

BOC Pakistan Limited

Annual Report 1999

CONTENTS

BOARD OF DIRECTORS
NOTICE OF ANN MEETING
THE YEAR AT A GLANCE
CHAIRMAN'S STATEMENT
TEN-YEAR FINANCIAL REVIEW
BUSINESS LOCATIONS
STATEMENT OF VALUE ADDED
BUSINESS DIVISIONS, PRODUCTS AND SERVICES
DIRECTORS' REPORT
AUDITORS' REPORT TO THE MEMBERS
PROFIT AND LOSS
ACCOUNT
BALANCE SHEET
STATEMENT OF CHANGES IN EQUITY
CASH FLOW STATEMENT
NOTES TO THE ACCOUNTS
PATTERN OF SHAREHOLDINGS

BOARD OF DIRECTORS

Chairman
J R RAHIM

Managing Director
J ANWAR

Directors
H P CARELESS
R AHMAD
I HUSAIN
A U KHAWAJA
S QURESHI

Secretary
M ASLAM

Bankers

BANK OF AMERICA NA
STANDARD CHARTERED BANK
ANZ GRINDLAYS BANK PLC
EMIRATES BANK INTERNATIONAL PJSC
CITIBANK NA
SOCIETE GENERALE
DEUTSCHE BANK AG

FAYSAL BANK LTD
MASHREQ BANK PSC
NATIONAL BANK OF PAKISTAN
MUSLIM COMMERCIAL BANK LTD

Auditors A F FERGUSON & CO.
Solicitors SURRIDGE & BEECHENO
Registered Office WEST WHARF, KARACHI-74000

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty-first Annual General Meeting of BOC PAKISTAN **LIMITED will be held at Karachi Sheraton Hotel & Towers, Club Road, Karachi on Monday,** the 31st day of January 2000 at 10.30 a.m. to transact the following business:

1. To confirm the Minutes of the Extra-ordinary General Meeting held on 02 June 1999.
2. To receive and consider the Statement of Accounts for the year ended 30 September 1999 and Reports of the Directors and Auditors thereon.
3. To declare a final dividend of Rs 5.00 per ordinary share, as recommended by Directors.
4. To appoint Auditors and fix their remuneration.
5. Any other business which may legally be transacted at an Annual General Meeting.

The Share Transfer Books of the Company will be closed from 18 January to 31 January 2000, both days inclusive.

By Order of the Board

West Wharf
Karachi-74000
07 December 1999

MUHAMMAD ASLAM
Secretary

NOTES:

i) A member entitled to attend the Annual General Meeting is entitled to appoint a Proxy to attend, speak and vote in his place at the Meeting. No person shall act as a Proxy (except for a Corporation) unless he is entitled to be present and vote in his own right. Instrument appointing Proxy must be deposited at the Registered Office of the Company at least 48 hours before the time of the Meeting.

ii) CDC shareholders are requested to bring their National Identity Card, Account and Participant's

ID Numbers, while attending the Meeting for identification.

iii) Shareholders are requested to notify any change in address immediately.

THE YEAR AT A GLANCE

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Sales	1,145,908	1,020,786
Profit before mark-up, interest & tax	409,837	340,387
Profit after tax	245,720	282,964
	-----	-----
Paid-up Capital	208,656	181,440
	-----	-----
Dividend - payout	104,328	108,864
- per share (adjusted)	Rs.5.00	Rs.5.22
- cover	2.36x	2.60x
	-----	-----
Capital Expenditure	31,249	221,798
	-----	-----
Capital Employed at Year End	1,266,561	1,360,742
	-----	-----
Return on Average Capital Employed (based on Profit before mark-up, interest and tax)	31.20%	26.40%
	-----	-----
Net Asset Backing at Year End (adjusted)	Rs 43.75	Rs 36.98
Number of Permanent Employees at Year End	510	536
	-----	-----

CHAIRMAN'S STATEMENT

The fiscal year 1998-99 has been a difficult one for Pakistan's economy. The imposition of economic sanctions by the international community, following the nuclear tests in May 1998, created serious problems for the country's balance of payment. The impact of these sanctions together with external economic recession, slowed down the growth of real GDP to 3.1 percent. This was mainly due to downturn in agriculture and weak performance of manufacturing and service sector. I am, however, pleased to report that despite a very difficult economic environment, your Company achieved record turnover and profit. The main contribution came from industrial gases and healthcare business.

As reported earlier, your Company has entered into a long-term supply contract with PARCO for the supply of high purity nitrogen to their mid-country refinery project at Mahmood Kot. This investment is progressing satisfactorily and a state-of-the-art production facility is being erected at PARCO site for this purpose. Civil work is at an advanced stage and a new plant has already been shipped from the USA.

	188,040	168,223	181,050	152,055	149,631	147,500	200,059	1,218,937	1,360,742	1,266,561
Represented by:										
Fixed Assets	140,714	142,202	162,732	162,369	168,497	171,318	337,548	1,419,210	1,553,683	1,470,371
Working Capital	47,326	26,021	18,318	(10,314)	(18,866)	(23,818)	(137,489)	(200,273)	(192,941)	(203,810)
	188,040	168,223	181,050	152,055	149,631	147,500	200,059	1,218,937	1,360,742	1,266,561

Statistics

Expenditure on Fixed Assets	53,397	20,023	40,820	23,020	30,830	29,974	199,197	1,125,428	221,798	31,249
Annual Depreciation	11,350	18,502	20,289	23,178	24,328	27,027	32,860	43,690	84,027	114,452
Adjusted Earnings per share--Ru (Note)	1.04	1.50	2.67	3.83	4.81	7.70	9.90	12.50	13.56	11.78
Adjusted Dividend per share--R (Note)	0.48	0.61	1.28	1.86	2.32	3.48	4.61	5.22	5.22	5.00
Dividend Cover--Times	2.18x	2.46x	2.09x	2.07x	2.07x	2.21 x	2.15x	2.40x	2.6x	2.4x
Adjusted Net Asset Backing per share--Rupees (Note)	5.67	6.56	7.95	9.93	12.42	16.64	21.35	28.63	36.98	43.75
Return on average Shareholders' Fund (based on profit. after tax)	19.30%	24.50%	36.70%	42.90%	43.00%	53.00%	52.10%	50.00%	41.30%	29.20%
Dividend paid on average Shareholders' Fund	8.90%	9.90%	17.60%	20.70%	20.80/o	23.90%	24.30%	20.90%	15.90%	12.40%
Return on average Capital Employed (based on profit before mark-up, interest & tax)	29.90%	37.30%	57.00%	77.40%	95.10%	138.10%	142.60%	34.50%	26.40%	31.20%

Note: Figures restated based on bonus issues.

BUSINESS LOCATIONS

REGISTERED

AND HEAD OFFICE

Karachi P.O. Box 4845, West Wharf
Phones: (021) 2313361 (9 lines)
Fax: 2312968

NORTH

WESTERN REGION

Lahore P.O. Box 205,
Shalamar Link Road,
Moghalpura
Phones: (042) 6824091 (4 lines)
Fax: 6817573

Oxygen/Nitrogen & Argon Factory
Acetylene Factory
Nitrous Oxide Factory

Rawalpindi	267, Saddar Road Phones: (051) 566441 & 585670 Fax: 585670	Sales Depot
Multan	Opp. Khakwani House, Vehari Chowk, Vehari Road Phones: (061) 526141, 529820 & 529568	Sales Depot & Oxygen Compressing Station
Faisalabad	Altaf Ganj Chowk, Near Usman Flour Mills, Jhang Road Phones: (041) 653463 & 650564	Sales Depot & Oxygen Compressing Station
Gujranwala	Pindi By-Pass, G.T. Road Phones: (0431) 254720 & 259115	Sales Depot & Oxygen Compressing Station
Wah Canton	Kabul Road Phone: (0596) 2477	Acetylene Factory
Taxila	Adjacent to Heavy Mechanical Complex No. 2 Phones: (051) 9270562 (5 lines) Ext: 383 (0596) 2408 Fax: (0596) 537041	Oxygen/Nitrogen Factory
Hasanabdal	Adjacent to L T Engineering Haripur Road Phones: (05772) 520520 } (0596) 511899 Ext. 104	Hydrogen Factory
Nowshera	C/o Associated Industries Ltd. Amangarh Phone: (0923) 610559	Sales Depot
Peshawar	Jhagra Chowk, G.T. Road Phones: (091) 261573 (2 lines)	Sales Depot & Oxygen Compressing Station
SOUTHERN REGION		
Karachi	West Wharf Phones: (021) 2313361 (9 lines) Fax: 2312968	Oxygen/Nitrogen & Argon Factory Acetylene Factory Nitrous Oxide Factory Speciality Gases
Port Qasim	Eastern Zone Phone: (0201) 750420 (3 lines) Fax: (0201) 750418	Oxygen/Nitrogen & Argon Factory Hydrogen Factory
Hyderabad	Kh. Gharib Nawaz Road C/o Wazir All Industries Ltd., Hall Road	Sales Depot Oxygen Compressing Station

		Phone: (0221) 880930	
	Sukkur	Bandani Colony No. 1, Main Shikarpur Road Phone: (071) 614791	Sales Depot
	Quetta	Eissa Khan Street, Off Sirki Road	Sales Depot
	Hub	65/67, Mauza Pathara, RCD Highway, Hub Chowki Phones: (0202) 32294 & 32295	Oxygen/Nitrogen & Argon Factory
MANUFACTURING	Karachi	West Wharf Phones: (021) 2313361 (9 lines)	Electrode Factory

**STATEMENT OF VALUE ADDED
BY BOC PAKISTAN DURING 1999**

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

	<i>1999</i>		<i>1998</i>	
	<i>Rs 000</i>	%	<i>Rs 000</i>	%
Wealth Generated				
Total revenue, net of sales tax	1,216,513		1,078,269	
Bought-in-materials & services	(481,986)		(488,655)	
	-----		-----	
	734,527	100	589,614	100
	=====		=====	
Wealth Distributed				
To Employees				
Salaries, wages and benefits	158,057	22	128,041	22
To Government				
Income Tax on Profit, Workers' Funds, Import Duties (exclusive of capital items) and un-adjustable Sales Tax	107,987	15	19,206	3
To Providers of Capital				
Cash Dividend to shareholders	104,328	14	108,864	18
Mark-up/Interest Expense on borrowed funds	108,311	15	75,376	13

Retained in the Business

For replacement of fixed assets: depreciation	114,452	15	84,027	14
To provide for growth: retained in business	141,392	19	174,100	30
	-----	-----	-----	-----
	734,527	100	589,614	100
	=====	=====	=====	=====
				=

**BUSINESS DIVISIONS,
PRODUCTS AND SERVICES**

GASES

Industrial Gases

Compressed Oxygen

Liquid Oxygen

Aviation Oxygen

Compressed Nitrogen

Liquid Nitrogen

Pure Argon

Compressed Air

Dissolved Acetylene

Hydrogen

Industrial Pipelines

Speciality Gases

High Purity Gases

Research Grade Gases

Gaseous Chemicals

Calibration Mixtures

Argon Mixtures

Welding Gas Mixtures

Sterilisation Gases

Helium

HEALTH CARE

Medical Gases

Compressed Medical

Oxygen

Liquid Medical Oxygen

Nitrous Oxide & Entonox

Medical Equipment

Anaesthesia Equipment

· Vaporisers

· Ventilators

· Anaesthesia Systems

Patient Monitoring Equipment

· Invasive & Non-Invasive Blood Pressure

· ECG - 2,5, or 10 leads

· CO2 (Endtidal)

· Temperature

· Pulse Oximetry

· Agent Monitoring

Paediatric Equipment

· Incubators & Infant Warmers

· Photo Therapy

· CTG/Fetal Monitors

· Resuscitation

ICU Equipment

· Ventilators & Humidifiers

· Defibrillators

· Syringe & Infusion Pumps

· Suction Machines

Diagnostic Equipment

· ETT & ECG Machines

WELDING

Gas Welding & Cutting

Regulators

Cutting Torches

Welding Torches

Cutting Machines

Gas Control Equipment

Safety Equipment

Flame Cleaning

Gas Welding Rods

Fluxes

Electric Welding

Welding Machines

· Automatic

· Semi-automatic

· Manual

Welding Consumables

· Welding Electrodes

· MIG Welding Wires

· TIG Welding Wires

Accessories

- Cardiac & GP Ultrasound Systems
- Stress Echo
- Medical Gases Pipeline**
- Design, Installation & Service
- Vaporizer Service and Calibration Centre**

NATURE OF BUSINESS

The main business areas of the Company are:

- Industrial Gases
- Speciality Gases
- Health Care--Medical Gases and Equipment
- Welding Products

BOC Pakistan is an associate Company of The BOC Group plc, U.K. which adds value to a wide range of industries and activities worldwide: from electronics and food to environmental clean-up; from coating most of the world's high performance glass to distributing food, clothes and other consumables.

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their Annual Report and the Statement of Accounts for the year ended 30 September 1999.

SALES

The Directors are pleased to report that despite weak performance of manufacturing and services sectors in the country, due to difficult economic environment, your Company achieved record sales and profits. The sales revenue at Rs 1,145.9 million recorded a 12% growth over last year. The Company achieved record operating profit of Rs 377.5 million, which was 26% higher than last year. Industrial gases business performed well with some of the product lines achieving strong growth. The demand in ship-breaking sector remained strong, which had a favourable impact on oxygen sales. Overall growth in nitrogen sale was also significant due to sustained product demand from the chemical sectors. High purity gases demand was also met adequately. The healthcare business recorded positive growth over last year. Besides, good growth in medical oxygen sales, the medical engineering jobs in various

hospitals registered high growth. The welding products sale was subdued due to low demand in manufacturing sector and inactivity in industrial projects.

ENGINEERING OPERATIONS

The 100/110 TPD Air Separation Plant at Port Qasim was run efficiently. The Aspen 1000 plant relocated in Lahore last year also remained fully operational. The overall production and distribution logistics were well coordinated to meet market demand.

The Company will soon be installing a nitrogen facility with back-up liquid storage for a high purity nitrogen supply scheme to Pak-Arab Refinery at Mahmood Kot. The plant and other equipment, which has been manufactured in USA and Europe is expected to reach Pakistan in December 1999 and the facility is expected to come on stream shortly.

SAFETY

The Company had a successful year as regards safety with no lost time accident. An international safety audit was conducted at Company's three production factories by a team of international auditors, where current safety gradings have been maintained.

OPERATING RESULTS

Directors are pleased to report that your Company achieved record operating profit of Rs 377.5 million attaining a growth of 26% over last year. Growth in various product portfolios was attained under difficult economic environment. Astute management of working capital, negotiated reduction in interest charge on long term loans and strict vigilance on company's cash flow streams enabled the Company

to restrict the interest charge for the year. The Company closed the financial year with a cash balance of Rs 276 million, which reflects a significant improvement over last year.

The Directors are also pleased to report that your

Company has been consistently producing high earnings. This has led to substantial growth in total shareholders equity, which in the last 10 years has increased from Rs 118.4 million to over Rs 900 million. In spite of massive growth in equity, the return on average shareholder's fund has remained highly satisfactory.

The Directors would also like to highlight that consequent to a major investment in 1997, your Company has delivered a particularly strong operating performance in the last two years. This has enabled the organisation to discharge its medium/long term debt liabilities on schedule. The Company has so far paid upto November 1999 Rs 603 million in this respect from internal cash generation. The Directors would like to congratulate the management on this excellent performance.

All plants were run efficiently and despite erratic power supply in North/West and product support from South, the overall increase in cost of sales was well contained.

In the Finance Act 1999, the Income tax rates for Companies have been frozen at 33% and benefit under Section 80-C nullified. This has adversely affected tax charge for the year. The Company has therefore, taken up the matter with the Central Board of Revenue. Despite all these unfavourable steps Company's profit after tax at Rs 245.7 million is 6% higher than last year excluding the tax write back of Rs 51.7 million in last year.

Capital expenditure during the year amounted to Rs 31.2 million mainly on on-going construction of nitrogen supply scheme to PARCO's refinery near Multan and rehabilitation of 1600 M3 plant at Lahore. Company's cash flows remained healthy and Balance Sheet strong. During the year a scrip issue at the rate of 15 shares for every 100 shares held as at 28 May 1999 was made and an amount of Rs 27.216 million was capitalised out of current year's profit. Directors now recommend a final dividend of 50% for the year on all shares in issue.

The appropriations approved by the Directors were, therefore, as follows:

(Rupees in thousand)

Profit for the year before taxation		319,710
Out of which the Directors have accounted for taxation, as under:		
Current-for the year	(75,472)	
Less:for prior years	1,482	(73,990)
	-----	-----
Disposable profit for appropriation		245,720
From which bonus shares at 15% were issued in June 1999, capitalising an amount of	(27,216)	
The Directors now recommend payment of final dividend at Rs 5.00 per share	(104,328)	
Total dividend and scrip for the year		(131,544)

Transfer to general reserve		114,176
		=====
Post tax earnings per share amounted to Rs 11.78 (1998: Rs 13.56)		

KSE'S TOP COMPANIES AWARD

Directors are pleased to state that your Company has again received Karachi Stock Exchange's 'Top 25 Companies Award' for the financial year 1998. So far your Company has won this coveted award for the twelfth time and consecutively for the seven years since 1992. The Directors would like to congratulate the management on this top class performance.

MAP CORPORATE EXCELLENCE AWARD

During the year your Company was awarded the highly prestigious 'Corporate Excellence Award' by the Management Association of Pakistan for the year 1997. This award is given to only one company every year in the manufacturing sector. The Directors would like to congratulate management on their outstanding 'performance.

Y2K COMPLIANCE

The Directors would like to state that your Company in collaboration with The BOC Group has taken

all possible steps to ensure that all its computer systems, plant and machinery with embedded microchips are Y2K compliant in all critical areas. Our Company-wide programme encompassed replacement and/or upgradation of all computer hardware, software and application packages, all infrastructure and other computer based business and facility systems as could be envisaged. The state-of-the-art SAP system is now fully functional. We have also carried out an assessment of customers product requirements over the millennium period particularly where continuity of supplies are essential and have established necessary logistics for this purpose. However we must emphasize that due to the wide ranging scope of the Y2K issue, and our dependence on other suppliers, utilities and infrastructure services, the Company may not be able to accept any liability for Y2K related failures.

MATERIAL CHANGES

There have been no material changes since 30 September 1999 and the Company has not entered into any commitment, which would effect its financial position at that date.

HOLDING COMPANY

The pattern of shareholdings is provided on page 40. The Company's holding company is The BOC Group plc, which is incorporated in the U.K.

AUDITORS

The auditors, A F Ferguson & Co. retire and offer themselves for re-appointment.

The Directors would like to thank all employees of the Company for having achieved outstanding results in a difficult year. Directors are also grateful to the valued customers whose continuous support is a great source of strength to the Company in the marketplace.

On behalf of the Board

Karachi
07 December 1999

J R RAHIM
Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BOC Pakistan Limited as at September 30, 1999 and the related profit and loss account, statement of changes in equity and cash flow statement, 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 and, after due verification thereof, 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 changes in equity and cash flow statement, together with the notes forming part thereof, 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 September 30, 1999 and of the profit and cash flows for the year then ended; and

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

Karachi
Dated: 09 DEC 1999

A F FERGUSON & CO.
Chartered Accountants

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 1999

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	

Sales	3	1,145,908	1,020,786
Cost of sales	4	(603,148)	(575,009)
		-----	-----
Trading profit		542,760	445,777
Marketing expenses	5	(69,643)	(59,218)
Administration expenses	6	(95,632)	(85,922)
		-----	-----
		(165,275)	(145,140)
Operating profit	3	377,485	300,637
Other charges	7	(20,069)	(15,764)
		-----	-----
		357,416	284,873
Other income	8	52,421	55,514
		-----	-----
		409,837	340,387
Mark-up and interest expense, net	9	(90,127)	(73,407)
		-----	-----
Profit before taxation		319,710	266,980
Taxation	10	(73,990)	15,984
		-----	-----
Profit After Taxation		245,720	282,964
Appropriations			
Interim dividend Nil			
(1998: Rs 1.50) per share		--	(27,216)
Issuance of fifteen bonus shares for every hundred shares in June 1999 (1998: Nil)			
Proposed final dividend at Rs 5.00 (1998: Rs 4.50) per share		(27,216)	--
		(104,328)	(81,648)
		-----	-----
		(131,544)	(108,864)
		-----	-----
Transfer to general reserve		114,176	174,100
		=====	=====
Earnings per share	11	Rs 11.78	Rs 13.56
		=====	=====

The annexed notes form an integral part of these accounts.

JAVOID ANWAR
Chief Executive

J R RAHIM
Chairman

BALANCE SHEET
AS AT SEPTEMBER 30. 1999

Note *1999* *1998*

(Rupees in thousand)

Share capital and reserves			
Share capital			
Authorised			
40,000,000 ordinary shares of Rs 10 each (1998: 40,000,000)		400,000	400,000
		=====	=====
Issued, subscribed and paid-up	12	208,656	181,440
Revenue reserves	13	704,267	590,091
		-----	-----
		912,923	771,531
Redeemable Capital	14	200,000	566,667
Long-term Liabilities			
Cylinder deposits	15	63,139	62,897
Current Liabilities and Provisions			
Current maturity - redeemable capital	14	366,667	133,333
-long-term loan	16	--	4,299
Creditors, accrued and other liabilities	18	329,251	373,139
Taxation		23,306	3,151
Dividends	19	108,208	84,854
		-----	-----
		827,432	598,776
Contingencies and commitments	20		
		-----	-----
		2,003,494	1,999,871
		=====	=====
Fixed assets - tangible			
Operating assets	21	1,432,264	1,527,252
Capital work-in-progress	22	38,107	26,431
		-----	-----
		1,470,371	1,553,683
Long-term loans and advances	23	5,525	4,847
Long-term deposits and prepayments	24	7,257	7,369
Current assets			
Stores and spares	25	72,177	66,022
Stock-in-trade	26	61,136	78,131
Trade debts, unsecured	27	77,294	85,506
Loans and advances	28	5,549	9,646
Deposits and prepayments	29	7,772	5,891
Other receivables	30	18,245	8,791
Investments	31	2,000	2,000
Cash and bank balances	32	276,168	177,985
		-----	-----
		520,341	433,972

2,003,494 1,999,871
=====

The annexed notes form an integral part of these accounts.

JAVAID ANWAR
Chief Executive

J R RAHIM
Chairman

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30,**

	Issued, subscribed and paid-up shares	Revenue reserve - general Rupees in thousand	Unappropriated profit	Total
Balance at September 30, 1997	181,440	415,991	--	597,431
Profit for the year	--	--	282,964	282,964
Dividends	--		(108,864)	(108,864)
Transfer to general reserve	--	174,100	(174,100)	--
	-----	-----	-----	-----
Balance at September 30, 1998	181,440	590,091	--	771,531
Profit for the year	--	--	245,720	245,720
Bonus shares issued	27,216	--	(27,216)	--
Dividends	--	--	(104,328)	(104,328)
Transfer to general reserve	--	114,176	(114,176)	--
	-----	-----	-----	-----
Balance at September 30, 1999	208,656	704,267	--	912,923
	=====	=====	=====	=====
	=	=====	=====	=

The annexed notes form an integral part of these accounts.

JAVAID ANWAR
Chief Executive

J R RAHIM
Chairman

**CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Cash flow from operating activities			
Cash generated from operations	33	505,646	478,725
Mark-up and interest paid		(123,110)	(130,245)
Tax paid		(53,835)	(72,830)

Long-term loans, advances, deposits and prepayments	(566)	2,373
Cylinder deposits	242	2,649
	-----	-----
Net cash inflow from operating activities	328,377	280,672
Cash flow from investing activities		
Fixed capital expenditure, net	(31,249)	(165,948)
Proceeds from disposal of fixed assets	1,809	26,892
Income from investments/savings account/ portfolio management schemes	17,852	1,418
	-----	-----
Net cash outflow from investing activities	(11,588)	(137,638)
Cash flow from financing activities		
Proceeds/(repayment) from/of redeemable capital	(133,333)	100,000
Repayment of long-term loans	(4,299)	(2,150)
Dividends paid	(80,974)	(108,090)
	-----	-----
Net cash outflow from financing activities	(218,606)	(10,240)
	-----	-----
Net increase in cash and cash equivalents	98,183	132,794
Cash and cash equivalents at beginning of the year	177,985	45,191
Cash and cash equivalents at end of the year	276,168	177,985
	=====	=====

32

The annexed notes form an integral part of these accounts.

JAVAJD ANWAR
Chief Executive

J R RAHIM
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 1999

1. LEGAL STATUS AND OPERATIONS

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 Company is principally engaged in the manufacture of industrial and medical gases, welding electrodes and marketing of medical equipments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Retirement benefits

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. The Company also operates an independent defined benefit pension scheme for certain management staff. The scheme provides for life pension to employees and their widows and to specified number of children upto an age. Both the schemes are funded and contributions to them are made every month on the basis of recommendation of the actuary in his latest valuation which presently is 8.33% of basic salary for gratuity scheme and 20% for pension.

Based on the latest actuarial valuation of the pension and gratuity schemes as of September 30, 1996, carried out at least once in every three years, the fair valuation of the pension fund's assets and liabilities was Rs 40.836 million and Rs 51.392 million respectively. The fair valuation of the gratuity fund's assets and liabilities was Rs 19.482 million and Rs 27.867 million respectively. Whereas the aforementioned contribution rate of pension is sufficient to cover the projected shortfall in that fund, the shortfall in the gratuity fund is being accounted for through a book provision of 2.5% of basic salaries.

Entry age normal method, using the following significant assumptions, is used for valuation of the above mentioned funded schemes.

- Expected rate of increase in salary level is 13% p.a. plus adjustments.

- Expected rate of return on investments is 13% p.a.

The actuarial valuation of the pension and gratuity schemes as of September 30, 1999 is in progress.

A recognised provident fund scheme is also in operation which covers all permanent employees who have completed six months service. Equal contributions are made by the Company and the employees.

2.3 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation or provisos of the presumptive tax regime. Tax credits, if any, are recognised in providing for current taxation for the year in which these are allowed for tax purposes.

The Company accounts for deferred taxation using liability method on all major timing differences which are likely to reverse in the foreseeable future.

2.4 Fixed assets

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from subsequent month of the year in which it is put to use and on disposals upto the preceding month.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and betterments are capitalised and the assets so replaced, if any, are retired. Profit or loss on disposal of fixed assets is reflected in income currently.

Borrowing costs specific to a project during its construction period are capitalised as part of cost of the project provided the construction period exceeds twelve months and such borrowing costs in aggregate exceed Rs 35 million.

2.5 Stores and spares

These are valued at average cost, except those in transit which are valued at actual cost. Adequate provision is made for obsolete items.

2.6 Stock-in-trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined on moving average basis except goods in transit which are valued at actual cost. Cost of work-in-process and finished goods includes an appropriate portion of production overheads.

2.7 Trade debts

Debts considered irrecoverable are written off and a general provision is made on the balance based on age analysis of the debts.

2.8 Investments

Investments are stated at the lower of cost and market value.

2.9 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pakistan rupees at the rate of exchange approximating to those prevalent on the balance sheet date except:

i) foreign currency loan repayable in rupees at the State Bank of Pakistan guaranteed rate of exchange and balances held abroad out of proceeds of such loan, are translated at such guaranteed rate of exchange; and

ii) all current liabilities, where forward exchange cover has been arranged, are translated at such arranged rates.

Exchange gains and losses are included in income currently.

2.10 Revenue recognition

Sales are recorded on despatch of goods and reported in the accounts net of sales tax.

3. OPERATING PROFIT

		<i>1999</i>		<i>1998</i>			
		<i>Industrial and medical gases</i>	<i>Others</i>	<i>Total</i>	<i>Industrial and medical gases</i>	<i>Others</i>	<i>Total</i>
Sales		1,061,014	84,894	1,145,908	914,065	106,721	1,020,786
Cost of sales	Note 4	(531,555)	(71,593)	(603,148)	(491,856)	(83,153)	(575,009)
Marketing expenses	Note 5	(60,944)	(8,699)	(69,643)	(49,477)	(9,741)	(59,218)
Administration expenses	Note 6	(85,201)	(10,431)	(95,632)	(74,549)	(11,373)	(85,922)
		-----	-----	-----	-----	-----	-----
		(677,700)	(90,723)	(768,423)	(615,882)	(104,267)	(720,149)
		-----	-----	-----	-----	-----	-----
		383,314	(5,829)	377,485	298,183	2,454	300,637
		=====	=====	=====	=====	=====	=====
						=	=

3.1 Inter-segment pricing

Transfers between business segments are recorded at cost

3.2 Segment Information

- Assets	1,670,910	52,776	1,723,686	1,740,231	78,667	1,818,898
Unallocated assets			279,808			180,973
			-----			-----
Total assets			2,003,494			1,999,871
			=====			=====
						=
- Liabilities	335,682	25,231	360,913	359,381	30,376	389,757
Unallocated liabilities			625,330			838,583
			-----			-----
Total liabilities			986,243			1,228,340
			=====			=====
						=
- Capital Expenditure	30,747	502	31,249	161,902	4,046	165,948
	=====	=====	=====	=====	=====	=====
						=

4. COST OF SALES

Raw material consumed	39,661	38,339	78,000	49,612	53,421	103,033
Salaries, wages and benefits (note 4.1)	62,014	8,853	70,867	57,740	9,451	67,191
Rent, rates and taxes	765	44	809	478	77	555
Fuel and power	206,024	2,073	208,097	185,611	2,063	187,674
Repairs and maintenance	13,990	592	14,582	9,399	859	10,258
Plant spares consumed	16,356	749	17,105	13,227	804	14,031
Insurance	9,195	89	9,284	7,425	80	7,505
Depreciation	107,794	134	107,928	77,656	154	77,810
Transportation expenses	29,892	1,535	31,427	34,929	1,695	36,624
Other expenses	3,571	247	3,818	4,011	246	4,257
	-----	-----	-----	-----	-----	-----
Cost of goods manufactured	489,262	52,655	541,917	440,088	68,850	508,938
Opening stock of finished goods	28,858	27,741	56,599	27,731	21,719	49,450
Purchase of finished goods	34,112	11,831	45,943	52,895	20,325	73,220
Closing stock of finished goods	(20,677)	(20,634)	(41,311)	(28,858)	(27,741)	(56,599)
	-----	-----	-----	-----	-----	-----
	531,555	71,593	603,148	491,856	83,153	575,009
	=====	=====	=====	=====	=====	=====
						=

4.1 Staff retirement benefits

Salaries, wages and benefits include Rs 5,308 thousand (1998: Rs 3,110 thousand) in respect of staff retirement benefits.

5. MARKETING EXPENSES

1999

1998

	<i>Industrial and medical gases</i>	<i>Others</i>	<i>Total</i>	<i>Industrial and medical gases</i>	<i>Others</i>	<i>Total</i>
Salaries and benefits (note 5.1)	34,507	6,173	40,680	25,908	6,261	32,169
Insurance	1,098	300	1,398	1,043	331	1,374
- Depreciation	1,074	47	1,121	745	48	793
Provision for doubtful debts	--	--	--	543	357	900
Technical aid fee	15,297	--	15,297	12,463	--	12,463
Communications and stationery	2,462	715	3,177	2,373	746	3,119
Advertising and sales promotion	470	220	690	1,524	266	1,790
Travelling and entertainment	4,462	763	5,225	3,769	1,239	5,008
Other expenses	1,574	481	2,055	1,109	493	1,602
	-----	-----	-----	-----	-----	-----
	60,944	8,699	69,643	49,477	9,741	59,218
	=====	=====	=====	=====	=====	=====

5.1 Staff retirement benefits

Salaries and benefits include Rs 9,753 thousand (1998: Rs 3,428 thousand) in respect of staff retirement benefits.

6. ADMINISTRATION EXPENSES

Salaries and benefits (note 6.1)	54,736	6,249	60,985	39,661	5,786	45,447
Rent, rates and taxes	861	100	961	940	131	1,071
Insurance	1,493	191	1,684	1,457	206	1,663
Repairs and maintenance	3,649	538	4,187	4,294	709	5,003
Depreciation	4,674	729	5,403	4,633	791	5,424
Communications and stationery	5,731	629	6,360	4,596	658	5,254
Travelling and entertainment	7,115	1,010	8,125	10,321	1,687	12,008
Other expenses	6,942	985	7,927	8,647	1,405	10,052
	-----	-----	-----	-----	-----	-----
	85,201	10,431	95,632	74,549	11,373	85,922
	=====	=====	=====	=====	=====	=====

6.1 Staff retirement benefits

Salaries and benefits include Rs 14,706 thousand (1998: Rs 4,613 thousand) in respect of staff retirement benefits.

1999 **1998**
(Rupees in thousand)

7. OTHER CHARGES

Legal and professional charges	1,001	1,039
Auditors' remuneration		
Audit fee	370	290
Audit of provident, gratuity, pension and		

workers' profits participation funds and fee for special certifications and sundry advisory services	130	91
Out of pocket expenses	44	35
	-----	-----
	544	416
Donations	700	200
Workers' profits participation fund	16,930	14,109
Workers' welfare fund	894	--
	-----	-----
	20,069	15,764
	=====	=====

7.1 Donations include payment of:

- i) Rs 50 thousand (1998: Nil) to Anjuman Kashana-e-Atfal-o-Naunihal, Karachi, where Mr J R Rahim, Chairman, is a member of the executive committee;
- ii) Rs 35 thousand (1998: Rs 25 thousand) to Friends of APWA, Karachi, where the spouse of Mr J R Rahim, Chairman, is a member of management committee; and
- iii) Rs 175 thousand (1998: Rs 150 thousand) to The Layton Rehmatullah Benevolent Trust, Karachi, where Mr I Husain, a director, is a member of the Board of Trustees.

Recipients of other donations for the year do not include anybody in whom a director or his spouse had any interest.

1999 **1998**
(Rupees in thousand)

8. OTHER INCOME

Income from WAPDA Bonds (Fifth Issue)	320	320
Commission	3,276	3,979
Profit on disposal of fixed assets	1,700	23,594
Insurance claim	217	27,256
Compensation from an associated undertaking (note 8.1)	12,000	--
Sales tax provision written back (note 8.2)	34,433	--
Sundries	475	365
	-----	-----
	52,421	55,514
	=====	=====

8.1 The Company, during the year, negotiated a compensation of Rs 12,000 thousand (note 30) with BOC Process Plants, U.K., an associated undertaking, in connection with the late commissioning of Hydrogen plant, supplied by them.

8.2 The Company, while taking advantage of the Government's notification of exemption from additional

tax and penalties under the Sales Tax Act, 1990 and at the same time retaining its right in appeals already filed, has made a payment of Rs 12,573 thousand under protest in addition to payments of Rs 6,451 thousand also made under protest in prior years. Consequent to these payments, the Company has written back the balance of sales tax provision inclusive of prior years pertaining to incidental charges on the contention that such provision is no longer required.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
9. MARK-UP AND INTEREST EXPENSE, net		
Mark-up - redeemable capital	(105,260)	(70,006)
- running finances	(265)	(2,583)
Interest - long term loan	(108)	(157)
- workers' profits participation fund	(1,061)	(1,083)
Exchange risk fee and others	(1,617)	(1,547)
	-----	-----
	(108,311)	(75,376)
Less:		
Income from savings account/portfolio management schemes	18,184	1,969
	-----	-----
	(90,127)	(73,407)
	=====	=====
10. TAXATION		
Current -for the year (note 10.1)	(75,472)	(35,728)
- for prior years	1,482	51,712
	-----	-----
	(73,990)	15,984
	=====	=====

10.1 The Company, as required by the clause 9 to the second schedule part IV of the Income Tax Ordinance, 1979, had in 1998 opted for presumptive tax regime for three years beginning from assessment years 1998-1999. However, following Finance Act 1999, such an option has now been rendered irrelevant due to enactment of clause (SA) to the section 80(c) of the Income Tax Ordinance, 1979 whereby the Company's tax liability in essence would now be higher of as determined under presumptive tax regime or under normal current rates of taxation. Accordingly, the Company has made an additional current provision for the year amounting to Rs 43,383 thousand over and above the provision had the aforementioned clause (5A) not been enacted.

10.2 As no timing differences, related to accelerated tax depreciation, are likely to reverse in the foreseeable future, provision for deferred tax has not been made. However, had the provision for deferred tax been made on the basis of full potential liability, the tax charge would have been higher by Rs 218,260 thousand (1998: Rs 124,317 thousand).

11. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

<i>1999</i>	<i>1998</i>
-------------	-------------

Profit after taxation (Rupees in thousand)	245,720	282,964
Weighted average number of Ordinary share	20,865,600	20,865,600
Earnings per share - Basic	Rs 11.78	Rs 13.56
		(restated)

1999 **1998**
(Rupees in thousand)

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs 10 each

452,955 shares fully paid in cash	4,530	4,530
672,045 shares issued for consideration other than cash	6,720	6,720
19,740,600 shares issued as fully paid bonus shares	197,406	170,190
----- 20,865,600	----- 208,656	----- 181,440
=====	=====	=====

The BOC Group plc, U.K. held 12,519,360 (1998: 10,886,400) ordinary shares of Rs 10 each as at September 30, 1999.

1999 **1998**
(Rupees in thousand)

13. REVENUE RESERVES

General

At the beginning of the year	590,091	415,991
Transfer from profit and loss account	114,176	174,100
	----- 704,267	----- 590,091
	=====	=====

14. REDEEMABLE CAPITAL, secured

(Non-participatory)

Long-term finances utilised under mark-up arrangements

Syndicate of banks led by

Citibank N.A., Karachi	- I	233,334	350,000
Citibank N.A., Karachi	- II	260,000	260,000
		----- 493,334	----- 610,000

Long-term Morabaha

Faysal Bank Limited	-I	33,333	50,000
Faysal Bank Limited	-II	40,000	40,000

	-----	-----
	73,333	90,000
	-----	-----
	566,667	700,000
Less: Current maturity shown under current liabilities	(366,667)	(133,333)
	-----	-----
	200,000	566,667
	=====	=====

14.1 The particulars of the above finances/morabaha are as follows:

Installments

	<i>Sale Price</i>		<i>Purchase Price</i>		<i>Prompt Payment Rebate</i>		<i>Half yearly</i>		<i>Commencing From</i>	
	<i>I</i>	<i>II</i>	<i>I</i>	<i>II</i>	<i>I</i>	<i>II</i>	<i>I</i>	<i>II</i>	<i>I</i>	<i>II</i>
	(Rupees in thousand)									
Long-term Finances										
Citibank N.A.	80,000	70,000	130,045	135,701	15,486	20,786	Three	Six	May 20, 1999	Nov 12, 1999
ANZ Grindlays Bank Ltd.	50,000	80,000	81,279	155,087	9,679	23,756	Three	Six	May 20, 1999	Nov 12, 1999
Deutsche Bank AG	30,000	20,000	48,767	38,772	5,807	5,939	Three	Six	May 20, 1999	Nov 12, 1999
Emirates Bank										
International PJSC	50,000	50,000	81,279	96,929	9,678	14,847	Three	Six	May 20, 1999	Nov 12, 1999
Societe Generale- The French &										
International Bank	50,000	40,000	81,279	77,543	9,678	11,878	Three	Six	May 20, 1999	Nov 12, 1999
Standard Chartered Bank	90,000	--	146,301	--	17,421	--	Three	--	May 20, 1999	--
Long-term Morabaha										
Faysal Bank Ltd.	50,000	40,000	81,279	77,543	9,679	11,878	Three	Six	May 20, 1999	Nov 12, 1999

14.2 Mark-up is payable at the rate of:

Long-term finance/morabaha-I	1.50% above six months Short Term Federal Bonds (STFB) average cut-off yield, which at the year end was 14.00% per annum.
Long-term finance/morabaha-II	2.45% above six months Short Term Federal Bonds (STFB) average cut-off yield, which at the year end was 14.78% per annum.

With effect from May 20, 1999, the floor rate of 16% per annum on the above mentioned finances/morabaha was reduced to 14% per annum.

14.3 The long-term finances/morabaha are secured by a joint pari passu charge on all moveable fixed assets pertaining to the Port Qasim facility. In this respect the revised agreements are in the process

of being finalised in co-ordination with the banks.

14.4 In view of the substances of the transactions, the sale and repurchase of assets referred in note 14.1 above have not been recorded as such in these accounts.

15. CYLINDER DEPOSITS

These deposits are non-interest bearing and refundable to customers on return of cylinders.

1999 **1998**
(Rupees in thousand)

16. CURRENT MATURITY OF LONG TERM LOAN, secured

Standard Chartered Bank, London (Swiss Francs Nil;
1998: Swiss Francs 0.33 million)

-- 4,299

The last instalment of long-term loan obtained from Standard Chartered Bank, London, carrying an interest at 1.25% above six months LIBOR, was repaid during the year.

17. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

The facility for short-term running finance available from various banks, which represents the aggregate sale price of all mark-up agreements, amounts to Rs 358,000 thousand (1998: Rs 358,000 thousand). The corresponding purchase prices are payable on various dates between October 15, 1999 to September 28, 2000. The rates of mark-up, net of prompt payment bonus, range from Re 0.3425 to Re 0.3836 per Rs 1,000 per day. The arrangements are secured by way of pari passu charge against hypothecation of stock-in-trade and trade debts.

The facility for opening letters of credit and guarantees as at September 30, 1999 amounted to Rs 417,000 thousand (1998: Rs 369,000 thousand) of which the amount remaining unutilised at year end was Rs 279,000 thousand (1998: Rs 333,000 thousand).

1999 **1998**
(Rupees in thousand)

18. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	59,338	45,250
Bills payable	2,711	5,433
Accrued liabilities	133,707	130,692
Sales tax (note 18.2)	24,467	61,440
Customs duty payable	4,698	10,960
Advances from customers	48,878	44,679
Interest accrued on long-term loan	--	91
Mark-up accrued on - redeemable capital	31,302	45,563
- running finance arrangements	175	622
Workers' profits participation fund (note 18.3)	17,991	15,192
Workers' welfare fund	2,965	2,072

Retention money	--	7,792
Others	3,019	3,353
	-----	-----
	329,251	373,139
	=====	=====

18.1 Creditors, bills payable and accrued liabilities include amounts due to associated undertakings at year end aggregating to Rs 58,314 thousand (1998: Rs 56,688 thousand).

18.2 This includes current liability amounting to Rs 16,194 thousand (1998: Rs 11,638 thousand) whilst the balance represents provision against demand of sales tax on fluxes and wire rods, used in the manufacture of electrodes, and disallowance of input tax on spares. The Company considers the Sales Tax Department's contention as unjustified and has accordingly taken up the matter at appropriate level. However, the Company has written back the sales tax provision on incidental charges in respect of prior years as explained in note 8.2.

1999 **1998**
(Rupees in thousand)

18.3 Workers' profits participation fund

Balance at the beginning of the year	15,192	15,088
Interest on funds utilised in the Company's business.?	1,061	1,083
Allocation for the year	16,930	14,109
	-----	-----
	33,183	30,280
Less: Amount paid to the Trustees of the fund	(15,192)	(15,088)
	-----	-----
Balance at the end of the year	17,991	15,192
	=====	=====

19. DIVIDENDS

Unclaimed	3,880	3,206
Proposed final	104,328	81,648
	-----	-----
	108,208	84,854
	=====	=====

20. CONTINGENCIES AND COMMITMENTS

20.1 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 at the balance sheet date amounted to Rs 662 thousand (1998: Rs 623 thousand).

20.2 Capital commitments outstanding as at September 30, 1999 amounted to approximately Rs 91,090 thousand (1998: Rs 2,547 thousand).

21. OPERATING ASSETS

21 I The following is a statement of operating assets:

	<i>Cost at Oct. 01, 1998</i>	<i>Additions/ (disposals)</i>	<i>Cost at Sept. 30, 1999</i>	<i>Accumulated depreciation at Oct, 01 1998 (Rupees in thousand)</i>	<i>Depreciation change for the year/ (disposals)</i>	<i>Accumulate d depreciation at Sept. 30, 1999</i>	<i>Net Book value at Sept. 30, 1999</i>	<i>Annual rate of depreciation %</i>
Freehold land	5,003	--	5,003	--	--	--	5,003	--
Leasehold land	10,583	--	10,583	497	210	707	9,876	2 & 2.5
Buildings on freehold land	16,918	--	16,918	6,391	655	7,046	9,872	2.5 to 10
Buildings on leasehold land	46,917	--	46,917	8,999	1,936	10,935	35,982	2.5 to 10
Plant and machinery	1,742,561	1,595 (125)	1,744,031	301,502	103,475 (112)	404,865	1,339,166	1 to 10
Vehicles	39,594	5,756 (23)	45,327	22,852	5,539 (20)	28,371	16,956	5 to 38
Furniture, fittings and office equipment	26,935	12,222 (313)	38,844	21,018	2,637 (220)	23,435	15,409	10 to 25
	-----	-----	-----	-----	-----	-----	-----	
	1,888,511	19,573 (461)	1,907,623	361,259	114,452 (352)	475,359	1,432,264	
	=====	=====	=====	=====	=====	=====	=====	
	=	=====	=====	=====	=====	=	=	
1998	608,630	1,293,869 (13,988)	1,888,511	287,922	84,027 (10,690)	361,259	1,527,252	
	=====	=====	=====	=====	=====	=====	=====	
	=	=====	=====	=====	=====	=	=	

21.2 Based on the review, during the year, of the estimated useful lives of fixed assets, the depreciation rates have been revised for new additions in respect of (i) Storage tanks, Cylinders and Vacuum Insulated Evaporators (Plant and Machinery) from 7% and 10% to 4% and (ii) Cars and Trucks (Vehicles) from 20% to 25% and 10% respectively.

The effective rates for the aforementioned Plant & Machinery and Vehicles at September 30, 1998 have also been adjusted so that the net book value as at October 1, 1998 is written off equally over the remaining period of their useful lives. Had the rates not been revised, the depreciation expense would have been higher by Rs 12,602 thousand and the profit before tax would have been lower by the same amount.

21.3 Disposal of fixed assets

The following assets were disposed of during the year:

Particulars	Cost	Accumulated Depreciation	Net Book Value (Rupees in thousand)	Proceeds	Method of Disposal	Particulars of Purchasers
Plant & Machinery	58	45	13	20	Tender	M/s Sayeed International 503, 5th Floor, Faiyaz Centre 3 Shara-e-Faisal, Karachi.
Furniture, fittings and office equipment	173	113	60	66	Negotiation	Mr Shuja ul Islam C-24, KDA Scheme 1, Karachi.
Furniture, fittings and office equipment	92	75	17	50	Insurance claim	Royal & Sunalliance, 8th Floor Shaheen Complex, Karachi.
Items having book value below Rs 5,000 each	138	119	19	1,673		
	-----	-----	-----	-----		
	461	352	109	1,809		
	=====	=====	=====	=====		
	13,988	10,690	3,298	26,892		
	=====	=====	=====	=====		
			1999	1998		
			(Rupees in thousand)			

22. CAPITAL WORK-IN-PROGRESS, at cost

Civil works	805	233
Plant and machinery	27,160	--
Computer system	9,930	22,083
Advances to suppliers	212	575
Others	--	3,540
	-----	-----
	26,431	38,107
	=====	=====

22.1 The Company has signed a long term agreement with Pak-Arab Refinery Company (PARCO) for the supply of nitrogen with effect from March 30, 2000. Accordingly, the Company has commenced construction of the plant at the premises of PARCO near Mehmood Kot, Multan. The above includes Rs 10,925 thousand incurred to date and an amount of Rs 90,899 thousand is shown under commitments (note 20.2) which represents plant and machinery presently placed on order.

23. LONG-TERM LOANS AND ADVANCES

	<i>Current portion</i>		<i>Long-term portion</i>	
	<i>1998</i>	<i>1999</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>		<i>(Rupees in thousand)</i>	
Considered good due from:				
Chief Executive	67	800	--	67
Executives	1,819	2,031	1,969	2,249
Other employees	3,317	2,831	3,556	2,531
	-----	-----	-----	-----
	5,203	5,662	5,525	4,847
	=====	=====	=====	=====
	=	=====	=====	=====
	(note 28)			
Outstanding for period exceeding three years			478	498
Others			5,047	4,349
			-----	-----
			5,525	4,847
			=====	=====

These include interest free transport loans and other advances given to employees in accordance with the terms of employment. In addition, the Company operates an interest free house building assistance scheme (the scheme) for the management staff, recoverable in maximum 60 monthly instalments. Advances under the scheme are secured against retirement benefits of the employees.

The maximum aggregate amount due at the end of any month during the year was:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
- Chief Executive	800	1,601
- Executives	4,893	6,068
	=====	=====

24. LONG-TERM DEPOSITS AND PREPAYMENTS

Security deposits	7,117	7,122
Prepayments	140	247
	-----	-----
	7,257	7,369
	=====	=====

25. STORES AND SPARES

Stores	2,146	2,242
Spares (including in transit Rs 1,813 thousand; 1998: Rs 4,099 thousand)	77,114	69,015
	-----	-----

	79,260	71,257
Less: Provision for obsolete items	(7,083)	(5,235)
	-----	-----
	72,177	66,022
	=====	=====

26. STOCK-IN-TRADE

Raw and packing materials (including in transit Rs 92 thousand; 1998: Rs Nil)	19,825	21,532
Finished goods (including in transit Rs 368 thousand; 1998: Rs 349 thousand)	53,080	66,616
	-----	-----
	72,905	88,148
Less: Provision for slow moving items	(11,769)	(10,017)
	-----	-----
	61,136	78,131
	=====	=====

27. TRADE DEBTS, unsecured

Trade debts are considered good and have been arrived at after deducting general provision for doubtful debts of Rs 5,835 thousand (1998: Rs 5,835 thousand).

Amount due from associated undertakings at year-end aggregated to Rs 121 thousand (1998: Rs 62 thousand). The maximum amount due from associated undertakings at the end of any month during the year was Rs 173 thousand (1998: Rs 758 thousand).

1999 **1998**
(Rupees in thousand)

28. LOANS AND ADVANCES, considered good

Current portion of long-term loans and advances (note 23)	5,203	5,662
Advances to suppliers	346	3,984
	-----	-----
	5,549	9,646
	=====	=====

29. DEPOSITS AND PREPAYMENTS

Deposits	5,524	4,811
Prepayments	2,248	1,080
	-----	-----
	7,772	5,891
	=====	=====

30. OTHER RECEIVABLES

Accrued income on WAPDA Bonds and savings account	1,640	988
---	-------	-----

Sales tax refundable	698	599
Recoverable jobs	2,487	6,342
Compensation receivable (note 8.1)	12,000	--
Others	1,420	862
	-----	-----
	18,245	8,791
	=====	=====

31. INVESTMENTS

WAPDA Bonds (Fifth Issue), unquoted	2,000	2,000
	=====	=====

32. CASH AND BANK BALANCES

With banks		
- On savings account	223,869	119,709
- On current and collection accounts	28,402	31,585
Cheques, drafts and cash in hand	23,897	26,691
	-----	-----
	276,168	177,985
	=====	=====

33. CASH GENERATED FROM OPERATIONS

Profit before taxation	319,710	266,980
Adjustment for non cash charges and other items:		
Depreciation	114,452	84,027
Profit on disposal of fixed assets	(1,700)	(23,594)
Income from investments	(320)	(320)
Mark-up and interest expense, net	90,127	73,407
Working capital changes (note 33.1)	(16,623)	78,225
	-----	-----
	505,646	478,725
	=====	=====

33.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	(6,155)	(17,689)
Stock-in-trade	16,995	(9,841)
Trade debts	8,212	(9,087)
Loans and advances	4,097	(3,319)
Deposits and prepayments	(1,881)	(647)
Other receivables, net	(8,802)	4,283
	-----	-----
	12,466	(36,300)

Increase/(decrease) in current liabilities

Creditors, accrued and other liabilities, net	(29,089)	114,525
	-----	-----
	(16,623)	78,225
	=====	=====

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts of the year for remuneration, including all benefits, to directors, chief executive and executives of the Company were as follows:

	<i>1999</i>			<i>1998</i>		
	<i>Chief Executive</i>	<i>Executives</i>	<i>Total</i>	<i>Chief Executive</i>	<i>Executive</i>	<i>Total</i>
Number of persons including those who worked part of the year	1	77	78	1	67	68
	=====	=====	=====	=====	=====	=====
	=	=	=	=	=	=
	(Rupees in thousand)					
Managerial remuneration	6,197	25,279	31,476	3,998	20,267	24,265
Pension, gratuity and provident fund	1,729	6,849	8,578	1,186	5,757	6,943
Housing	2,030	8,721	10,751	2,318	7,790	10,108
Utilities	513	2,306	2,819	455	1,992	2,447
Leave passage	631	2,690	3,321	515	2,334	2,849
Conveyance	--	964	964	--	841	841
Medical and others	233	2,612	2,845	117	924	1,041
	-----	-----	-----	-----	-----	-----
	11,333	49,421	60,754	8,589	39,905	48,494
	=====	=====	=====	=====	=====	=====
:	=	=	=	=	=	=

The Chairman, chief executive and certain executives of the Company are provided with free use of cars. Aggregate amount charged in the accounts for fee to five directors was Rs 9 thousand (1998: five directors - Rs 10 thousand). A non-executive director was also paid Rs 242 thousand (1998: Rs 203 thousand) as technical advisory fee.

1999 *1998*
(Rupees in thousand)

35. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales	1,211	2,050
Purchases (including fixed asset items Nil; 1998: Rs 62,336 thousand)	963	73,298
Commission Income	--	427

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs 393,891 thousand, the financial assets which are subject to credit risk amount to Rs 77,294 thousand. The Company deals with the reputable organisations and believes it is not exposed to any major concentration of credit risk. To manage exposure of credit risk, the Company applies astute credit limits to its customers.

(iii) Interest rate/mark-up risk

Mark-up risk arises from the possibility that changes in mark-up rate will effect the value of financial instruments. The Company is not materially exposed to mark-up rate except in respect of redeemable capital which is pegged to six month's Short Term Federal Bonds' average cut off yield, as disclosed in note 14.

(iv) Foreign Exchange risk management

Foreign currency risk arises where receivables and payables exist due to transactions with foreign undertakings. The management takes out forward foreign exchange contracts, where appropriate, to mitigate the risk.

(v) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

38. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

JAVAJD ANWAR
Chief Executive

J R RAHIM
Chairman

**PATTERN OF SHAREHOLDINGS
AS AT 30, SEPTEMBER 1999**

FORM 34

Number of Shareholders	Shareholding			Total Shares held	
160	From	1	to	100	6,394
335	From	101	to	500	87,081
179	From	501	to	1000	127,018
403	From	1001	to	5000	917,334
83	From	5001	to	10000	573,688
30	From	10001	to	15000	367,629
13	From	15001	to	20000	229,502
6	From	20001	to	25000	132,733
6	From	25001	to	30000	166,289

4	From	30001	to	35000	128,290
4	From	35001	to	40000	152,052
4	From	40001	to	45000	169,568
1	From	60001	to	65000	61,415
2	From	65001	to	70000	134,537
3	From	80001	to	85000	248,712
2	From	85001	to	90000	174,705
1	From	125001	to	130000	127,636
1	From	190001	to	195000	192,055
1	From	230001	to	235000	233,416
1	From	335001	to	340000	338,502
1	From	345001	to	350000	348,171
1	From	645001	to	650000	646,401
1	From	1140001	to	1145000	1,143,097
1	From	1640001	to	1645000	1,640,015
1	From	12515001	to	12520000	12,519,360

1244

20,865,600

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	1203	3,206,885	15.36
Investment Companies	7	658,754	3.16
Insurance Companies	7	1,788,086	8.57
Joint Stock Companies	17	329,075	1.58
Financial Institutions	7	2,235,801	10.72
Associated Company (a)	1	12,519,360	60.00
Corporate Law Authority	1	3	--
Administrator, Abandoned Properties, Government of Pakistan	1	127,636	0.61
	-----	-----	-----
	1244	20,865,600	100.00
	=====	=====	=====
	=	=====	=====

(a) Represents the 60% shareholding of The BOC Group plc, U.K. and includes The BOC Group plc nominee shareholders.

Other foreign shareholding in the Company is about 1.62%.