

# CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FIRST QUARTER ENDED  
31 MARCH 2010



## DIRECTORS' REVIEW 1Q FY 2010

I am pleased to present the Directors' Review together with the financial statements (un-audited) of your Company for the first quarter ended 31 March 2010.

Our national economy continues to be adversely affected by high inflation, crippling power shortages and challenging security conditions. As a result, the economy remains fragile, though efforts to improve it continue intensively. A cumulative growth of 2.4 percent during the first seven months of Fiscal Year 2010 in Large Scale Manufacturing (LSM) was encouraging but the sustainability of this trend as well as overall economic growth would depend on improvements in the availability of electricity and security situation.

Due to the prevalent economic conditions, fierce competition in the gases business including, the new low-price competition in the CO<sub>2</sub> business, escalating costs of production and distribution and lower demand in the market, particularly from the ship-breaking sector, significantly affected sales revenue and margins of your Company. Additionally, several unexpected adversities were encountered in the Company's manufacturing activities. These include the following:


- A deteriorating power supply situation which increased the number of plant shutdowns and consequently caused shortages of ASU product availability in the Northern region;
- Plants at Lahore and Port Qasim were required to undergo necessary repairs; and
- Production of nitrous oxide was affected for sometime by restrictions imposed by the government on local procurement of ammonium nitrate, a main raw material, available in Pakistan only from a single source, and so had to be imported at a significantly higher cost.

As a result of these difficulties, turnover at Rs 497.2 million and profit from operations at Rs 40.9 million was lower by 20.6% and 65.1%, respectively compared to the same period last year. Therefore, profit before taxation at Rs 40.7 million and EPS at Rs 1.07 was also lower by 65.1% and 65.3% respectively compared to the same period last year.

However, despite economic difficulties and growing competition in the gas industry, your Company remains focused to grow its business and to reduce overall costs. Therefore we expect an improved situation in the remaining part of the financial year. In addition, as reported earlier, your Company recently announced an investment of about Rs 2 billion in the largest Air Separation Unit (ASU Plant) in Pakistan. The new state-of-the-art plant will be located in Lahore and would be capable of producing upto 150 tons per day of merchant and gaseous products. This investment is reflective of the continued commitment of your Company and The Linde Group to be a dominant long term player in the Pakistan market, serving its customers in the most effective manner. The plant is expected to be commissioned by the first quarter of 2012.

On behalf of the Board

Karachi  
22 April 2010

  
**Munnawar Hamid OBE**  
Chairman

**BOC Pakistan Limited**
**Condensed Interim Profit and Loss Account (Unaudited)**
*For the first quarter ended 31 March 2010*

	<i>Note</i>	31 March 2010	31 March 2009
(Rupees in '000)			
Net sales	5	497,241	626,509
Cost of sales	5	(376,665)	(439,497)
<b>Gross profit</b>		120,576	187,012
Distribution and marketing expenses	5	(38,902)	(37,883)
Administrative expenses	5	(34,216)	(33,621)
Other operating expenses	6	(22,008)	(10,259)
Other operating income	7	15,475	11,851
		(79,651)	(69,912)
<b>Profit from operations</b>		40,925	117,100
Finance costs	5	(269)	(543)
<b>Profit before taxation</b>		40,656	116,557
Taxation	8	(13,915)	(39,072)
<b>Profit after taxation</b>		26,741	77,485
(Rupees)			
<b>Earnings per share - basic and diluted</b>		1.07	3.09

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

  
**Syed Ayaz Bokhari**  
 Chief Executive

  
**Munnawar Hamid OBE**  
 Chairman



BOC Pakistan Limited  
Condensed Interim Balance Sheet  
As at 31 March 2010

	Note	31 March 2010 Unaudited	31 December 2009
<b>ASSETS</b>			
(Rupees in '000)			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,029,152	1,064,448
Net investment in finance lease	10	170,322	199,715
Long term loans		825	660
Long term deposits and prepayments		11,161	11,181
		<u>1,211,460</u>	<u>1,276,004</u>
<b>Current assets</b>			
Stores and spares		89,373	88,973
Stock-in-trade	11	146,112	166,801
Current maturity of net investment in finance lease	10	68,426	72,335
Trade debts		162,279	153,030
Loans and advances		21,571	13,846
Deposits and prepayments		10,282	11,401
Other receivables		30,295	33,249
Cash and bank balances		632,809	500,310
		<u>1,161,147</u>	<u>1,039,945</u>
		<u>2,372,607</u>	<u>2,315,949</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital</b>			
Authorised:			
40,000,000 (2009: 40,000,000) Ordinary shares of Rs. 10 each		<u>400,000</u>	<u>400,000</u>
Issued, subscribed and paid-up:			
25,038,720 (2009: 25,038,720) Ordinary shares of Rs. 10 each		250,387	250,387
General reserve		1,039,567	1,006,653
Unappropriated profit		26,015	195,666
		<u>1,065,582</u>	<u>1,202,319</u>
		<u>1,315,969</u>	<u>1,452,706</u>
<b>Non-current liabilities</b>			
Long term deposits		117,551	115,565
Deferred liabilities	12	172,938	202,034
		<u>290,489</u>	<u>317,599</u>
<b>Current liabilities</b>			
Trade and other payables		411,105	368,414
Provisions		173,194	154,363
Provision for taxation - net		19,098	22,867
Dividend payable		162,752	-
		<u>766,149</u>	<u>545,644</u>
		<u>2,372,607</u>	<u>2,315,949</u>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.


**Syed Ayaz Bokhari**  
Chief Executive


**Munnawar Hamid OBE**  
Chairman

BOC Pakistan Limited  
Condensed Interim Cash Flow Statement (Unaudited)  
For the first quarter ended 31 March 2010

	Note	31 March 2010	31 March 2009
(Rupees in '000)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	14	152,382	248,889
Reorganization / restructuring cost paid		(8,994)	-
Finance costs paid		(258)	(523)
Income tax paid		(46,541)	(47,667)
Post retirement medical benefits paid		(34)	(106)
Long term loans, deposits and prepayments		(145)	385
Long term deposits		1,986	2,467
Net investment in finance lease		29,393	14,656
<i>Net cash from operating activities</i>		127,789	218,101
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(8,884)	(39,222)
Proceeds from disposal of operating assets		-	931
Interest received on balances with banks		10,997	6,157
Interest received on investment in finance lease		2,720	3,377
<i>Net cash from/(used in) investing activities</i>		4,833	(28,757)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(123)	(74)
<i>Net cash used in financing activities</i>		(123)	(74)
Net increase in cash and cash equivalents		132,499	189,270
Cash and cash equivalents at beginning of the period		500,310	334,478
Cash and cash equivalents at end of the period		632,809	523,748

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

  
**Syed Ayaz Bokhari**  
Chief Executive

  
**Munnawar Hamid OBE**  
Chairman

**BOC Pakistan Limited****Condensed Interim Statement of Comprehensive Income (Unaudited)***For the first quarter ended 31 March 2010*

	For the first quarter ended	
	31 March 2010	31 March 2009
Profit for the period	26,741	77,485
<i>Other comprehensive income</i>		
Defined benefit plan actuarial loss	(1,116)	-
Less:Deferred tax	390	-
<b>Total comprehensive income for the period</b>	<b>26,015</b>	<b>77,485</b>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



**Syed Ayaz Bokhari**  
Chief Executive



**Munnawar Hamid OBE**  
Chairman

BOC Pakistan Limited  
 Condensed Interim Statement of Changes in Equity (Unaudited)  
 For the first quarter ended 31 March 2010

	Share capital	Revenue reserves		Total
	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	
	----- (Rupees in '000) -----			
Balance as at 1 January 2009	250,387	925,358	331,682	1,507,427
Profit for the year	-	-	77,485	77,485
Other comprehensive income for the period - Defined benefit plan actuarial gains / (loss)-net	-	-	-	-
	-	-	77,485	77,485
<i>Transaction with owners</i>				
Final dividend for the year ended 31 December 2008 - Rs 10 per share	-	-	(250,387)	(250,387)
Transfer to general reserve	-	81,295	(81,295)	-
<b>Balance as at 31 March 2009</b>	<b>250,387</b>	<b>1,006,653</b>	<b>77,485</b>	<b>1,334,525</b>
Balance as at 1 January 2010	250,387	1,006,653	195,666	1,452,706
Profit for the year	-	-	26,741	26,741
Other comprehensive income for the period - Defined benefit plan actuarial gains / (loss)-net	-	-	(726)	(726)
	-	-	26,015	26,015
<i>Transaction with owners</i>				
Final dividend for the year ended 31 December 2009 - Rs 6.50 per share	-	-	(162,752)	(162,752)
Transfer to general reserve	-	32,914	(32,914)	-
<b>Balance as at 31 March 2010</b>	<b>250,387</b>	<b>1,039,567</b>	<b>26,015</b>	<b>1,315,969</b>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

  
**Syed Ayaz Bokhari**  
 Chief Executive

  
**Munnawar Hamid OBE**  
 Chairman

**BOC Pakistan Limited**  
**Notes to the Condensed Interim Financial Statements (Unaudited)**  
*For the first quarter ended 31 March 2010*

**1. LEGAL STATUS AND OPERATIONS**

BOC 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 manufacture 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.

**2. BASIS OF PREPARATION**

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

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

These condensed interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2009.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Company in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding published financial statements of the Company for the year ended 31 December 2009.

The company has adopted IAS 1 (Revised), with effect from 1 January 2009 and accordingly, items of income and expense that are not recognised in the profit and loss and non-owner changes in equity have been presented in a separate 'statement of comprehensive income'. However, the actuarial gain/(loss) on employee retirement benefits were not determined as on 31 March 2009 and were not estimated to be significant.

**4. ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these condensed interim financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and reported amounts of assets and 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 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.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published financial statements of the Company as at and for the year ended 31 December 2009.



**5. SEGMENT RESULTS**

	For the first quarter ended					
	31 March 2010			31 March 2009		
	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total
	----- (Rupees in '000) -----					
Gross sales	491,317	83,672	574,989	521,979	194,751	716,730
Less:						
Trade discount	27,950	-	27,950	16,350	-	16,350
Sales tax	39,813	9,985	49,798	48,270	25,601	73,871
	67,763	9,985	77,748	64,620	25,601	90,221
<b>Net sales</b>	<b>423,554</b>	<b>73,687</b>	<b>497,241</b>	<b>457,359</b>	<b>169,150</b>	<b>626,509</b>
Less:						
Cost of sales	316,091	60,574	376,665	288,137	151,360	439,497
Distribution and marketing expenses	34,671	4,231	38,902	34,279	3,604	37,883
Administrative expenses	30,495	3,721	34,216	30,423	3,198	33,621
	381,257	68,526	449,783	352,839	158,162	511,001
<b>Segment result</b>	<b>42,297</b>	<b>5,161</b>	<b>47,458</b>	<b>104,520</b>	<b>10,988</b>	<b>115,508</b>
<i>Unallocated corporate expenses:</i>						
Other operating expenses 6			(22,008)			(10,259)
Other operating income 7			15,475			11,851
<b>Operating profit</b>			<b>40,925</b>			<b>117,100</b>
Finance costs			(269)			(543)
Taxation 8			(13,915)			(39,072)
<b>Profit for the period</b>			<b>26,741</b>			<b>77,485</b>

**6. OTHER OPERATING EXPENSES**

	For the first quarter ended	
	31 March 2010	31 March 2009
	(Rupees in '000)	
Workers' profit participation fund	2,265	6,264
Workers' welfare fund	2,451	2,380
Legal and professional charges	1,725	1,615
Donations	6.1 550	-
Exchange loss - net	15,017	-
	<b>22,008</b>	<b>10,259</b>

**6.1 Donations include:**

- Rs. 300 thousand (31 March 2009: Nil) to Aga Khan Hospital and Medical College Foundation, Karachi. Mr. Munnawar Hamid OBE, Chairman, is a trustee of the Aga Khan University

- Rs. 250 thousand (31 March 2009: Nil) to Pakistan Parkinson's Society, Karachi. Mr. Munnawar Hamid OBE, Chairman, is Vice Chairman of the Pakistan Parkinson's Society.

**7. OTHER OPERATING INCOME**

	For the first quarter ended	
	31 March 2010	31 March 2009
	(Rupees in '000)	
Income on saving accounts and deposits	12,755	7,161
Income on investment in finance lease	2,720	3,377
Exchange gain - net	-	120
Gain on disposal of property, plant and equipment	-	931
Others	-	262
	15,475	11,851

**8. TAXATION**

Current	42,772	32,153
Deferred	(28,857)	6,919
	13,915	39,072

**9. PROPERTY, PLANT AND EQUIPMENT**

	31 March 2010	31 December 2009
	(Rupees in '000)	
Operating assets	9.1 1,003,035	1,020,722
Capital work-in-progress	26,117	43,726
	1,029,152	1,064,448

**9.1 Operating assets**

Net book value (NBV) as at 1 January 2010 / 2009	1,020,722	1,029,650
Additions during the period / year:		
- Building	6,500	616
- Plant and machinery	12,607	157,447
- Vehicles	5,749	5,693
- Furniture and fittings	-	3,109
- Office equipments	1,637	11,552
	26,493	178,417
Less:		
- Disposals during period / year (NBV)	-	(635)
- Depreciation charge during the period / year	(44,180)	(171,647)
- Assets written off during the period / year (NBV)	-	(15,063)
	(44,180)	(187,345)
	1,003,035	1,020,722

**10. NET INVESTMENT IN FINANCE LEASE**

	31 March 2010		
	Minimum lease payments	Finance income for future periods ----- (Rupees in '000)	Principal outstanding
Not later than one year	77,570	9,144	68,426
Later than one year and not later than five years	181,400	11,078	170,322
	<u>258,970</u>	<u>20,222</u>	<u>238,748</u>

	31 December 2009		
	Minimum lease payments	Finance income for future periods ----- (Rupees in '000)	Principal outstanding
Not later than one year	82,179	9,844	72,335
Later than one year and not later than five years	209,702	13,368	196,334
Later than five years	3,416	35	3,381
	213,118	13,403	199,715
	<u>295,297</u>	<u>23,247</u>	<u>272,050</u>

**11. STOCK-IN-TRADE**

	31 March 2010	31 December 2009
	(Rupees in '000)	
Raw and packing materials	25,992	54,520
In transit	20,029	3,880
	<u>46,021</u>	<u>58,400</u>
Finished goods		
- in hand	76,987	107,367
- in transit	23,104	1,034
	<u>100,091</u>	<u>108,401</u>
	<u>146,112</u>	<u>166,801</u>

11.1 Raw and packing materials and finished goods include inventories with a value of Rs. 10,649 thousand (31 December 2009: Rs. 26,543 thousand) which were held by third parties.

**12. DEFERRED LIABILITIES**

Deferred taxation	166,704	195,955
Post retirement medical benefits	6,234	6,079
	<u>172,938</u>	<u>202,034</u>

### 13. CONTINGENCIES AND COMMITMENTS

#### Contingencies

- 13.1 During the year 2009, as a result of re-organization / restructuring, the services of certain Officers and Workers were terminated. The Collective Bargaining Agent (CBA) and the workers have filed cases against the Company for unfair labor practice before the learned National Industrial Relations Commission (NIRC). The Company has taken the position that the learned NIRC is not the competent Court to decide the "General Allegations" and since the legal objections raised by the Company were not discussed in the miscellaneous order, hence the Company has filed a Constitutional Petition No. D-1662/2009 before the Hon'ble High Court of Sindh. The High Court has suspended the orders of NIRC and started regular hearings.

Further, the Company has filed cases against the CBA Union office bearers in NIRC who had committed unfair labor practice by not allowing the management staff to enter the factory premises and blocking the gate and instigating the workers in connection with the termination of the above terminated workers.

On the basis of consultation with the legal advisor, the Company's management is confident that the outcome of the cases would be in favor of the Company and, therefore, no provision has been made in these accounts for any liability which may arise upon finalization of these cases.

- 13.2 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 March 2010 amounted to Rs. 28,907 thousand (31 December 2009: Rs. 28,751 thousand).
- 13.3 Claim against the Company not acknowledged as debt amounted to Rs. 20,000 thousand (31 December 2009:Rs. 20,000 thousand) as the management is confident that ultimately this claim would not be payable.

#### Commitments

- 13.4 The Company has guaranteed repayment of loans given by a bank to certain members of the Company's staff. The amount of such loans outstanding as at 31 March 2010 amounted to Rs. 667 thousand (31 December 2009: Rs. 1,153 thousand).
- 13.5 Capital commitments outstanding as at 31 March 2010 amounted to Rs. 39,051 thousand (31 December 2009: Rs. 53,823).

**14. CASH GENERATED FROM OPERATIONS**

	For the first quarter ended	
	31 March 2010	31 March 2009
	(Rupees in '000)	
Profit before taxation	40,656	116,557
<i>Adjustments for:</i>		
Depreciation	44,180	42,328
Profit on disposal of property plant and equipment	-	(931)
Mark-up income from savings and deposit accounts	(12,755)	(7,161)
Income on investment on finance lease	(2,720)	(3,377)
Finance costs	269	543
Provision for:		
- Post retirement medical benefits	189	206
- Provision for vendor / customer claims	26,698	-
Working capital changes	14.1 55,865	100,724
	<u>152,382</u>	<u>248,889</u>

**14.1 Working capital changes**

*(Increase) / decrease in current assets:*

Stores and spares	(400)	(489)
Stock-in-trade	20,689	91,965
Trade debts	(9,249)	(16,973)
Loans and advances	(7,725)	(3,279)
Deposit and prepayments	1,119	5,513
Net investment in finance lease	3,909	(1,203)
Other receivables	3,594	1,919
	<u>11,937</u>	<u>77,453</u>

*Increase in current liabilities:*

Trade and other payables	43,928	23,271
	<u>55,865</u>	<u>100,724</u>

**15. TRANSACTIONS WITH RELATED PARTIES**

15.1 Related parties comprise holding company, associated companies, other companies with common directors, retirement benefit funds, directors and key management personnel.

15.2 Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Sales	<u>3,598</u>	<u>4,315</u>
Purchases	<u>3,916</u>	<u>19,566</u>
Technical assistance fee	<u>5,882</u>	<u>6,291</u>
Information system support / maintenance	<u>2,386</u>	<u>3,859</u>
Income on saving accounts	<u></u>	<u>901</u>
Insurance premium	<u>178</u>	<u>185</u>
Insurance commission	<u>-</u>	<u>262</u>
Charge for staff retirement benefits cost:		
- Staff Provident Fund	<u>1,984</u>	<u>2,158</u>
- Management Staff Defined Contribution Pension Fund	<u>2,037</u>	<u>1,947</u>
- Management Staff Pension Fund	<u>(529)</u>	<u>(286)</u>
- Pakistan Employees' Gratuity Fund	<u>1,268</u>	<u>1,288</u>

	For the first quarter ended	
	31 March 2010	31 March 2009
	(Rupees in '000)	
Meeting fee to Directors and remuneration to Non-Executive Directors	680	646
Actuarial (loss)/gain recognised during the period in the Statement of Comprehensive Income on account of:		
- Management Staff Pension Fund	(440)	-
- Pakistan Employees' Gratuity Fund	(676)	-
Donations	550	-

15.3 Balances with related parties can be summarised as follows:

	31 March 2010	31 December 2009
	(Rupees in '000)	
Receivable from associates in respect of trade debts	1,022	393
Receivable from holding company / associate in respect of other receivables	2,629	4,257
Payable to holding company / associate in respect of trade and other payables	(34,776)	(34,975)
Payable to Staff Provident Fund	(1,349)	(1,341)
(Payable to) / Receivable from Management Staff Defined Contribution Pension Fund	(692)	1,023
Receivable from Management Staff Pension Fund	16,671	16,582
Receivable from Employees Gratuity Fund	5,863	6,570

15.4 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions. All transactions with key management personnel are under the terms of employment.

16. DATE OF AUTHORISATION

These financial statements were authorized for issue on 22 April 2010 by the Board of Directors of the Company.

17. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the preceding balance sheet as at the period end, whereas the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the corresponding periods of the previous year.

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

  
**Syed Ayaz Bokhari**  
 Chief Executive

  
**Munnawar Hamid OBE**  
 Chairman