | (3,799) |
| | **-** | **1,526** | **-** | **270,964** | **272,490** |
| **Transactions with owners of the Company, recognised directly in equity** | | | | | |
| Final dividend for the year ended 31 December 2011 – Rs. 5.00 per share | - | - | - | (125,194) | (125,194) |
| Interim dividend for the year ended 31 December 2012 – Rs.2.00 per share | - | - | - | (50,077) | (50,077) |
| | **-** | **-** | **-** | **(175,271)** | **(175,271)** |
| | | | | | |
| Transfer to general reserve | - | - | 79,554 | (79,554) | - |
| Balance as at 31 December 2012 | 250,387 | - | 1,207,623 | 220,887 | 1,678,897 |
| | | | | | |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 181,467 | 181,467 |
| Other comprehensive income for the year | - | 4,225 | - | 1,357 | 5,582 |
| | **-** | **4,225** | **-** | **182,824** | **187,049** |
| **Transactions with owners of the Company, recognised directly in equity** | | | | | |
| Final dividend for the year ended 31 December 2012 – Rs. 5.00 per share | - | - | - | (125,194) | (125,194) |
| Interim dividend for the year ended 31 December 2013 – Rs. 1.50 per share | - | - | - | (37,558) | (37,558) |
| | **-** | **-** | **-** | **(162,752)** | **(162,752)** |
| | | | | | |
| Transfer to general reserve | - | - | 95,693 | (95,693) | - |
| Balance as at 31 December 2013 | 250,387 | 4,225 | 1,303,316 | 145,266 | 1,703,194 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Muhammad Ashraf Bawany
Chief Executive

Munnawar Hamid – OBE
Chairman

# Notes to the financial statements.
# For the year ended 31 December 2013.

## 1. Legal status and operations

Linde Pakistan Limited ("the Company") was incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984), as a private limited company in 1949 and converted into a public limited company in 1958. Its shares are quoted on all the Stock Exchanges of Pakistan. The address of its registered office is West Wharf, Dockyard Road, Karachi, Pakistan.

The Company is principally engaged in the manufacturing of industrial and medical gases, welding electrodes and marketing of medical equipment.

The Company is a subsidiary of The BOC Group Limited whereas its ultimate parent company is Linde AG, Germany.

The Company owns a wholly owned subsidiary, BOC Pakistan (Private) Limited ("BOCPL"), which has not carried out any business activities during the year. Accordingly, exemption has been granted by the Securities and Exchange Commission of Pakistan ("SECP") from the application of sub-section (1) to (7) of section 237 of the Companies Ordinance, 1984 requiring consolidation of subsidiary in the preparation of financial statements for the current year.

## 2. Basis of preparation

### 2.1 Statement of compliance
These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement
These financial statements have been prepared on the historical cost basis, except as otherwise disclosed.

### 2.3 Functional and presentation currency
The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

### 2.4 Use of estimates and judgements
The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Information about judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements, and estimates that have a significant risk of resulting in a material adjustment in the subsequent years are disclosed in note 40 to these financial statements.

## 3. Standards, amendments and interpretations

### 3.1 Standards, amendments and interpretations to the published approved accounting standards that are effective in the current accounting period
Following standards, interpretations and amendments became effective during the year. However, these amendments to IFRS and interpretations did not have any material effect on the Company's financial statements.

- IAS 19 Employee Benefits (amended 2011)
- IAS 27 Separate Financial Statements (2011)
- IAS 28 Investments in Associates and Joint Ventures (2011)
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

Improvements to:
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

### 3.2 Standards, amendments and interpretations to approved accounting standards that are issued but not yet effective
The following standards, amendments and interpretations of approved accounting standards are effective for annual accounting periods beginning on or after 1 January 2014.

- IFRIC 21– Levies 'an Interpretation on the accounting for levies imposed by governments'
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39: Financial Instruments: Recognition and Measurement – Continuing hedge accounting after derivative novations
- IAS 19: Employee Benefits – Employee contributions – a practical approach

Improvements to:
- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- Amendments to IAS 16: Property, plant and equipment and IAS 38: Intangible Assets
- IAS 24 Related Party Disclosure
- IAS 40 Investment Property

These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

## 4. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented in these financial statements.

### 4.1 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

- Revenue from sale of goods is measured net of sales tax, returns, trade discounts and volume rebates, and is recognised when significant risks and rewards of ownership are transferred to the buyer, that is, when deliveries are made and recovery of the consideration is probable.
- Rental and other service income is recognised in profit and loss account on accrual basis.
- Return on bank deposits is recognised on time proportion using the effective rate of return.

### 4.2 Operating segments
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available. The Company's format for segment reporting is based on its products and services.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, such as, cash and bank balances and related income and expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

### 4.3 Finance lease income
The financing method is used in accounting for income on finance leases. Under this method the unearned lease income, that is, the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is amortized to income over the term of the lease, so as to produce a constant periodic rate of return on net investment outstanding in the leases.

### 4.4 Dividend and appropriation to reserves
Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

### 4.5 Long term incentive plan
The fair value of the amount payable to employees in respect of long term incentive plan, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become entitled to payment subject to satisfactory fulfilment of certain performance conditions. The accrued liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as salary expense in profit or loss.

### 4.6 Taxation
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

#### Current
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

#### Deferred
Deferred tax is recognised, using the balance sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.7 Property, plant and equipment

Operating fixed assets
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, except freehold land which is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is retired from use. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation
Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful life of an item of property, plant and equipment. Freehold land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on disposal
Gains or losses on disposal of an item of property, plant and equipment are recognised in the profit and loss account.

Capital work in progress
Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.8 Intangible assets
An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the enterprise and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and other directly attributable costs of preparing the software for its intended use.

Computer software acquisition or development cost is stated at cost less accumulated amortisation and impairment losses, if any, and is amortised on a straight-line basis over its estimated useful life.

4.9 Investment in subsidiary
Investment in subsidiary is stated at cost net of provision for impairment, if any. This investment is classified as long term investment.

4.10 Embedded finance lease
Contractual arrangements, the fulfillment of which is dependent upon the use of a specific asset and whereby the right to use the underlying asset is conveyed to the customer, are classified as finance lease. Net investment in finance lease is recognised at an amount equal to the present value of the lease payments receivable, including any guaranteed residual value.

4.11 Impairment
The carrying amounts of Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the profit and loss account.

4.12 Stores and spares
Stores and spares are stated at cost determined using moving average method. Provision is made for slow moving and obsolete items, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

4.13 Stock-in-trade
Stock-in-trade is stated at the lower of cost and net realisable value. The cost is determined using moving average method, and includes expenditure incurred in acquiring the stocks, conversion costs and other costs incurred in bringing the inventories to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Stock in transit is valued at cost comprising invoice value plus other charges incurred thereon.

4.14 Trade debts and other receivables
Trade debts and other receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment, if any. A provision is established when there is an objective evidence that the Company will not be able to collect all the amounts due according to the original terms of



receivables. Trade debts and other receivables considered irrecoverable are written off.

4.15 Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits held with banks. Running finance facilities availed by the Company, which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

4.16 Financial assets and liabilities
The Company recognises financial asset or a financial liability when it becomes a party to the contractual provision of the instrument. Financial assets and liabilities are recognised initially at cost, which is the fair value of the consideration given or received as appropriate, plus any directly attributable transaction costs. These financial assets and liabilities are subsequently measured at fair value or amortised cost using the effective interest rate method, as the case may be.

Financial assets are derecognised when the contractual right to cash flows from the asset expire, or when substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liability is derecognised when its contractual obligations are discharged, cancelled or expired. Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

4.17 Staff retirement benefits

Defined benefit plans
The Company operates:

- an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company;

- an approved defined benefit pension scheme for certain management staff. The scheme provides for pension to employees and their wives for life and to specified number of children upto a given age. This pension scheme had been curtailed with effect from 1 October 2006. No new members have been inducted in this scheme since then. The members in this scheme are 24.

Both the above schemes are funded and contributions to them are made monthly on the basis of an actuarial valuation and in line with the provisions of the Income Tax Ordinance, 2001. Actuarial valuations of these schemes are carried out at each year end.

- a scheme to provide post retirement medical benefits to members of Management Staff Pension Funds, retiring on or after 1 July 2000. Provision is made annually to cover obligations under the scheme, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation. However, with effect from 1 January 2009, the scheme has been discontinued and a one-time lump sum payment was made to the beneficiaries on the basis of their entitlement ascertained by a qualified actuary as at 31 December 2008. In the case of retirees, it was elective to opt for the one-time lump sum payment.

The latest valuations of the above schemes were carried out as of 31 December 2013, using the "Projected Unit Credit Method".

Amount recognized in the balance sheet with respect to above schemes represent the present value of obligations under the schemes as reduced by the fair value of plan assets, if any.

Remeasurements of net defined benefit liability / (asset) which comprises actuarial gains / (losses), return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income.

Net interest cost, calculated by applying discount rate at the beginning of reporting period to the net defined benefit liability or asset at the beginning of that reporting period adjusted for contribution and benefit payments.

Service cost, including past service cost and settlement gains / (losses) are recognized in profit and loss account.

Defined contribution plans
The Company operates:

- a recognised defined contribution pension fund for the benefit of its officer cadre employees. Monthly contributions are made by the Company to the Fund at the rate of 8.9% of basic salary plus house rent and utility allowances, in respect of each member.

- a recognised contributory provident fund for all permanent employees who have completed six months service. For officer cadre employees, equal monthly contributions are made, both by the Company and the employees at the rate of 5.42% and 6.5% of basic salary plus house rent and utility allowances, depending on length of employees' service. In case of other employees, equal monthly contributions are made, both by the Company and the employees at the rate of 8.33% and 10% of basic salary plus applicable cost of living allowance, depending on the length of employees' service.

4.18 Compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render service that increases their entitlement to future compensated absences.

4.19 Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.20 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.21 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into Pak Rupee at the exchange rate prevailing at that date. Foreign currency differences, if any, arising on retranslation are recognised in profit and loss account.

4.22 Derivative financial instruments

When a derivative is designated as the hedging instrument to hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit and loss account.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.23 Borrowings and their cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

## 5. Segment information

The Company's reportable segments are based on the following product lines:

Industrial, medical and other gases

This segment covers business with large-scale industrial customers, typically in the oil, chemical, food and beverage, metals, glass sectors and medical customers in healthcare sector. Gases and services are supplied as part of customer specific solutions. These range from supply by pipeline or from dedicated on-site plants to the large users and supply by road tankers in liquefied form to others. Gases for cutting and welding, hospital, laboratory applications and a variety of medical purposes are also distributed under pressure in cylinders. This segment also covers the supply of associated medical equipment.

Welding and others

This segment covers sale of welding electrodes, packaged chemicals and a range of associated equipments, such as, cutting and welding products and associated safety equipments.



### 5.1 Segment results are as follows:

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| Rupees in '000 | Industrial, medical and other gases | Welding and others | Total | Industrial, medical and other gases | Welding and others | Total |
| Gross sales | 3,499,390 | 1,054,147 | 4,553,537 | 3,136,781 | 1,115,513 | 4,252,294 |
| Less: | | | | | | |
| Trade discount | 11,181 | - | 11,181 | 78,624 | - | 78,624 |
| Sales tax | 378,132 | 148,123 | 526,255 | 278,903 | 155,362 | 434,265 |
| | **389,313** | **148,123** | **537,436** | **357,527** | **155,362** | **512,889** |
| **Net sales** | **3,110,077** | **906,024** | **4,016,101** | **2,779,254** | **960,151** | **3,739,405** |
| Less: | | | | | | |
| Cost of sales | 2,451,074 | 800,796 | 3,251,870 | 1,911,033 | 874,202 | 2,785,235 |
| Distribution and marketing expenses | 180,677 | 28,850 | 209,527 | 210,252 | 20,814 | 231,066 |
| Administrative expenses | 184,843 | 29,515 | 214,358 | 176,230 | 17,446 | 193,676 |
| | **2,816,594** | **859,161** | **3,675,755** | **2,297,515** | **912,462** | **3,209,977** |
| **Segment result** | **293,483** | **46,863** | **340,346** | **481,739** | **47,689** | **529,428** |
| Unallocated corporate expenses: | | | | | | |
| Other operating expenses | | | (46,472) | | | (33,811) |
| Other income | | | 56,585 | | | 68,635 |
| **Operating profit before reorganization/ restructuring cost** | | | **350,459** | | | **564,252** |
| Reorganization / restructuring cost | | | - | | | (204,572) |
| **Operating profit after reorganization/ restructuring cost** | | | **350,459** | | | **359,680** |
| Finance costs | | | (105,051) | | | (44,266) |
| Taxation | | | (63,941) | | | (39,125) |
| Profit for the year | | | 181,467 | | | 276,289 |

5.2 Transfers between business segments, if any, are recorded at cost. There were no inter segment transfers during the year.

5.3 Gross sales amounting to Nil (2012: Rs. 585,663 thousand) are generated from a customer which comprises more than 10% of the Company's revenue. Total revenue of the Company is generated from customers within Pakistan.

## 5.4 The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| Rupees in '000 | Industrial, medical and other gases | Welding and others | Total | Industrial, medical and other gases | Welding and others | Total |
| Segment assets | 3,482,154 | 162,205 | 3,644,359 | 2,998,075 | 149,625 | 3,147,700 |
| Unallocated assets | | | 545,039 | | | 490,791 |
| **Total assets** | | | **4,189,398** | | | **3,638,491** |
| | | | | | | |
| Segment liabilities | 298,353 | 28,416 | 326,769 | 296,705 | 23,482 | 320,187 |
| Unallocated liabilities | | | 2,159,436 | | | 1,639,407 |
| **Total liabilities** | | | **2,486,205** | | | **1,959,594** |
| | | | | | | |
| Capital expenditure | 695,512 | - | 695,512 | 839,481 | - | 839,481 |

5.5 All non-current assets of the Company as at 31 December 2013 were located within Pakistan. Depreciation expense mainly relates to Industrial, medical and other gases segment.

## 6. Cost of sales

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Fuel and power | | 1,113,305 | 769,785 |
| Raw materials consumed | | 412,376 | 376,369 |
| Third party manufacturing charges | | 21,928 | 24,213 |
| Depreciation | 14.6 | 220,043 | 246,105 |
| Salaries, allowances and other benefits | 6.1 | 151,918 | 152,288 |
| Transportation expenses | | 280,965 | 207,655 |
| Repairs and maintenance | | 55,339 | 56,621 |
| Consumable spares | | 54,320 | 28,144 |
| Insurance | | 44,239 | 32,679 |
| Travelling and conveyance | | 28,374 | 19,437 |
| Safety and security expenses | | 16,122 | 11,523 |
| Rent, rates and taxes | | 4,930 | 3,934 |
| Staff training, development and other expenses | | 1,267 | 3,872 |
| Other expenses | | 7,503 | 6,155 |
| **Cost of goods manufactured** | | **2,412,629** | **1,938,780** |
| | | | |
| Opening stock of finished goods | | 130,262 | 92,755 |
| Purchase of finished goods | | 849,105 | 881,979 |
| Write down of inventory to net realisable value | | 5,176 | 1,983 |
| Closing stock of finished goods | | (145,302) | (130,262) |
| | | 3,251,870 | 2,785,235 |

6.1 Salaries, allowances and other benefits include in respect of:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Defined benefit schemes | 3,261 | 3,263 |
| Defined contribution plans | 5,314 | 6,484 |
| | 8,575 | 9,747 |

## 7. Distribution and marketing expenses

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Salaries, allowances and other benefits | 7.1 | 116,052 | 134,719 |
| Technical assistance fee | | 44,304 | 36,532 |
| Travelling and conveyance | | 17,112 | 18,818 |
| Depreciation | 14.6 | 6,558 | 7,819 |
| Provision for doubtful debts | | 4,923 | 7,529 |
| Communications and stationery | | 5,708 | 8,237 |
| Repairs and maintenance | | 2,376 | 2,151 |
| Safety and security expenses | | 1,631 | 1,453 |
| Office light | | 4,509 | 4,169 |
| Rent, rates and taxes | | 3,505 | 3,153 |
| Advertising and sales promotion | | 536 | 2,423 |
| Staff training, development and other expenses | | 1,681 | 3,192 |
| Other expenses | | 632 | 871 |
| | | 209,527 | 231,066 |

7.1 Salaries, allowances and other benefits include in respect of:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Defined benefit schemes | 4,144 | 3,250 |
| Defined contribution plans | 8,080 | 8,041 |
| | 12,224 | 11,291 |

## 8. Administrative expenses

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Salaries, allowances and other benefits | 8.1 | 86,995 | 98,685 |
| Travelling and conveyance | | 19,050 | 12,880 |
| Systems support and shared services | | 47,116 | 28,725 |
| Communications and stationery | | 15,273 | 13,673 |
| Depreciation | 14.6 | 15,674 | 14,279 |
| Repairs and maintenance | | 7,637 | 6,353 |
| Office light | | 7,199 | 6,329 |
| Directors' fee and remuneration | | 4,576 | 4,774 |
| Amortization | | 2,598 | - |
| Safety and security expenses | | 2,333 | 1,743 |
| Staff training, development and other expenses | | 2,128 | 2,613 |
| Insurance | | 790 | 665 |
| Rent, rates and taxes | | 614 | 683 |
| Other expenses | | 2,375 | 2,274 |
| | | 214,358 | 193,676 |

8.1 Salaries, allowances and other benefits include in respect of:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Defined benefit schemes | 2,492 | 2,092 |
| Defined contribution plans | 8,100 | 8,327 |
| | 10,592 | 10,419 |

## 9. Other operating expenses

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Workers' Profits Participation Fund | | 13,180 | 16,940 |
| Workers' Welfare Fund | | 5,008 | 6,437 |
| Net investment in finance lease written off | 9.1 | 14,260 | - |
| Legal and professional charges | | 8,294 | 7,320 |
| Auditors' remuneration | 9.2 | 1,588 | 1,440 |
| Donations | 9.3 | 637 | 913 |
| Exchange loss – net | | 3,505 | - |
| Others | | - | 761 |
| | | 46,472 | 33,811 |

9.1 This represents adjustment of net investment in finance lease balance as of 1 January 2013, resulting from revision in terms of a long term arrangement with a customer which was classified as Embedded Finance Lease (EFL) under IFRIC 4 "Determining whether an Arrangement contains a Lease".

### 9.2 Auditors' remuneration

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Audit fee | 805 | 700 |
| Audit of provident, gratuity, pension and workers' profits | | |
| Participation fund and fee for special certifications | 430 | 430 |
| Fee for review of half yearly financial statements | 220 | 220 |
| Out-of-pocket expenses | 133 | 90 |
| | 1,588 | 1,440 |

9.3 Donations include an amount of Nil (2012: Rs. 500 thousand) paid to Agha Khan Hospital and Medical College Foundation, Karachi. Mr. Munnawar Hamid – OBE, Chairman, is a trustee of the Aga Khan University.

## 10. Other income

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Mark-up income on savings and deposit accounts | 5,246 | 8,922 |
| Liquidated damages | - | 31,961 |
| Gain on disposal of property, plant and equipment | 40,184 | 13,712 |
| Liabilities no more payable written back | 8,874 | 7,617 |
| Income on investment in finance lease | - | 1,752 |
| Exchange gain – net | - | 2,959 |
| Others | 2,281 | 1,712 |
| | 56,585 | 68,635 |

## 11. Finance costs

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Bank charges | 1,912 | 2,101 |
| Mark-up on long term financing | 99,163 | 41,355 |
| Mark-up on short term running finances | 3,798 | 689 |
| Interest on Workers' Profits Participation Fund | 178 | 121 |
| | 105,051 | 44,266 |



## 12. Taxation

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Current tax – prior year | (20,725) | - |
| Deferred | 84,666 | 39,125 |
| | 63,941 | 39,125 |

### 12.1 Relationship between tax expense and accounting profit

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| **Profit before taxation** | **245,408** | **315,414** |
| | | |
| Tax at the applicable tax rate of 34% (2012: 35%) | 83,439 | 110,397 |
| Effect of change in tax rate | (5,713) | - |
| Prior year reversal | (20,725) | - |
| Tax effect of non–deductible expenses | 16,140 | 11,874 |
| Effect of tax under final tax regime | 13,909 | (7,179) |
| Effect of tax credit | (30,097) | (80,311) |
| Others | 6,988 | 4,344 |
| | 63,941 | 39,125 |

12.2 During the year, the minimum tax under section 113 of the Income Tax Ordinance, 2001 has been applied as no tax is payable in respect of the current period owing to tax losses brought forward from previous year. The applicable minimum tax charge has been adjusted against the tax credits available to the Company under section 65B of the Income Tax Ordinance, 2001. Prior year reversal mainly includes reversal of provision on account of a refund order received during the year.

12.3 The returns of total income for and upto the tax year 2013 have been filed by the Company and the said returns, as per the provisions of Section 120 of the Income Tax Ordinance, 2001 ("the Ordinance"), have been taken to be the deemed assessment orders passed by the concerned Commissioner on the day the said returns were furnished. However, the Commissioner may, at any time during a period of five years from the date of filing of return, select the deemed assessment order for audit.

## 13. Earnings per share – basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. There is no dilutive effect on the basic earnings per share of the Company.

| | 2013 | 2012 |
|---|---|---|
| Profit for the year – Rupees in '000 | 181,467 | 276,289 |
| Number of ordinary shares in '000 | 25,039 | 25,039 |
| Earnings per share – basic and diluted in Rupees | 7.25 | 11.03 |

## 14. Property, plant and equipment

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Operating assets | 14.1 | 2,720,118 | 2,369,734 |
| Capital work in progress | 14.7 | 301,123 | 220,666 |
| | | 3,021,241 | 2,590,400 |

## 14.1 Operating assets

| Rupees in '000 | Note | Freehold land | Leasehold land | Buildings on Freehold land | Buildings on Leasehold land | Buildings on Customers' land | Plant and machinery | Vehicles | Furniture, fittings and office equipments | Computer equipments | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| As at 1 January 2012 | | | | | | | | | | | |
| Cost | | 43,071 | 10,526 | 9,341 | 84,529 | 20,149 | 2,482,155 | 72,369 | 44,487 | 51,308 | 2,817,935 |
| Accumulated depreciation | | - | (6,458) | (7,823) | (30,585) | (10,390) | (1,574,258) | (31,959) | (19,832) | (44,018) | (1,725,323) |
| **Net book value** | | **43,071** | **4,068** | **1,518** | **53,944** | **9,759** | **907,897** | **40,410** | **24,655** | **7,290** | **1,092,612** |
| | | | | | | | | | | | |
| Additions | | - | - | 124,347 | | - | 1,385,393 | 18,390 | 17,051 | 2,254 | 1,547,435 |
| **Disposals** | | | | | | | | | | | |
| Cost | | - | - | - | - | - | (6,549) | (10,700) | - | (13,330) | (30,579) |
| Accumulated depreciation | | - | - | - | - | - | 6,548 | 8,594 | - | 13,330 | 28,472 |
| | | - | - | - | - | - | (1) | (2,106) | - | - | (2,107) |
| **Write offs** | | | | | | | | | | | |
| Cost | | - | - | - | - | - | (16,930) | - | (2,001) | (8,580) | (27,511) |
| Accumulated depreciation | | - | - | - | - | - | 16,930 | - | 2,001 | 8,577 | 27,508 |
| | | - | - | - | - | - | - | - | - | (3) | (3) |
| Depreciation | | - | (856) | (2,676) | (6,414) | (970) | (231,397) | (12,889) | (6,541) | (6,460) | (268,203) |
| Net book value as at 31 December 2012 | | 43,071 | 3,212 | 123,189 | 47,530 | 8,789 | 2,061,892 | 43,805 | 35,165 | 3,081 | 2,369,734 |
| | | | | | | | | | | | |
| Additions | 14.7 | - | - | 149,473 | 472 | - | 416,333 | 24,144 | 1,754 | 5,598 | 597,774 |
| **Disposals** | 14.5 | | | | | | | | | | |
| Cost | | - | - | - | - | - | (67,723) | (20,013) | - | (85) | (87,821) |
| Accumulated depreciation | | - | - | - | - | - | 67,723 | 14,922 | - | 61 | 82,706 |
| | | - | - | - | - | - | - | (5,091) | - | (24) | (5,115) |
| Depreciation | 14.6 | - | (856) | (11,255) | (4,435) | (970) | (199,203) | (13,019) | (7,239) | (5,298) | (242,275) |
| Net book value as at 31 December 2013 | | 43,071 | 2,356 | 261,407 | 43,567 | 7,819 | 2,279,022 | 49,839 | 29,680 | 3,357 | 2,720,118 |
| | | | | | | | | | | | |
| As at 31 December 2012 | | | | | | | | | | | |
| Cost | | 43,071 | 10,526 | 133,688 | 84,529 | 20,149 | 3,844,069 | 80,059 | 59,537 | 31,652 | 4,307,280 |
| Accumulated depreciation | | - | (7,314) | (10,499) | (36,999) | (11,360) | (1,782,177) | (36,254) | (24,372) | (28,571) | (1,937,546) |
| Net book value | | 43,071 | 3,212 | 123,189 | 47,530 | 8,789 | 2,061,892 | 43,805 | 35,165 | 3,081 | 2,369,734 |
| Annual rate of depreciation (%) | | - | 5 | 2.5 to 5 | 2.5 to 5 | 2.5 to 5 | 5 to 10 | 20 | 10 to 20 | 25 to 33.33 | |
| | | | | | | | | | | | |
| As at 31 December 2013 | | | | | | | | | | | |
| Cost | | 43,071 | 10,526 | 283,161 | 85,001 | 20,149 | 4,192,679 | 84,190 | 61,291 | 37,165 | 4,817,233 |
| Accumulated depreciation | | - | (8,170) | (21,754) | (41,434) | (12,330) | (1,913,657) | (34,351) | (31,611) | (33,808) | (2,097,115) |
| Net book value | | 43,071 | 2,356 | 261,407 | 43,567 | 7,819 | 2,279,022 | 49,839 | 29,680 | 3,357 | 2,720,118 |
| Annual rate of depreciation (%) | | - | 5 | 2.5 to 5 | 2.5 to 5 | 2.5 to 5 | 5 to 10 | 20 | 10 to 20 | 25 to 33.33 | |

**14.2** During the year, estimated useful life of certain plant and equipments has been extended by five years effective 1 January 2013. The change in useful lives has been applied prospectively in accordance with the requirements of IAS 8, "Accounting Policies, Change in Accounting Estimates and Errors". If the aforementioned revision had not been made, the profit before tax for the current year would have been lower by Rs. 18,555 thousand while the aggregate depreciation expense in relation to such plant and machinery in future years would have been lower by the same amount.

**14.3** Borrowing costs capitalized during the year amounted to Rs. 11,245 thousand (2012: Rs. 44,756 thousand).

**14.4** As at 31 December 2013, plant and machinery include cylinders held by customers and Vaccum Insulated Equipments (VIEs) installed at certain customer sites for supply of gas products. Cost and net book values of such cylinders and VIEs are as follows:

| Rupees in '000 | Cost 2013 | Cost 2012 | Net book value 2013 | Net book value 2012 |
|---|---|---|---|---|
| Cylinders | 134,727 | 83,929 | 88,527 | 49,827 |
| Vaccum Insulated Equipments | 535,766 | 433,217 | 330,708 | 258,309 |
| | 670,493 | 517,146 | 419,235 | 308,136 |

**14.5** The details of operating assets having value exceeding Rs. 50,000 each disposed off during the year are as follows:

| Rupees in '000 | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchasers |
|---|---|---|---|---|---|---|
| Motor vehicle | 5,941 | (2,675) | 3,266 | 2,971 | Company policy | M Ashraf Bawany (employee) |
| Motor vehicle | 1,608 | (429) | 1,179 | 1,206 | Company policy | Mazhar Ali (employee) |
| Motor vehicle | 1,849 | (1,202) | 647 | 1,387 | Company policy | Yousuf Husain Mirza (ex-Chief Executive) |

**14.6** Depreciation has been allocated as follows:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Cost of sales | 220,043 | 246,105 |
| Distribution and marketing expenses | 6,558 | 7,819 |
| Administrative expenses | 15,674 | 14,279 |
| | 242,275 | 268,203 |

## 14.7 Capital work in progress

| Rupees in '000 | Land and Buildings | Plant and machinery (14.7.1) | Advances to suppliers against vehicles | Furniture, fittings and office equipments | Total |
|---|---|---|---|---|---|
| **As at 1 January 2012** | 11,219 | 920,393 | 4,107 | 7,244 | 942,963 |
| Additions during the year | 113,128 | 681,002 | 18,947 | 12,061 | 825,138 |
| Transfers during the year | (124,347) | (1,385,393) | (18,390) | (19,305) | (1,547,435) |
| As at 31 December 2012 | - | 216,002 | 4,664 | - | 220,666 |
| | | | | | |
| Additions during the year | 149,945 | 494,975 | 25,959 | 7,352 | 678,231 |
| Transfers during the year | (149,945) | (416,333) | (24,144) | (7,352) | (597,774) |
| As at 31 December 2013 | - | 294,644 | 6,479 | - | 301,123 |

**14.7.1** As at 31 December 2013, capital work in progress for plant and machinery includes an advance amounting to Rs. 142,285 thousand (2012: Nil) paid to an associated company against purchase of plant.

## 15. Intangible assets

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Computer software | 15.1 | 26,077 | - |
| Advance against software development | 15.2 | 2,949 | 14,343 |
| | | 29,026 | 14,343 |

### 15.1 Intangible assets – Computer software

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Cost | | |
| Additions during the year | 28,675 | - |
| | | |
| Accumulated Amortization | | |
| Amortization for the year | 2,598 | - |
| | | |
| Carrying amounts | | |
| Additions during the year-cost | 28,675 | - |
| Accumulated amortization | (2,598) | - |
| | 26,077 | - |

Intangible assets are amortized over an estimated useful life of 8 years and the amortization is allocated to administrative expenses.

### 15.2 Advance against software development

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Opening balance | 14,343 | - |
| Additions during the year | 17,281 | 14,343 |
| Transfers during the year | (28,675) | - |
| Closing balance | 2,949 | 14,343 |

## 16. Long term loans – secured, considered good

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Loans to employees | | 314 | 213 |
| Recoverable within one year | | | |
| shown under current assets | 20 | (259) | (164) |
| | | 55 | 49 |

16.1 These include interest free transport loans and Company loans given to employees (other than executives) in accordance with the terms of employment. These loans are secured against retirement benefits of the employees.

## 17. Stores and spares

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Stores | 2,837 | 2,778 |
| Spares | 197,602 | 193,470 |
| In transit | 2,890 | 5,865 |
| | **203,329** | **202,113** |
| Provision against slow moving stores and spares | (90,183) | (85,381) |
| | 113,146 | 116,732 |



## 18. Stock-in-trade

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Raw and packing materials | | |
| in hand | 58,774 | 63,557 |
| in transit | 22,150 | 14,876 |
| | **80,924** | **78,433** |
| Finished goods | | |
| in hand | 142,584 | 117,248 |
| in transit | 2,718 | 13,014 |
| | **145,302** | **130,262** |
| | 226,226 | 208,695 |

18.1 The cost of raw and packing materials and finished goods has been adjusted net of provision for slow moving and obsolete stock by Rs.18,315 thousand (2012: Rs. 12,252 thousand).

18.2 Raw and packing materials and finished goods include inventories with a value of Rs. 21,186 thousand (2012: Rs. 20,503 thousand) which are held by third parties for manufacturing purposes.

## 19. Trade debts – unsecured

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Considered good | 19.1 | 248,320 | 203,269 |
| Considered doubtful | | 19,010 | 17,470 |
| | | **267,330** | **220,739** |
| Provision for doubtful debts | | (19,010) | (17,470) |
| | | 248,320 | 203,269 |

### 19.1 These include balances due from related parties as follows

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Atlas Honda Limited | 1,197 | 82 |
| International Steel Limited | 313 | 15 |
| Packages Limited | 103 | - |
| Tabba Heart Hospital | 113 | 433 |
| | 1,726 | 530 |

The aging of the trade debts receivable from related parties as at the balance sheet date are as under:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Not past due | 337 | 524 |
| Past due from 1– 90 days | 1,384 | 6 |
| Past due from 90 days onward | 61 | - |
| Past due considered doubtful as per Company's credit policy | (56) | - |
| | 1,726 | 530 |

## 20. Loans and advances – considered good

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Loans to employees – secured | 16 | 259 | 164 |
| Advances | | | |
| Employees | | 1,236 | 160 |
| Suppliers | | 9,796 | 18,811 |
| | | **11,032** | **18,971** |
| | | 11,291 | 19,135 |

## 21. Deposits and prepayments

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Security deposits | 1,845 | 2,640 |
| Other deposits | 29,513 | 23,140 |
| Prepayments | 1,747 | 1,249 |
| | 33,105 | 27,029 |

## 22. Other receivables

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Mark-up income accrued on savings and deposit accounts | 34 | 502 |
| Receivable from staff retirement benefit funds | 22,887 | 16,593 |
| Sales tax recoverable | 38,517 | 22,983 |
| Others | 7,109 | 97 |
| | 68,547 | 40,175 |

## 23. Cash and bank balances

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Cash in hand | 424 | 576 |
| **Cash at bank** | | |
| Current and savings accounts | 289,775 | 232,973 |
| Deposit accounts | - | 120,000 |
| | 290,199 | 353,549 |

## 24. Issued, subscribed and paid-up share capital

| | Number of shares | | Rupees in '000 | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **Authorised capital** | | | | |
| Ordinary shares of Rs. 10 each | 40,000,000 | 40,000,000 | 400,000 | 400,000 |
| **Issued, subscribed and paid-up capital** | | | | |
| Ordinary shares of Rs. 10 each fully paid in cash | 452,955 | 452,955 | 4,530 | 4,530 |
| Ordinary shares of Rs. 10 each issued for consideration other than cash | 672,045 | 672,045 | 6,720 | 6,720 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 23,913,720 | 23,913,720 | 239,137 | 239,137 |
| | 25,038,720 | 25,038,720 | 250,387 | 250,387 |

At 31 December 2013 and 2012, The BOC Group Limited – U.K., held 15,023,232 ordinary shares of Rs. 10 each of the Company, whose parent company is Linde AG, Germany.

## 25. Hedging reserve

During the year the Company has entered into foreign exchange forward contract to hedge its exposure to variability in cash flows on import of plant and machinery. As at 31 December 2013, the Company had forward exchange contract to purchase GBP 389 thousand (2012: Nil) and having maturity date matching the anticipated payment date of commitment. The fair value change of such contracts as at 31 December 2013 amounted to Rs. 6,401 thousand (2012: Nil).

## 26. Long term financing

This represents long term islamic financing arrangement entered into by the Company for an amount of Rs. 1.3 billion to meet specific capital project funding requirements. The loan is repayable in ten half yearly installments over a period of five years beginning June 2014. One-third portion of the borrowing is fixed at 7 years Pakistan Revaluation (PKRV) + 2.85% per annum whereas, the remaining two-third of the financing amount is based on 6 month Karachi Interbank Offer Rate (KIBOR) + 0.5% per annum. The facility is secured against the present and future project assets.

## 27. Long term deposits

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Against cylinders | 141,803 | 127,531 |
| Others | 12,555 | 14,055 |
| | 154,358 | 141,586 |

## 28. Deferred liabilities

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Deferred taxation | 28.1 | 286,863 | 199,322 |
| Post retirement medical benefits | 33.1 | 4,926 | 4,870 |
| | | 291,789 | 204,192 |

## 28.1 Deferred taxation

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| **Taxable temporary differences:** | | |
| Accelerated tax depreciation | 457,404 | 421,607 |
| Net investment in finance lease | - | 4,991 |
| Net remeasurement: actuarial gain on staff retirement | | |
| Defined benefit schemes | 2,664 | 2,023 |
| **Deductible temporary differences:** | | |
| Slow moving stores and spares and stock-in-trade | (36,889) | (34,172) |
| Post retirement medical benefits | (3,048) | (3,123) |
| Tax losses carried forward | (69,650) | (96,853) |
| Tax credit on certain capital investments | (50,215) | (80,311) |
| Doubtful receivables and other provisions | (13,403) | (14,840) |
| | 286,863 | 199,322 |

## 29. Short term borrowings – secured

The Company has arrangement for short-term running finance facilities from certain banks. The overall facility for these running finances under mark up arrangements and short-term revolving credit amounts to Rs. 287,000 thousand (2012 : Rs. 283,000 thousand).

The rate of mark-up in the running finance facilities ranges from 1 month KIBOR + 1% to 3 months KIBOR + 1% (2012: ranging from 1 month KIBOR + 1% to 3 months KIBOR + 1%) per annum. The arrangements are secured by way of first pari passu charge against hypothecation of stock in trade and trade debts.

The facilities for opening letters of credit and issuing guarantees as at 31 December 2013 amounted to Rs. 737,000 thousand (2012: Rs. 737,000 thousand) of which the amount remaining unutilised as at the year end was Rs. 359,773 thousand (2012: Rs. 575,904 thousand).

### 30. Trade and other payables

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Creditors | 30.1 | 326,769 | 259,781 |
| Accrued liabilities | | 384,480 | 415,774 |
| Advances from customers | | 34,976 | 26,224 |
| Technical assistance fee | | 44,304 | 36,532 |
| Payable to staff retirement benefit funds | | 17,995 | 17,085 |
| Workers' Profits Participation Fund | | 4,712 | 2,140 |
| Workers' Welfare Fund | | 15,974 | 17,390 |
| Unclaimed dividends | | 14,580 | 15,251 |
| Vendor claims | | 26,587 | 24,128 |
| Mark-up payable | | 30,877 | 9,484 |
| Other payables | | 43,804 | 40,027 |
| | | 945,058 | 863,816 |

30.1 This includes trade and other liabilities payable to associated / Group companies amounting to Rs. 87,245 thousand (2012: Rs. 50,032 thousand).

## 31. Contingencies and commitments

Contingencies

31.1 The Company has disputed the unilateral increase in rentals of one of its leased premises being exorbitant, unreasonable and unjustified. Therefore, a civil suit has been filed against the Lessor. The Court has directed parties to maintain status quo. The amount not acknowledged as debt in this regard as at 31 December 2013 amounted to Rs. 36,363 thousand (2012: Rs. 34,307 thousand).

31.2 Gas Infrastructure Development Cess (GIDC) was levied vide Gas Infrastructure Development Cess Act, 2011 ("the Act"). Certain companies have filed cases before the Honorable High Court of Sindh (SHC), challenging the applicability of Gas Infrastructure Cess Act, 2011 along with increase in GIDC on various grounds. In August 2012, an interim stay was granted by the SHC restraining the Sui Southern Gas Company from charging GIDC at an exorbitantly increased rate till the final decision of the matter.

Similarly Peshawar High Court vide order dated 13 June 2013 declared that the provision of the Act imposing, leving and recovering the impugned Cess are absolutely expropriatory, exploitative and being constitutionally illegitimate having no sanction therefore under the Constitution of Pakistan, hence, are declared as such and set at naught. However, the Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court and admitted the case for regular hearing to decide various legal issues involved in the judgement.

In view of the above, if the cases are settled upholding the imposition of GIDC, the maximum financial impact expected for the Company is estimated at Rs.7,915 thousand representing the differential amount of Cess charged in the invoices by SSGC and Cess charged based on Rs. 100 per MMTBU. Management is confident that aforementioned matter will be decided in favor and accordingly no liability of aforementioned amount has been recognized in the financial statements.

Commitments

31.3 Capital commitments outstanding as at 31 December 2013 amounted to Rs. 91,722 thousand (2012: Rs. 753,743 thousand).

31.4 Commitments under letters of credit for inventory items as at 31 December 2013 amounted to Rs. 63,379 thousand (2012: Rs. 48,692 thousand).

### 32. Cash generated from operations

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Profit before taxation | | 245,408 | 315,414 |
| Adjustments for: | | | |
| Depreciation | | 242,275 | 268,203 |
| Gain on disposal of property, plant and equipment | | (40,184) | (13,712) |
| Mark-up income from savings and deposit accounts | | (5,246) | (8,922) |
| Investment in finance lease written off | | 14,260 | - |
| Income on investment on finance lease | | - | (1,752) |
| Finance costs | | 105,051 | 44,266 |
| Amortization | | 2,598 | - |
| Post retirement medical benefits | | 566 | 639 |
| Working capital changes | 32.1 | (10,581) | 188,721 |
| | | 554,147 | 792,857 |

### 32.1 Working capital changes

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| (Increase) / decrease in current assets: | | |
| Stores and spares | 3,586 | (8,460) |
| Stock-in-trade | (17,531) | (53,634) |
| Net investment in finance lease | - | 58,042 |
| Trade debts | (45,051) | (46,716) |
| Loans and advances | 7,844 | (10,835) |
| Deposits and prepayments | (6,076) | 3,919 |
| Other receivables | (19,648) | (4,275) |
| | (76,876) | (61,959) |
| Increase / (decrease) in current liabilities: | | |
| Trade and other payables | 66,295 | 250,680 |
| | (10,581) | 188,721 |

## 33. Staff retirement benefits

### 33.1 Defined benefit schemes

The actuarial valuation of pension, gratuity and medical benefit schemes was carried out at 31 December 2013. The projected unit credit method using the following significant assumptions, has been used for the actuarial valuation:

| Percent % per annum | Pension Fund | Gratuity Fund | Medical Scheme |
|---|---|---|---|
| **Financial assumptions** | | | |
| Rate of discount | 12.75% | 12.75% | 12.75% |
| Expected rate of pension increase | 10.75% | - | - |
| Expected rate of salary increase | | | |
| for first five years following valuation | - | 13.5 to 14% | - |
| long term (sixth year following valuation) | - | 12.75% | - |
| Medical cost escalation rate | - | - | 12.75% |
| | | | |
| **Demographic assumptions** | | | |
| Mortality rate | PA (90) | SLIC (2001-05) | PA (90) |
| Rates of employee turnover | - | Moderate | - |

The amounts recognised in balance sheet are as follows:

| Rupees in '000 | | | | 2013 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| Present value of defined benefit obligation | 53,942 | 117,682 | 4,926 | 176,550 |
| Fair value of plan assets | (72,411) | (101,342) | - | (173,753) |
| (Asset) / liability in balance sheet | (18,469) | 16,340 | 4,926 | 2,797 |
| | | | | |
| **Movements in the present value of defined benefit obligation** | | | | |
| Present value of defined benefit obligation – beginning of the year | 54,297 | 110,563 | 4,870 | 169,730 |
| Current service cost | - | 8,767 | - | 8,767 |
| Interest cost | 6,278 | 13,561 | 566 | 20,405 |
| Re-measurements: Actuarial (gains) / losses on obligation | (2,487) | 1,593 | 74 | (820) |
| Benefits paid | (4,146) | (16,802) | (584) | (21,532) |
| Present value of defined benefit obligation – closing date | 53,942 | 117,682 | 4,926 | 176,550 |

| Rupees in '000 | | | | 2013 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| **Movements in the fair value of plan assets** | | | | |
| Fair value of plan assets – beginning of the year | (68,295) | (95,132) | - | (163,427) |
| Interest income on plan assets | (7,958) | (11,317) | - | (19,275) |
| Re-measurements: Return on plan assets over interest income (gain) / loss | (304) | (932) | - | (1,236) |
| Benefits paid | 4,146 | 16,802 | - | 20,948 |
| Contribution to fund | - | (10,763) | - | (10,763) |
| Fair value of plan assets – closing date | (72,411) | (101,342) | - | (173,753) |
| | | | | |
| **Movement in the net defined benefit liability/(asset)** | | | | |
| Opening balance | (13,998) | 15,431 | 4,870 | 6,303 |
| Net periodic benefit cost / (income) for the year | (1,680) | 11,011 | 566 | 9,897 |
| Contribution paid during the year | - | (10,763) | - | (10,763) |
| Benefits paid during the year | - | - | (584) | (584) |
| Re-measurements recognized in other comprehensive income during the year | (2,791) | 661 | 74 | (2,056) |
| Closing balance | (18,469) | 16,340 | 4,926 | 2,797 |

### Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

| Rupees in '000 | | | | 2013 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| **Component of defined benefit costs recognized in profit and loss account** | | | | |
| Current service cost | - | 8,767 | - | 8,767 |
| **Net interest cost** | | | | |
| Interest cost on defined benefit obligation | 6,278 | 13,561 | 566 | 20,405 |
| Interest income on plan assets | (7,958) | (11,317) | - | (19,275) |
| | **(1,680)** | **11,011** | **566** | **9,897** |
| Component of defined benefit costs (re-measurement) recognized in other comprehensive income | | | | |
| **Re-measurements: Actuarial (gain) / loss on obligation** | | | | |
| (Gain) / loss due to change in financial assumptions | 61 | 1,162 | 197 | 1,420 |
| (Gain) / loss due to change in demographic assumptions | - | (19) | - | (19) |
| (Gain) / loss due to change in experience adjustments | (2,548) | 450 | (123) | (2,221) |
| | **(2,487)** | **1,593** | **74** | **(820)** |
| **Re-measurements: Net return on plan assets over interest income** | | | | |
| Actual return on plan assets | (8,262) | (12,249) | - | (20,511) |
| Interest income on plan assets | 7,958 | 11,317 | - | 19,275 |
| | **(304)** | **(932)** | **-** | **(1,236)** |
| | | | | |
| Net re-measurement recognized in other comprehensive income | (2,791) | 661 | 74 | (2,056) |
| Total defined benefit cost recognized in profit and loss account and other comprehensive income | (4,471) | 11,672 | 640 | 7,841 |
| | | | | |
| Actual return on plan assets | 8,262 | 12,249 | - | 20,511 |
| Expected contributions to funds in the following year | (2,355) | 10,393 | 604 | 8,642 |
| Expected benefit payments to retirees in the following year | 4,310 | 11,519 | 378 | 16,207 |
| Re-measurements: Accumulated actuarial (gains) / losses recognised in equity | (30,291) | 26,434 | (3,980) | (7,837) |
| Weighted average duration of the defined benefit obligation (years) | 9.21 | 7.98 | 9.96 | |

| Rupees in '000 | | | | 2013 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| **Analysis of present value of defined benefit obligation** | | | | |
| Type of Members: | | | | |
| Pensioners | 53,942 | - | - | 53,942 |
| Beneficiaries | - | - | 4,926 | 4,926 |
| Officers | - | 92,638 | - | 92,638 |
| Supervisors | - | 25,044 | - | 25,044 |
| | 53,942 | 117,682 | 4,926 | 176,550 |
| Vested / Non-vested | | | | |
| Vested benefits | 53,942 | 111,371 | 4,926 | 170,239 |
| Non-vested benefits | - | 6,311 | - | 6,311 |
| | 53,942 | 117,682 | 4,926 | 176,550 |
| Type of benefits | | | | |
| Accumulated obligations | 53,942 | 53,710 | 4,926 | 112,578 |
| Amounts attributed to future salary increase | - | 63,972 | - | 63,972 |
| | 53,942 | 117,682 | 4,926 | 176,550 |
| **Disaggregation of fair value of plan assets** | | | | |
| The fair value of the plan assets at balance sheet date for each category are as follows: | | | | |
| Cash and cash equivalents (comprising bank balances and adjusted for current liabilities)–quoted | 1,747 | 616 | - | 2,363 |
| | | | | |
| Debt instruments | | | | |
| AAA | 45,924 | 79,158 | - | 125,082 |
| AA | 10,369 | 5,101 | - | 15,470 |
| A | 2,027 | 2,057 | - | 4,084 |
| | 58,320 | 86,316 | - | 144,636 |
| | | | | |
| **Equity instruments – Oil and gas sector** | **2,325** | **1,489** | **-** | **3,814** |
| Mutual funds | | | | |
| Money Market Fund | 1,019 | - | - | 1,019 |
| Stock Market Fund | - | 4,093 | - | 4,093 |
| Income Fund | - | 904 | - | 904 |
| Assets Allocation Fund | 1,301 | 1,166 | - | 2,467 |
| Islamic Income Fund | 6,284 | 6,177 | - | 12,461 |
| Islamic Asset Allocation Fund | 1,062 | - | - | 1,062 |
| Islamic Stock Fund | 353 | 581 | - | 934 |
| | **10,019** | **12,921** | **-** | **22,940** |
| | 72,411 | 101,342 | - | 173,753 |

## Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| Rupees in '000 | | | | 2013 |
|---|---|---|---|---|
| Discount rate +0.5% | 51,789 | 113,598 | 4,756 | - |
| Discount rate -0.5% | 56,257 | 122,043 | 5,111 | - |
| Long term pension / salary increase +0.5% | 56,290 | 122,138 | - | - |
| Long term pension / salary decrease -0.5% | 51,742 | 113,472 | - | - |
| Withdrawal rates: Light | - | 119,253 | - | - |
| Withdrawal rates: Heavy | - | 116,862 | - | - |
| Medical cost +1%-effect on service cost and interest cost | - | - | 44 | - |
| Medical cost +1%-effect on defined benefit obligation | - | - | 382 | - |
| Medical cost -1%-effect on service cost and interest cost | - | - | (38) | - |
| Medical cost -1%-effect on defined benefit obligation | - | - | (330) | - |



The sensitivity analysis prepared presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The actuarial valuation of pension, gratuity and medical benefit schemes was carried out at 31 December 2012 using the projected unit credit method. The following significant assumptions, were used for the actuarial valuation:

| Percent % per annum | Pension Fund | Gratuity Fund | Medical Scheme |
|---|---|---|---|
| **Financial assumptions** | | | |
| Rate of discount | 12.00% | 12.00% | 12.00% |
| Expected rate of pension increase | 10.00% | - | - |
| Expected rate of salary increase | | | |
| for first five years following valuation | - | 12.00% | - |
| long term (sixth year following valuation) | - | 12.00% | - |
| Medical cost escalation rate | - | - | 9.00% |
| | | | |
| **Demographic assumptions** | | | |
| Mortality rate | PA (90) | SLIC (1975-79) | PA (90) |
| Rates of employee turnover | - | Moderate | - |

The amounts recognised in balance sheet are as follows:

| Rupees in '000 | | | | 2012 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| Present value of defined benefit obligation | 54,297 | 110,563 | 4,870 | 169,730 |
| Fair value of plan assets | (68,295) | (95,132) | - | (163,427) |
| (Asset) / liability in balance sheet | (13,998) | 15,431 | 4,870 | 6,303 |
| | | | | |
| **Movements in the present value of defined benefit obligation** | | | | |
| Present value of defined benefit obligation – beginning of the year | 51,135 | 125,333 | 5,071 | 181,539 |
| Current service cost | - | 8,811 | - | 8,811 |
| Interest cost | 6,415 | 16,077 | 639 | 23,131 |
| Re-measurements: Actuarial (gains)/losses on obligation | 530 | 3,978 | (640) | 3,868 |
| Benefits paid | (3,783) | (43,636) | (200) | (47,619) |
| Present value of defined benefit obligation–Closing date | 54,297 | 110,563 | 4,870 | 169,730 |
| | | | | |
| **Movements in the fair value of plan assets** | | | | |
| Fair value of plan assets – beginning of the year | (66,086) | (116,331) | - | (182,417) |
| Interest income on plan assets | (8,359) | (14,978) | - | (23,337) |
| Re-measurements: Return on plan assets over interest income gain / (loss) | 2,367 | 1,958 | - | 4,325 |
| Benefits paid | 3,783 | 43,636 | - | 47,419 |
| Contribution to fund | - | (9,417) | - | (9,417) |
| Fair value of plan assets–closing date | (68,295) | (95,132) | - | (163,427) |

| Rupees in '000 | | | | 2012 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| **Movement in the net defined benefit liability/(asset)** | | | | |
| Opening balance | (14,951) | 9,002 | 5,071 | (878) |
| Net periodic benefit cost / (income) for the year | (1,944) | 9,910 | 639 | 8,605 |
| Contribution paid during the year | - | (9,417) | - | (9,417) |
| Benefits paid during the year | - | - | (200) | (200) |
| Re-measurements recognized in other comprehensive income during the year | 2,897 | 5,936 | (640) | 8,193 |
| Closing balance | (13,998) | 15,431 | 4,870 | 6,303 |

## Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

| Rupees in '000 | | | | 2012 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| **Component of defined benefit costs recognized in profit and loss account** | | | | |
| Current service cost | - | 8,811 | - | 8,811 |
| Net interest cost | | | | |
| Interest cost on defined benefit obligation | 6,415 | 16,077 | 639 | 23,131 |
| Interest income on plan assets | (8,359) | (14,978) | - | (23,337) |
| | (1,944) | 9,910 | 639 | 8,605 |
| **Component of defined benefit costs (re-measurement) recognized in other comprehensive income** | | | | |
| Re-measurements: Actuarial (gain)/loss on obligation | | | | |
| (Gain)/loss due to change in financial assumptions | (86) | (516) | (13) | (615) |
| (Gain)/loss due to change in experience adjustments | 616 | 4,494 | (627) | 4,483 |
| | 530 | 3,978 | (640) | 3,868 |
| Re-measurements: Net return on plan assets over interest income | | | | |
| Actual return on plan assets | (5,992) | (13,020) | - | (19,012) |
| Interest income on plan assets | 8,359 | 14,978 | - | 23,337 |
| | 2,367 | 1,958 | - | 4,325 |
| **Net re-measurement recognized in other comprehensive income** | 2,897 | 5,936 | (640) | 8,193 |
| Total defined benefit cost recognized in profit and loss account and other comprehensive income | 953 | 15,846 | (1) | 16,798 |
| | | | | |
| Actual return on plan assets | 5,992 | 13,020 | - | 19,012 |
| Expected contributions to funds in the following year | (1,680) | 11,011 | 566 | 9,897 |
| Expected benefit payments to retirees in the following year | 3,966 | 12,656 | 305 | 16,927 |
| Re-measurements: Accumulated actuarial (gains) / losses recognised in equity | (27,500) | 25,773 | (4,054) | (5,781) |
| Weighted average duration of the defined benefit obligation (years) | 9.80 | 9.23 | 10.65 | |



| Rupees in '000 | | | | 2012 |
|---|---|---|---|---|
| | Pension Fund | Gratuity Fund | Medical Scheme | Total |
| **Analysis of present value of defined benefit obligation** | | | | |
| Type of Members: | | | | |
| Pensioners | 54,297 | - | - | 54,297 |
| Beneficiaries | - | - | 4,870 | 4,870 |
| Officers | - | 85,470 | - | 85,470 |
| Supervisors | - | 25,093 | - | 25,093 |
| | 54,297 | 110,563 | 4,870 | 169,730 |
| Vested / Non-vested | | | | |
| Vested benefits | 54,297 | 101,088 | 4,870 | 160,255 |
| Non-vested benefits | - | 9,475 | - | 9,475 |
| | 54,297 | 110,563 | 4,870 | 169,730 |
| Type of benefits | | | | |
| Accumulated obligations | 54,297 | 45,167 | 4,870 | 104,334 |
| Amounts attributed to future salary increase | - | 65,396 | - | 65,396 |
| | 54,297 | 110,563 | 4,870 | 169,730 |
| **Disaggregation of fair value of plan assets** | | | | |
| The fair value of the plan assets at balance sheet date for each category are as follows: | | | | |
| Cash and cash equivalents (comprising bank balances and adjusted for current liabilities) – quoted | 2,867 | 10 | - | 2,877 |
| | | | | |
| Debt instruments | | | | |
| AAA | 58,326 | 73,947 | - | 132,273 |
| AA | 2,023 | 8,209 | - | 10,232 |
| A | - | 211 | - | 211 |
| | 60,349 | 82,367 | - | 142,716 |
| Equity instruments | | | | |
| Oil and gas sector | 1,586 | 1,016 | - | 2,602 |
| Fixed line telecommunication | 1 | 1 | - | 2 |
| | 1,587 | 1,017 | - | 2,604 |
| Mutual funds | | | | |
| Stock Market Fund | - | 6,650 | - | 6,650 |
| Income Fund | - | 897 | - | 897 |
| Assets Allocation Fund | 1,280 | 1,124 | - | 2,404 |
| Islamic Income Fund | 1,044 | 1,054 | - | 2,098 |
| Islamic Stock Fund | 1,168 | 2,013 | - | 3,181 |
| | 3,492 | 11,738 | - | 15,230 |
| | 68,295 | 95,132 | - | 163,427 |

33.2 Defined contribution plan

Staff Provident Fund
The following information is based on latest audited financial statements of the Fund:

| Rupees in '000 | 31 July 2013 | 31 July 2012 |
|---|---|---|
| Size of the Fund (net of liabilities) | 177,232 | 252,428 |
| Cost of investment made | 115,273 | 146,810 |
| Fair value/amortized cost of the investments | 175,760 | 250,058 |
| Percentage of investment made (%) – based on fair value/amortized cost | 99% | 99% |

Break up of the investments is as follows:

| | (Rupees in '000) | | (% of total investment) | |
|---|---|---|---|---|
| | 31 July 2013 | 31 July 2012 | 31 July 2013 | 31 July 2012 |
| National savings schemes | 111,276 | 98,597 | 63.32 | 39.43 |
| Government securities | 37,305 | 118,268 | 21.22 | 47.30 |
| Term finance certificates | 4,060 | 6,470 | 2.31 | 2.59 |
| Certificate of deposits | 2,177 | - | 1.24 | 0.00 |
| Listed securities | 12,680 | 11,257 | 7.21 | 4.50 |
| Cash and bank balances | 8,262 | 15,466 | 4.70 | 6.18 |
| | 175,760 | 250,058 | 100.00 | 100.00 |

Investments out of the Staff Provident Fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 34. Remuneration of Chief Executive, Directors and executives

| | | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|---|
| Rupees in '000 | Note | Chief Executive | Executive Director | Executives | Chief Executive | Executive Director | Executives |
| Managerial remuneration | | 15,868* | 4,555 | 64,726 | 11,694 | 6,792 | 63,083 |
| Bonus, house rent, utilities, etc | 34.3 | 7,016 | 4,308 | 62,813 | 7,941 | 4,967 | 70,298 |
| Company's contribution to staff retirement benefits | | 3,780 | 1,574 | 19,314 | 2,749 | 1,724 | 20,796 |
| Medical and others | | 168 | 71 | 2,695 | 42 | 242 | 2,533 |
| | | 26,832 | 10,508 | 149,548 | 22,426 | 13,725 | 156,710 |
| Number of persons (including those who worked part of the year) | | 2 | 1 | 52 | 1 | 1 | 53 |

*Managerial remuneration includes Rs. 10,878 thousand in respect of outgoing Chief Executive.

34.1 The Chief Executive, Executive Director and certain executives of the Company are provided with company maintained cars as per terms of employment. During the year, motor vehicles were sold to an executive and Chief Executive, respectively, as per Company policy for motor vehicles. Provision in respect of compensated absences is also made and charged in accounts as per the requirements of International Financial Reporting Standards.

34.2 Aggregate amount charged in the financial statements for fee to four non-executive Directors was Rs. 484 thousand (2012: four Directors - Rs. 682 thousand).

34.3 This includes Rs. 7,012 thousand in respect of outgoing Chief Executive. In addition to the above, Rs. 690 thousand (2012: Rs. 3,084 thousand) and Rs. 965 thousand (2012: Rs. 1,838 thousand) have been charged in respect of Chief Executive and an executive Director, respectively, on account of long term incentive plan payable upon completion of qualifying period of service and subject to satisfactory fulfillment of certain performance conditions over such qualifying period, and is based on share value of the ultimate parent company. The number of options available under the scheme are 364 (2012: 1,249), and the accrued liability in respect of this benefit amounted to Rs. 3,573 thousand (2012: Rs. 12,068 thousand).

34.4 Professional indemnity insurance cover is available to the Directors. The Chief Executive, executive Director and executives are also covered under the group life insurance.



### 34.5 Remuneration paid to Non-executive Directors are as follows:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Remuneration to Chairman of the Board of Directors | 3,300 | 3,300 |
| Remuneration to Chairman of Board Audit Committee | 792 | 792 |
| | 4,092 | 4,092 |

## 35. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the management under policies approved by the Board of Directors.

35.1 Credit risk
Credit risk represents the risk of financial loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs. 603,573 thousand (2012: Rs. 609,525 thousand), the financial assets which are subject to credit risk amount to Rs. 313,484 thousand (2012: Rs. 256,339 thousand) and the details are as follows:

| Rupees in '000 | Note | 2013 | 2012 |
|---|---|---|---|
| Loans to employees | 35.1.1 | 314 | 213 |
| Deposits | | 58,021 | 52,471 |
| Trade debts | 35.1.2 | 248,320 | 203,269 |
| Other receivables | | 7,143 | 599 |
| Bank balances | | 289,775 | 352,973 |
| | | 603,573 | 609,525 |

35.1.1 These loans are secured against retirement benefits of the employees.

35.1.2 The Company mostly deals with reputable organisations and believes it is not exposed to any major concentration of credit risk. The Company has policies that limit the amount of credit exposure to any customer. Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors past due up to 90 days do not require any impairment.

According to the age analysis, trade debts include balances which are due by not later than 90 days valuing Rs. 245,911 thousand (2012: Rs. 191,017 thousand). Trade debts due by more than 90 days amounted to Rs. 2,409 thousand (2012: Rs. 12,254 thousand), net of impairment, as at 31 December 2013.

The movement in the allowance for impairment in respect of trade debts is as follows:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Opening balance | 17,470 | 13,423 |
| Provision for the year | 4,923 | 7,529 |
| Written off during the year | (3,383) | (3,482) |
| Closing balance | 19,010 | 17,470 |

### 35.2 Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Following are the contractual maturities of the Company's financial liabilities:

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| Rupees in '000 | Carrying amount | Contractual cashflows | Maturity upto one year | Maturity after one year | Carrying amount | Contractual cashflows | Maturity upto one year | Maturity after one year |
| Long term financing | 995,000 | (1,264,485) | - | (1,264,485) | 750,000 | (965,463) | - | (965,463) |
| Current portion of long term financing | 100,000 | (227,409) | (227,409) | - | - | (89,016) | (89,016) | - |
| Long term deposits | 154,358 | (154,358) | (154,358) | - | 141,586 | (141,586) | (141,586) | - |
| Trade and other payables | 859,517 | (859,517) | (859,517) | - | 791,787 | (791,787) | (791,787) | - |
| | 2,108,875 | (2,505,769) | (1,241,284) | (1,264,485) | 1,683,373 | (1,987,852) | (1,022,389) | (965,463) |

### 35.3 Market risk

#### a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, denominated in a currency that is not the Company's functional currency. The Company ensures that its net exposure is kept to an acceptable level at all times. Further, the Company enters into forward exchange contracts to hedge its foreign currency risk exposures.

The significant currency exposure at year end was as follows:

| | | | | | | | 2013 |
|---|---|---|---|---|---|---|---|
| Equivalent Rupees in '000 | THB | Euro | USD | SGD | GBP | Others | Total |
| **Financial assets** | | | | | | | |
| Other receivables | - | - | - | 382 | - | 80 | 462 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | (7,012) | (40,092) | (106,713) | (2,707) | (44,721) | (293) | (201,538) |
| Net exposure | (7,012) | (40,092) | (106,713) | (2,325) | (44,721) | (213) | (201,076) |

| | | | | | | | 2012 |
|---|---|---|---|---|---|---|---|
| Equivalent Rupees in '000 | THB | Euro | USD | SGD | GBP | Others | Total |
| **Financial assets** | | | | | | | |
| Investment in finance lease | - | - | - | - | 14,260 | - | 14,260 |
| Other receivables | - | - | - | 4,677 | - | - | 4,677 |
| | - | - | - | 4,677 | 14,260 | - | 18,937 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | (6,665) | (31,375) | (42,255) | - | (417) | - | (80,712) |
| Net exposure | (6,665) | (31,375) | (42,255) | 4,677 | 13,843 | - | (61,775) |



Significant exchange rates applied during the year in translating foreign currency transactions into Pak Rupee were as follows:

| | Average rate for the year | | Reporting date spot rate | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Thai Baht (THB) | 3.30 | 3.00 | 3.22 | 3.18 |
| Euro (EUR) | 135.70 | 124.62 | 144.81 | 130.81 |
| US Dollar (USD) | 101.92 | 94.64 | 105.35 | 97.95 |
| Singapore Dollar (SGD) | 81.34 | 75.94 | 83.40 | 80.13 |
| Pound Sterling (GBP) | 147.45 | 150.48 | 174.44 | 158.27 |
| **Others** | | | | |
| Korean Won (KRW) | 0.09 | 0.08 | 0.10 | 0.09 |
| Bangladesh Takka (BDT) | 1.32 | 1.15 | 1.36 | 1.22 |

#### Sensitivity Analysis

A 10 percent depreciation of the Pak Rupee at the year end would have had the following effect on profit and loss:

| | Effect on profit and loss (net of tax) | |
|---|---|---|
| Rupees in '000 | 2013 | 2012 |
| Thai Baht (THB) | (449) | (433) |
| Euro (EUR) | (2,566) | (2,039) |
| US Dollar (USD) | (6,830) | (2,747) |
| Singapore Dollar (SGD) | (149) | 304 |
| Pound Sterling (GBP) | (2,862) | 900 |
| **Others** | | |
| Korean Won (KRW) | (19) | - |
| Bangladesh Takka (BDT) | 5 | - |

A 10 percent appreciation of Pak Rupee against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

#### b) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

As at the balance sheet date, the interest / profit bearing financial instruments comprised bank balances in savings accounts, and long term financing.

The long term financing has been arranged in a manner so that one-third of the financing has a fixed rate.

For the remainder two-third of the financing which carries floating rate, a hypothetical change of 100 basis points in interest rates at the balance sheet date would have decreased / (increased) profit for the year by approximately Rs. 5,332 thousand (2012: Rs. 2,015 thousand) in respect of the variable portion of the long term financing. The analysis assumes that all other variables remain constant.

#### c) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk.

35.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 36. Capital management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the sustained development of its businesses.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors also monitors the level of dividends to the ordinary shareholders.

The Company is not subject to externally imposed capital requirements.

## 37. Transactions and balances with related parties

The related parties comprise of group companies, entities with common directors, major shareholders, key management employees (included in Note 34) and retirement benefit funds. Transactions and balances with related parties and associated undertakings other than those which have been disclosed elsewhere in these financial statements, are given below.

### 37.1 Transactions with related parties are summarised as follows:

| Rupees in '000 | | 2013 | 2012 |
|---|---|---|---|
| **Nature of relationship** | **Nature of transactions** | | |
| The BOC Group Limited (parent) | Technical assistance fee | 44,304 | 36,532 |
| | Dividends | 97,651 | 105,162 |
| Linde AG (ultimate parent) | Information systems support / maintenance | 41,636 | 34,346 |
| Associated Companies | Purchase of goods and receipt of services | 53,979 | 42,271 |
| | Reimbursement of Staff related cost incurred by the Company on behalf of associated companies | 14,068 | 9,174 |
| Related entities by virtue of common directorship | Sale of goods | 26,253 | 24,146 |
| Staff retirement benefits | Contributions to staff retirement funds | 30,825 | 30,818 |
| Re-measurement: Actuarial gain / (loss) recognised in other comprehensive income on account of: | | | |
| staff retirement funds | | 2,130 | (8,832) |

### 37.2 Balances with related parties are summarised as follows:

| Rupees in '000 | 2013 | 2012 |
|---|---|---|
| Receivable from / (payable to) staff retirement funds | 4,894 | (492) |

37.3 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions. The cost of technical assistance fee has been determined on the basis of agreement, duly acknowledged by the State Bank of Pakistan, between the Company and the BOC Group Limited based on an agreed methodology consistently applied.

There are no transactions with key management personnel other than under their terms of employment, as disclosed elsewhere in these financial statements.

The related party balances as at 31 December 2013 are included in trade debts, other receivables and trade and other payables, respectively.

### 38. Production capacity

| | Capacity | | Actual production* | |
|---|---|---|---|---|
| Cubic meters ($m^3$) | 2013 | 2012 | 2013 | 2012 |
| Oxygen/Nitrogen | 73,374,000 | 65,415,000 | 57,482,587 | 45,536,178 |
| Hydrogen | 3,434,000 | 3,434,000 | 1,909,572 | 2,392,714 |
| Dissolved acetylene | 278,667 | 278,667 | 124,366 | 125,100 |
| Nitrous oxide | 120,097,698 | 120,097,698 | 65,124,404 | 56,921,607 |
| Carbon dioxide | 13,656,483 | 13,656,483 | 2,292,102 | 3,636,046 |
| | 210,840,848 | 202,881,848 | 126,933,031 | 108,611,645 |

*Actual production is net of normal losses and is mainly based on triple shift.

In case of almost all of the above mentioned products, production is demand driven and, hence, the variance is mainly attributed to reduced demand. Additionally, countrywide load shedding of electricity throughout the year also contributed towards reduced utilization of plants.

### 39. Number of employees

| | 2013 | 2012 |
|---|---|---|
| Average number of employees during the year | 158 | 162 |
| Number of employees as at 31 December* | 154 | 161 |

*Number of employees at year end includes one (2012: one) employee on contractual basis.

## 40. Accounting estimates and judgements

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for slow and non-moving stock

The management continuously reviews its inventory for existence of any items which may have become obsolete. These estimates are based on historical experience and are continuously reviewed.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in the assumptions in future years might effect gains and losses in those years.

Property, plant and equipment

The Company estimates the residual values and useful lives of property, plant and equipment. Any changes in these estimates and judgements would have an impact on financial results of next and subsequent years.

Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgemental basis, which may differ in future years based on the actual experience. The difference in provision, if any, would be recognised in the future periods.

Impairment of assets

In accordance with the accounting policy, the management carries out an annual assessment to ascertain whether any of the Company's assets are impaired. This assessment may change due to technological developments.

## 41. Date of authorization

These financial statements were authorized for issue on 26 February 2014 by the Board of Directors of the Company.

## 42. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

## 43. Non-adjusting events after the balance sheet

The Board of Directors in its meeting held on 26 February 2014 (i) approved the transfer of Rs. 45,111 thousand from unappropriated profit to general reserve; and (ii) proposed a final dividend of Rs.4 per share for the year ended 31 December 2013, amounting to Rs. 100,155 thousand for approval of the members at the Annual General Meeting to be held on 16 April 2014.

Muhammad Ashraf Bawany
Chief Executive

Munnawar Hamid – OBE
Chairman

# Shareholders' information.

## Stock exchange listing

Linde Pakistan Limited is a public limited company and its shares are traded on all three stock exchanges of Pakistan.

The Company's shares are quoted in leading dailies under the heading of Chemical sector.

## Market capitalization and market price of Linde share

**Market capitalization**
As at 31 December 2013, the market capitalization of Linde Share stood at Rs 4.48 billion with a market value of Rs 178.86 per share and breakup value of Rs 68.02 per share.

The 16.53% increase in the value of the shares compared to last year reflects the confidence of our members and investors in the Company.

**Market Share Price**

| | |
|---|---|
| Highest price per share during the year | Rs 194.04 |
| Lowest price per share during the year | Rs 152.25 |
| Closing price per share at year-end | Rs 178.86 |

## Financial calendar

The Company follows the period of January 01 to December 31 as the Financial Year.

Financial Results for the year 2014 will be announced as per the following tentative schedule:

| | |
|---|---|
| 1st quarter ending 31 March 2014 | April 2014 |
| 2nd quarter ending 30 June 2014 | August 2014 |
| 3rd quarter ending 30 September 2014 | October 2014 |
| Year ending 31 December 2014 | February 2015 |

Announcements of the Financial Results for the year 2013 were made as follows:

| | |
|---|---|
| 1st quarter ended 31 March 2013 | 29 April 2013 |
| 2nd quarter ended 30 June 2013 | 16 August 2013 |
| 3rd quarter ended 30 September 2013 | 24 October 2013 |
| Year ended 31 December 2013 | 26 February 2014 |

## Annual General Meeting

The sixty-fifth Annual General Meeting of the shareholders will be held on 16 April 2014 at 9:30 a.m. at the Company's Registered Office, West Wharf, Dockyard Road, Karachi.

A member entitled to attend, speak and vote at the Annual General Meeting may appoint another Member as a proxy to attend and vote on his/her behalf.

## Investor relations contact

Mr Wakil Ahmed Khan
Manager – Corporate Services
Phone +92.21.32316914, Fax +92.21.32312968
Email wakil.khan@linde.com

In compliance with the requirements of Section 204(A) of the Companies Ordinance of 1984, Central Depository Company of Pakistan Limited (CDC) acts as an independent share registrar of the Company.

Enquiries concerning lost share certificates, dividend payment, change of address, verification of transfer deeds and share transfers may be addressed to CDC at:

**Central Depository Company of Pakistan Limited**
CDC House, 99-B, Block 'B', S.M.C.H.S.
Main Shahrah-e-Faisal, Karachi – 74400
Phone + 92.21.111111500
Fax + 92.21.34326031
Timings 9:00 a.m. to 1:00 p.m. and
from 2:30 p.m. to 4:30 p.m. (Monday to Friday)
Email info@cdcpak.com

## Public information

Financial analysts, stock brokers and interested investors desiring financial statements of the Company may visit our website at www.linde.pk

# Pattern of shareholdings.
## Year ended 31 December 2013.

| Number of shareholders | Shareholdings from | | Shareholdings to | Total number of shares held |
|---|---|---|---|---|
| 479 | 1 | - | 100 | 18,066 |
| 403 | 101 | - | 500 | 124,834 |
| 242 | 501 | - | 1000 | 197,798 |
| 347 | 1001 | - | 5000 | 865,179 |
| 86 | 5001 | - | 10000 | 620,618 |
| 38 | 10001 | - | 15000 | 458,857 |
| 22 | 15001 | - | 20000 | 388,155 |
| 15 | 20001 | - | 25000 | 343,630 |
| 9 | 25001 | - | 30000 | 247,389 |
| 7 | 30001 | - | 35000 | 228,167 |
| 11 | 35001 | - | 40000 | 419,936 |
| 6 | 40001 | - | 45000 | 254,772 |
| 1 | 45001 | - | 50000 | 46,102 |
| 1 | 50001 | - | 55000 | 50,352 |
| 1 | 65001 | - | 70000 | 68,786 |
| 1 | 75001 | - | 80000 | 78,787 |
| 2 | 80001 | - | 85000 | 167,039 |
| 1 | 85001 | - | 90000 | 88,376 |
| 2 | 155001 | - | 160000 | 316,000 |
| 1 | 250001 | - | 255000 | 252,689 |
| 1 | 260001 | - | 265000 | 262,400 |
| 1 | 295001 | - | 300000 | 300,000 |
| 1 | 390001 | - | 395000 | 391,000 |
| 1 | 515001 | - | 520000 | 515,585 |
| 1 | 955001 | - | 960000 | 955,843 |
| 1 | 965001 | - | 970000 | 967,341 |
| 1 | 1390001 | - | 1395000 | 1,392,791 |
| 1 | 15015001 | - | 15020000 | 15,018,228 |
| **1683** | | | | **25,038,720** |



# Categories of shareholders.

| Categories of shareholders | Number of shareholders | Shares held | Percentage |
|---|---|---|---|
| Associated Companies, undertakings and related parties | | | |
| The BOC Group Limited and its 6 nominees* | 7 | 15,023,232 | 60.00 |
| | | | |
| Directors and their spouse(s) and minor children | | | |
| Mr. Towfiq Habib Chinoy** | 1 | 270 | - |
| | | | |
| Executives | - | - | - |
| | | | |
| Public sector companies and corporations | 5 | 1,910,319 | 7.63 |
| | | | |
| Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds | 16 | 841,760 | 3.36 |
| | | | |
| Mutual Funds | | | |
| National Bank of Pakistan – Trustee Department NI(U)T Fund | 1 | 967,341 | 3.86 |
| | | | |
| General Public | | | |
| a. Local | 1,598 | 4,029,359 | 16.09 |
| b. Foreign | - | - | - |
| | | | |
| Foreign Companies | 3 | 1,609,243 | 6.43 |
| Others | 52 | 657,196 | 2.62 |
| **Total** | **1,683** | **25,038,720** | **100.00** |
| | | | |
| **Shareholders holding 5% or more voting interest** | | | |
| The BOC Group Limited and its 6 nominees* | | 15,023,232 | 60.00 |
| State life insurance corporation of Pakistan | | 1,392,791 | 5.56 |

*Represents the 60% shareholding of The BOC Group Limited, U.K. and includes its six nominee shareholders.
**Mr Towfiq Habib Chinoy, Director, sold 61,580 shares of the Company during the year. This includes the sale of 21,580 shares by his spouse.

# Notice of Annual General Meeting.

Notice is hereby given that the Sixty-fifth Annual General Meeting of Linde Pakistan Limited will be held on Wednesday, 16 April 2014 at 9:30 a.m. at the Company's Registered Office, West Wharf, Dockyard Road, Karachi to transact the following business:

1. To receive and consider the Financial Statements of the Company for the year ended 31 December 2013 and Reports of the Directors and Auditors thereon.

2. To consider and, if thought fit, to authorise the payment of final dividend of Rs 4.00 per ordinary share of Rs 10/= each for the year ended 31 December 2013 as recommended by the Directors of the Company, payable to those Members whose names appear on the Register of Members as at the close of business on 2 April 2014.

3. To appoint the Auditors of the Company and to fix their remuneration.

By order of the Board

Karachi
26 February 2014

Jamal A Qureshi
Company Secretary

Notes:

1. Transport will be provided to members of the Company from the parking area of the Karachi Stock Exchange at Railway premises, Tower and departure will be at 8:45 a.m. sharp on 16 April 2014.

2. The Share Transfer Books of the Company will be closed from 3 April to 16 April 2014 (both days inclusive).

3. A member entitled to attend, speak and vote at the Annual General Meeting may appoint a proxy to attend and vote on his/her behalf and a proxy so appointed shall have the same rights in respect of speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time of the meeting. The proxy must be a member of the Company, except that a Corporation being a member of the Company may appoint as its proxy one of the officers or some other person though not a member of the Company.

4. Members are requested to immediately notify any change in their address or bank mandate as registered to the Company's Share Registrar, Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1, dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

A. For attending the meeting:

- In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

- In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

- The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

- The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

- In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

## Submission of CNIC (Mandatory)

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the registered office of the Company at West Wharf, Dockyard Road, Karachi-74000 or Company's Share Registrar, Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

## Dividend Mandate – payment of cash dividend electronically (optional)

In compliance with the SECP's Circular No. 8(4)SM/CDC 2008 dated 5 April 2013, the Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividends directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, may submit their application to the Company's Share Registrar, giving particulars related to their names, folio numbers, bank account numbers, titles of account and complete mailing addresses of banks. CDC account holders should submit their request directly to their broker (participant)/CDC.


The Extraordinary General Meeting was held on 16 January 2014

Shareholders at the Extraordinary General Meeting

# Form of proxy.
## Annual General Meeting.

I/We ______________________________________________

of ______________________________________________ in the district

of ______________________________ being a Member of **Linde Pakistan Limited,**

hereby appoint ______________________________________________

of ______________________________________________

as my/our proxy, and failing him/her, ______________________________

of ______________________________________________

another Member of the Company to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 16 April 2014 and at any adjournment thereof.

As witness my/our hand/seal this __________ day of __________ 2014.

Signed by the said ______________________________

In the presence of:

1. Signature ______________________

   Name ______________________

   Address ______________________

   CNIC or Passport No. ______________________

2. Signature ______________________

   Name ______________________

   Address ______________________

   CNIC or Passport No. ______________________

Folio/CDC Account No.

Signature on
Revenue Stamp of Rs 10/-

This signature should agree with the specimen registered with the Company

## Important

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, West Wharf, Dockyard Road, Karachi not less than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he himself/herself is a Member of the Company, except that a corporation may appoint a person who is not a member.

3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC account holders/corporate entities:
In addition to the above, the following requirements have to be met:

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

3. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

4. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

# Business locations.

## Registered office/head office

**Karachi**
P.O. Box 4845, West Wharf
Phones +92.21.32313361 (9 lines)
Fax +92.21.32312968

## North-western region

**Lahore** — ASU plant; Nitrous oxide plant; Gas compression facility
P.O. Box 205
Shalamar Link Road, Moghalpura
Phones +92.42.36824091 (4 lines)
Fax +92.42.36817573

Plot No. 705, Sundar Industrial Estate — ASU plant
Phones +92.42.35297244 (4 lines)

**Multan** — Carbon dioxide plant
Adjacent to PFL Khanewal Road
Phones +92.61.6562201 &
+92.61.6001360 (2 lines)
Fax +92.61.6778401

**Mehmood Kot** — Nitrogen plant
Adjacent to PARCO
Mid Country Refinery, Mehmood Kot
Qasba Gujrat, Muzaffargarh
Phones +92.66.2290751 & 2290484-85
Fax +92.66.2290752

**Faisalabad** — Sales depot; Gas compression facility
Altaf Ganj Chowk
Near Usman Flour Mills
Jhang Road
Phones +92.41.2653463 & 2650564

**Wah Cantonment** — Acetylene plant
Kabul Road
Phone +92.51.4545359

**Taxila** — Gas compression facility
Adjacent to HMC No.2
Phones +92.51.4560701 (5 lines) & 4560600
Fax +92.51.4560700

**Rawalpindi** — Sales office
2nd Floor, Jahangir Multiplex
Golra Mor, Peshawar Road
Phones +92.51.2315501 (3 lines)
Fax +92.51.2315050

**Hassan Abdal** — Hydrogen plant
Adjacent to Air Weapon Complex
Abbotabad Road
Phones +92.572.520017 (Ext. 104)
& 522428 (Ext. 104)

## Southern region

**Karachi** — Gas compression facility; Acetylene plant; Electrode factory; Specialty gases
P.O. Box 4845, West Wharf
Phones +92.21.32313361 (9 lines)
Fax +92.21.32312968

**Port Qasim** — ASU plant; Hydrogen plant; Carbon dioxide plant; Dry ice plant
Plot EZ/1/P-5 (SP-1), Eastern Zone
Phones +92.21.34740058 & 34740060
Fax +92.21.34740059

**Sukkur** — Sales depot
A-15, Airport Road, Near Bhatti Hospital
Phone +92.71.5630871

**Linde Pakistan Limited**
P.O. Box 4845, Dockyard Road, West Wharf, Karachi-74000, Pakistan
Phone +92.21.32313361 (9 lines), info.pk@linde.com, www.linde.pk