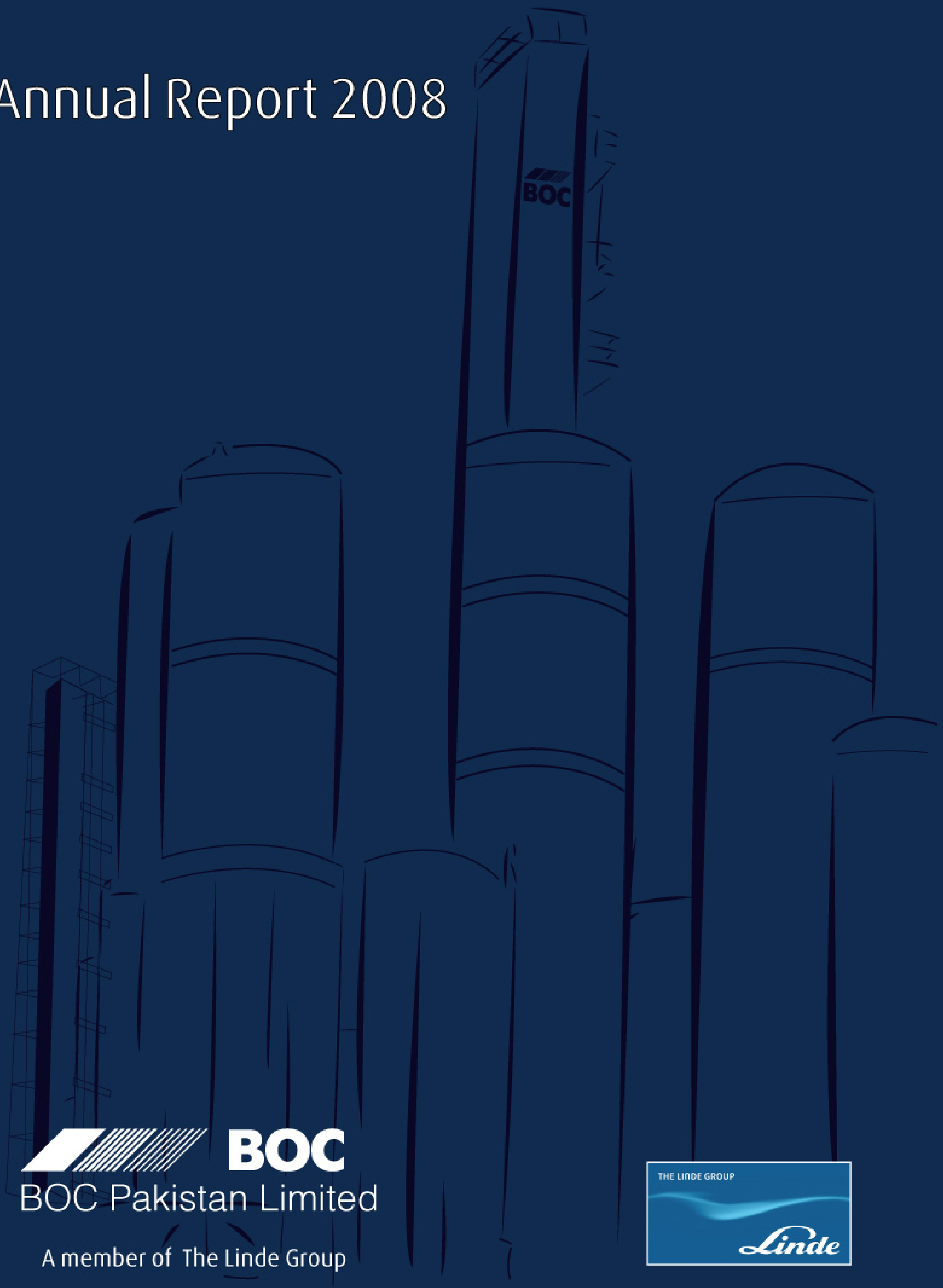
Annual Report 2008

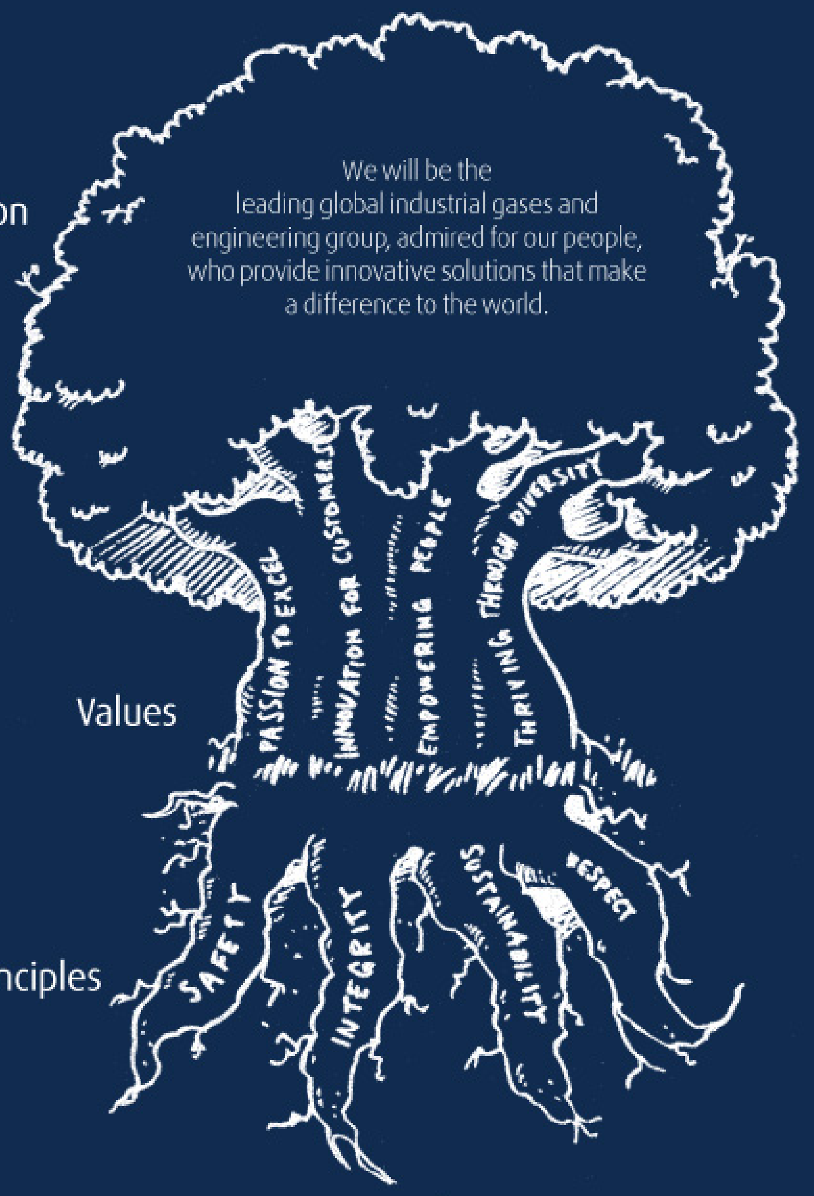


BOC Pakistan Limited

A member of The Linde Group

The Linde Spirit

Global Vision



Values

Principles

Our Values

Passion to excel

Innovating for customers

Empowering people

Thriving through diversity

West Wharf
Dockyard Road
P O Box No: 4845
Karachi-74000
Pakistan
www.bocpakistan.com

A member of The Linde Group

BOC Annual Report 2008

Designed by Adétude Private Limited

Linde Vision, Values and Principles - Roll out 2008

Event theme based on Linde Values

Business Simulation Exercise in Teams

- 10 Teams - One Competitive Objective: To develop the maximum standardized notebooks from piece of paper and cardboard.
- Limited time; Limited Budget.
- Cross Functional Teams - Members with Diverse Backgrounds.
- Changing Scenarios: Passion to excel was highlighted during the exercise, and the cross functional teams thrived through diversity.

Values Recognition Exercise- In Local Cultural Setting

Each employee was given the chance to choose the most important personal set of values for themselves.
And then the values were discussed and exchanged.

Putting it all into Practice – 'Functional Charter of Behavior'

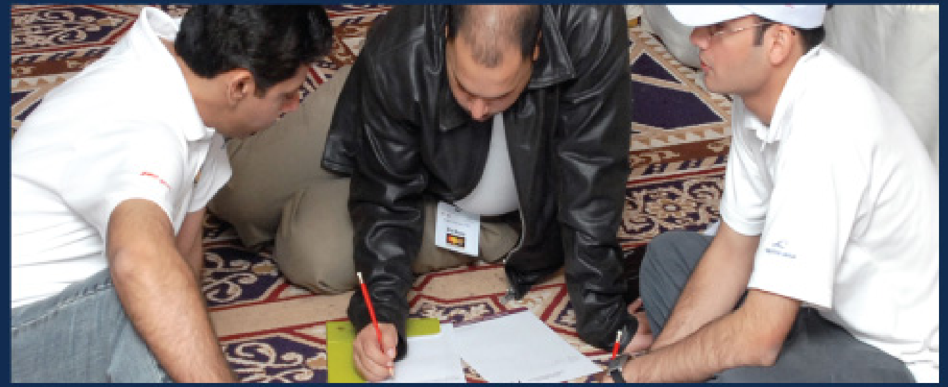
-Each function then sat together to develop functional charters.

-Teams went through long discussions before carving out their functional charters.

Motivational Speaker sharing life experience

-Sarmad: Paralyzed neck downwards since age 15, was the motivational speaker for the closing session.

His life story was a source of inspiration which embodies the Linde values.



Rewards & Recognition

-Aligned with Behaviors contained in Management Dialogue.

High perfomers were recognized

And as the journey continues we will continue to thrive and establish a culture and a mindset that looks forward to making BOCPL into a High Performance Organization (HPO)

Chairman BOCPL Board Mr Munnawar Hamid OBE is planting a tree at Port Qasim CO_2 plant during the foundation laying ceremony

A view of the new 23 TPD CO_2 Plant at Port Qasim

Contents

Our Vision

BOCPL will be the leading industrial gases and hospital care Company, admired for our people, who provide innovative solutions that make a difference to the community.

Our Mission

To engage effectively, responsibly and profitably in the industrial gases, healthcare and welding markets. 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: Passion to Excel, Innovation for Customers, Empowering People and Thriving through Diversity.

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.

Board of Directors

Munnawar Hamid, OBE
Chairman

Former Chairman and Chief Executive of the ICI Group in Pakistan, Munnawar Hamid was with ICI since his graduation from the Universities of Punjab and Cambridge (Gonville & Cauis College), and retired in 2003 after nearly 35 years association with ICI including a concluding year as Advisor to the Group CEO in London. He is currently Chairman of BOC Pakistan Limited and Saudi Pak Commercial Bank, a Trustee of the Aga Khan University, as well as member on the Board of the Civil Aviation Authority of the Government of Pakistan. He is also a member of the Policy Board of the Securities and Exchange Commission of Pakistan. He has served as Chairman of the Intellectual Property Organization (IPO) Pakistan, the apex body governing intellectual property rights in Pakistan, as well as on the Boards of several companies, including as Chairman of International General Insurance Company of Pakistan. He is also a former President of the Overseas Investors Chamber of Commerce and Industry and Chairman of the Duke of Edinburgh Award in Pakistan. He has been involved in high-level government consultative bodies including the Government's Economic Advisory Board during 1999/2002, and has chaired the Prime Minister's Committee on Chemical Industry in Pakistan and other committees in 1996/1998. Munnawar Hamid was appointed OBE by Her Majesty the Queen in October 1997.

Syed Ayaz Bokhari
Chief Executive

Syed Ayaz Bokhari holds an M.Sc. degree in Public Administration from Quaid-e-Azam University, Islamabad.

He brings to BOCPL 29 years of experience which covers sales, marketing and general management with leading multinational companies within and outside Pakistan. He has a diverse industry experience ranging from Tobacco, Personal Products, Petroleum and Industrial Gases.

Before joining BOC Pakistan Limited as its Chief Executive in 2004, Mr Bokhari worked with Pakistan Tobacco Company Limited (1979 – 1991), The Gillette Company (1992 – 1997) and Shell Pakistan Limited (1998-2004). Other than Pakistan he has worked in Eastern Europe and the Far East.

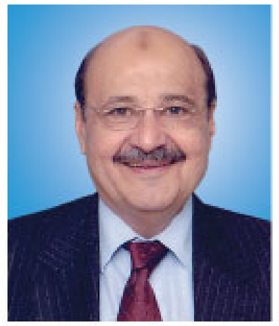
He was elected General Secretary of the Pakistan Advertisers' Society in 2001 and is a Director on the Board of TransAsia Refinery Limited.

Sanaullah Qureshi
Director

Sanaullah Qureshi qualified as a Chartered Accountant from Scotland and joined ICI Pakistan in 1962. Worked in different capacities as General Manager and Director Incharge of Finance, Human Resources and the various business of ICI. Retired as the Deputy Chairman of ICI Pakistan in 1993. Joined as CEO of Forbes Forbes Campbell & Co. Limited, an old established Group dealing in shipping, trading and manufacturing. Retired from Forbes in 1995 and is now acting in advisory capacity with Captain-PQ Chemicals Industries Limited.

He is a former President of Management Association of Pakistan.

He holds directorship in BOC Pakistan Limited, Atlas Honda Limited, Faysal Assets Management Limited and MYK Associates (Pvt) Limited.



Towfiq Habib Chinoy
Director

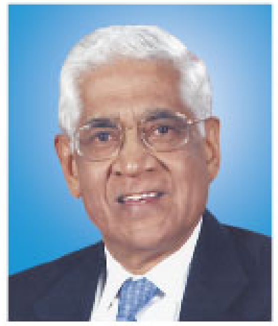
Towfiq Habib Chinoy, Managing Director - International Industries Limited, has been associated with IIL since 1964. He has been the Managing Director since 1976. He holds the chairmanship of various companies including New Jubilee Insurance Company Limited, Pakistan Cables Limited and Packages Ltd. He is a director of New Jubilee Life Insurance Company Limited, IGI Investment Bank Ltd., Pakistan Business Council and HBL Asset Management Ltd. He is also Trustee on the Mohatta Palace Gallery Trust and a member of the Board of Directors of Pakistan Center for Philanthropy. Mr Chinoy has served as the Member of the Engineering Development Board, Government of Pakistan, the Advisory Board of Ports and Shipping Sector, Ministry of Communications, Director on Board of Port Qasim Authority and National Refinery Ltd. His social and other activities are diversified. He has been President of Sind Club besides holding assignments at Aga Khan Economic Planning Board and Sultan Mohammad Shah Aga Khan III Foundation School, Karachi.

Sanjiv Lamba
Director

Sanjiv Lamba is The Linde Group's Regional Business Unit Head for South & East Asia based in Singapore. Mr Lamba joined The Linde Group's India unit, which operates under the entity, BOC India Limited, in 1989 after qualifying as a Chartered Accountant. He worked in BOC India's Finance & Treasury operations before moving, in 1993, to The BOC Group plc's headquarters in the UK and was attached to the Audit and Corporate Finance departments. Mr Lamba returned to India in 1997 as Head of Finance before joining the board of BOC India as Director, Finance in 2000.

In 2001, Mr Lamba was appointed Managing Director of BOC India Limited and during the next 4 years was responsible for successfully leading the company as it executed its turnaround strategy. Mr Lamba moved to Singapore in 2005 as the Business Head for the Process Gas Solutions business spanning seven countries across South & South East Asia. In 2006, following the acquisition of the BOC businesses by Linde AG, Mr Lamba was appointed as the Regional Business Unit Head for the fast growing billion-dollar business in the South & East Asia region covering 10 countries between Pakistan in the west to South Korea in the east.

An active member of business and professional bodies, Sanjiv serves as General Secretary of the Asia Industrial Gases Association (AIGA) based in Singapore. He is also a member of various chambers of commerce and industry.



Shamim Ahmad Khan
Director

After obtaining Masters Degree in History from the Punjab University, Mr Shamim Ahmad Khan joined the Civil Service of Pakistan in 1962. During his service, he got training at the Economic Development Institute of the World Bank, the IMF Institute and the U.S Securities and Exchange Commission. During his long career as a civil servant, he held important positions in the economic ministries including that of Secretary, Ministry of Commerce. For more than a decade, he worked in the Corporate Law Authority, apex regulatory body responsible for regulating and development of capital market as well as non-banking financial institutions. He had two tenures as Chairman of the organization, spanning over a period of six years. In this capacity, he was associated with a number of reforms in the capital market. During his second tenure, he led efforts to restructure the organization into Securities and Exchange Commission of Pakistan and he became its first Chairman. He presented a number of papers on various aspects of capital market in Pakistan in conferences and seminars, both within and outside Pakistan.

After leaving SECP in 2000, Mr Khan has been engaged with consultancy assignments for Asian Development Bank and other multilateral organization. Presently, he is serving as non-executive director on the boards of listed companies - Packages, RBS, BOC, Abbott Laboratories and IGI Insurance. He is also associated with some other organizations in advisory capacity. He is serving as Co-Chairman of the Certification Panel of Pakistan Centre for Philanthropy, responsible for evaluation and certification of non-profit organizations and a member of the Advisory Committee of Pakistan chapter of Centre for International Private Enterprise which has organized roundtables on subjects like corporate governance, microfinance and Entrepreneurship Development. He is also a member of State Bank of Pakistan's Consultative Group on Microfinance.

Ashley David Mills
Director

Ashley Mills is 39 years old and has worked in the Industrial gases since graduating in 1991, beginning his career with BOC Limited in the UK. He later moved to BOC Process Plants and subsequently the BOC Group. His extensive experience covers both the compressed and tonnage gas businesses and he has worked in a range of locations and a variety of supply models ranging from small cylinder filling facilities, at high purity electronics customers and on large ASU's and complex supply schemes producing many thousands of tons of oxygen per day. He, therefore, brings a wealth of knowledge in a variety of functional areas including engineering proposals, detailed process design, operations support and troubleshooting, commissioning, project management, production management and safety.

Ashley has been working full time in Asia since 2002 when he was appointed to the position of General Manager Operations and Safety for the BOC South Asian businesses before becoming first Safety director and then Operations director for the Industrial and Special products business in South and East Asia. Ashley was later appointed to Head of Operations in 2007 for the Linde group in South and East Asia following the merger between the BOC Group and Linde. Ashley holds a BSc (Hons.) in Chemical Engineering and Management from Loughborough University in the UK.

Ashley lives with his family in Thailand and divides his time between the Production, Engineering, Supply Chain and Procurement functions for Linde in ten countries across South and East Asia which besides Pakistan includes India, Malaysia, Singapore, Philippines, Indonesia and South Korea.

Lee Bon Hian
Director

Lee Bon Hian joined Linde Gas Asia as the Head of Cluster Countries for Pakistan and Bangladesh with effect from 12 May 2008. He is based in Singapore and works closely with the country teams to deliver their business and organizational objectives. He is also responsible for developing market entries into the emerging territories within the region.

Bon Hian has a Bachelor of Engineering (Honours) degree in Mechanical Engineering and a Master of Science degree in Industrial Engineering, both from the National University of Singapore (NUS). He also has a Graduate Diploma in Business Administration from the Singapore Institute of Management.

Bon Hian brings with him a depth and breadth of technical, commercial and management experience accumulated over 25 years of his working career. He spent significant time with BP in various roles across Asia and has worked in sales & marketing, manufacturing operations, logistics and supply chain management and has broad experience in a range of industry sectors in Asia, including oil, energy, lubricants, performance chemicals and bio-diesel. He has a multi-cultural career background, having worked and lived in Singapore, Taiwan, Thailand and Vietnam, while covering other countries in the region.

Company Information

Board of Directors

Munnawar Hamid OBE	Chairman	
Syed Ayaz Bokhari	Chief Executive	
Sanaullah Qureshi	Director	
Towfiq Habib Chinoy	Director	
Sanjiv Lamba	Director	
Shamim Ahmad Khan	Director	
Andrew Paton Gardner	Director	(Resigned on 07-04-2008)
Ashley David Mills	Director	
Muhammad Ashraf Bawany	Director	(Resigned on 15-08-2008)
Lee Bon Hian	Director	(Appointed on 26-08-2008)

Company Secretary
Muhammad Ashraf Bawany

Board Audit Committee

Sanaullah Qureshi	Chairman	Non-Executive Director	
Sanjiv Lamba	Member	Non-Executive Director	
Shamim Ahmad Khan	Member	Non-Executive Director	
Andrew Paton Gardner	Member	Non-Executive Director	(Resigned on 07-04-2008)
Lee Bon Hian	Member	Non-Executive Director	(Appointed on 26-08-2008)
Jamal A Qureshi	Secretary	Assistant Company Secretary & Legal Manager	

Board Remuneration and Appointments Committee

Towfiq Habib Chinoy	Chairman	Non-Executive Director	
Sanjiv Lamba	Member	Non-Executive Director	
Andrew Paton Gardner	Member	Non-Executive Director	(Resigned on 07-04-2008)
Lee Bon Hian	Member	Non-Executive Director	(Appointed on 26-08-2008)
Muhammad Siraj Cochinwala	Secretary	Head of HR	

Bankers
Standard Chartered Bank (Pakistan) Ltd.
Citibank NA
Deutsche Bank AG
National Bank of Pakistan Ltd.
MCB Bank Ltd.
NIB Bank Ltd.

Auditors
KPMG Taseer Hadi & Co.

Solicitors
Surridge & Beecheno

Share Registrar
Central Depository Company of Pakistan Limited (Appointed on 02-02-2009)

Registered Office
West Wharf, Dockyard Road, Karachi-74000

Website
www.bocpakistan.com

Principal Board Committees

The Board has established following two committees, chaired by Independent Non-Executive Directors. The brief terms of references of the committees are as follows:

Board Audit Committee (BAC)

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

BAC comprises of 4 Independent Non-Executive Directors. The Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and representative of External Auditors attend the meeting by invitation. The Committee also privately meets with the External Auditors and Head of Internal Audit and other members of the internal audit function, atleast once in a year. During the financial year ended December 31, 2008, four meetings of the BAC were held. The present members of BAC are as follows:

- Mr Sanaullah Qureshi (Chairman)
- Mr Sanjiv Lamba
- Mr Shamim Ahmad Khan
- Mr Lee Bon Hian

The Secretary of the Committee is Jamal A. Qureshi, Assistant Company Secretary/Legal Manager.

Remuneration & Appointments Committee (R&AC)

R&AC assists the Board in the effective discharge of its responsibilities in matters relating to appointments of senior executives and their remunerations including performance review, succession planning and career development.

R&AC consists of 3 Independent Non-Executive Directors and the names of present members are as follows:

- Mr Towfiq H Chinoy (Chairman)
- Mr Sanjiv Lamba
- Mr Lee Bon Hian

Four meetings of the Committee were held during the financial year ended December 31, 2008. The Secretary of the Committee is Muhammad Siraj Cochinwala, Head of Human Resources.

Country Leadership Team (CLT)

Syed Ayaz Bokhari
Chief Executive

Muhammad Ashraf Bawany
Company Secretary &
Director of Finance

Muhammad Siraj Cochinwala
Head of Human Resources

Umair Ahmed
Head of Operations

Nizar Nooralla Punjani
Head of Internal Audit

Arshad Manzoor
Cluster IS Manager
Bangladesh & Pakistan

Farried Aman Shaikh
Marketing Manager

Mohammed Taimur Saeed
Sales Manager South

Zubair Ahmad
Sales Manager North

Ahmad Raza
Distribution & CES Manager

Amir Riaz
SHEQ Manager

Review of SHEQ Roadmap at Lahore site with Mr Yousuf Mirza, Head of SHEQ – Regional Business Unit (RBU) – South & East Asia (S&EA) of The Linde Group (2nd from right)

Mr Wichit Sophitanontrat, Regional Manager – Production, RBU – S&EA and Ms Pornnapha Vanithanont, Regional Engineer Production, RBU – S&EA of The Linde Group reviewing SHEQ Roadmap Performance Display Board of Karachi site during their visit for "Safe oxygen filling"

Statement of Ethics & Business Practices Policy Summary

The objective of BOCPL is to engage efficiently, responsibly and profitably in the gases, healthcare and welding businesses.

In doing so, the Corporation recognizes its responsibility towards its shareholders, customers, employees and to those with whom it does business, and the society.

The Corporation requires all its employees to demonstrate honesty, integrity and fairness in all aspects of its business. It expects the same in its relationships with all those with whom it does business.

Employees are required to avoid conflicts of interest between their private financial activities and their professional role in the conduct of Company business.

BOCPL acts in socially responsible manner within the laws of Pakistan, in pursuit of its legitimate commercial objectives.

BOCPL seeks to compete fairly and ethically, within the framework of all applicable laws in the country.

The Company does not support any political party or contribute funds to groups whose activities promote party interests. The Company promotes its legitimate business interests through trade associations.

BOCPL is committed to provide products, which consistently offer value in terms of price / quality, and are at the same time, safe for their intended use, to satisfy customer needs and expectations.

The Corporation recognizes its social responsibility and contributes to community activities as a good corporate citizen.

BOCPL is committed and fully conforms to ensure the reliability of its financial reporting and full transparency of its transactions.

BOCPL is an equal opportunity Corporation.

It is the responsibility of the Board to ensure that the above principles are complied with through its Audit Committee constituted for this purpose.

Mr Sanjiv Lamba, RBU Head – S&EA of The Linde Group and Director, BOC Pakistan Limited, addressing a town hall meeting at the Company's Lahore office

Business Divisions, Products and Services

Industrial & Medical Gases

Bulk Gases

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

PGP - 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
- Sterilization Gases
- Propane
- Helium
- Refrigerants

Hospital Care

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

Medical Equipment
- Oxygen Concentrator
- Suction Oxygen Therapy Products
- Flowmeters, Injector, Suction Units, Terminal Units

Medical Gases Pipeline Design, Installation & Service

Welding & Others

PGP - 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

PGP - Others

- Calcium Carbide

The BOC Group Limited, U.K., the majority shareholder of BOC Pakistan Limited, is a wholly owned subsidiary of Linde AG, Germany. Accordingly, Linde AG is the ultimate parent company of BOC Pakistan Limited. The Linde Group is a world leading gases and engineering company with almost 52,000 employees working in around 100 countries worldwide. In the 2008 financial year it achieved sales of EUR 12.7 billion. The strategy of The Linde Group is geared towards sustainable earnings-based growth and focuses on the expansion of its international business with forward-looking products and services.

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

Mr Kasien Laiyakosit, Head of Healthcare, RBU – S&EA (first from left) and Ms Waratsara Jumnainwai (Kay), Marketing & Business Development Manager Hospital Care, RBU – S&EA of The Linde Group (third from left) are seen with local team during Healthcare Products display in Health Asia Exhibition at Expo Centre, Karachi

BOCPL staff members diligently working to deliver high quality products and services for the customers

Safety, Health, Environment & Quality

The Vision: at BOC Pakistan, we do not want to harm people or the environment.

Mr Syed Ayaz Bokhari, CEO - BOCPL, promoting safe driving habits at the inauguration of "Road Transport Safety Week"

At BOC Pakistan, we place the highest value on the health and safety of our people, the environment and all who come into contact with our business. We expect our behaviours to reflect this value at all times.

In creating a high performance culture and one in which we do not want to harm people or the environment, we always look for ways to improve our performance and continue to move towards achieving our vision.

BOC Pakistan is committed to excellence in managing these areas through normal business practice assisted by its Safety, Health, Environment and Quality (SHEQ) function.

SHEQ management standards, procedures and tools are embedded in company practice by the organization's Integrated Management Systems and Standards (IMSS). IMSS outlines the standards and actions needed to align with, or conform to, internationally accredited certifications such as ISO 9000 (quality assurance), ISO 14001 (environment) and ISO 18001 (health and safety).

BOC Pakistan met its objectives in 2008 when the Company:

- Retained safety, health, environment and quality as the top priority,
- Retained SHEQ at the forefront of Company employee communications,
- Improved our safety performance, e.g., reduced employee's loss time injury rate from 0.95 (2007) to 0.0 per million hrs worked,
- Sustained emphasis on behavioral safety through the Leading in SHEQ program - (site safe) was rolled out at one more site, and follow up sessions (site safe phase 2) on two sites,
- Emphasis to measure SHEQ performance continued using proactive measures (leading indicators), in addition to the traditionally reported lagging indicators,
- Significant efforts were put in for improvement of transport safety, e.g., Transport Safety Improvement plan, quality investigation reports of MIRs & closure of actions, transport safety week, route risk assessments etc.,
- In pursuit of our care for environment, environmental impact assessments were carried out at four major production sites and action plans are in place to improve our environmental performance,
- On the quality agenda two sites were ISO 9001 certified.

"Road Transport Safety Week" A long lasting commitment towards Zero Accident

Drivers listening to reversing competition rules

Selecting suitable location for safety poster

Displaying transport safety posters

Rescue team of Port Qasim plant in action during Emergency Drill

Fire Brigade in action during Emergency Drill

Corporate Social Responsibility

BOC Pakistan Limited, as a responsible corporate citizen, maintained its commitment to social wellbeing and CSR spending towards various charitable causes in the fields of Health, Education, Heritage and Environment.

Society:

BOCPL firmly believes in giving back to the society by contributing towards many worthy causes and donates to NGOs including Special Olympics Pakistan, HOPE, Young Presidents Organization, Rotary Club of Karachi University, Kidney Centre – Post Graduate Training Institute and Pakistan Centre for Philanthropy.

BOCPL is a strong supporter of education and recognizes it as the guiding force that enlightens minds. It is committed in spreading its light and continues to support two primary schools that were adopted in 2007. These government schools are located in a village near our ASU plant in Taxila.

BOCPL provides the boys and girls of these primary schools with stationery, reading material, sports gear, uniform and other necessities that help in motivating the children to gain knowledge and learn in a better educational environment.

Environment:

In pursuit of our care for environment, environmental impact assessments were carried out at four major production sites and action plans are in place to improve our environmental performance. Major focus remained on reduction of noise levels at our plant sites, efficient use of energy & minimization of waste generation.

Students of girls' primary school enjoying arts and crafts

Students of girls' primary school adopted by BOCPL

An employee of BOCPL encouraging students of boys' primary school

Student of boys' primary school enjoying football during break time

Our Ambition of becoming a High Performance Organization (HPO)

HPO is a mindset and describes the company culture we want to establish. It builds on our common set of values and principles and bring them to life. HPO has four Dimensions – we need to implement all of them in order to transform BOC Pakistan Limited into a better, more efficient, and higher-performing company.

The program will be supported by using the Growth and Performance (GAP) and Six Sigma tools. While GAP is already being used as an improvement tool in the country, Six Sigma is yet to be implemented. While HPO sets the overarching goals for the company, six sigma provides the proven project management and problem solving methodology to help us reach those targets. The Six sigma approach contributes to every one of the four HPO Dimensions – Customer Focus, Process Excellence, Ability to Execute and People Excellence.

HPO Claim

Business

BOC Pakistan Limited is proud to have more than 3000 customers on its portfolio and our customer profile ranges from all kinds of large and small customers. The strategic intent of BOCPL is to be more than a product supplier. We aim to be a real business partner and a solution provider to our customers, through value driven growth, by using best operating practices from across the Group and making complete use of the experience curve. Apart from this, our main focus is to develop a customer focused high performance flexible organization.

Our gases & equipment being used for fabrication at a large Shipbuilding Complex in Karachi.

BOCPL business portfolio is strategically divided into four parts which are Tonnage, Bulk, PGP and Hospital Care.

Tonnage Business:

Tonnage business comprises the significant portion of our revenue. Tonnage customers are provided with the product through pipeline supply schemes and on-site production units.

In addition to normal business activities, we ensure logistical and production capability to support extra demand due to turnaround at customer end.

Bulk:

Bulk customers are referred to as the merchant market to which the product is supplied through road tankers in the liquid form and is stored in storage tanks installed at customers sites.

The bulk product line includes Liquid Oxygen, Nitrogen, Argon and Carbon Dioxide.

BOCPL is actively involved in delivering products and solutions to a wide array of customers in industrial sectors such as chemical, steel, glass, oil & gas, fiber optics and food & beverage.

Our largest storage vessel (25K m^3) installed at a customer site in Karachi

Innovative solutions provided to the food sector have opened the door for another opportunity. The advent of portable cryogenic containers has further helped in improving our service levels to these customers.

PGP:

Packaged Gases and Products (PGP) cover a wide range of products which include; compressed industrial gases, speciality gases, welding consumables and equipment.

PGP is characterized by a diversified portfolio of customers nationwide; from Quality Control Labs to Pharmaceutical Companies.

Customer focus remains an important and essential part of the PGP business and to achieve this some recent initiatives are being taken, such as the development of Customer Service Centers to efficiently serve the customers, and introducation of new systems providing complete customer relationship management.

Healthcare:

For decades, BOCPL has been the most trusted and reliable partner with Hospitals, across the country. The healthcare portfolio includes a variety of products including Medical Gases i.e. Medical Oxygen- liquid and compressed, Nitrous Oxide and Special Medical Mixtures. BOCPL also provides the design, installation and maintenance of central medical gases pipeline systems.

Cross functional team of BOCPL empolyees working on improving process excellence

Human Resources

The Company values the rich ethnic, cultural and gender diversity of its people. BOCPL is committed to maintaining a workplace free from discrimination for reasons of race, creed, culture, nationality, religion, gender, age or marital status. Disability is not considered a barrier to employment. As far as local conditions allows, employees are selected on the basis of their ability to perform the job.

During 2008, BOCPL rolled out the Linde Vision, Values and Principle initiatives across the organization which is an integral part of the Human Resources and organizational development process.

During 2008, the High Performance Organization (HPO) initiative was launched to drive employee engagement on performance enhancement through open discussion and clear communication for change in the mindset towards setting a high performance.

The Union agreement for the year 2007-2009 was signed in August 2008. The Union and Management relations continue to be friendly and industrial peace prevailed at all locations during the year under review.

BOCPL provides guidance, leading edge HR policies, initiatives and a set of corporate values to support its people. At the heart of this approach is the recognition for the employees embracing the Linde values and principles in order to become a leading and world class gas company.

Excellence Award:

During the year 2008, Linde group initiated excellence awards programme to recognise and honour individuals or teams who have demonstrated behaviours that embrace the Linde Values and who have achieved and delivered business excellence.

The desired outcomes are:

- Enhance employee engagement
- Honour the best
- Share best practices in the RBU
- Celebrate individual and team successes

Dr Aldo Belloni, Member of the Executive Board (first from left) and Mr Sanjiv Lamba, RBU Head – S&EA of The Linde Group (first from right) presented the Regional Business Excellence Award for Customer Services to Mr Salman Ghani and Mr Hamad Khalid of BOCPL in Singapore

A group photograph of BOCPL team members on the occasion of RBU Excellence Award Ceremony held in Singapore

Finance and Control

The finance & control team of BOC Pakistan Limited has continued its drive towards a performance oriented culture. The aim is to provide quality services to all internal and external stakeholders of the Company and compliment the business by providing appropriate support to all functions in the organization. Developing and implementing sound internal controls and applying best practices have been a significant responsibility for the department. The department reviews, assesses and challenges the performance, strategic plans and growth initiatives for ensuring better returns.

Focus Areas

- Taking a client centered approach and improve service delivery.
- Support in formulating the overall strategy for growth initiatives.
- Align policies and practices with Linde guidelines.
- Capital expenditure review, forecasting, management and control.
- Effective cost management.
- Effective risk management and mitigation plan.
- Develop and maintain sound business process controls.
- Compliance with statutory and listing requirements
- Developing funding and debt strategies, and manage investment portfolio for the staff retirement funds operated by the Company.
- Deliver savings by focusing on tax and treasury initiatives.
- Drive towards constant improvement by devising benchmarks and reviewing actual performance against plans on an on-going basis.
- Implementation of efficient systems for transaction processing.
- Support businesses on legal and corporate matters.

In recognition of the quality of its performance, service and reportings well ahead of the scheduled deadlines throughout the year, the Finance & Control Team of BOC Pakistan Limited was declared as the Best Finance Team in Reporting Business Unit (RBU) – South & East Asia for 2007.

BOCPL Finance won the "Best Finance Team – 2007" award in RBU – S&EA of The Linde Group. The Trophy was awarded at a ceremony held in Cebu, Philippines by Mr Juergen Nowicki - Head of Operational Finance & Control of The Linde Group (third from right). Also seen in this photograph are Mr Binod Patwari, Head of Finance & Control, RBU – S&EA (first from right) and Mr Sam Peterson - Cluster MD, Indonesia & Philippines (second from right) of The Linde Group

Information Services

BOC Pakistan places a heavy reliance on building a robust Information Service Systems Platform as a primary driver to facilitate the growth agenda. In today's competitive world, the presence or otherwise of reliable and timely business information could make the difference between success and failure.

Information Services (IS) function in BOC Pakistan has two focus areas-Applications and Infrastructure. The former consists of the development and support of SAP, which is the primary application for the company, and other peripheral software to handle process like Payroll etc. The infrastructure group is charged with the responsibility of continuously enhancing the connectivity footprint across the organization and with the external world, while managing high service levels.

IS provides services to a user base of 220 spread over 14 plants and sales centers. All the sites are connected to the Head Office using WAN links. BOCPL network is integrated into Linde global network and users can access a vast repository of information and applications like Maximo, SAP HR, SAP Business Warehouse, Integrated Management Systems and Standards (IMSS), People Finder, GROW, Intranets, etc.

IS has extended the network and SAP footprint in Pakistan to cover all the sites with instant connectivity. All the plants and sales centers are using SAP for day to day operations and the entire financial accounting is handled through this application.

During 2008, IS met all the agreed SLAs, built the second data center at Port Qasim to support business continuity, conducted several SAP refresher courses and helped Bangladesh IS in the implementation of SAP Business Warehouse (BW) project.

Training being provided to Company employees by the IS Team in Karachi

Mr Charles Zech and Ms Andrea Koehler, Linde Group IS Auditors are being briefed about the Information Services operations in Pakistan

Internal Audit

At BOC Pakistan Limited, the internal control system is monitored and supported by an Internal Audit Department, which is an integral part of the Global Internal Audit Department.

The Internal Audit Department aims to assist the Board of Directors and management in discharging their responsibilities by identifying and carrying out independent, objective audits and consultation services geared towards creating added value and improving business processes.

To maintain the highest level of Independence, Internal Audit in Pakistan has functional reporting relationship directly to the Board Audit Committee (BAC) as well as to Regional Hub – Asia/Pacific.

There are regular reviews by the BAC in terms of the effectiveness of internal control processes throughout the year.

The work of the internal audit is focused on areas of material risk to the Company, determined on the basis of a risk management approach. Further, globally identified high value reviews also form part of the audit plan to assist management in implementing global best practices.

Based upon internal control system, it is professionally opined that the Company's Internal Controls provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorized and recorded properly, and that material errors and irregularities are either prevented or would be detected on time.

Group photo taken on the occasion of 26th Board Audit Committee Meeting at Lahore which was also attended by Mr Claus Thomas Mueller – Group Head of Internal Audit, Linde AG (standing 3rd from right)

59th Annual General Meeting

The Directors of BOC Pakistan Limited at the Company's 59th Annual General Meeting

A glimpse of the shareholders at the Company's 59th Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the Sixtieth Annual General Meeting of BOC PAKISTAN LIMITED will be held at Pearl Continental Hotel, Club Road, Karachi on Wednesday, the 22nd day of April 2009 at 9:30 a.m. to transact the following business:

1. To confirm the Minutes of the 59th Annual General Meeting held on 30 April 2008.

2. To receive and consider the Financial Statements of the Company for the year ended 31 December 2008, and Reports of the Directors and Auditors thereon.

3. To consider and, if thought fit, to authorise the payment of final dividend of Rs 10.00 per ordinary share of Rs 10/= each for the year ended 31 December 2008 as recommended by the Directors of the Company, payable to those Members whose names appear on the Register of Members as at the close of business on 8 April 2009.

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

By Order of the Board

M Ashraf Bawany
Company Secretary

Karachi: 27 February 2009

NOTES:

1. The Share Transfer Books of the Company will be closed from 9 April to 22 April 2009 (both days inclusive).

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

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

4. Members are also requested to immediately send copy of their NTN/CNIC which is required to be furnished in the annual and monthly statements of tax collected or deducted in accordance with the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

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

A. For Attending the Meeting:

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

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

B. For Appointing Proxies:

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

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

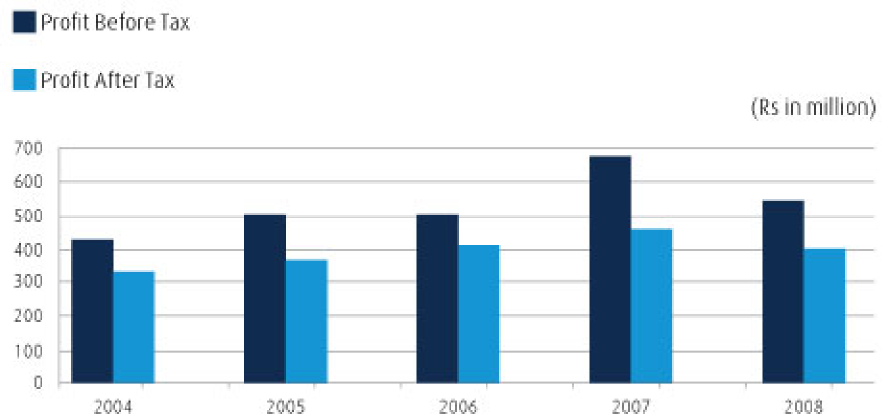
iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

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

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

Year at a Glance

	31 December 2008	31 December 2007
	(Rupees in '000)	
Net sales	2,453,341	2,174,515
Cost of sales	(1,617,694)	(1,240,494)
Gross profit	835,647	934,021
Distribution and marketing expenses	(158,681)	(146,869)
Administrative expenses	(130,094)	(118,702)
Other operating expenses	(54,948)	(58,485)
Other operating income	58,471	75,901
	(285,252)	(248,155)
Operating profit	550,395	685,866
Finance costs	(2,702)	(3,496)
Profit before taxation	547,693	682,370
Taxation	(145,587)	(223,321)
Profit for the year	402,106	459,049
Earnings per share - basic and diluted (Rupees)	16.06	18.33
Number of permanent employees at year end	361	365



Ten Year Financial Review

	1999	2000	2001	2002	2003	2004	2005	15 months ended December 31 2006	2007	2008
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Operating Results										
Net Sales	1,145,908	1,143,164	1,240,331	1,358,961	1,386,235	1,521,649	1,752,399	2,299,531	2,174,515	2,453,341
Gross Profit	535,723	528,543	541,571	609,787	585,113	679,848	735,383	910,212	934,021	835,647
Profit from Operations	429,703	370,256	396,823	407,565	437,480	444,374	518,285	667,598	685,866	550,395
Profit before Taxation	319,710	312,772	355,026	368,904	403,593	429,823	502,159	598,037	682,370	547,693
Taxation	(73,990)	(50,401)	(85,865)	(67,193)	(39,628)	(97,784)	(132,235)	(130,073)	(223,321)	(145,587)
Profit after Taxation	245,720	262,371	269,161	301,711	363,965	332,039	369,924	467,964	459,049	402,106
Dividends	104,328	135,626	239,954	425,658	300,464	325,503	300,464	375,581	325,503	325,503
Capital Employed										
Paid-up Capital	208,656	208,656	208,656	250,387	250,387	250,387	250,387	250,387	250,387	250,387
Revenue Reserves and Unappropriated Profits	808,595	935,340	822,229	510,492	661,628	768,319	812,740	1,094,681	1,175,745	1,257,040
Shareholders' Fund	1,017,251	1,143,996	1,030,885	760,879	912,015	1,018,706	1,063,127	1,345,068	1,426,132	1,507,427
Deferred Liabilities	-	-	254,030	237,159	215,738	245,944	249,857	278,811	277,175	229,124
Long-term Liabilities & Borrowings (net of cash)	362,189	333,519	76,576	183,347	61,969	15,970	(68,937)	(188,117)	(442,534)	(221,477)
	1,379,440	1,477,515	1,361,491	1,181,385	1,189,722	1,280,620	1,244,047	1,435,762	1,260,773	1,515,074
Represented by:										
Non - Current Assets	1,483,153	1,519,456	1,418,263	1,306,711	1,292,781	1,367,864	1,321,234	1,313,880	1,190,726	1,380,166
Working Capital	(103,713)	(41,941)	(56,772)	(125,326)	(103,059)	(87,244)	(77,187)	121,882	70,047	134,908
	1,379,440	1,477,515	1,361,491	1,181,385	1,189,722	1,280,620	1,244,047	1,435,762	1,260,773	1,515,074
Statistics										
Expenditure on Fixed Assets	31,249	159,586	21,131	17,260	109,304	201,122	69,321	89,435	66,561	417,354
Annual Depreciation & Amortisation	114,452	119,980	123,895	125,008	122,496	126,441	138,780	144,801	139,319	148,817
Adjusted Earnings per share-Rupees (Note 1)	9.81	10.48	10.75	12.05	14.54	13.26	14.77	18.69	18.33	16.06
Adjusted Dividend per share-Rupees (Note 1 & 2)	4.17	5.42	9.58	17.00	12.00	13.00	12.00	15.00	13.00	13.00
Dividend Cover : Times (Note 2)	2.36x	1.93x	1.12x	0.71x	1.21x	1.02x	1.23x	1.25x	1.41x	1.24x
Adjusted Net Asset Backing per share - Rupees (Note 1)	40.63	45.69	41.17	30.39	36.42	40.69	42.46	53.72	56.96	60.20
Return on average Shareholders' Fund										
(based on profit after tax)	26.27%	24.28%	24.75%	33.68%	43.51%	34.40%	35.54%	38.86%	33.13%	27.41%
Dividend on average Shareholders' Fund	11.16%	12.55%	22.07%	47.51%	35.92%	33.72%	28.87%	31.19%	23.49%	22.19%
Return on average Capital Employed										
(based on profit before financial charges & tax)	30.41%	25.92%	27.96%	32.06%	36.90%	35.98%	41.06%	45.60%	50.87%	39.66%
Price/Earning Ratio (unadjusted)	7.22	9.78	6.60	9.44	10.39	11.16	10.66	7.55	13.78	7.03
Dividend Yield Ratio	4.90%	4.41%	11.25%	14.95%	7.95%	8.79%	7.62%	10.63%	5.14%	11.52%
Dividend Payout Ratio	42.46%	51.69%	89.15%	141.08%	82.55%	98.03%	81.22%	80.26%	70.91%	80.95%
Fixed Assets/Turnover Ratio	0.78	0.76	0.88	1.05	1.09	1.13	1.37	1.75	1.83	1.78
Debt/Equity Ratio	36:64	27:73	19:81	40:60	23:77	16:84	9:91	1:99	0:100	0:100
Current Ratio	0.73	1.09	0.88	1.43	1.38	0.96	1.21	1.88	2.31	2.01
Interest Cover - Times	3.91x	6.44x	9.49x	10.54x	12.91x	30.54x	32.14x	48.23x	196.19x	203.70x
Debtors Turnover Ratio	14.08	15.88	17.67	19.13	19.07	18.36	16.87	15.92	14.57	17.15
Gross Profit Ratio (as percentage of Turnover)	46.75%	46.24%	43.66%	44.87%	42.21%	44.68%	41.96%	39.58%	42.95%	34.06%
Market Value per Share at year end	85.00	122.95	85.15	113.75	151.00	147.95	157.55	141.15	252.70	112.82

Note 1 Figures restated based on bonus issues.
Note 2 Includes proposed final dividend declared subsequent to the year-end

Business Locations

Registered Head Office	Karachi	P.O. Box 4845, West Wharf Tel : 021-2313361 (9 Lines) Fax : 021-2312968	
North Western Region	Lahore	P.O. Box 205 Shalamar Link Road, Mughalpura Tel : 042-6824091 (4 Lines) Fax : 042-6817573	ASU Plant and Nitrous Oxide Plant
	Multan	Opp. Gultex Limited Vehari Road Tel : 061-6526141 & 6529568 Fax : 061-6529820	Sales Depot
		Adjacent to PFL Khanewal Road Tel : 061-6562201 (2 Lines) Fax : 061-6778401	Carbon Dioxide Plant
	Mehmood Kot	Adjacent to PARCO Mid Country Refinery, Mehmood Kot Qasba Gujrat, Muzaffargarh Tel : 066-2290751 & 2290484-85 Fax : 066-2290752	Nitrogen Plant
	Faisalabad	Altaf Ganj Chowk Near Usman Flour Mills, Jhang Road Tel : 041-2653463 & 2650564	Sales Depot
	Gujranwala	Chowk Pindi By-Pass Climaxabad, G.T. Road Tel : 055-3254720 & 3259115	Sales Depot
	Wah Cantonment	Kabul Road Tel : 051-4545359	Acetylene Plant
	Taxila	Adjacent to HMC No 2 Tel : 051-4560600 : 051-4560701-05 : 051-4560700	ASU Plant
	Hasanabdal	Adjacent to Air Weapon Complex Abbotabad Road Tel : 0572-520017 Ext. 104 : 0572-522428 Ext. 104	Hydrogen Plant
	Peshawar	Jhagra Chowk, G.T. Road Tel : 091-2261573 (2 Lines)	Sales Depot
Southern Region	Karachi	P.O. Box 4845, West Wharf Tel : 021-2313361 (9 Lines) Fax : 021-2312968	Acetylene Plant Nitrous Oxide Plant Electrode Factory Speciality Gases
	Port Qasim	Plot EZ/1/P-5(SP-1), Eastern Zone Tel : 021-4750416 (7 Lines) Fax : 021-4750418	ASU Plant Hydrogen Plant Carbon Dioxide Plant
	Hyderabad	Kh. Gharib Nawaz Road, Near Hyderabad Petroleum, Hali Road Tel : 0223-880930	Sales Depot
	Sukkur	A-15, Airport Road, Near Bhatti Hospital Tel : 071-5630871	Sales Depot

BOCPL Facilities

▲ Sales Offices
Karachi
Hyderabad
Sukkur
Multan
Lahore
Faisalabad
Gujranwala
Taxila
Peshawar

■ Plants
100 TPD ASU Port Qasim
44 TPD ASU Lahore
30 TPD ASU Taxila
60 TPD CO_2 Multan
Electrode, Dissolved
Acetylene & Nitrous Oxide Karachi

● Company Owned Compressing Stations

Directors' Report

The Directors of your Company are pleased to present the Annual Report together with the Company's audited financial statements for the year ended 31 December 2008.

National Economy

The year 2008 was one of the most volatile years for the global as well as for the national economy with challenges involving the financial and stock markets and soaring inflation in food and commodity prices. Despite political turmoil in the previous year, Pakistan's economy continued to perform well in the first half of the year but in the second half it suffered a downturn resulting from energy shortages, deteriorating law and order situation, a sharp decline in rupee – US dollar parity, and weakening demand of consumer products in the wake of the global recession as well as a slowdown in domestic demand. Increase in oil prices and consequent fuel costs further added to the deteriorating economic scenario. However, the Government's recent corrective actions in the area of fiscal consolidation and monetary controls implemented through the central bank, have been successful in arresting the decline. The stabilization measures also include substantial reduction in the overall budget deficit through a mix of expenditure cuts, increase in tax revenue and the gradual elimination of its budgetary borrowings from State Bank of Pakistan. Despite these steps, inflation remains a challenge for the Government. Nevertheless, according to SBP's First Quarterly Report for FY09, the factors which were gripping Pakistan's economy are now beginning to ease as the government moved to address the most immediate risks, and entered into a macroeconomic stabilization programme to support medium-term reforms under the aegis of the IMF.

Company Operations & Performance

In the wake of the economic downturns experienced both locally and internationally, your Company, as would be expected, faced consequent challenges, which primarily included lower demand from the steel, secondary cutting, automobile, bulb industry and beverage sectors, and an increase in the cost of production and distribution, resulting from the increased power costs, interrupted power supply, depreciated rupee and high fuel prices. Your Company was fortunately able to take mitigating action to some extent in the second and third quarter of the year to cover some of these cost escalations but not entirely. However, in spite of all the adverse elements in the economy, your Company's net sales in 2008 have grown by 13% over the previous year.

Operations

All bulk and tonnage plant locations i.e. Port Qasim, Lahore, Multan, Qasba Gujrat, Taxila, Wah, and Hasanabdal operated effectively during the year with a strong focus on safety, quality and performance. ASU product demand remained strong throughout the year with the average plant reliability at 97.5% and average plant (loading) on stream at 89%, though the deteriorating power supply situation resulted in shortages in ASU product availability in the Northern region.

Compressing facilities were also operated at an acceptable level of safety, quality and productivity, and compressed gas demand remained strong throughout the year in the Southern region which compensated for the decline in demand in the North.

Sales

Industrial & Medical Gases

Demand in the industrial sector remained inconsistent due to energy constraints in the country resulting in a decrease in production levels of our customers, in turn having a negative impact on the demand for Industrial Gases. However, the ability to increase prices to some extent in the second and third quarter of the year offset this decline particularly in the Nitrogen and CO_2 businesses. The Nitrogen business was also helped by orders from the chemical and oil & gas sectors. In Health Care, medical gases demand remained consistent while sales revenue grew by 10% over the previous year.

Overall net sales revenue increased by 13%.

Welding & others

Overall net sales revenue grew by 35% over the previous year, supported by an 87% growth in imported electrodes and an increase in prices of local electrodes and calcium carbide.

Profit

With an overall increase in net sales revenue of 13%, your Company delivered a satisfactory performance in 2008 despite the tough economic environment. However, gross profit declined by 11% over the last year mainly due to increase in production and distribution costs as explained earlier, despite a strong control over overheads and operating expenses. As a result, profit before taxation remained at Rs 548 million during the year under review.

The tax charge for the current year has declined compared to the tax charge for the period ended 31 December 2007 and includes net reversal of prior years' provision amounting to Rs 39 million. As a result profit after tax for the year 2008 was Rs 402 million and EPS Rs 16.06 compared to Rs 459 million and Rs 18.33, respectively, for the previous year.

Projects

Your Company made investments in carbon dioxide and nitrous oxide plants during the year. The new 23-ton per day carbon dioxide (CO_2) facility at Port Qasim, which involved an investment of Rs 207 million, has been commissioned in December 2008, and a 40 Kg/hour nitrous oxide (N2O) plant at Lahore involving an investment of about Rs 100 million is expected to commence production in the 3rd Quarter of 2009. It is expected that these investments will profitably augment existing capacity.

Cash Flow Management

The Company gives utmost importance to its positive cash flows and controls its financing and investing activities, accordingly. Principal source of Company financing is cash inflows from operating activities, and cash generated from operations during the year was Rs. 474 million. Additions to property, plant and equipment amounting to Rs 417 million mainly represent investment on projects as stated above and investment in distribution equipment. Despite this outflow, the Company held Rs 334 million in cash and cash equivalents as at 31 December 2008, the astute and careful management of which has resulted in interest earnings of Rs 27 million during the year.

Financial Risk Management

Overall risk exposure associated with the Company's financial assets and liabilities is very limited. The Company believes that it is not exposed to any major concentration of credit risk, exposure to which is managed through application of credit limits to its customers. The Company manages its exposure to financial risks as explained in note 34.2 to the financial statements.

Contribution to National Exchequer

Information with respect to Company's contribution towards the National Exchequer has been provided in the Statement of Value Added appearing in this Report on page 39.

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

There are no greater priorities for BOC Pakistan than the health and safety of its employees, contractors, suppliers, customers and the local communities in which it operates, and the protection of the environment. Year 2008 was a further step forward in achieving our vision "WE DON'T WANT TO HARM PEOPLE OR ENVIRONMENT":

- Employee's loss time injury rate was further reduced from 0.95 (2007) to 0.0 per million hrs worked.
- Efforts and focus on behavioral SHEQ continued, group behavioral safety program (site safe) was rolled out at one more site, and follow up sessions (site safe phase 2) on two sites.
- Significant efforts were put in for the improvement of transport safety, among which included, a Transport Safety Improvement plan, quality investigation reports of MIRs & closure of actions, a transport safety week, and route risk assessments etc.
- Emphasis to measure SHEQ performance continued using proactive measures (leading indicators), in addition to the traditionally reported lagging indicators.
- In pursuit of our care for the environment, environmental impact assessments were carried out at four sites and action plans are in place to improve the Company's environmental performance
- On the quality agenda two sites were ISO 9001 certified.

Human Resources

BOC Pakistan continues to provide a fulfilling, healthy environment where our employees can learn, grow and develop. The Linde Spirit comprising of "Passion to Excel", "Innovating for Customers", "Empowering People" and "Thriving Through Diversity" was rolled out in February 2008. A number of fresh hires were inducted in to the organization and some staff were selected for international assignments.

Training & Development

Training is perceived as an investment in human capital and the Company values it accordingly. During the year 2008, Training & Development activities focused on performance management, team development, competency development, and safety related training activities such as Motivation, Recognition & Reward initiative.

SAP Human Resources

During 2008, SAPHRON (SAP) phase one exercise was initiated with completion expected in 2009. During this exercise the SAP HR was realigned to the new organization structure and will develop capability to provide in-depth information on Human Resources to line managers on their desktops.

Industrial Relations

The working environment and overall industrial relations climate remained cordial at all locations of the Company. The Union and Management continued to work in a cordial environment towards the fulfillment of their respective corporate and social responsibilities. Recreational and motivational activities in the form of Annual Sports, Long Service Award ceremony, etc. helped in improving harmony in the work environment.

Corporate Social Responsibility

We view corporate social responsibility as a strategic, management-driven task for the betterment of society and upliftment of communities. Your Company's social welfare activities are evident from the continued support provided to the two government primary schools adopted in Taxila in 2007. 206 children in these schools, majority of whom belong to a deprived section of our society and usually remain beyond the reach of even primary education due to poor social and economic conditions, benefit from the financial assistance provided by your Company.

In addition to the above, your Company also continues to play its role in the area of Corporate and Social Responsibility and contributions towards various charitable causes in the fields of health, education and special sports were made during the year.

	(Rupees in thousand)
Distribution of Dividends and Appropriation of Profit	
The appropriations approved by the Directors are, therefore, as follows:	
Un-appropriated profit as at 31 December 2007	514,173
Final dividend for the year ended 31 December 2007 at Rs 10.00 per share	(250,387)
Transfer to General Reserve	(263,786)
Net Profit after taxation for the year	402,106
Net Actuarial gain directly recognized in equity	4,692
Disposable profit for appropriation	406,798
Interim dividend at Rs 3.00 per share paid in September 2008	(75,116)
Un-appropriated profit carried forward	331,682
Subsequent Effects	
Proposed final dividend at Rs 10.00 per share	250,387
Transfer to General Reserve	81,295
	331,682
Total dividend per share for the year Rs 13.00	325,503
EPS – for the year 2008 Rs 16.06 (2007: 18.33)	

Post Balance Sheet Events

There has been no significant event since 31 December 2008 to date, except the declaration of final dividend which is subject to the approval of the Members at the 60th Annual General Meeting to be held on 22 April 2009. The effect of such dividend shall be reflected in the next year's financial statements.

Board of Directors

The following changes have taken place in the Board of your Company since the last Annual Report 2007:

Mr Andrew Paton Gardner, a director of the Company representing The BOC Group Limited, resigned from the Board of Directors on 7 April 2008. Mr M Ashraf Bawany, Company Secretary and Director of Finance of the Company, was appointed as director on the Board with effect from 30 April 2008 to fill up the casual vacancy caused by the resignation of Mr Gardner.

The Board wishes to place on record its appreciation for the valuable contributions made by Mr Andrew Paton Gardner during his tenure as director of the Company.

Mr Lee Bon Hian, Head of Cluster Countries - Pakistan, Bangladesh & Emerging Markets of The Linde Group, was appointed as a nominee director of The BOC Group Limited on the Board of BOC Pakistan Limited with effect from 26 August 2008 in place of Mr M Ashraf Bawany, who resigned from the Board on 15 August 2008.

The Board welcomes Mr Lee Bon Hian who brings with him a wealth of experience of the business in the region and looks forward to his valuable contributions to the Board in the development and progress of the business in Pakistan. The Board also wishes to place on record its appreciation of Mr Bawany's contribution to the Board during his tenure.

Holding Company

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

Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Company for the year ending 31 December 2009, at a fee to be mutually agreed.

Corporate and Financial Reporting Framework

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Framework:

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

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

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

d) International Accounting Standards, as applicable in Pakistan, and requirements of Companies Ordinance, 1984 have been followed in preparation of financial statements.

e) The Company maintains sound internal control system which gives reasonable assurance against any material misstatement or loss, and has been effectively implemented and monitored. The internal control system is regularly reviewed, has been formalized by the Board's Audit Committee and is updated as and when needed.

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

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

h) Key operating and financial data of last 10-year in a summarized form is given on page number 28.

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

j) The value of investments in the staff retirement funds as per their respective financial statements is as follows:

	Value (Rs Million)
BOC Pakistan Limited - Staff Provident Fund as of 31 July 2008 (Audited)	206
BOC Pakistan Limited - Pakistan Employees Gratuity Fund as of 31 December 2008 (Un-audited)	97
BOC Pakistan Limited - Management Staff Pension Fund as of 31 December 2008 (Un-audited)	48
BOC Pakistan Limited - Management Staff Defined Contribution Pension Fund as of 31 December 2008 (Un-audited)	65

k) During the year five meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Directors	Number of Board Meetings Attended
1. Mr Munnawar Hamid OBE (Chairman and Non-Executive Director)	05
2. Mr Syed Ayaz Bokhari (Chief Executive Officer)	05
3. Mr Sanaullah Qureshi (Non-Executive Director)	05
4. Mr Towfiq Habib Chinoy (Non-Executive Director)	04
5. Mr Sanjiv Lamba (Non-Executive Director)	03
6. Mr Shamim Ahmad Khan (Non-Executive Director)	05
7. Mr Ashley David Mills (Non-Executive Director)	04
8. Mr Andrew Paton Gardner* (Non-Executive Director)	02
9. Mr M Ashraf Bawany** (Company Secretary and Director of Finance)	01
10. Mr Lee Bon Hian*** (Non-Executive Director)	01

* Resigned on 07 April 2008
** Appointed on 30 April 2008 and resigned on 15 August 2008
***Joined the Board on 26 August 2008

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

l) i) An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which comprises 04 non-executive directors including its Chairman. During the year 4 meetings of the Committee were held. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

ii) In addition, a Remuneration and Appointments Committee of the Board has been in operation since May 2002 as a measure of good governance. It comprises 03 members, all of whom are non-executive directors including the Chairman of the Committee.

m) The pattern of shareholding together with additional information thereon is given on pages 79 - 81.

n) The Directors, CEO, Company Secretary & CFO and their spouses and minor children did not carry out any trade in the shares of the Company.

o) The Board of Directors of the Company in its meeting held on 20 September 2002 adopted the "Statement of Ethics and Business Practices" which appears on page number 11. The statement is regularly circulated within the Company since 2002. The directors and employees are also aware of the "Code of Conduct" which was introduced by the Company's Holding Company, The BOC Group Limited, U.K.

Future Prospects & Challenges

Your Company is fully aware of the ongoing economic recession at the local and international levels as well as other challenges faced by the business. However, it will continue to maintain its focus on timely implementation of its growth initiatives and take proactive measures to mitigate potential risks. Despite tough challenges, your Company, as reported above, continued to make investments during the last year. This is reflective of its growth and investment commitment to the Pakistan market as well as to serve its customers and industry in general in the most effective manner.

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

On behalf of the Board

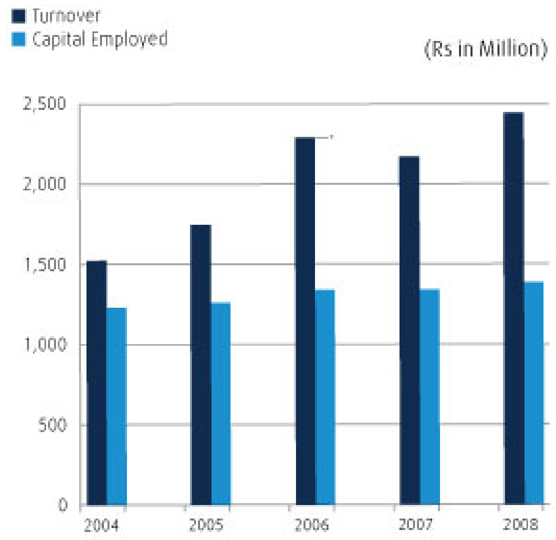
Munnawar Hamid

Munnawar Hamid OBE
Chairman

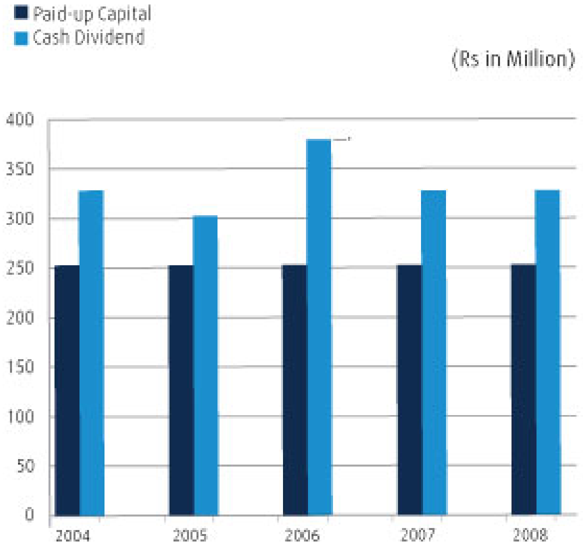
Karachi:
27 February 2009

Key Financial Data

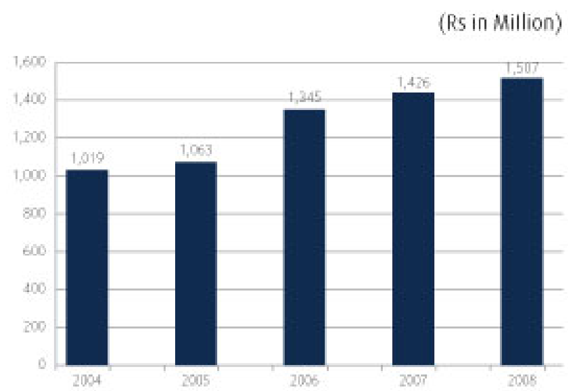
Turnover and Average Capital Employed



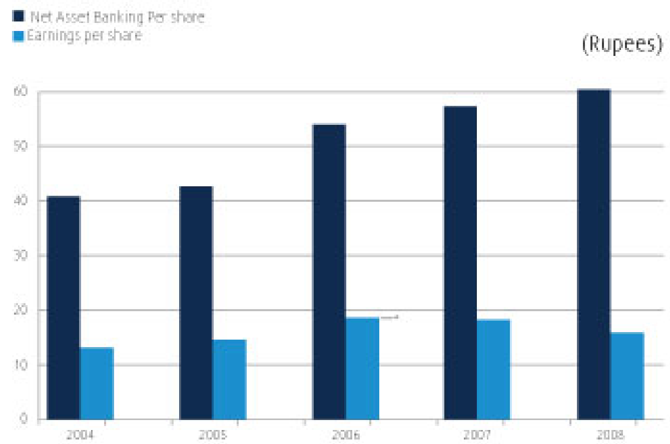
Paid-up Capital and Cash Dividend



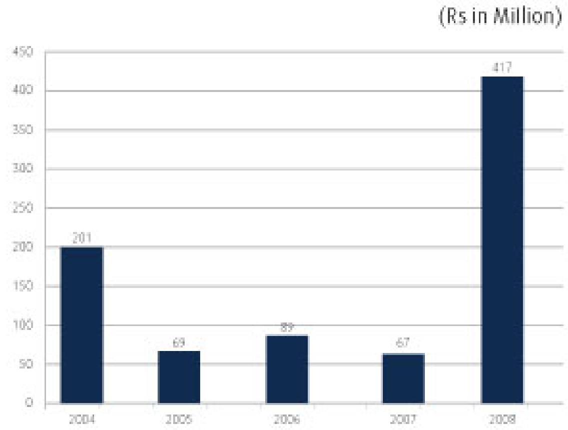
Shareholders' Fund



Break up Value and EPS

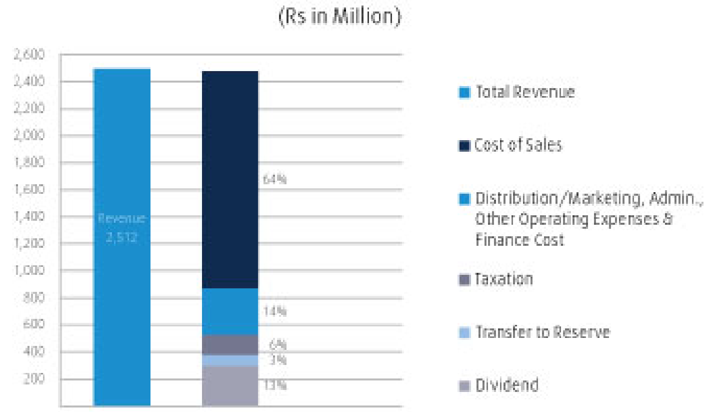


Capital Expenditure



*Represents 15 months period from October 2005 to December 2006

Application of Revenue 2008



Liquid Nitrogen application in a renowned food processing plant in Karachi

Management team at Gaddani Beach where a ship is being cut with BOC gas

Statement of Value Added by BOC Pakistan during 2008

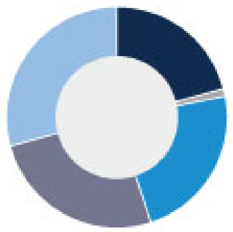
The statement below shows the amount of wealth generated by the Company employees and its assets during the year and the way this wealth has been distributed:

	2008 Rs 000	2007 Rs 000
Wealth Generated		
Total Revenue (net of sales tax)	2,511,812	2,250,416
Bought-in-material & services	(1,438,158)	(1,064,900)
	1,073,654	1,185,516
Wealth Distributed		
To Employees		
Salaries, wages and benefits	275,466	257,726
To Government		
Income Tax on Profit, Workers' Funds, Import Duties (exclusive of capital items) and un-adjustable Sales Tax	244,563	325,926
To Providers of Capital		
Cash Dividends to Shareholders*	325,503	325,503
Finance cost	2,702	3,496
Retained in the Business		
For replacement of fixed assets :		
Depreciation and transfer to general reserves	225,420	272,865
	1,073,654	1,185,516

*Includes proposed final dividend declared subsequent to year end.

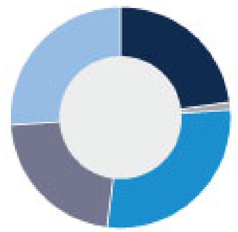
Wealth Generated & Distributed 2008

Net Retention	21%
To Lenders	1%
To Government	23%
To Employees	26%
To Shareholders	29%



Wealth Generated & Distributed 2007

Net Retention	23%
To Lenders	1%
To Government	28%
To Employees	22%
To Shareholders	26%



Statement of Compliance with the Code of Corporate Governance for the year ended 31 December 2008

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes seven non-executive directors out of whom 4 are independent directors including one director representing a financial institution (NITL). The remaining one director is the chief executive.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. No director is a member of a stock exchange.

4. During the year, two casual vacancies occurred in the Board on 7 April and 15 August 2008 and these were filled up within the prescribed period. The Company has filed necessary returns in this regard.

5. The Board of Directors of the Company in its meeting held on 20th September 2002 adopted the "Statement of Ethics and Business Practices" which has been signed by all the directors, managerial, clerical and secretarial staff of the Company. The directors and employees are also aware of the "Code of Conduct" which was introduced by the Company's holding company, The BOC Group Limited, U.K. in the year 2003.

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

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

8. During the year five meetings of the Board were held which were presided over by the Chairman. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. However, an urgent meeting was held during the year for which requirement of seven days prior notice was waived by the directors. The minutes of the meetings were appropriately recorded and circulated in time.

9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company, and as such fully aware of their duties and responsibilities.

10. No new appointments of Company Secretary, CFO and Head of Internal Audit have been made during the year. The Board however has approved their annual remuneration and terms and conditions of employment, as recommended by the Remuneration & Appointments Committee of the Board.

11. The directors' report for the year ended 31 December 2008 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board Audit Committee has been in existence since May 2002. It comprises four members, all of whom are non-executive directors including the Chairman of the Committee.

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

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

20. We confirm that all other material principles contained in the Code have been complied with.

Syed Ayaz Bokhari
Chief Executive

Munnawar Hamid – OBE
Chairman

Karachi:
27 February 2009

KPMG

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

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Fax +92 (21) 568 5095
Internet www.kpmg.com.pk

Review report to the members on statement of compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **BOC Pakistan Limited** ("the Company") to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2008.

KPMG Taseer Hadi & Co.

Date: 27 FEB 2009

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
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Auditors' Report to the Members

We have audited the annexed balance sheet of **BOC Pakistan Limited** ("the Company") as at 31 December 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Date: 27 FEB 2009

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Profit and Loss Account

For the year ended 31 December 2008

	Note	31 December 2008	31 December 2007
		(Rupees in '000)	
Gross sales	4	2,729,628	2,436,068
Trade discount and sales tax	4	(276,287)	(261,553)
Net sales		2,453,341	2,174,515
Cost of sales	5	(1,617,694)	(1,240,494)
Gross profit		835,647	934,021
Distribution and marketing expenses	6	(158,681)	(146,869)
Administrative expenses	7	(130,094)	(118,702)
Other operating expenses	8	(54,948)	(58,485)
Other operating income	9	58,471	75,901
Operating profit		550,395	685,866
Finance costs	10	(2,702)	(3,496)
Profit before taxation		547,693	682,370
Taxation	11	(145,587)	(223,321)
Profit for the year		402,106	459,049
		(Rupees)	
Earnings per share - basic and diluted	12	16.06	18.33

The annexed notes 1 to 41 form an integral part of these financial statements.

Syed Ayaz Bokhari
Chief Executive

Munnawar Hamid OBE
Chairman

Balance Sheet

As at 31 December 2008

	Note	31 December 2008	31 December 2007
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,128,372	861,190
Net investment in finance lease	14	239,988	317,667
Long term loans	15	1,168	1,903
Long term deposits and prepayments		10,638	9,966
		1,380,166	1,190,726
Current assets			
Stores and spares	16	83,712	127,782
Stock-in-trade	17	246,276	156,364
Current maturity of net investment in finance lease	14	59,022	59,302
Trade debts	18	157,555	128,531
Loans and advances	19	11,625	9,494
Deposits and prepayments	20	15,090	12,078
Other receivables	21	24,376	47,820
Cash and bank balances	22	334,478	546,915
		932,134	1,088,286
		2,312,300	2,279,012
EQUITY AND LIABILITIES			
Share capital	23	250,387	250,387
Revenue reserves			
General reserve		925,358	661,572
Unappropriated profit		331,682	514,173
		1,257,040	1,175,745
		1,507,427	1,426,132
Non-current liabilities			
Long term deposits	24	113,001	104,381
Deferred liabilities	25	229,124	277,175
		342,125	381,556
Current liabilities			
Trade and other payables	27	390,431	363,338
Provisions	28	28,638	40,572
Provision for taxation - net		43,679	67,414
		462,748	471,324
		2,312,300	2,279,012
Contingencies and commitments	29		

The annexed notes 1 to 41 form an integral part of these financial statements.

Syed Ayaz Bokhari
Chief Executive

Munnawar Hamid OBE
Chairman

Cash Flow Statement

For the year ended 31 December 2008

	Note	31 December 2008	31 December 2007
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	610,664	881,023
Restructuring cost paid		-	(50,759)
Finance costs paid		(2,843)	(4,364)
Income tax paid		(189,423)	(224,173)
Post retirement medical benefits paid - net		(30,564)	(334)
Long term loans, deposits and prepayments		63	(407)
Long term deposits		8,620	9,243
Net investment in finance lease		77,679	49,893
Net cash from operating activities		474,196	660,122
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(417,354)	(66,561)
Proceeds from disposal of operating assets		5,850	7,567
Interest received on balances with banks		36,615	18,815
Interest received on investment in finance lease		15,062	17,437
Income received from loan to pension fund		-	1,059
Net cash used in investing activities		(359,827)	(21,683)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finance		-	(15,000)
Dividends paid		(326,806)	(374,779)
Net cash used in financing activities		(326,806)	(389,779)
Net (decrease) / increase in cash and cash equivalents		(212,437)	248,660
Cash and cash equivalents at beginning of the year		546,915	298,255
Cash and cash equivalents at end of the year	31	334,478	546,915

The annexed notes 1 to 41 form an integral part of these financial statements.

Syed Ayaz Bokhari
Chief Executive

Munnawar Hamid OBE
Chairman

Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital: Issued, subscribed and paid-up capital	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees in '000)			
Balance as at 31 December 2006	250,387	587,392	507,289	1,345,068
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)	-
Total recognised income and expense for the year	-	-	456,645	456,645
Interim dividend for the year ended 31 December 2007 - Rs. 3 per share	-	-	(75,116)	(75,116)
Balance as at 31 December 2007	250,387	661,572	514,173	1,426,132
Final dividend for the year ended 31 December 2007 - Rs. 10 per share	-	-	(250,387)	(250,387)
Transfer to general reserve	-	263,786	(263,786)	-
Total recognised income and expense for the year	-	-	406,798	406,798
Interim dividend for the year ended 31 December 2008 - Rs. 3 per share	-	-	(75,116)	(75,116)
Balance as at 31 December 2008	250,387	925,358	331,682	1,507,427

	31 December 2008	31 December 2007
	(Rupees in '000)	
Statement of recognised income and expenses		
Profit for the year	402,106	459,049
Actuarial gain / (loss) recognised - net of tax	4,692	(2,404)
Total recognised income and expense for the year	406,798	456,645

The annexed notes 1 to 41 form an integral part of these financial statements.

Syed Ayaz Bokhari
Chief Executive

Munnawar Hamid OBE
Chairman

Notes to the Financial Statements

For the year ended 31 December 2008

1. LEGAL STATUS AND OPERATIONS

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, except that derivative financial instruments are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent years are disclosed in note 38 to these financial statements.

2.5 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 January 2009. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

- Revised IAS 1 - Presentation of financial statements
- Revised IAS 23 - Borrowing costs
- IAS 29 – Financial Reporting in Hyperinflationary Economies
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Revised IFRS 3 Business Combinations
- Amended IAS 27 Consolidated and Separate Financial Statements
- IFRS 7 – Financial Instruments: Disclosures
- IFRS 8 – Operating Segments
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15- Agreement for the Construction of Real Estate
- IFRIC 16- Hedge of Net Investment in a Foreign Operation
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items
- IFRIC – 17 Distributions of Non-cash Assets to Owners
- IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations'
- IAS 36 (Amendment), 'Impairment of assets'
- IAS 38 (Amendment), 'Intangible assets'
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows')
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendment to IAS 32 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures')
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendment to IAS 32 and IFRS 7)
- IAS 40 (Amendment), 'Investment property' (and consequential amendment to IAS 16)
- IAS 41 (Amendment), 'Agriculture'

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land which is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Subsequent costs

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

Depreciation

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Depreciation of an asset is charged when it is available for use till the date of disposal or otherwise till the expiry of its useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on disposal

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

Capital work in progress

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

3.2 Embedded finance lease

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

3.3 Intangible assets

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

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

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

3.4 Impairment

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

3.5 Stores and spares

Stores and spares, except items in transit, are valued at moving average cost. Cost comprises invoice value and other direct costs. Provision is made for slow moving and obsolete items wherever necessary and is recognised in the profit and loss account.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

3.6 Stock-in-trade

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

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

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

3.7 Trade debts and other receivables

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

3.8 Cash and cash equivalents

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

3.9 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given or received as appropriate. These financial assets and liabilities are subsequently measured at fair value or amortised cost as the case may be. The company derecognises the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.10 Share capital

Ordinary shares are classified as equity.

3.11 Staff retirement benefits

Defined benefit plans

The Company operates:

i) 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;

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

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

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

The present value of the defined benefit obligation under the scheme as at 31 December 2008 aggregates to Rs. 5,703 thousand (2007: Rs. 35,841 thousand), of which Rs. Nil (2007: Rs. 17,626 thousand) relates to active employees and the balance to retirees who opted to continue with the scheme for which equivalent amount of book reserve existed at the balance sheet date.

The latest valuations of the above schemes were carried out as of 31 December 2008, using the "Projected Unit Credit Method".

Actuarial gains / losses are recognised in the statement of recognised income and expense in the period of occurrence.

Defined contribution plans

The Company operates:

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

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

3.12 Compensated absences

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

3.13 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

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

Deferred

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

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

3.14 Trade and other payables

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

3.15 Provisions

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

3.16 Offsetting of financial assets and liabilities

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

3.17 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account. Unexecuted forward exchange contracts are valued at their estimated fair value on the balance sheet date.

3.18 Revenue recognition

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

i) Revenue from sale of goods is measured net of sales tax, returns, trade discounts and volume rebates, and is recognised when significant risks and rewards of ownership are transferred to the buyer, that is, when deliveries are made and recovery of the consideration is probable.

ii) Rental and other service income is recognised in profit and loss account on accrual basis.

iii) Return on bank deposits is recognised on time proportion basis at effective rate of return.

3.19 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.

3.20 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing related products or services (business segment), or in providing goods or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Company's format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure.

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

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

3.21 Dividend and appropriation to reserves

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

4. SEGMENT INFORMATION

The Company's primary format for segment reporting is based on the following business segments.

Industrial and Medical Gases

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

Welding and Others

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

4.1 Segment results are as follows:

	31 December 2008			31 December 2007		
	Industrial and Medical gases	Welding and others	Total	Industrial and Medical gases	Welding and others	Total
	(Rupees in '000)					
Gross sales	2,138,278	591,350	2,729,628	2,001,497	434,571	2,436,068
Less:						
Trade discount	1,899	-	1,899	3,232	-	3,232
Sales tax	201,011	73,377	274,388	206,277	52,044	258,321
	202,910	73,377	276,287	209,509	52,044	261,553
Net sales	1,935,368	517,973	2,453,341	1,791,988	382,527	2,174,515
Less:						
Cost of sales	1,128,171	489,523	1,617,694	897,211	343,283	1,240,494
Distribution and marketing expenses	153,283	5,398	158,681	141,176	5,693	146,869
Administrative expenses	125,668	4,426	130,094	113,922	4,780	118,702
	1,407,122	499,347	1,906,469	1,152,309	353,756	1,506,065
Segment result	528,246	18,626	546,872	639,679	28,771	668,450
Unallocated corporate expenses						
- Other operating expenses			(54,948)			(58,485)
- Other operating income			58,471			75,901
			3,523			17,416
Operating profit			550,395			685,866
Finance costs			(2,702)			(3,496)
Income tax			(145,587)			(223,321)
Profit for the year			402,106			459,049

4.2 Transfers between business segments are recorded at cost. There were no inter segment transfers during the year.

4.3 The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	31 December 2008			31 December 2007		
	Industrial and Medical gases	Welding & others	Total	Industrial and Medical gases	Welding & others	Total
	(Rupees in '000)					
- Segment assets	1,697,627	217,298	1,914,925	1,514,115	136,721	1,650,836
Unallocated assets			397,375			628,176
Total assets			2,312,300			2,279,012
- Segment liabilities	214,773	10,871	225,644	185,181	13,111	198,292
Unallocated liabilities			579,229			654,588
Total liabilities			804,873			852,880
- Capital expenditure	416,681	673	417,354	66,561	-	66,561

5. COST OF SALES

		31 December 2008	31 December 2007
		(Rupees in '000)	
Raw materials consumed		276,652	234,311
Salaries, allowances and other benefits	5.1	154,051	143,633
Staff training, development and other expenses		1,074	654
Fuel and power		359,138	296,802
Depreciation		137,860	130,032
Repairs and maintenance		38,609	32,224
Consumable spares		67,209	23,654
Transportation expenses		113,671	93,955
Traveling and conveyance		16,010	12,796
Insurance		13,830	14,006
Liquidated damages		12,629	5,400
Rent, rates and taxes		3,505	1,757
Safety and security expenses		8,389	5,666
Other expenses		3,130	3,419
Cost of goods manufactured		1,205,757	998,309
Opening stock of finished goods		109,323	73,887
Purchase of finished goods		482,916	277,240
Write down of finished goods to net realisable value		28,809	381
Closing stock of finished goods		(209,111)	(109,323)
		1,617,694	1,240,494

5.1 Salaries, allowances and other benefits include Rs. 7,251 thousand (2007: Rs. 6,878 thousand) in respect of staff retirement benefits.

6. DISTRIBUTION AND MARKETING EXPENSES

	Note	31 December 2008	31 December 2007
		(Rupees in '000)	
Salaries, allowances and other benefits	6.1	85,627	90,124
Technical assistance fee		26,795	27,034
Depreciation		3,409	2,941
Staff training, development and other expenses		1,854	789
Rent, rates and taxes		1,958	2,006
Repairs and maintenance		5,411	2,977
Traveling and conveyance		17,632	15,168
Safety and security expenses		2,299	1,606
Insurance		357	1,806
Provision / (reversal of provision) for doubtful debts		4,695	(4,760)
Communications and stationery		5,101	4,599
Advertising and sales promotion		243	371
Other expenses		3,300	2,208
		158,681	146,869

6.1 Salaries, allowances and other benefits include Rs.6,432 thousand (2007: Rs. 10,210 thousand) in respect of staff retirement benefits.

7. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	7.1	69,389	64,694
Directors' fee and remuneration		2,695	1,983
Staff training, development and other expenses		3,363	1,421
Depreciation		7,548	6,346
Repairs and maintenance		10,982	14,899
Traveling and conveyance		18,097	11,411
Insurance		1,389	2,207
Rent, rates and taxes		439	409
Safety and security expenses		3,239	2,586
Communications and stationery		8,526	8,660
Other expenses		4,427	4,086
		130,094	118,702

7.1 Salaries, allowances and other benefits include Rs. 5,624 thousand (2007: Rs. 6,024 thousand) in respect of staff retirement benefits.

8. OTHER OPERATING EXPENSES

Workers' profits participation fund		29,494	37,118
Workers' welfare fund		11,204	14,036
Legal and professional charges		4,933	4,718
Auditors' remuneration	8.1	1,425	1,384
Exchange loss - net		6,483	-
Donations	8.2	690	465
Others		719	764
		54,948	58,485

8.1 Auditors' remuneration	31 December 2008	31 December 2007
	(Rupees in '000)	
Audit fee	700	600
Audit of provident, gratuity, pension and workers' profits participation fund and fee for special certifications and sundry advisory services	437	368
Fee for review of half yearly financial statements	220	185
Out-of-pocket expenses	68	231
	1,425	1,384

8.2 Donations include Rs. 160 thousand (2007: Rs. 160 thousand) to Pakistan Centre for Philanthropy, Islamabad. One of the Company's director, Mr. M. Towfiq H. Chinoy, is also a director of the Pakistan Center for Philanthropy.

9. OTHER OPERATING INCOME

Mark-up income on:		
- savings accounts	577	1,063
- deposit accounts	26,277	28,777
- loan to pension fund	-	178
Income on investment in finance lease	15,062	17,437
Exchange gain - net	-	10,449
Gain on disposal of property, plant and equipment	4,495	7,421
Insurance commission	969	579
Liabilities no more payable written back	9,345	9,005
Others	1,746	992
	58,471	75,901

10. FINANCE COSTS

Mark-up on:		
- long term finance	-	121
- short term running finances	703	253
Interest on workers' profits participation fund	207	1,703
Bank charges	1,184	1,202
Guarantee commission and service charges	608	217
	2,702	3,496

11. TAXATION

Current		
- for the year	204,537	237,587
- for prior years	(38,849)	(12,231)
Deferred	(20,101)	(2,035)
	145,587	223,321

11.1 Relationship between tax expense and accounting profit

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

	31 December 2008	31 December 2007
	(Rupees in '000)	
Profit before taxation	547,693	682,370
Tax at the applicable tax rate of 35% (2007: 35%)	191,693	238,830
Tax effect of non-deductible expenses	3,740	372
Effect of tax under final tax regime	(10,997)	(11,710)
Effect of prior years (reversal) - net	(38,849)	(4,171)
Tax expense for the year	145,587	223,321

11.2 Income tax assessments of the Company have been finalised upto and including assessment year 2002-2003 under the provisions of Income Tax Ordinance 1979 (The repealed ordinance). Income tax returns filed for subsequent years / periods upto tax year 2007 by the Company are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, income tax return filed for tax year 2008 has been selected for audit under section 177 of the Income Tax Ordinance 2001.

12. EARNINGS PER SHARE – basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

There is no dilutive effect on the basic earnings per share of the Company.

	2008	2007
Profit for the year	402,106	459,049
	(Number in '000)	
Weighted average number of ordinary shares	25,039	25,039
	(Rupees)	
Earnings per share - basic and diluted	16.06	18.33

13. PROPERTY, PLANT AND EQUIPMENT

		31 December 2008	31 December 2007
		(Rupees in '000)	
Operating assets	13.1	1,029,650	836,890
Capital work-in-progress	13.5	98,722	24,300
		1,128,372	861,190

13.1 Operating assets

	Note	Freehold Land	Leasehold Land	Buildings on freehold land	Buildings on leasehold land	Buildings on customers' land	Plant and machinery	Vehicles	Furniture and fittings	Office equipments	Total
		(Rupees in'000)									
As at 1 January 2007:											
- Cost		351	10,526	9,376	42,568	18,438	1,762,433	48,115	11,590	41,451	1,944,848
- Accumulated depreciation		-	(2,176)	(6,380)	(21,098)	(5,731)	(908,046)	(29,490)	(10,910)	(27,092)	(1,010,923)
- Net book value		351	8,350	2,996	21,470	12,707	854,387	18,625	680	14,359	933,925
Additions including transfers		-	-	-	-	-	35,865	4,653	-	2,676	43,194
Disposals:											
Cost		-	-	-	-	-	(8,584)	(2,604)	(23)	(184)	(11,395)
Accumulated depreciation		-	-	-	-	-	8,584	2,536	23	106	11,249
		-	-	-	-	-	-	(68)	-	(78)	(146)
Write offs:											
Cost		-	-	(35)	(3,021)	-	-	-	-	-	(3,056)
Accumulated depreciation		-	-	35	2,257	-	-	-	-	-	2,292
		-	-	-	(764)	-	-	-	-	-	(764)
Depreciation charge		-	(857)	(303)	(2,238)	(444)	(123,347)	(5,503)	(226)	(6,401)	(139,319)
Net book value as at 31 December 2007		351	7,493	2,693	18,468	12,263	766,905	17,707	454	10,556	836,890
Additions including transfers	13.5	-	-	-	10,500	1,202	307,986	13,011	3,567	6,666	342,932
Disposals:	13.2										
Cost		-	-	-	-	-	(120)	(5,422)	(184)	(4,453)	(10,179)
Accumulated depreciation		-	-	-	-	-	119	4,255	180	4,270	8,824
		-	-	-	-	-	(1)	(1,167)	(4)	(183)	(1,355)
Depreciation / impairment	13.3 & 13.4	-	(857)	(303)	(1,309)	(1,338)	(130,792)	(7,132)	(395)	(6,691)	(148,817)
Net book value as at 31 December 2008		351	6,636	2,390	27,659	12,127	944,098	22,419	3,622	10,348	1,029,650
As at 31 December 2007:											
- Cost		351	10,526	9,341	39,547	18,438	1,789,714	50,164	11,567	43,943	1,973,591
- Accumulated depreciation		-	(3,033)	(6,648)	(21,079)	(6,175)	(1,022,809)	(32,457)	(11,113)	(33,387)	(1,136,701)
- Net book value		351	7,493	2,693	18,468	12,263	766,905	17,707	454	10,556	836,890
Annual rate of depreciation (%)		-	5	2.5 to 5	2.5 to 5	2.5 to 5	5 to 10	7 to 25	10	10 to 33.33	
As at 31 December 2008:											
- Cost		351	10,526	9,341	50,047	19,640	2,097,580	57,753	14,950	46,156	2,306,344
- Accumulated depreciation		-	(3,890)	(6,951)	(22,388)	(7,513)	(1,153,482)	(35,334)	(11,328)	(35,808)	(1,276,694)
- Net book value		351	6,636	2,390	27,659	12,127	944,098	22,419	3,622	10,348	1,029,650
Annual rate of depreciation (%)		-	5	2.5 to 5	2.5 to 5	2.5 to 5	5 to 10	7 to 25	10	10 to 33.33	

As at 31 December 2008, plant and machinery included cylinders and Vaccum Insulated Equipments held by third parties, having cost and net book values as follows:

	Cost 2008	Cost 2007	Net book value 2008	Net book value 2007
	(Rupees in '000)			
Cylinders	53,030	39,415	18,463	9,637
Vacuum Insulated Equipment	244,156	201,543	139,288	111,693
	297,186	240,958	157,751	121,330

13.2 The details of operating assets disposed off during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of purchasers
	(Rupees in '000)					
Computer hardware	85	17	68	67	Insurance claim	IGI Insurance
Vehicles	620	193	427	310	As per company	Maj. (R) Hidayatullah
	1,288	549	739	644	policy	Mr. S. A. Hadi
	1,908	742	1,166	954		
Book value upto Rs. 50,000 each	8,186	8,065	121	4,829	Quotations	Various
	10,179	8,824	1,355	5,850		

13.3 Depreciation / impairment has been allocated as follows:

	31 December 2008	31 December 2007
	(Rupees in '000)	
Cost of sales	137,860	130,032
Distribution and marketing expenses	3,409	2,941
Administrative expenses	7,548	6,346
	148,817	139,319

13.4 Operating assets having a net book value of Rs. 3,446 thousand as at 31 December 2008 and having an estimated scrap value of Rs. 350 thousand, have been impaired owing to the obsolescence and physical condition of the respective assets.

13.5 Capital work-in-progress

	Note	Plant and machinery	Vehicles	Furniture, fittings and office equipments	Total
		---------------- (Rupees in '000)			--------------
As at 1 January 2007		422	-	511	933
Additions during the year		48,236	12,564	5,761	66,561
Transfers during the year		(35,865)	(4,653)	(2,676)	(43,194)
As at 31 December 2007		12,793	7,911	3,596	24,300
Additions during the year	13.5.1	400,207	7,425	9,722	417,354
Transfers during the year	13.5.1	(319,688)	(13,011)	(10,233)	(342,932)
As at 31 December 2008		93,312	2,325	3,085	98,722

13.5.1 This includes capital expenditure amounting to Rs. 207,365 thousand on account of capitalization of a 23 Tons Per Day (TPD) Carbon Dioxide (CO_2) plant at Port Qasim.

14. NET INVESTMENT IN FINANCE LEASE

	31 December 2008		
	Minimum lease payments	Finance income for future periods	Principal outstanding
	---------------(Rupees in '000)		--------------
Not later than one year	71,556	12,534	59,022
Later than one year and not later than five years	259,514	22,907	236,607
Later than five years	3,416	35	3,381
	262,930	22,942	239,988
	334,486	35,476	299,010

	31 December 2007		
	Minimum lease payments	Finance income for future periods	Principal outstanding
	---------------(Rupees in '000)		--------------
Not later than one year	74,365	15,063	59,302
Later than one year and not later than five years	311,181	33,290	277,891
Later than five years	41,962	2,186	39,776
	353,143	35,476	317,667
	427,508	50,539	376,969

15. LONG TERM LOANS - secured, considered good

	Note	31 December 2008	31 December 2007
		(Rupees in '000)	
Loans to employees	15.1	5,780	6,555
Recoverable within one year shown under current assets	19	(4,612)	(4,652)
		1,168	1,903

15.1 Reconciliation of the carrying amount of loans

	31 December 2008		31 December 2007			
	Other Employees	Total	Executives	Other Employees	Pension Fund	Total
	(Rupees in '000)					
Balance at beginning of the year	6,555	6,555	350	6,241	15,000	21,591
Disbursements	6,646	6,646	-	7,716	-	7,716
Repayments	(7,421)	(7,421)	(350)	(7,402)	(15,000)	(22,752)
Balance at end of the year	5,780	5,780	-	6,555	-	6,555

15.2 These include interest free transport loans and Company loans given to employees in accordance with the terms of employment. These loans are secured against retirement benefits of the employees.

16. STORES AND SPARES

	31 December 2008	31 December 2007
	(Rupees in '000)	
Stores	2,384	1,957
Spares	140,206	138,214
In transit	1,030	9,399
	143,620	149,570
Provision against slow moving stores and spares	(59,908)	(21,788)
	83,712	127,782

16.1 With effect from 01 January 2008, the management has revised the estimate of provision for slow moving stores and spares so as to bring it in line with the Group policy.

The above change has been accounted for as a change in accounting estimate in accordance with International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors" and the effect of change has been recognized in the profit and loss account of the current year.

Had there been no change in accounting estimate the profit before taxation for the year would have been higher by Rs. 32,871 thousand with corresponding effect on the net book value of stores and spares as at 31 December 2008.

17. STOCK-IN-TRADE

	31 December 2008	31 December 2007
	(Rupees in '000)	
Raw and packing materials	28,140	41,268
In transit	9,025	5,773
	37,165	47,041
Finished goods		
- in hand	109,711	99,709
- bonded warehouse	89,514	-
- in transit	9,886	9,614
	209,111	109,323
	246,276	156,364

17.1 The cost of raw and packing materials and finished goods has been adjusted to net realisable value by Rs. 39,830 thousand (2007: Rs. 6,319 thousand).

17.2 Raw material and finished goods include inventories with a value of Rs. 6,345 thousand (2007: Nil) which are held by a third party.

18. TRADE DEBTS - unsecured

	Note	2008	2007
Considered good	18.1	157,555	128,531
Considered doubtful		11,521	7,621
		169,076	136,152
Provision for doubtful debts		(11,521)	(7,621)
		157,555	128,531

18.1 These include balances due from related parties amounting to Rs. 1,633 thousand (2007: Rs. 252 thousand).

19. LOANS AND ADVANCES - considered good

	Note	2008	2007
Loans to employees - secured	15	4,612	4,652
Advances			
- employees		590	877
- suppliers		6,423	3,965
		7,013	4,842
		11,625	9,494

20. DEPOSITS AND PREPAYMENTS

	31 December 2008	31 December 2007
	(Rupees in '000)	
Security deposits	1,767	4,880
Other deposits	12,660	6,252
Prepayments	663	946
	15,090	12,078

21. OTHER RECEIVABLES

Mark-up income accrued on savings and deposit accounts	3,614	13,375
Sales tax refundable	3,757	-
Receivable from related parties	2,260	1,141
Receivable from staff retirement benefit funds	12,932	28,918
Others	1,813	4,386
	24,376	47,820

22. CASH AND BANK BALANCES

Cash in hand	1,718	1,632
Cash with banks:		
- current and savings accounts	112,760	170,283
- deposit accounts	220,000	375,000
	334,478	546,915

23. SHARE CAPITAL

Authorised capital:

31 December 2008	31 December 2007			
(Number of shares)				
40,000,000	40,000,000	Ordinary shares of Rs. 10 each	400,000	400,000

Issued, subscribed and paid-up capital:

452,955	452,955	Ordinary shares of Rs. 10 each fully paid in cash	4,530	4,530
672,045	672,045	Ordinary shares of Rs. 10 each issued for consideration other than cash	6,720	6,720
23,913,720	23,913,720	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	239,137	239,137
25,038,720	25,038,720		250,387	250,387

At 31 December 2008 and 2007, The BOC Group Limited (formerly BOC Group plc) - U.K., held 15,023,232 ordinary shares of Rs. 10 each of the Company, whose parent company is Linde AG, Germany.

24. LONG TERM DEPOSITS

	31 December 2008	31 December 2007
	(Rupees in '000)	
Cylinders	103,121	94,501
Others	9,880	9,880
	113,001	104,381

These deposits are non-interest bearing and refundable to customers on return of cylinders, and for others upon cancellation of arrangements.

25. DEFERRED LIABILITIES

	Note	2008	2007
Deferred taxation	25.1	223,421	241,334
Post retirement medical benefits	32.1	5,703	35,841
		229,124	277,175

25.1 Deferred taxation

	2008	2007
Taxable temporary differences:		
- accelerated depreciation allowance	160,690	137,155
- net investment in finance lease	104,654	131,939
- actuarial gain on pension fund	9,923	9,236
- actuarial gain on post retirement medical benefits	786	600
Deductible temporary differences:		
- slow moving stores and spares and stock-in-trade	(34,908)	(9,837)
- post retirement medical benefits	(1,996)	(13,144)
- actuarial loss on gratuity	(2,322)	(3,977)
- restructuring cost	(328)	(377)
- doubtful receivables and other provisions	(13,078)	(10,261)
	223,421	241,334

26. SHORT TERM BORROWINGS - secured

The Company has arranged short-term running finance facilities from certain banks. The overall facility for these running finances under mark up arrangements amounts to Rs.185,000 thousand (2007 : Rs.185,000 thousand). The rate of mark-up in the running finance facilities ranges between 10.5% to 16.45%. The arrangements are secured by way of first pari passu charge against hypothecation of Company's stock-in-trade and trade debts.

The facilities for opening letters of credit and issuing guarantees as at 31 December 2008 amounted to Rs. 360,000 thousand (2007: Rs. 160,000 thousand) of which the amount remaining unutilised as at the year end was Rs.179,677 thousand (2007: Rs. 52,007 thousand).

27. TRADE AND OTHER PAYABLES

	Note	31 December 2008	31 December 2007
		(Rupees in '000)	
Creditors	27.1	112,643	52,901
Accrued liabilities	27.2	228,366	195,900
Advances from customers	27.3	12,836	17,315
Payable to staff gratuity fund	32.2	-	11,863
Sales tax payable		-	8,329
Workers' profits participation fund	27.4	-	38,821
Workers' welfare fund		17,239	18,609
Unclaimed dividends		15,697	17,000
Others		3,650	2,600
		390,431	363,338

27.1 These include balances due to related parties amounting to Rs. 12,490 thousand (2007: Rs.108 thousand).

27.2 Includes balance due to parent company amounting to Rs. 52,647 thousand (2007: Rs. 48,908 thousand).

27.3 These include amounts due to the related parties amounting to Rs. 15 thousand (2007: Rs. 26 thousand).

27.4 The liability for Workers' Profit Participation Fund has been settled in full on the balance sheet date.

28. PROVISIONS

	Sales tax (note 28.1)	Vendor / contractor claims (note 28.1)	Restructuring cost	Total
	(Rupees in '000)			
Opening balance	22,105	17,389	1,078	40,572
Additions during the year	577	1,623	-	2,200
	22,682	19,012	1,078	42,772
Payments / transfer	(10,651)	(207)	(142)	(11,000)
Reversals	(3,134)	-	-	(3,134)
	(13,785)	(207)	(142)	(14,134)
	8,897	18,805	936	28,638

28.1 These represent provisions for sales tax and claims by vendor / contractor against the Company, the outcome of these claims is not likely to give rise to any significant loss beyond that provided for.

29. CONTINGENCIES AND COMMITMENTS

Contingencies

29.1 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 from April 2002 to February 2004, amounting to Rs. 14,278 thousand 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 Judgement which was also dismissed vide its judgement dated 22 March 2007. Subsequently, the department has filed a Civil Review Petition against the said judgement 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.

29.2 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 31 December 2008 amounted to Rs. 26,845 thousand (2007: Rs. 25,155 thousand).

29.3 Claims against the Company not acknowledged as debt amounted to Rs. 20,000 thousand (2007 : Rs. 23,838 thousand) as the management is confident that ultimately these claims would not be payable.

Commitments

29.4 The Company has guaranteed repayment of loans given by a bank to certain members of the Company's staff. The amount of such loans outstanding as at 31 December 2008 amounted to Rs.3,309 thousand (2007: Rs. 991 thousand).

29.5 Capital commitments outstanding as at 31 December 2008 amounted to Nil (2007: Rs. 28,566 thousand).

30. CASH GENERATED FROM OPERATIONS

	Note	31 December 2008	31 December 2007
		(Rupees in '000)	
Profit before taxation		547,693	682,370
Adjustments for:			
Depreciation charge / Impairment		148,817	139,319
Gain on disposal of property, plant and equipment		(4,495)	(7,421)
Operating assets written off		-	764
Mark-up income from savings account		(577)	(1,063)
Mark-up income from deposit accounts		(26,277)	(28,777)
Income on investment on finance lease		(15,062)	(17,437)
Mark-up income from loan to staff pension fund		-	(178)
Finance costs		2,702	3,496
Post retirement medical benefits		899	3,926
Provision / (reversal of provision) for:			
- Sales tax		(2,557)	1,338
- Vendor / contractor claims		1,623	1,251
Working capital changes	30.1	(42,102)	103,435
		610,664	881,023

30.1 Working capital changes

	31 December 2008	31 December 2007
(Increase)/decrease in current assets:		
Stores and spares	44,070	(17,227)
Stock-in-trade	(89,912)	(14,232)
Net investment in finance lease	280	(5,080)
Trade debts	(29,024)	41,364
Loans and advances	(2,131)	14,085
Deposits and prepayments	(3,012)	16,190
Other receivables	20,373	(2,951)
	(59,356)	32,149
Increase/(decrease) in current liabilities:		
Trade and other payables	17,254	71,286
	(42,102)	103,435

31. CASH AND CASH EQUIVALENTS

	Note	31 December 2008	31 December 2007
Cash and bank balances	22	334,478	546,915

32. STAFF RETIREMENT BENEFITS

The actuarial valuation of pension, gratuity and medical benefit schemes was carried out at 31 December 2008. The projected unit credit method using the following significant assumptions, has been used for the actuarial valuation:

	Pension Fund	Gratuity Fund	Medical Scheme
Rate of discount	15% p.a.	15% p.a.	15% p.a.
Expected rate of return on investments	15% p.a.	15% p.a.	-
Expected rate of increase in post retirement benefits	13% p.a.	-	-
Expected rate of increase in future salaries	-	15% p.a.	-
Medical cost escalation rate	-	-	12% p.a.

32.1 The amounts recognised in balance sheet are as follows:

	31 December 2008			
	Pension Fund	Gratuity Fund	Medical Scheme	Total
	(Rupees in '000)			
Present value of defined benefit obligation	45,830	92,337	5,703	143,870
Fair value of plan assets	(53,442)	(96,555)	-	(149,997)
	(7,612)	(4,218)	5,703	(6,127)
Unrecognised non-vested benefits	-	-	-	-
(Asset) / liability in balance sheet	(7,612)	(4,218)	5,703	(6,127)
Present value of defined benefit obligation beginning of the year	55,686	101,403	35,841	192,930
Current service cost	-	5,574	1,166	6,740
Interest cost	4,941	9,969	3,336	18,246
Actuarial (gains) on obligations	(2,689)	(3,816)	(532)	(7,037)
(Gain) on settlement	-	-	(3,544)	(3,544)
Benefits paid	(12,108)	(20,793)	(30,564)	(63,465)
Present value of defined benefit obligation - closing date	45,830	92,337	5,703	143,870
Fair value of plan assets - beginning of the year	(83,822)	(89,540)	-	(173,362)
Expected return on plan assets	(7,754)	(8,839)	-	(16,593)
Actuarial losses / (gains)	726	(911)	-	(185)
Benefits paid	12,108	20,793	-	32,901
Contribution to fund	25,300	(18,058)	-	7,242
Fair value of plan assets - closing date	(53,442)	(96,555)	-	(149,997)

The following amounts have been charged in the profit and loss account in respect of these benefits:

Current service cost	-	5,574	1,166	6,740
Received from Malaysia	-	(49)	(59)	(108)
Current service cost - net	-	5,525	1,107	6,632
Interest cost	4,941	9,969	3,336	18,246
Expected return on plan assets	(7,754)	(8,839)	-	(16,593)
Gain on settlement	-	-	(3,544)	(3,544)
	(2,813)	6,655	899	4,741
Actual return on plan assets	8,539	8,033	-	16,572
Expected contributions to funds in the following year	(1,142)	5,150	828	4,836
Expected benefit payments to retirees in the following year	2,833	4,713	-	7,546
Accumulated actuarial (gains) / losses recognised in equity	(28,352)	6,635	(2,245)	(23,962)

Composition / fair value of plan assets used by the fund	(Percent %)	
Equity / Mutual funds	1	5
Debt instruments	96	92
Others	3	3
Expected return on plan assets used by the fund		
Expected return on equity / mutual funds	10	10
Expected return on debt instruments	15	15
Expected return on others	6	6

The actuarial valuation was carried out at 31 December 2007, using the following significant assumptions:

	Pension Fund	Gratuity Fund	Medical Scheme
Rate of discount	10% p.a.	10% p.a.	10% p.a.
Expected rate of return on investments	10% p.a.	10% p.a.	-
Expected rate of increase in post retirement benefits	8% p.a.	-	-
Expected rate of increase in future salaries	10% p.a.	10% p.a.	-
Medical cost escalation rate	-	-	7% p.a.

The expected rate of increase in future salaries has been assumed at 12% to 13% per annum for the first three years and thereafter at 10% per annum

	31 December 2007			
	Pension Fund	Gratuity Fund	Medical Scheme	Total
	(Rupees in '000)			
Present value of defined benefit obligation	55,686	101,403	35,841	192,930
Fair value of plan assets	(83,822)	(89,540)	-	(173,362)
	(28,136)	11,863	35,841	19,568
Unrecognised prior service cost	-	-	-	-
(Asset) / liability in balance sheet	(28,136)	11,863	35,841	19,568
Present value of defined benefit obligation - beginning of the year	56,958	107,990	34,149	199,097
Current service cost	676	5,169	1,098	6,943
Interest cost	5,019	9,360	3,083	17,462
Actuarial (gains) / losses on obligations	7,560	8,326	(1,900)	13,986
Benefits paid	(14,527)	(29,442)	(589)	(44,558)
Present value of defined benefit obligation - closing date	55,686	101,403	35,841	192,930
Fair value of plan assets - beginning of the year	(86,553)	(100,627)	-	(187,180)
Expected return on plan assets	(7,089)	(7,205)	-	(14,294)
Actuarial (gains) / losses	(5,298)	(4,990)	-	(10,288)
Benefits paid	14,527	29,442	-	43,969
Contribution to fund	591	(6,160)	-	(5,569)
Fair value of plan assets - closing date	(83,822)	(89,540)	-	(173,362)

The following amounts have been charged in the profit and loss account in respect of these benefits:

	Pension Fund	Gratuity Fund	Medical Scheme	Total
Current service cost	676	5,169	1,098	6,943
Received from Malaysia	-	(216)	(255)	(471)
Current service cost - net	676	4,953	843	6,472
Interest cost	5,019	9,360	3,083	17,462
Expected return on plan assets	(7,089)	(7,205)	-	(14,294)
Amortisation of non-vested benefits	-	-	-	-
	(1,394)	7,108	3,926	9,640
Actual return on plan assets	12,387	12,195	-	24,582
Expected contributions to funds in the following year	-	6,948	-	6,948
Expected benefit payments to retirees in the following year	12,560	8,761	1,065	22,386
Accumulated actuarial (gains) / losses recognised in equity	(26,389)	11,362	(1,713)	(16,740)

Composition / fair value of plan assets used by the fund	(Percent %)	
Equity	15	1
Debt instruments	80	93
Others	5	6
Expected return on plan assets used by the fund		
Expected return on equity	11	11
Expected return on debt instruments	9	9
Expected return on others	5	5

32.2 Historical information:

	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of the defined benefit obligation	143,870	192,930	199,097	249,440	372,743
Fair value of plan assets	(149,997)	(173,362)	(187,180)	(165,839)	(303,681)
(Surplus) / deficit in the plan	(6,127)	19,568	11,917	83,601	69,062
Experience adjustments arising on plan liabilities	(7,000)	13,986	(2,642)	22,923	-
Experience adjustments arising on plan assets	(185)	(10,288)	(55,809)	(18,196)	-

In 2005 and 2004 Company's year end was 30 September, therefore, the actuarial valuation was carried out on the same date.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2008			31 December 2007		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	(Rupees in '000)					
Managerial remuneration	8,432	1,527	33,318	7,614	4,165	28,225
Bonus, house rent, utilities etc.	5,544	2,635	26,702	2,101	944	12,518
Company's contribution to pension, gratuity and provident funds	2,008	351	9,766	1,735	586	6,967
Compensated absences	-	853	980	-	-	1,105
Restructuring cost	-	-	-	-	-	5,990
Medical and others	818	2,005	13,491	155	60	1,474
	16,802	7,371	84,257	11,605	5,755	56,279
Number of persons (including those who worked part of the year)	1	2	37	1	1	29

33.1 The Chief Executive, Executive Director and certain executives of the Company are provided with free use of cars as per terms of employment.

33.2 Aggregate amount charged in the financial statements for fee to four directors was Rs. 288 thousand (2007: four directors – Rs. 213 thousand).

33.3 Bonus includes amount payable in cash to Chief Executive and one of the executives Rs. 471 thousand and Rs.185 thousand (2007: Rs. 281 thousand and Rs. 111 thousand) respectively, on completion of qualifying period of service, based on share value of ultimate parent company.

33.4 Other fee and remuneration paid to Non-executive directors are as follows:

	31 December 2008	31 December 2007
	(Rupees in '000)	
Remuneration to Chairman of the Board of Directors	1,920	1,440
Remuneration to Chairman of Board Audit Committee	486	330
	2,406	1,770

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial assets and liabilities

	31 December 2008							
	Interest / mark-up bearing			Non-Interest / mark-up bearing			Total	Effective rate of interest %
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
	(Rupees in '000)							
Financial assets								
Loans and advances	-	-	-	4,612	1,168	5,780	5,780	-
Deposits	-	-	-	14,427	10,623	25,050	25,050	-
Trade debts	-	-	-	157,555	-	157,555	157,555	-
Other receivables	-	-	-	19,319	-	19,319	19,319	-
Cash and bank balances	224,986	-	224,986	109,492	-	109,492	334,478	5 to 12.6
	224,986	-	224,986	305,405	11,791	317,196	542,182	
Financial liabilities								
Long term deposits	-	-	-	-	113,001	113,001	113,001	-
Trade and other payables	-	-	-	360,356	-	360,356	360,356	-
	-	-	-	360,356	113,001	473,357	473,357	
On balance sheet gap	224,986	-	224,986	(54,951)	(101,210)	(156,161)	68,825	
Off balance sheet items								
Guarantees outstanding	63,119	-	63,119	-	-	-	63,119	
Letters of credit	117,204	-	117,204	-	-	-	117,204	
	180,323	-	180,323	-	-	-	180,323	

	31 December 2007							
	Interest / mark-up bearing			Non-Interest / mark-up bearing			Total	Effective rate of interest
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		%
	(Rupees in '000)							
Financial assets								
Loans and advances	-	-	-	4,652	1,903	6,555	6,555	-
Deposits	-	-	-	11,132	9,839	20,971	20,971	-
Trade debts	-	-	-	128,531	-	128,531	128,531	-
Other receivables	-	-	-	47,820	-	47,820	47,820	-
Cash and bank balances	410,282	-	410,282	136,633	-	136,633	546,915	4 to 10
	410,282	-	410,282	328,768	11,742	340,510	750,792	
Financial liabilities								
Long term deposits	-	-	-	-	104,381	104,381	104,381	-
Trade and other payables	-	-	-	280,264	-	280,264	280,264	-
	-	-	-	280,264	104,381	384,645	384,645	
On balance sheet gap	410,282	-	410,282	48,504	(92,639)	(44,135)	366,147	
Off balance sheet items								
Guarantees outstanding	47,799	-	47,799	-	-	-	47,799	
Letters of credit	60,194	-	60,194	-	-	-	60,194	
Capital commitments	-	-	-	28,566	-	28,566	28,566	
	107,993	-	107,993	28,566	-	28,566	136,559	

34.2 Financial risk management

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

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

a) Market risk

i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures.
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, denominated in a currency that is not the Company's functional currency.
To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company uses forward contracts. The Company ensures that its net exposure is kept to an acceptable level at all times.The Company's ability to mitigate foreign exchange risk has however been curtailed as a result of State Bank of Pakistan regulation by way of which issuance of new forward covers against letters of credit has been disallowed.

ii) Price risk

The Company is not exposed to price risk as it has no investments as available for sale or at fair value through profit or loss.

b) Credit risk

Credit risk represents the risk of loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs. 542,182 thousand, the financial assets which are subject to credit risk amount to Rs.201,924 thousand. The Company mostly deals with reputable organisations and believes it is not exposed to any major concentration of credit risk. The Company has policies that limit the amount of credit exposure to any customer or financial institution.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

d) Cash flow and fair value interest rate risk

As the Company has no significant interest rate risk bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. As there are no borrowings at fixed rates, the Company is not exposed to fair value interest rate risk.

34.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

35. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- to maintain a strong capital base to support the sustained development of its businesses.

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

The Company is not subject to externally imposed capital requirements.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of group companies, entities with common directors, major shareholders, key management employees and retirement benefit funds. Transactions with related parties and associated undertakings other than those which have been disclosed elsewhere in these financial statements, are as follows:

Nature of relationship	Nature of transactions	31 December 2008	31 December 2007
		(Rupees in '000)	
The BOC Group Limited (formerly BOC Group plc)	Technical assistance fee	26,795	27,034
	Software maintenance cost	2,457	5,007
Associated Companies	Purchase of plant and machinery, plant spares, welding equipments and electrodes, gases and gas cylinders	115,380	14,320
	Training cost of executives	365	-
	Software support cost	-	109
Related entities by virtue of common directorship	Income on savings accounts	901	8,850
	Mark - up on long term / short term finance	8	147
	Sale of goods	16,985	9,732
	Insurance premium	960	3,499
	Rent & maintenance	426	474
Contributions to BOC Pakistan Limited Staff Provident Fund		7,724	7,696
Contributions to Management Staff Defined Contribution Pension Fund		6,842	5,057
Contributions to Management Staff Pension Fund		(2,813)	(1,394)
Contributions to BOC Pakistan Limited - Pakistan Employees' Gratuity Fund		6,655	7,108

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

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

The related party status of outstanding balances as at 31 December 2008 is included in trade debts, other receivables and trade and other payables, respectively.

37. PRODUCTION CAPACITY

The normal production capacity (net of normal losses) at the end of the year was as follows:

	Unit of quantity	Capacity (triple shift)		Actual production		Remarks
		31 December 2008	31 December 2007	31 December 2008	31 December 2007	
Oxygen / Nitrogen	Cubic meters	52,248,000	52,248,000	45,860,546	44,955,472	-
Hydrogen	Cubic meters	3,434,000	3,434,000	1,682,513	1,282,485	Dedicated supply scheme
Dissolved acetylene	Cubic meters	836,000	836,000	130,725	142,129	Short fall in demand
Nitrous oxide	Gallons	78,000,000	78,000,000	29,232,301	33,180,307	Short fall in demand
Welding electrodes	Metric tons	2,400	2,400	1,976	2,202	-
Carbon dioxide	Metric tons	27,850 *	19,800	10,937	12,397	Seasonal demand variation

* Capacity for production of carbon dioxide includes the capacity of CO2 plant at Port Qasim commissioned in December 2008.

38. ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

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

Provision for slow and non-moving stock

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

Staff retirement benefits

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

Property, plant and equipment

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

Trade debts and other receivables

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

Impairment of assets

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

39. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 27 February 2009 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

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

41. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET

The Board of Directors in its meeting held on 27 February 2009 (i) approved the transfer of Rs. 81,295 thousand from unappropriated profit to general reserve; and (ii) proposed a final dividend of Rs. 10 per share for the year ended 31 December 2008, amounting to Rs. 250,387 thousand for approval of the members at the Annual General Meeting to be held on 22 April 2009.

Syed Ayaz Bokhari
Chief Executive

Munnawar Hamid OBE
Chairman

Pattern of Shareholding
As at 31 December 2008

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
433	1	-	100	22,437
513	101	-	500	157,808
308	501	-	1,000	244,290
421	1,001	-	5,000	1,068,264
97	5,001	-	10,000	687,046
35	10,001	-	15,000	445,399
28	15,001	-	20,000	487,767
18	20,001	-	25,000	408,513
8	25,001	-	30,000	220,881
7	30,001	-	35,000	218,811
8	35,001	-	40,000	298,636
4	40,001	-	45,000	171,753
3	45,001	-	50,000	142,789
2	50,001	-	55,000	100,290
1	55,001	-	60,000	57,366
3	75,001	-	80,000	232,692
2	80,001	-	85,000	167,057
2	95,001	-	100,000	200,000
1	145,001	-	150,000	150,000
1	195,001	-	200,000	200,000
1	280,001	-	285,000	280,099
1	305,001	-	310,000	308,400
1	395,001	-	400,000	400,000
1	965,001	-	970,000	966,660
1	995,001	-	1,000,000	995,741
1	1,390,001	-	1,395,000	1,392,791
1	15,010,001	-	15,015,000	15,013,230
1,902				25,038,720

Pattern of Shareholding As at 31 December 2008

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	624	1,519,880	6.07
Joint Stock Companies	5	4,956	0.02
Associated Company and its nominees (a)	7	15,023,232	60.00
Financial Institutions	1	300	0.00
Securities & Exchange Commission of Pakistan	1	3	0.00
Central Depository Company (b)	1,263	8,490,342	33.91
Others	1	7	0.00
	1,902	25,038,720	100.00

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

Other foreign shareholding in the Company is about 1.60%

(b) Categories of Account holders and Sub Account holders as per Central Depository Register:

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1,141	2,853,440	11.40
Insurance Companies	9	1,874,115	7.48
Joint Stock Companies	54	604,187	2.41
Financial Institutions	26	2,669,744	10.66
Modarabas	1	50,090	0.20
Charitable Trusts	7	100,235	0.40
Mutual Funds	21	313,231	1.25
Others	4	25,300	0.10
	1,263	8,490,342	33.91

Pattern of Shareholding Additional Information As at 31 December 2008

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies (name wise details)		
The BOC Group Limited, U.K. and its nominees	1	15,023,232
NIT & ICP (name wise details)		
National Bank of Pakistan, Trustee Department	3	1,963,082
National Investment Trust Limited	1	4,163
Investment Corporation of Pakistan	1	300
Directors, CEO and their spouse and minor children (name wise details)		
Mr Towfiq Habib Chinoy	1	17,500
Mrs Zeenat T Chinoy W/o Mr Towfiq H Chinoy	1	21,580
Mr Shamim Ahmad Khan	1	500
Public sector companies & corporation		
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance companies, Modarabas and Mutual Funds	53	2,939,935
Shareholders holding 10% or more voting interest (name wise details)		
The BOC Group Limited, U.K.	1	15,023,232

Form of Proxy
Annual General Meeting

I/We ____

of ____ in the district

of ______________________________ being of Member of BOC Pakistan Limited,

hereby appoint ____

of ____

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

of ____

another Member of the Company to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 22nd day of April 2009 and at any adjournment thereof.

As witness my/our hand/seal this ________ day of ____________ 2009.

Signed by the said ______________________________

In the presence of 1. ______________________________

2. ______________________________

Folio / CDC Account No.

Signature on Revenue Stamp of Rs. 10/=

This signature should agree with the specimen registered with the Company

Important:

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

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

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

For CDC Account Holders/Corporate Entities:

In addition to the above the following requirements have to be met:

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

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

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

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