



**FINANCIAL STATEMENTS**  
**SECOND QUARTER & HALF YEAR**  
**ENDED 30 JUNE 2007**

Providing Global Solutions Locally



BOC Pakistan Limited

# OUR VISION

BOCPL is the first choice of its customers, with clear market leadership in the Industrial Gases/Healthcare businesses and its other related fields.

# OUR MISSION

To engage effectively, responsibly and profitably in the industrial gases, healthcare and welding markets. BOCPL 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, ACTS (**A**ccountability, **C**ollaboration, **T**ransparency & **S**tretch).

The Company will be recognized in the community 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. 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 old customers. This is underpinned by the development and provision of new products/services to its customers, offering real value in price, quality, safety & environmental impact.

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Munnawar Hamid OBE	Chairman
Syed Ayaz Bokhari	Chief Executive
Sanaulah Qureshi	Director
Mike S Huggon	Director
Towfiq Habib Chinoy	Director
Sanjiv Lamba	Director
Syed Ainul Hadi	Director
Shamim Ahmad Khan	Director

### COMPANY SECRETARY

M Ashraf Bawany

### BOARD AUDIT COMMITTEE

Sanaulah Qureshi	Chairman	Non-Executive Director
Mike S Huggon	Member	Non-Executive Director
Sanjiv Lamba	Member	Non-Executive Director
Shamim Ahmad Khan	Member	Non-Executive Director
Jamal A Qureshi	Secretary	Legal/Indirect Taxation Manager

### BOARD REMUNERATION AND APPOINTMENTS COMMITTEE

Towfiq Habib Chinoy	Chairman	Non-Executive Director
Sanjiv Lamba	Member	Non-Executive Director
Mike S Huggon	Member	Non-Executive Director
M Ashraf Bawany	Secretary	Company Secretary

### BANKERS

Standard Chartered Bank (Pakistan) Ltd.  
Citibank NA  
Deutsche Bank AG  
National Bank of Pakistan Ltd  
MCB Bank Ltd  
PICIC Commercial Bank Ltd

### SHARE REGISTRAR

THK Associates (Pvt) Ltd

### AUDITORS

KPMG Taseer Hadi & Co.

### SOLICITORS

SurrIDGE & Beecheno

### REGISTERED OFFICE

West Wharf, Dockyard Road, Karachi-74000

### WEBSITE

[www.bocpakistan.com](http://www.bocpakistan.com)

## DIRECTORS' REVIEW

I am pleased to present the Directors' Review together with the financial statements of your Company for the half year ended 30 June 2007. The accompanying financial statements have received a limited scope review from the statutory auditors as required under the Code of Corporate Governance.

The economy continues to be positive and its economic fundamentals have gained further strength in the fiscal year 2006-07. All three major sectors, agriculture, industry and services have provided support to economic growth, and in 2006-07 real GDP growth accelerated to 7% as against 6.6% last year. As a result of sustained policy focus on the implementation of reforms for liberalization of the economy Foreign Direct Investment (FDI) has also emerged as a major source of private external flows in Pakistan. CPI (YoY) inflation however rose to 7% as against the target of 6.5%, largely driven by food items. Sustaining the ongoing economic growth and achieving much needed improvement in social parameters within the stable macroeconomic framework is the biggest challenge for Pakistan's economy.

In line with the growth of national economy, your Company has shown healthy performance in the first half of the year. Growth was seen, particularly in the chemical, beverage and steel sectors which were fully capitalized by the marketing efforts of your Company accompanied by an improved product mix sold. The shipbreaking sector continues to remain depressed, and competition is expected to grow in the gases business through capacity growth.

Your Company has achieved a turnover for the first half year of Rs 1,027 million and profit from operations of Rs 320 million registering a 10% and 14% growth respectively over the same period last year. Profit before taxation also went up by 15% over last year, but earning per share remained at Rs. 8.24 compared to Rs. 8.50 last year which was as a result of a tax reversal of Rs 35 million.

Based on continued strong earnings in the first half of the year, healthy balance sheet and cash flows, the Directors are pleased to announce an interim cash dividend of 30% (Rs 3.00 per share).

In view of the ongoing growth in the manufacturing sector demand for Company's products is likely to continue to grow in the second half of the year as well.

On behalf of the Board



**MUNNAWAR HAMID OBE**  
Chairman

**Karachi**  
16 August 2007

## REPORT ON REVIEW OF CONDENSED SET OF INTERIM FINANCIAL STATEMENTS TO THE MEMBERS

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of BOC Pakistan Limited (“the Company”) as at 30 June 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (the interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended 30 June 2007 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

### **Other matters**

The financial statements for the fifteen months period ended 31 December 2006, were audited by another firm of auditors who vide their report dated 22 February 2007 expressed an unqualified opinion.

Further the comparative figures of the condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and the notes forming part thereof were unaudited.



Date: 16 August 2007  
Karachi

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

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the half year ended 30 June 2007

	Note	For the Half Year ended		For the Second Quarter ended	
		30 June 2007	30 June 2006 (Restated)	30 June 2007	30 June 2006 (Restated)
(Rupees in thousand)					
<b>Net sales</b>	7	<b>1,027,254</b>	932,034	<b>541,916</b>	493,675
Cost of sales	8	<b>(591,236)</b>	(557,785)	<b>(316,341)</b>	(292,418)
<b>GROSS PROFIT</b>		<b>436,018</b>	374,249	<b>225,575</b>	201,257
Distribution and marketing expenses	7	<b>(70,041)</b>	(66,080)	<b>(33,621)</b>	(35,270)
Administration expenses	7	<b>(56,523)</b>	(51,997)	<b>(28,314)</b>	(27,147)
Other operating expenses	9	<b>(26,578)</b>	(22,324)	<b>(14,218)</b>	(11,838)
Other operating income	10	<b>37,608</b>	46,802	<b>26,360</b>	32,005
		<b>(115,534)</b>	(93,599)	<b>(49,793)</b>	(42,250)
<b>PROFIT FROM OPERATIONS</b>	7	<b>320,484</b>	280,650	<b>175,782</b>	159,007
Finance costs		<b>(2,697)</b>	(3,477)	<b>(353)</b>	(1,388)
<b>PROFIT BEFORE TAXATION</b>		<b>317,787</b>	277,173	<b>175,429</b>	157,619
Taxation	11	<b>(111,374)</b>	(64,473)	<b>(61,547)</b>	(46,729)
<b>PROFIT AFTER TAXATION</b>		<b>206,413</b>	212,700	<b>113,882</b>	110,890
(Rupees)					
<b>Earnings per share - basic and diluted</b>		<b>8.24</b>	8.50	<b>4.55</b>	4.43

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



**SYED AYAZ BOKHARI**  
Chief Executive



**MUNAWAR HAMID OBE**  
Chairman

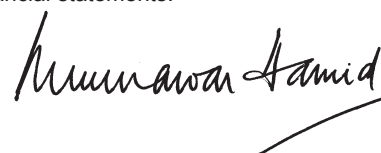
**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)***As at 30 June 2007*

	Note	30 June 2007	31 December 2006 (Restated)
<b>(Rupees in thousand)</b>			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	874,951	934,858
Net investment in finance lease	13	344,127	367,560
Long term loans		1,548	1,667
Long term deposits and prepayments		9,836	9,795
		<u>1,230,462</u>	<u>1,313,880</u>
<b>CURRENT ASSETS</b>			
Stores and spares		117,292	110,555
Stock-in-trade		103,608	142,132
Current maturity of net investment in finance lease	13	56,828	54,222
Trade debts, considered good - unsecured		141,468	169,895
Loans and advances		14,493	23,579
Deposits and prepayments		21,101	28,268
Other receivables		9,052	7,982
Cash and bank balances		395,048	298,255
		<u>858,890</u>	<u>834,888</u>
		<u>2,089,352</u>	<u>2,148,768</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised 40,000,000 (2006: 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 (2006: 25,038,720) Ordinary shares of Rs. 10 each		<u>250,387</u>	<u>250,387</u>
General reserve		661,572	587,392
Unappropriated profit		323,898	492,130
		<u>1,235,857</u>	<u>1,329,909</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities	14	264,481	271,471
Long term deposits		101,264	95,138
		<u>365,745</u>	<u>366,609</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term finance		-	15,000
Trade and other payables		282,668	277,214
Provisions		72,481	93,805
Taxation - net		132,601	66,231
		<u>487,750</u>	<u>452,250</u>
		<u>2,089,352</u>	<u>2,148,768</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15		

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



**SYED AYAZ BOKHARI**  
Chief Executive



**MUNNAWAR HAMID OBE**  
Chairman

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

For the half year ended 30 June 2007

	Note	30 June 2007	30 June 2006 (Restated)
(Rupees in thousand)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	16	439,582	400,827
Finance costs paid		(2,003)	(6,373)
Income tax paid		(53,747)	(35,385)
Post retirement medical benefits paid		(338)	(884)
Restructuring cost paid		(22,457)	-
Long-term loans, deposits and prepayments		78	29,410
Long-term deposits		6,126	3,172
Net investment in finance lease		23,433	(171)
<b>Net cash from operating activities</b>		<b>390,674</b>	<b>390,596</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(9,020)	(38,316)
Proceeds from disposal of operating assets		7,491	680
Income from loan to pension fund		1,059	4,845
Interest received on balances with banks		10,776	5,198
Interest received on investment in finance lease		9,006	10,105
<b>Net cash from / (used in) investing activities</b>		<b>19,312</b>	<b>(17,488)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long-term finance		(15,000)	(70,000)
Dividends paid		(298,193)	(295,823)
<b>Net cash used in financing activities</b>		<b>(313,193)</b>	<b>(365,823)</b>
Net increase in cash and cash equivalents		96,793	7,285
Cash and cash equivalents at beginning of the period		298,255	229,141
<b>Cash and cash equivalents at end of the period</b>		<b>395,048</b>	<b>236,426</b>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



**SYED AYAZ BOKHARI**  
Chief Executive



**MUNNAWAR HAMID OBE**  
Chairman



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)***For the half year ended 30 June 2007*

	Share capital	Revenue reserves		Total
	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	
(Rupees in thousand)				
<b>Balance as at 1 October 2005 - originally stated</b>	250,387	517,932	294,808	1,063,127
Effect of the changes in accounting policy - note 5.5	–	–	101,156	101,156
<b>Balance as at 1 October 2005 - restated</b>	250,387	517,932	395,964	1,164,283
Final dividend for the year ended 30 September 2005 - Rs. 9 per share	–	–	(225,348)	(225,348)
Transfer to general reserve	–	69,460	(69,460)	–
Profit after taxation for the three months period ended 31 December 2005 - restated	–	–	53,863	53,863
<b>Balance as at 31 December 2005 - restated</b>	250,387	587,392	155,019	992,798
Interim dividend for the fifteen months period ended 31 December 2006 - Rs. 3 per share	–	–	(75,116)	(75,116)
Profit after taxation for the six months ended 30 June 2006 - restated	–	–	212,700	212,700
<b>Balance as at 30 June 2006 - restated</b>	250,387	587,392	292,603	1,130,382
Profit after taxation for the six months ended 31 December 2006 - restated	–	–	199,527	199,527
<b>Balance as at 31 December 2006 - restated</b>	250,387	587,392	492,130	1,329,909
Final dividend for the fifteen months period ended 31 December 2006 - Rs. 12 per share	–	–	(300,465)	(300,465)
Transfer to general reserve	–	74,180	(74,180)	–
Profit after taxation for the six months ended 30 June 2007	–	–	206,413	206,413
<b>Balance as at 30 June 2007</b>	<b>250,387</b>	<b>661,572</b>	<b>323,898</b>	<b>1,235,857</b>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



**SYED AYAZ BOKHARI**  
Chief Executive



**MUNAWAR HAMID OBE**  
Chairman

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 30 June 2007

### 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 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.

### 2. BASIS OF PREPARATION

These financial statements have been prepared and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance 1984, and International Accounting Standard 34 – 'Interim Financial Reporting'.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the published financial statements as at and for the fifteen months period ended 31 December 2006.

After the change of accounting year which ended on 31 December 2006, these financial statements have been prepared for the half year ended 30 June 2007, whereas corresponding figures are for the half year ended 30 June 2006.

### 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described in note 5, the accounting policies adopted in the preparation of these half yearly financial statements are the same as those applied in the preparation of the preceding published financial statements of the Company for the fifteen months period ended 31 December 2006.

### 4. SEGMENT INFORMATION

Segmental information has been presented in these financial statements in accordance with the New Operating Model i.e. (i) Industrial and medical gases and (ii) Welding and others. The new operating model has been adopted by the Company from 1 January 2007. Previously business segments were classified as (i) Process Gas Solutions (PGS) and (ii) Industrial and Special Products (ISP). However, there is no effect on the Company's overall profit reported for the period.

### 5. APPLICATION OF IFRIC - 4

During the year 2004, the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) "Determining Whether an Arrangement Contains a Lease". IFRIC-4 is effective for financial periods beginning on or after 1 January 2006 and requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. According to IFRIC-4, if specific criteria are met, certain arrangements should be accounted for as lease that do not take the legal form of lease. IFRIC-4 is applicable to the Company from 1 January 2007, since the financial statements of the prior period were published for the fifteen months period ended 31 December 2006 which began on 1 October 2005.

The Company reviewed various take or pay contracts executed in previous years and has determined that two contracts for supply of hydrogen and nitrogen gases are to be recognized

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***For the half year ended 30 June 2007*

as leases in terms of IFRIC-4. Further, in accordance with IAS 17 - 'Leases', contracts relating to the micro liquid nitrogen generator, hydrogen plant and part of liquid nitrogen storage facility have been recognized as a embedded finance lease retrospectively and comparative figures have been restated. The effect of these changes on the Company's condensed interim financial statements is stated in notes 5.3 to 5.5 below.

The following new accounting policy has been adopted by the Company in the current financial period:

**5.1 Net investment in lease finance**

When the Company enters into an agreement as the lessor of the assets held under a finance lease a receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value and is disclosed as net investment in finance lease.

**5.2 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.

The resulting adjustments are as follows:

**5.3 Effect on Profit and Loss Account**

	<b>30 June 2007</b>	30 June 2006
	<b>(Rupees in thousand)</b>	
Decrease in sales	<b>(35,721)</b>	(33,059)
Increase in interest income	<b>9,006</b>	10,105
Increase in other operating income (represents unrealized exchange gain)	<b>5,886</b>	27,949
Decrease in depreciation on property, plant and equipment	<b>20,374</b>	17,271
	<b>(455)</b>	22,266
(Increase)/decrease in income tax expense	<b>159</b>	(7,793)
Increase/(decrease) in profit	<b>(296)</b>	14,473

**(Rupees)**

Effect on earnings per share	<b>(0.01)</b>	0.58
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**5.4 Effect on Balance Sheet**

	<b>30 June 2007</b>	31 December 2006
	<b>(Rupees in thousand)</b>	
Decrease in net book value of property, plant and equipment	<b>220,662</b>	241,036
Increase in current maturity of net investment in finance lease	<b>56,828</b>	54,222
Increase in net investment in finance lease - long term portion	<b>344,127</b>	367,560

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 30 June 2007

### 5.5 Effect on unappropriated profit prior to 1 October 2005

(Rupees in thousand)

Decrease in sales	(383,782)
Increase in interest income	194,192
Increase in other operating income (represents unrealized exchange gain)	101,076
Decrease in depreciation on property, plant and equipment	244,138
	<u>155,624</u>
Increase in income tax expense	(54,468)
Increase in unappropriated profit	<u>101,156</u>

## 6. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Except as described below, in preparing these condensed interim financial statements, the significant judgements 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 financial statements as at and for the fifteen months period ended 31 December 2006.

### 6.1 Useful life of operating assets

With effect from 1 January 2007, the management has revised the useful lives of following operating assets so as to bring these in line with Group policy. The revision would result in a more accurate reflection of depreciation charge over the useful lives of related assets.

The revised useful lives are as follows:

	Years	
	Revised estimates	Previously estimated
Leasehold land	20	50
Pipelines	10	15

The above change has been accounted for as a change in accounting estimate in accordance with International Accounting Standard 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors' and the effect of the change has been recognised in the profit and loss account of the current period. Had these estimates not been revised, the profit before taxation for the half year ended 30 June 2007 would have been higher by Rs. 0.722 million with corresponding effect on the net book value of property, plant and equipment.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***For the half year ended 30 June 2007***7. PROFIT FROM OPERATIONS**

	For the half year ended						For the second quarter ended					
	30 June 2007			30 June 2006			30 June 2007			30 June 2006		
	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total
(Rupees in thousand)												
Gross sales	948,830	197,760	1,146,590	831,610	208,324	1,039,934	504,513	101,839	606,352	430,587	120,428	551,015
Less: Trade discount	1,590	-	1,590	1,496	-	1,496	1,239	-	1,239	326	-	326
Sales tax	94,325	23,421	117,746	81,986	24,418	106,404	51,016	12,181	63,197	42,829	14,185	57,014
Net sales	852,915	174,339	1,027,254	748,128	183,906	932,034	452,258	89,658	541,916	387,432	106,243	493,675
Cost of sales	(428,135)	(163,101)	(591,236)	(397,245)	(160,540)	(557,785)	(230,387)	(85,954)	(316,341)	(200,580)	(91,838)	(292,418)
Distribution and marketing expenses	(66,719)	(3,322)	(70,041)	(61,162)	(4,918)	(66,080)	(33,069)	(552)	(33,621)	(32,746)	(2,524)	(35,270)
Administration expenses	(54,725)	(1,798)	(56,523)	(48,907)	(3,090)	(51,997)	(27,849)	(465)	(28,314)	(25,204)	(1,943)	(27,147)
	(549,579)	(168,221)	(717,800)	(507,314)	(168,548)	(675,862)	(291,305)	(86,971)	(378,276)	(258,530)	(96,305)	(354,835)
	303,336	6,118	309,454	240,814	15,358	256,172	160,953	2,687	163,640	128,902	9,938	138,840
Other operating expenses			(26,578)			(22,324)			(14,218)			(11,838)
Other operating income			37,608			46,802			26,360			32,005
			320,484			280,650			175,782			159,007

**8. COST OF SALES**

	For the half year ended						For the second quarter ended					
	30 June 2007			30 June 2006			30 June 2007			30 June 2006		
	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total
(Rupees in thousand)												
Cost of goods manufactured	400,565	73,563	474,128	371,473	54,974	426,447	216,296	49,469	265,765	185,332	31,646	216,978
Opening stock of finished goods	32,919	40,968	73,887	20,499	35,067	55,566	24,871	45,416	70,287	22,060	26,285	48,345
Purchase of finished goods	13,639	87,416	101,055	24,048	88,697	112,745	8,208	29,915	38,123	11,963	52,105	64,068
	447,123	201,947	649,070	416,020	178,738	594,758	249,375	124,800	374,175	219,355	110,036	329,391
Closing stock of finished goods	(18,988)	(38,846)	(57,834)	(18,775)	(18,198)	(36,973)	(18,988)	(38,846)	(57,834)	(18,775)	(18,198)	(36,973)
	428,135	163,101	591,236	397,245	160,540	557,785	230,387	85,954	316,341	200,580	91,838	292,418

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 30 June 2007

### 9. OTHER OPERATING EXPENSES

	For the half year ended		For the second quarter ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	(Rupees in thousand)			
Workers' profit participation fund	17,208	13,685	9,356	7,415
Workers' welfare fund	7,005	6,123	3,612	3,101
Legal and Professional and Donations	2,365	2,516	1,250	1,322
	<b>26,578</b>	<b>22,324</b>	<b>14,218</b>	<b>11,838</b>

### 10. OTHER OPERATING INCOME

Income from savings account and deposits	12,284	4,539	6,594	2,580
Income from loan to pension fund	178	1,942	–	727
Income on investment in finance lease	9,006	10,105	4,432	4,986
Exchange gain -unrealized	5,886	27,949	5,100	22,992
Profit on disposal of property, plant and equipment	7,423	618	7,423	142
Commission related to health care products	20	762	–	542
Others	2,811	887	2,811	36
	<b>37,608</b>	<b>46,802</b>	<b>26,360</b>	<b>32,005</b>

### 11. TAXATION

Current				
- for the period	120,117	96,287	61,966	53,737
- for prior period	–	(34,943)	–	(11,500)
Deferred	(8,743)	3,129	(419)	4,492
	<b>111,374</b>	<b>64,473</b>	<b>61,547</b>	<b>46,729</b>

30 June  
2007  
31 December  
2006  
(Rupees in thousand)

### 12. PROPERTY, PLANT AND EQUIPMENT

Operating assets	12.1	874,795	933,925
Capital work-in-progress		156	933
		<b>874,951</b>	<b>934,858</b>

#### 12.1 OPERATING ASSETS

Net book value (NBV) as at 1 January 2007 / 1 October 2005		933,925	976,909
Add:			
Additions during the period			
- Plant and machinery		6,460	80,585
- Vehicles		1,638	10,254
- Office equipments		1,699	11,917
		<b>9,797</b>	<b>102,756</b>
Less:			
- Disposals during the period (NBV)		(68)	(663)
- Write offs		–	(367)
- Depreciation charge during the period		(68,859)	(144,710)
		<b>(68,927)</b>	<b>(145,740)</b>
		<b>874,795</b>	<b>933,925</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***For the half year ended 30 June 2007***13. NET INVESTMENT IN FINANCE LEASE**

	30 June 2007		
	Minimum lease payments	Finance income for future periods (Rupees in thousand)	Principal outstanding
Not later than one year	80,278	23,450	56,828
Later than one year and not later than five years	321,115	54,819	266,296
Later than five years	81,986	4,155	77,831
	<u>403,101</u>	<u>58,974</u>	<u>344,127</u>
	<u>483,379</u>	<u>82,424</u>	<u>400,955</u>
	31 December 2006		
	Minimum lease payments	Finance income for future periods (Rupees in thousand)	Principal outstanding
Not later than one year	79,048	24,826	54,222
Later than one year and not later than five years	316,192	62,108	254,084
Later than five years	120,689	7,213	113,476
	<u>436,881</u>	<u>69,321</u>	<u>367,560</u>
	<u>515,929</u>	<u>94,147</u>	<u>421,782</u>

**14. DEFERRED LIABILITIES**

	30 June 2007 (Rupees in thousand)	31 December 2006
Deferred taxation	228,766	237,509
Post retirement medical benefits	35,715	33,962
	<u>264,481</u>	<u>271,471</u>

**15. CONTINGENCIES AND COMMITMENTS**

**15.1** The Company has disputed the unilateral increase in rentals of one of its leased premises being exorbitant, unreasonable and unjustified, a view supported by the Company's legal advisor. The amount not acknowledged as debt in this regard as at 30 June 2007 amounted to Rs. 24.327 million (31 December 2006: Rs. 23.531 million).

**15.2** In January 2005, the Sales Tax Authorities issued a show cause notice demanding sales tax on sales of Nitrous Oxide made by the Company during the period April 2002 to February 2004, amounting to Rs. 14.278 million plus additional tax. The notice was issued on the grounds that Nitrous Oxide was not exempt under SRO 208(1)/2002 dated 5 April 2002. The Company's view that Nitrous Oxide being medicament classifiable under chapter 30 of the First Schedule of the Customs Act, 1969 and used as an anesthetic agent in hospitals was exempt through SRO 555(1)/2002 dated 23 August 2002, was upheld by Customs, Excise and Sales Tax Appellate Tribunal in September 2005.

The Sales Tax Department ("Department") filed a reference against the aforesaid order of the Appellate Tribunal before the Sindh High Court. The Sindh High Court did not admit the reference application on the grounds that it was not within its competence to reinterpret the law as the matter had already been decided by the Supreme Court of Pakistan.

The Department then filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan against the aforesaid Sindh High Court judgment which was also dismissed vide its judgment dated 22 March 2007. Now the Department has filed a Civil Review Petition against the said judgment which is pending before the Supreme Court.

No provision, has been made in the financial statements for the alleged demand as the management is confident that the Company's view in this respect will be finally upheld.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 30 June 2007

- 15.3** 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.1.799 million (31 December 2006: Rs 1.843 million).

	<b>30 June 2007</b>	31 December 2006
	(Rupees in thousand)	
<b>15.4</b> Capital commitments	<u>25,961</u>	<u>5,913</u>
<b>15.5</b> Letters of credit	<u>69,757</u>	<u>73,047</u>
<b>15.6</b> Letters of guarantee	<u>49,253</u>	<u>32,664</u>

### 16. CASH GENERATED FROM OPERATIONS

	For the half year ended	
	<b>30 June 2007</b>	30 June 2006
	(Rupees in thousand)	
Profit before taxation	<b>317,787</b>	277,173
Adjustment for non cash charges and other items:		
Depreciation	<b>68,859</b>	53,171
Profit on disposal of property, plant and equipment	<b>(7,423)</b>	(618)
Income from savings account	<b>(12,284)</b>	(4,539)
Income from loan to Pension Fund	<b>(178)</b>	(1,942)
Income on investment in finance lease	<b>(9,006)</b>	(10,105)
Finance costs	<b>2,697</b>	3,477
Provision / (reversal of provision) for:		
- Post retirement medical benefits	<b>2,091</b>	2,209
- Sales tax - net	<b>577</b>	134
- Vendor / contractor claims - net	<b>558</b>	807
Working capital changes	<b>16.1 75,904</b>	81,060
	<u><b>439,582</b></u>	<u>400,827</u>
<b>16.1 Working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spares	<b>(6,737)</b>	(12,638)
Stock-in-trade	<b>38,524</b>	7,506
Trade debts	<b>28,427</b>	26,060
Loans and advances	<b>9,086</b>	40,697
Deposits and prepayments	<b>7,167</b>	8,406
Net investment in finance lease	<b>(2,606)</b>	(4,824)
Other receivables	<b>(443)</b>	(2,641)
	<u><b>73,418</b></u>	<u>62,566</u>
Decrease / (increase) in current liabilities:		
Trade and other payables	<b>2,486</b>	18,494
	<u><b>75,904</b></u>	<u>81,060</u>

### 17. TRANSACTION WITH RELATED PARTIES

- 17.1** Related parties comprise holding company, associated companies, other companies with common directors, retirement benefit funds, directors and key management personnel.
- 17.2** Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements, are as follows:



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***For the half year ended 30 June 2007*

	<b>For the half year ended</b>	
	<b>30 June 2007</b>	30 June 2006
	(Rupees in thousand)	
Sales	<b>4,629</b>	6,062
Purchases	<b>11,206</b>	9,003
Technical assistance fee	<b>13,129</b>	11,392
License and maintenance fee	<b>2,963</b>	2,400
Income on saving accounts	<b>2,876</b>	-
Mark up on running finances	<b>76</b>	-
Contribution to staff retirement benefit plans	<b>10,028</b>	18,052
Meeting fee to Directors and remuneration to Non-Executive Directors	<b>1,014</b>	969
	<b>30 June 2007</b>	31 December 2006
	(Rupees in thousand)	
Receivable from associates in respect of trade debts	<b>1,078</b>	1,756
Receivable from holding company in respect of other receivables	<b>803</b>	427
Payable to holding company in respect of trade and other payables	<b>32,849</b>	44,176

**17.3** 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 plc based on an agreed methodology consistently applied.

All transactions with key management personnel are under the terms of employment.

**18. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors has declared an interim cash dividend of Rs. 3 per share for the year ending 31 December 2007, amounting to Rs. 75.116 million in their meeting held on 16 August 2007 (interim cash dividend of Rs. 3 per share for the fifteen months period ended 31 December 2006 amounting to Rs. 75.116 million). These condensed interim financial statements do not include the effect of the above appropriations which will be accounted for in the financial statements for the year ending 31 December 2007.

**19. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on 16 August 2007 by the Board of Directors of the Company.

**20. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the Balance Sheet has been compared with the preceding Balance Sheet as at the period-end, whereas the Profit and Loss Account and Cash Flow Statement have been compared with the corresponding periods of the previous year.



**SYED AYAZ BOKHARI**  
Chief Executive



**MUNNAWAR HAMID OBE**  
Chairman

# BUSINESS DIVISIONS, PRODUCTS AND SERVICES

## Industrial & Medical Gases

### Bulk Gases

Liquid Oxygen  
Liquid Nitrogen  
Liquid Argon  
Pipeline Hydrogen  
Liquid Carbon Dioxide  
Industrial Pipelines

### PG & P – Gases

Compressed Oxygen  
Aviation Oxygen  
Compressed Nitrogen  
Compressed Argon  
Compressed Air  
Dissolved Acetylene

### Speciality Gases

High Purity Gases  
Research Grade Gases  
Gaseous Chemicals  
Calibration Mixtures  
Argon Mixtures  
Welding Gas Mixtures  
Sterilisation Gases  
Propane  
Helium

### Hospital Care

Medical Gases  
Liquid Medical Oxygen  
Compressed Medical Oxygen  
Nitrous Oxide & Entonox  
Nitric Oxide

### Medical Equipment

Pulse Oximeter  
Oxygen Concentrator  
Suction Oxygen Therapy Products

Medical Gases Pipeline  
Design, Installation & Service

## Welding & Others

### PG & P – Welding

#### Consumables

Welding Electrodes  
MIG Welding Wires  
TIG Welding Wires

#### Machines

Automatic  
Semi-automatic  
Manual

#### Accessories

Regulators  
Cutting Torches  
Welding Torches  
Cutting Machines  
Gas Control Equipment  
Safety Equipment  
Flame Cleaning  
Gas Welding Rods  
Fluxes

### PG & P – Others

Calcium Carbide

The BOC Group plc, U.K., the majority shareholder of BOC Pakistan Limited, has become a wholly owned subsidiary of Linde AG, Germany. Accordingly, Linde AG is the ultimate parent company of BOC Pakistan Limited, and BOC Pakistan Limited is a part of The Linde Group, which is now the world's largest industrial gases Group.

The Linde Group operates in some 70 countries, employs 53,000 people and has annual sales of €12.439 billion. The Linde Group is a genuine global player.

As part of the Linde Group, BOC Gases, with its 120-year history of customer service continues to operate globally. Our business and reputation are 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.

Through our people we play a full and active role in communities around the world and are committed to the highest standards of safety and environmental practice. At the same time, we believe that the best way to assist any of the communities in which we operate is to build a successful business.

The Linde Group adds value to a diverse range of industries and organizations worldwide. That's why, as we continue to expand and develop, one thing will never change. We will always remain built around our customers.

## BUSINESS LOCATIONS

<b>REGISTERED HEAD OFFICE</b>	Karachi	P.O. Box 4845, West Wharf Phones: (021) 2313361 (9 Lines) Fax: (021) 2312968	
<b>NORTH WESTERN REGION</b>	Lahore	P.O.Box 205 Shalamar Link Road, Moghalpura Phones: (042) 6824091 (4 Lines) Fax: (042) 6817573	Oxygen/Nitrogen Plant Nitrous Oxide Factory
	Multan	Opp. Gultex Limited Vehari Road Phones: (061) 6526141 & 6529568 Fax: (061) 6529820	Sales Depot
		Adjacent to PFL Khanewal Road Phones: (061) 6562201 (2 Lines) Fax: (061) 6778401	Carbon Dioxide Factory
	Qasba Gujrat	Adjacent to PARCO Mid Country Refinery, Mehmood Kot Qasba Gujrat, Muzaffargarh Phones: (066) 2290751 & 2290484-85 Fax: (066) 2290752	Nitrogen Factory
	Faisalabad	Altaf Ganj Chowk Near Usman Flour Mills Jhang Road Phones: (041) 2653463 & 2650564	Sales Depot
	Gujranwala	Pindi By-Pass, G.T. Road Phones: (055) 3254720 & 3259115 (055) 6411273	Sales Depot & Oxygen Compressing Station
	Wah Cantonment	Kabul Road Phones (051) 4545359	Acetylene Factory
	Taxila	Adjacent to HMC No. 2 Phones: (051) 9270562 (5 Lines) Ext. 383 (051) 4537041 & 4546127 Fax: 0320-4535217	Oxygen/Nitrogen & Argon Plant
	Hasanabdal	Adjacent to LT Engineering Haripur Road Phones: (0572) 520017 (Ext. 104) (0572) 522428 (Ext. 104)	Hydrogen Factory
	Peshawar	Jhagra Chowk. G. T. Road Phones: (091) 2261573 (2 Lines)	Sales Depot
<b>SOUTHERN REGION</b>	Karachi	P.O. Box 4845, West Wharf Phones: (021) 2313361 (9 Lines) Fax: (021) 2312968	Oxygen/Nitrogen & Argon Compressing Station Acetylene Factory Nitrous Oxide Factory Electrode Factory Speciality Gases
	Port Bin Qasim	Plot EZ/1/P-5 (SP-1), Eastern Zone Phones: (021) 4750416 (7 Lines) Fax: (021) 4750418	Oxygen/Nitrogen & Argon Plant Hydrogen Factory
	Hyderabad	Kh. Gharib Nawaz Road, Near Hyderabad Petroleum, Hali Road Phone: (0223) 880930	Sales Depot
	Sukkur	A-15, Airport Road, Near Bhatti Hospital Phone: (071) 5630871	Sales Depot
	Quetta	Eissa Khan Street, Off Sirki Road Phone: (081) 2451706	Sales Depot



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A member of The BOC Group plc., U.K.



**THE LINDE GROUP**

The BOC Group plc., U.K. is now a part of  
The Linde Group