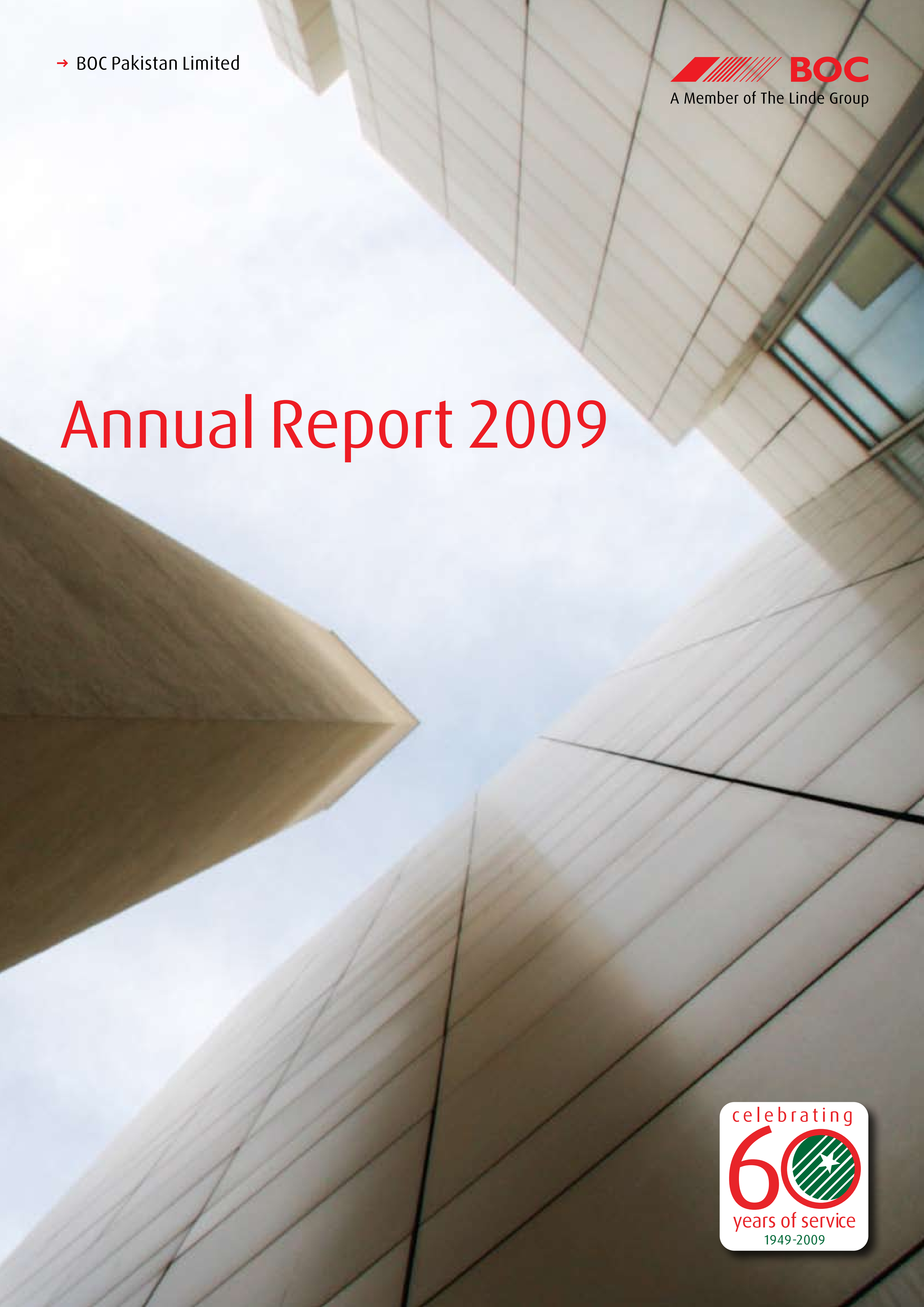


→ BOC Pakistan Limited

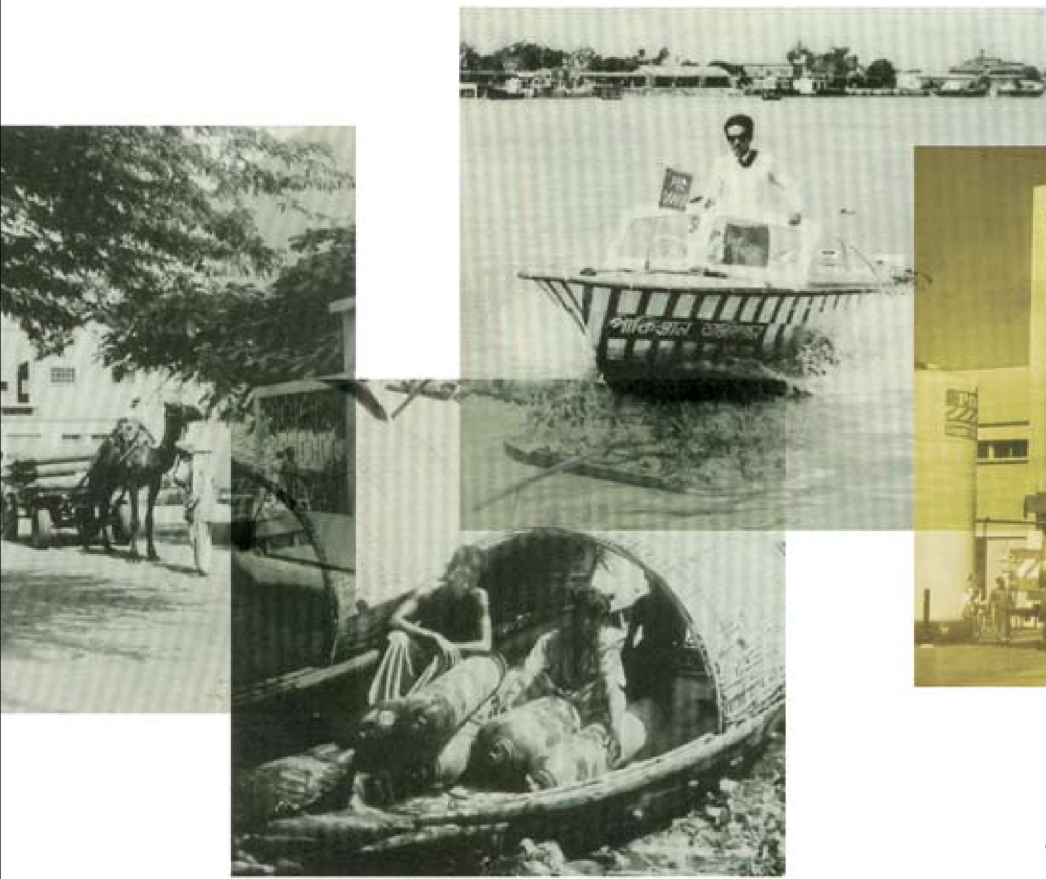
BOC
A Member of The Linde Group

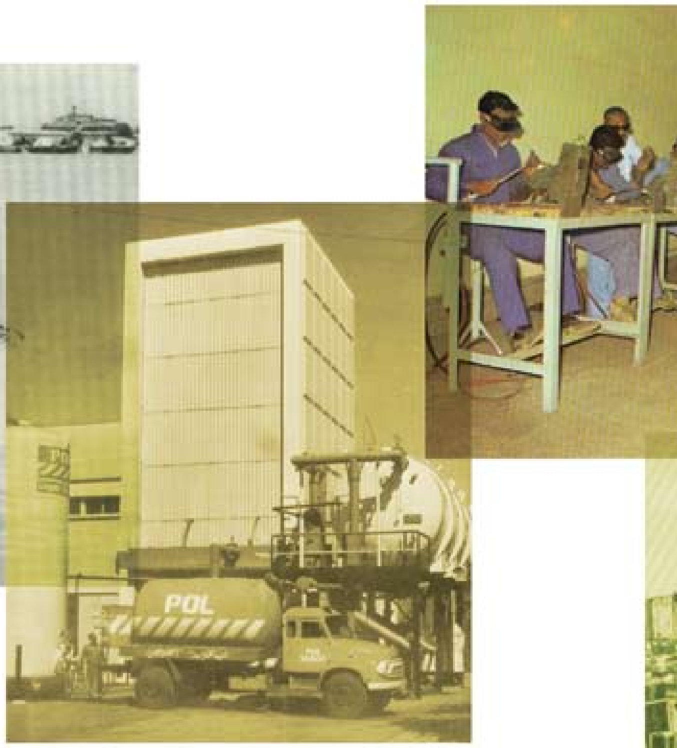
Annual Report 2009

celebrating
60
years of service
1949-2009

Contents

Celebrating 60 years in Pakistan: 1949 - 2009





1949 – 1959

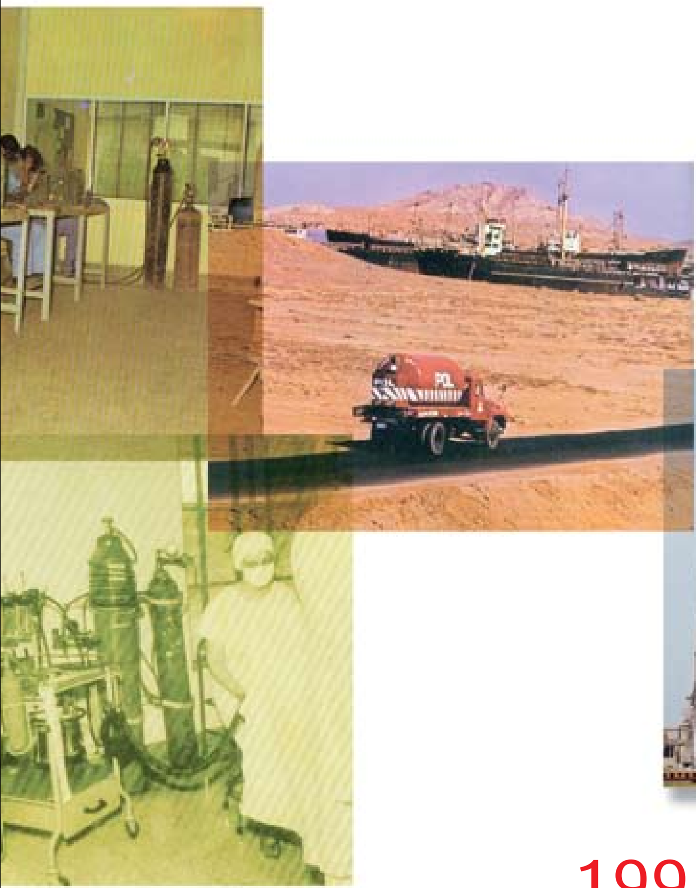
- The Company was incorporated on 8 June 1949 as a private limited company under the name of Pakistan Oxygen and Acetylene Company Limited
- Is a forerunner and pioneer in the industrial development of the country and in 1956 it set up a factory for the manufacturing of arc welding electrodes
- On 17 March 1958, after a decade of operations in the newly born country, the Company became a public company when its capital structure was broadened by the offer of 40% shares to Pakistani nationals

1960 – 1970

- As early as 1960 – 61, the Company initiated methods for educating the users of its products about the latest practices and applications of industrial gases
- Due to this practice, the use of oxygen for decarburizing in making steel in arc furnaces was established in the early 60's
- In 1963 the Company opened its first welding training school at Karachi and later on in Lahore
- In 1967, the Company went on to set up the first nitrous oxide manufacturing factory in the country
- In 1969, the Dissolved Acetylene factory at Wah was commissioned

1971 – 1980

- The Company played a leading role in establishing local production facilities in the field of industrial, medical gases and arc welding electrodes
- It was also part of major projects of national importance like Mangla and Tarbela where it established the oxygen and acetylene on-site factories
- Similar facilities were created in 1976 at Taxila for the benefit of Heavy Foundry and Forge Taxila



1981 – 1990

- The Company has pioneered liquid oxygen facility to customers at Gadani, one of the largest ship breaking yards in the world
- The Company has all along been putting efforts for import substitution. The start of blending of lamp gas mixtures in the country in 1983 was another step in that direction
- In June 1990, the 1600 M3 Oxygen plant at Lahore which was then the biggest ASU Plant in the country came on stream

1991 – 2000

- Company acquired an ASU Plant at HUB. The plant, after refurbishment, was brought on-stream in May 1992. This acquisition gave the Company a competitive edge in the market because of its close proximity to Gadani and Hub industrial area. The new plant also had both hydrogen as well as high purity argon manufacturing facilities
- In November 1993, an additional nitrous oxide plant facility was commissioned at Lahore to meet the market demand
- The Company expanded its gases production capacity in South Region by installing a new hi-tech Cosmodyne ASPEN 1000 ASU plant at Hub, Balochistan which was commissioned in June 1996
- In March 2000, BOCPL achieved a significant operating milestone when a state-of-the-art nitrogen facility was commissioned at Mehmood Kot adjacent to PARCO

2001 – 2009

- In March 2004, BOCPL continued its journey of success by diversifying its business portfolio into the beverages sector, through commissioning of a state-of-the-art 60 ton per day liquid carbon dioxide (CO_2) plant in Multan
- The BOC Group Limited, UK, the majority shareholder of the Company, became a wholly owned subsidiary of Linde AG, Germany in 2006. Accordingly, Linde AG became the ultimate parent company of BOC Pakistan Limited
- In 2008, the 23-ton per day carbon dioxide (CO_2) plant was commissioned at Port Qasim
- In 2009, BOCPL's nitrous oxide facility began its commercial production from its 40kg/Hour nitrous oxide plant at Lahore

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, health care 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.

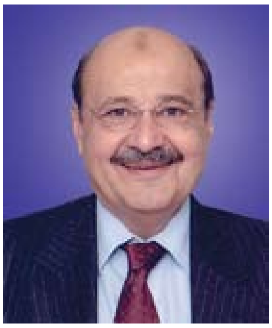
For shareholders, it protects their investment and provides an acceptable return. This is achieved through continued commercial success in winning new business and retaining old customers. This is underpinned by the development and provision of new products/services to its customers, offering real value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

Board of Directors

Munnawar Hamid – OBE
Chairman

Syed Ayaz Bokhari
Chief Executive

Sanaullah Qureshi
Director



Towfiq Habib Chinoy
Director

Sanjiv Lamba
Director

Shamim Ahmad Khan
Director

Ashley David Mills
Director

Lee Bon Hian
Director

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
Ashley David Mills	Director
Lee Bon Hian	Director

Company Secretary & Director of Finance

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
Lee Bon Hian	Member	Non-Executive Director
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
Lee Bon Hian	Member	Non-Executive Director
Muhammad Siraj Cochinwala	Secretary	

Bankers

Standard Chartered Bank (Pakistan) Ltd.
HSBC Bank Middle East Limited
Citibank NA
Deutsche Bank AG
National Bank of Pakistan Ltd.
MCB Bank Ltd.
NIB Bank Ltd.

Auditors

KPMG Taseer Hadi & Co.

Solicitors

Surridge & Beecheno

Registered Office

West Wharf, Dockyard Road, Karachi-74000

Share Registrar

Central Depository Company of Pakistan Limited

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 four 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, 2009, 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 three 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, 2009. Muhammad Siraj Coachinwala, Head of HR, remained secretary of the Committee during the year 2009. He resigned from service of the Company on 11 December 2009.

Country Leadership Team (CLT)

Syed Ayaz Bokhari
Chief Executive

Muhammad Ashraf Bawany
Company Secretary &
Director of Finance

Umair Ahmed
Head of Operations

Nizar Nooralla Punjani
Head of Internal Audit

Arshad Manzoor
Cluster IS Manager
Bangladesh & Pakistan

Farried Aman Shaikh
Marketing Manager

Zubair Ahmad
Sales Manager North

Ahmad Raza
Distribution & CES Manager

Rizwan Shoukat
SHEQ Manager

Mr Sanjiv Lamba, Regional Business Unit (RBU) Head – South & East Asia (S&EA) of The Linde Group and Director, BOC Pakistan, is planting a tree during his visit to Company's Lahore office

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 Syed Ayaz Bokhari, Chief Executive, BOC Pakistan, addressing a Town Hall meeting at Lahore

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 48,000 employees working in more than 100 countries worldwide. In the 2009 financial year it achieved sales of EUR 11.2 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.

Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. Linde is committed to technologies and products that unite the goals of customer value and sustainable development.

For more information, see The Linde Group online at http://www.linde.com

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 community is to build a successful business.

BOC Pakistan is the main supplier of industrial gases to ship-breaking industry in the country. These ships being dismantled at Gadani using BOC gases

Medical air plants, marketed by BOC Pakistan, being used in a local hospital

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

There are no greater priorities for BOC Pakistan than the Health & Safety of the personnel working with or under the influence of BOC Pakistan and the protection of environment. Year 2009 was a further step forward in achieving our vision "WE DO NOT WANT TO HARM PEOPLE OR THE ENVIRONMENT".

- Golden Safety Rules were launched at BOC Pakistan for promoting safety culture and our vision that we don't want to harm people or the environment.

- Employee loss time injury rate was sustained at ZERO per million hours worked.

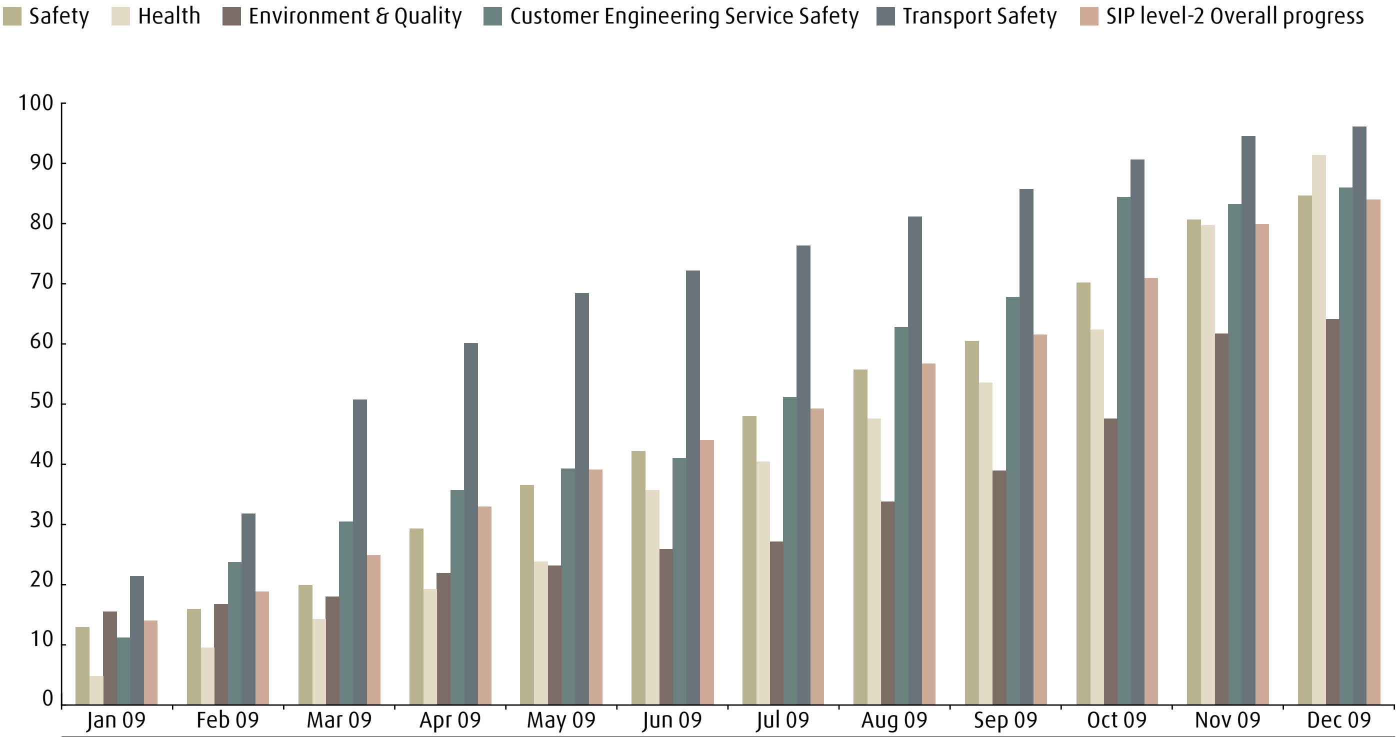
- Efforts for the improvement of transport safety continues, which included Transport Safety Implementation Plan, transport safety drills etc. All investigation reports for Major Incident Report (MIR) were completed in time and actions were followed up. 23 route risk assessments were done compared to target of 10 in 2009.

- Emphasis to measure SHEQ performance continued using proactive measures (leading indicators) in addition to the traditional reported lagging indicators.

- Focus on environment is enhanced, environmental legal register was developed, Environmental Impact Assessment of all targeted four plants was conducted and action plans in place.

- On the quality agenda four sites (Port Qasim, Qasba Gujrat, Multan, Lahore) and Customer Service Centre (CSC) were certified for ISO 9001 Quality Management System Standard.

Safety Improvement Plan (SIP) level-2 progress-Pakistan (In Percentage)



Mr Yousuf Mirza, Head of SHEQ – Regional Business Unit – South & East Asia of The Linde Group (4th from left) is seen with members of local SHEQ, Operations & Management team at Lahore

Mr Ian Minto, Head of ASU Operations, Bulk Distribution & CES – RSE of The Linde Group planting a tree during his visit to Port Qasim

Plant Reliability Audit conducted at Port Qasim site by RBU Operations of The Linde Group

Corporate Social Responsibility

BOC Pakistan Limited, as a responsible corporate citizen, maintained its commitment to social wellbeing and CSR spending towards various charitable causes.

Society

BOCPL firmly believes in giving back to the society by contributing towards many worthy causes and donates to NGOs.

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

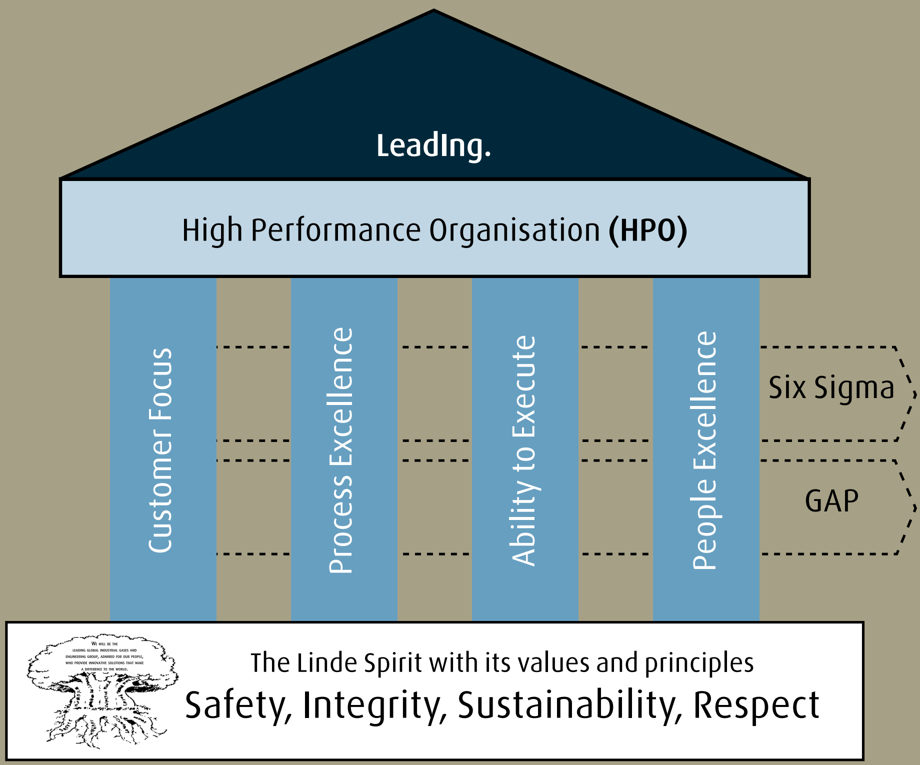
In pursuit of our care for environment, environmental impact assessments were carried out at four major production sites and action plans are in place to improve our environmental performance. Major focus remained on reduction of noise levels at our plant sites, efficient use of energy & minimization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

Students of boys' primary school adopted by BOC Pakistan

Students of boys' primary school studying at BOC Pakistan adopted school

Students of girls' primary school enjoying football during break time.

High Performance Organisation (HPO)



"I am taking the lead"
HPO campaign road shows were conducted at five sites covering all operational staff. The intention for these road shows was to empower each employee to step up to take a lead in contributing to our becoming a HPO.

'We are organised'
Centrally manage HPO activity streams focusing on masterplan development & tracking, 6 Sigma, change management etc, supported by country HPO coordinator, regional & global project work-streams leaders.

'We are equipped'
First wave of 6-sigma regional & country black belt training launched by RBU – S&EA. The trained staff will lead key projects & initiatives to deliver sustainable HPO improvements.

'We have a plan'
Through a structured project planning, management & tracking process, we will lead our teams to achieve our HPO target through disciplined execution of global, regional & local initiatives.

Business

BOC Pakistan Limited is proud to have more than 2,300 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.

BOCPL business portfolio is strategically divided into four parts which are Tonnage, Bulk, Packaged Gas Products (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 those to whom the product is supplied through road tankers in liquid form and is stored in storage tanks installed at their 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.

One of our major customers in steel sector exclusively using BOC gases and electrodes for erection and commissioning of its new plants

Supply of CO_2 being made to a beverage customer at Islamabad

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 and from Ship-breaking to Construction Industry.

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 introduction 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.

Human Resources

During 2009 BOCPL rolled out an aggressive peoples agenda initiative which included launching of:

LINDE PRO

To create a Professional Sales organization and to improve the profitability and create differentiation.

First Line Managers Development Program

To enable First & Second Line Managers, through a globally consistent development programme, to effectively engage, manage and lead our people to enhance performance and business results. Managers at these levels are the gateway to the majority of Linde Group's 48,000 employees working in more than 100 countries worldwide.

Country Application Workshop

To provide a general overview of Linde solutions portfolio for Chemistry & Energy, Metal & Glass, Food Beverage and Manufacturing Industry; present the available tools to retrieve specific information on customer processes and gas applications; review and update the country application technologies priorities (2010 – 2012); prioritize the specific initiatives and commit on target, resources, timing and KPI's.

SAP Human Resources

During 2009 SAHPRON (SAP) phase II exercise initiated and will be completed in 2010. SAP HR will provide in-depth information on Human Resources and will be made available to the line managers on their desktops.

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 organization.

Group photo of the participants taken on the occasion of "First Line Managers Development Workshop" at Lahore

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.
- Compliance with statutory and listing requirements.
- Developing funding and debt strategies, and manage investment portfolio for the staff retirement funds operated by the Company.
- Capital expenditure review, forecasting, management and control.
- Effective cost management.
- Effective risk management and mitigation plan.
- Successful and timely implementation of Group Initiatives like Electronic Banking, SMaRT Reporting Portal, Project for Accounting Excellence, etc.
- Develop and maintain sound business process controls.
- 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 view 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 the leading Finance Team in Reporting Business Unit (RBU) – South & East Asia for 2008.

Mr M Ashraf Bawany, Director of Finance, BOC Pakistan, (standing third from left; second row) holding award of 'Runner-up Best Finance Team 2008' in RBU - S&EA along with Finance & Control team

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 at 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 while managing high level services.

IS provides services to a user base of 200, spread over 8 plants and sales centers. All sites are connected to the Head Office using WAN link. BOCPL network is integrated with Linde's global network and users can access a vast repository of Linde Group information and applications.

IS has extended the network and SAP footprint in Pakistan to cover all the sites with instant connectivity. All sites are using SAP for day to day operations and the entire financial accounting is handled through this application. IS has also supported the Pakistan business in connecting with the Remote Operating Center in Singapore which gives the opportunity to have the plants centrally managed using state of the art technology and resources.

During 2009, IS met all the agreed SLAs, implemented several key projects with the coordination of regional South & East Asia teams, conducted several SAP refresher courses and helped Pakistan customer service. During this year, IS also successfully tested out their disaster recovery processes to an alternative site to ensure business continuity in the event of major outages.

IS Team brainstorming at its new office

Mr Abdul Kadir from Information Services is conducting SAP refresher course at Karachi Site

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.

Group photo taken on the occasion of 30th Board Audit Committee Meeting, held in Karachi on 11 August 2009, which was also attended by Mr Andreas Bieringer – Head of Internal Audit Asia/Pacific (sitting 2nd from right; first row)

60th Annual General Meeting

The Directors of BOC Pakistan Limited at the Company's 60th Annual General Meeting

A glimpse of the shareholders at the Company's 60th Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the Sixty-first Annual General Meeting of BOC PAKISTAN LIMITED will be held at Pearl Continental Hotel, Club Road, Karachi on Thursday, the 22nd day of April 2010 at 9:30 a.m. to transact the following business:

1. To confirm the Minutes of the 60th Annual General Meeting held on 22 April 2009.

2. To receive and consider the Financial Statements of the Company for the year ended 31 December 2009 and Reports of the Directors and Auditors thereon.

3. To consider and, if thought fit, to authorise the payment of final dividend of Rs 6.50 per ordinary share of Rs 10/= each for the year ended 31 December 2009 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 2010.

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

By Order of the Board

M Ashraf Bawany
Company Secretary

Karachi: 24 February 2010

A glimpse of shareholders at the Registration Desk

NOTES

1. The Share Transfer Books of the Company will be closed from 9 April to 22 April 2010 (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.

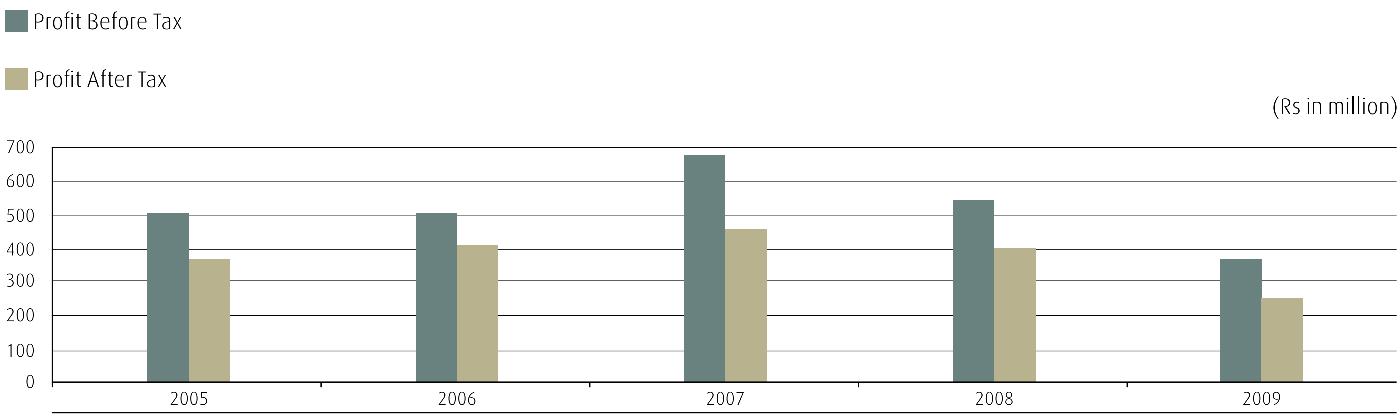
   iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

   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 2009	31 December 2008
	(Rupees in '000)	
Net sales	2,307,741	2,453,341
Cost of sales	(1,596,752)	(1,617,694)
Gross profit	710,989	835,647
Distribution and marketing expenses	(152,785)	(158,681)
Administrative expenses	(132,727)	(130,094)
Other operating expenses	(99,612)	(54,948)
Other operating income	165,744	58,471
	(219,380)	(285,252)
Operating profit before reorganization / restructuring cost	491,609	550,395
Reorganization / restructuring cost	(115,200)	–
Operating profit after reorganization / restructuring cost	376,409	550,395
Finance costs	(2,125)	(2,702)
Profit before taxation	374,284	547,693
Taxation	(122,672)	(145,587)
Profit for the year	251,612	402,106
Earnings per share - basic and diluted (Rupees)	10.05	16.06
Number of permanent employees at year end	289	361



Ten Year Financial Review

	2000	2001	2002
Operating Results			
Sales	1,143,164	1,240,331	1,358,961
Gross Profit	528,543	541,571	609,787
Profit from Operations	370,256	396,823	407,565
Profit before Taxation	312,772	355,026	368,904
Taxation	(50,401)	(85,865)	(67,193)
Profit after Taxation	262,371	269,161	301,711
Dividends	135,626	239,954	425,658
Capital Employed			
Paid-up Capital	208,656	208,656	250,387
Revenue Reserves and Unappropriated Profits	935,340	822,229	510,492
Shareholders' Fund	1,143,996	1,030,885	760,879
Deferred Liabilities		254,030	237,159
Long-term Liabilities & Borrowings (net of cash)	333,519	76,576	183,347
	1,477,515	1,361,491	1,181,385
Represented by:			
Non - Current Assets	1,519,456	1,418,263	1,306,711
Working Capital	(41,941)	(56,772)	(125,326)
	1,477,515	1,361,491	1,181,385
Statistics			
Expenditure on Fixed Assets	159,586	21,131	17,260
Annual Depreciation & Amortisation	119,980	123,895	125,008
Adjusted Earnings per share-Rupees (Note 1)	10.48	10.75	12.05
Adjusted Dividend per share-Rupees (Note 1 & 2)	5.42	9.58	17.00
Dividend Cover ; Times (Note 2)	1.93x	1.12x	0.71x
Adjusted Net Asset Backing			
per share-Rupees (Note 1)	45.69	41.17	30.39
Return on average Shareholders' Fund			
(based on profit after tax)	24.28%	24.75%	33.68%
Dividend on average Shareholders' Fund (Note 2)	12.55%	22.07%	47.51%
Return on average Capital Employed			
(based on profit before financial charges & tax)	25.92%	27.96%	32.06%
Price/Earning Ratio (unadjusted)**	9.78**	6.60**	9.44
Dividend Yield ratio (Note 2)	4.41%	11.25%	14.95%
Dividend Payout ratio (Note 2)	51.69%	89.15%	141.08%
Fixed Assets/Turnover Ratio	0.76	0.88	1.05
Debt/Equity Ratio	27:73	19:81	40:60
Current ratio	1.09	0.88	1.43
Interest Cover - Times	6.44x	9.49x	10.54x
Debtors turnover Ratio	15.88	17.67	19.13
Gross Profit Ratio (as percentage of Turnover)	46.24%	43.66%	44.87%
Market Value per share at year end	122.95	85.15	113.75

(Rupees in '000)

2003	2004	2005	15 months ended 31 December 2006 (Restated)	2007	2008	2009
1,386,235	1,521,649	1,752,399	2,299,531	2,174,515	2,453,341	2,307,741
585,113	679,848	735,383	910,212	934,021	835,647	710,989
437,480	444,374	518,285	667,598	685,866	550,395	491,609*
403,593	429,823	502,159	598,037	682,370	547,693	374,284
(39,628)	(97,784)	(132,235)	(130,073)	(223,321)	(145,587)	(122,672)
363,965	332,039	369,924	467,964	459,049	402,106	251,612
300,464	325,503	300,464	375,581	325,503	325,503	225,349
250,387	250,387	250,387	250,387	250,387	250,387	250,387
661,628	768,319	812,740	1,094,681	1,175,745	1,257,040	1,202,319
912,015	1,018,706	1,063,127	1,345,068	1,426,132	1,507,427	1,452,706
215,738	245,944	249,857	278,811	277,175	229,124	202,034
61,969	15,970	(68,937)	(188,117)	(442,534)	(221,477)	(384,745)
1,189,722	1,280,620	1,244,047	1,435,762	1,260,773	1,515,074	1,269,995
1,292,781	1,367,864	1,321,234	1,313,880	1,190,726	1,380,166	1,276,004
(103,059)	(87,244)	(77,187)	121,882	70,047	134,908	(6,009)
1,189,722	1,280,620	1,244,047	1,435,762	1,260,773	1,515,074	1,269,995
109,304	201,122	69,321	89,435	66,561	417,354	123,421
122,496	126,441	138,780	144,801	139,319	148,817	171,647
14.54	13.26	14.77	18.69	18.33	16.06	10.05
12.00	13.00	12.00	15.00	13.00	13.00	9.00
1.21x	1.02x	1.23x	1.25x	1.41x	1.24x	1.12x
36.42	40.69	42.46	53.72	56.96	60.20	58.02
43.51%	34.40%	35.54%	38.86%	33.13%	27.41%	17.00%
35.92%	33.72%	28.87%	31.19%	23.49%	22.19%	15.23%
36.90%	35.98%	41.06%	45.60%	50.87%	39.66%	27.03%
10.39	11.16	10.66	7.55	13.78	7.03	12.73
7.95%	8.79%	7.62%	10.63%	5.14%	11.52%	7.03%
82.55%	98.03%	81.22%	80.26%	70.91%	80.95%	89.55%
1.09	1.13	1.37	1.75	1.83	1.78	1.81
23:77	16:84	9:91	1:99	0:100	0:100	0:100
1.38	0.96	1.21	1.88	2.31	2.01	1.91
12.91x	30.54x	32.14x	48.23x	196.19x	203.70x	177.13x
19.07	18.36	16.87	15.92	14.57	17.15	14.86
42.21%	44.68%	41.96%	39.58%	42.95%	34.06%	30.81%
151.00	147.95	157.55	141.15	252.70	112.82	127.95

Note 1 Figures restated based on bonus issues.
Note 2 Includes proposed final dividend declared subsequent to the year-end
*Profit from operations represent operating profit before reorganisation / restructuring cost

Vertical Analysis of Financial Statements

(Rupees in '000)

	2009		2008		2007	
Profit and Loss Account						
Net sales	2,307,741	100%	2,453,341	100 %	2,174,515	100%
Cost of sales	(1,596,752)	-69%	(1,617,694)	-66 %	(1,240,494)	-57%
Gross profit	710,989	31%	835,647	34 %	934,021	43%
Distribution and marketing expenses	(152,785)	-7%	(158,681)	-6 %	(146,869)	-7%
Administrative expenses	(132,727)	-6%	(130,094)	-5 %	(118,702)	-5%
Other operating expenses	(99,612)	-4%	(54,948)	-2 %	(58,485)	-3%
Other operating income	165,744	7%	58,471	2 %	75,901	3%
Operating profit before Reorganization / restructuring cost	491,609	21%	550,395	22 %	685,866	32%
Reorganization / restructuring cost	(115,200)	-5%	–	0 %	–	0%
Operating profit after Reorganization / restructuring cost	376,409	16%	550,395		685,866	
Finance costs	(2,125)	-0%	(2,702)	0 %	(3,496)	0%
Profit before tax	374,284	16%	547,693	22 %	682,370	31%
Taxation	(122,672)	-5%	(145,587)	-6 %	(223,321)	-10%
Profit for the year	251,612	11%	402,106	16 %	459,049	21%
Balance Sheet						
Total equity	1,452,706	63%	1,507,427	65 %	1,426,132	63%
Total non-current liabilities	317,599	14%	342,125	15 %	381,556	17%
Total current liabilities	545,644	23%	462,748	20 %	471,324	20%
Total equity and liabilities	2,315,949	100%	2,312,300	100 %	2,279,012	100%
Total non-current assets	1,276,004	55%	1,380,166	60 %	1,190,726	52%
Total current assets	1,039,945	45%	932,134	40 %	1,088,286	48%
Total assets	2,315,949	100%	2,312,300	100 %	2,279,012	100%

Horizontal Analysis of Financial Statements

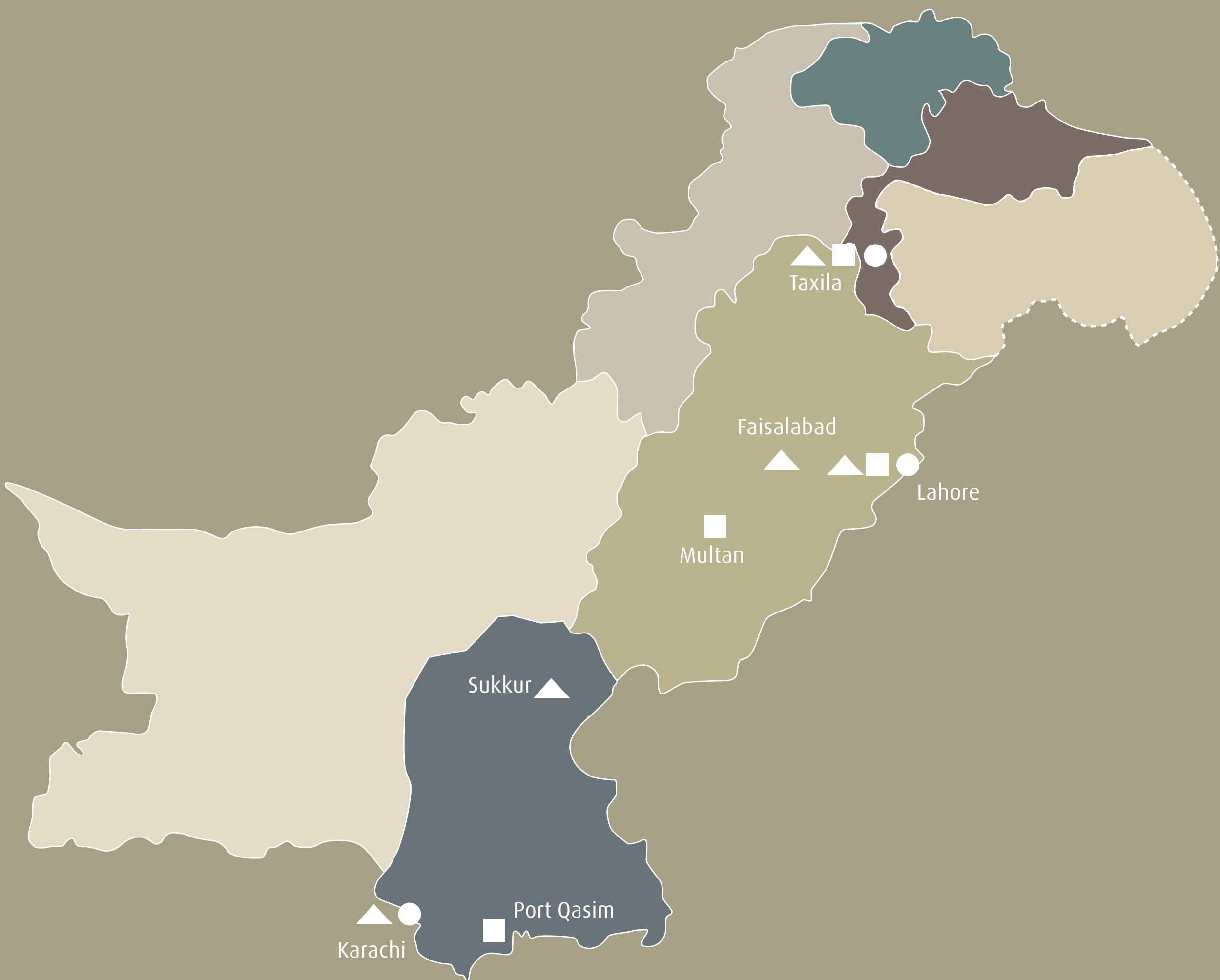
(Rupees in '000)

	2009	2008	2007	%change w.r.t. 2008	%change w.r.t. 2007
Profit and Loss Account					
Net sales	2,307,741	2,453,341	2,174,515	-6%	6%
Cost of sales	(1,596,752)	(1,617,694)	(1,240,494)	-1%	29%
Gross profit	710,989	835,647	934,021	-15%	-24%
Distribution and marketing expenses	(152,785)	(158,681)	(146,869)	-4%	4%
Administrative expenses	(132,727)	(130,094)	(118,702)	2%	12%
Other operating expenses	(99,612)	(54,948)	(58,485)	81%	70%
Other operating income	165,744	58,471	75,901	183%	118%
Operating profit before Reorganization / restructuring cost	491,609	550,395	685,866	-11%	-28%
Reorganization / restructuring cost	(115,200)	–	–	100%	100%
Operating profit after Reorganization / restructuring cost	376,409	550,395	685,866	-32%	-45%
Finance costs	(2,125)	(2,702)	(3,496)	-21%	-39%
Profit before taxation	374,284	547,693	682,370	-32%	-45%
Taxation	(122,672)	(145,587)	(223,321)	-16%	-45%
Profit for the year	251,612	402,106	459,049	-37%	-45%
Balance Sheet					
Total equity	1,452,706	1,507,427	1,426,132	-4%	2%
Total non-current liabilities	317,599	342,125	381,556	-7%	-17%
Total current liabilities	545,644	462,748	471,324	18%	16%
Total equity and liabilities	2,315,949	2,312,300	2,279,012	0.16%	2%
Total non-current assets	1,276,004	1,380,166	1,190,726	-8%	7%
Total current assets	1,039,945	932,134	1,088,286	12%	-4%
Total assets	2,315,949	2,312,300	2,279,012	0.16%	2%

Business Locations

Registered Office **Head Office**	Karachi	P.O. Box 4845, West Wharf Tel: 021-32313361 (9 Lines) Fax: 021-32312968	
North Western Region	Lahore	P.O. Box 205 Shalamar Link Road, Mughalpura Tel: 042-36824091 (4 Lines) Fax: 042-36817573	ASU Plant and Nitrous Oxide Plant
	Multan	Adjacent to PFL Khanewal Road Tel: 061-6562201 (2 Lines) 061-6001360 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
	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
Southern Region	Karachi	P.O. Box 4845, West Wharf Tel: 021-32313361 (9Lines) Fax: 021-32312968	Acetylene Plant Nitrous Oxide Plant Speciality Gases
	Port Qasim	Plot EZ/1/P-5(SP-1), Eastern Zone Tel: 021-34750416 (7 Lines) Fax: 021-34750418	ASU Plant Hydrogen Plant Carbon Dioxide Plant
	Sukkur	A-15, Airport Road Near Bhatti Hospital Tel: 071-5630871	Sales Depot

Key Facilities Around Pakistan



Sales Offices
Karachi
Sukkur
Lahore
Faisalabad
Taxila

Plants
100 TPD ASU & 23 TPD CO_2 Port Qasim
44 TPD ASU & 40 Kg/Hour Nitrous Oxide Lahore
30 TPD ASU Taxila
60 TPD CO_2 Multan

Company Owned Compressing Stations

Dr Aldo Belloni's Visit to Pakistan

Dr Aldo Belloni, Member of the Executive Board of The Linde Group, being received at the Company's Lahore Office

Mr Munnawar Hamid – OBE, Chairman, BOC Pakistan, Dr Aldo Belloni and Mr Sanjiv Lamba during a visit to Company's Port Qasim site

Sitting from left, Dr Aldo Belloni and Mr Sanjiv Lamba in a briefing session at Lahore. Sitting from the right are also seen Mr M Ashraf Bawany, Mr Syed Ayaz Bokhari, Mr Lee Bon Hian & Mr Zubair Ahmad

Dr Aldo Belloni addressing a Town Hall meeting at the Company's Lahore Office

Dr Aldo Belloni addressing employees of BOC Pakistan at a local hotel, Karachi

Dr Aldo Belloni inaugurating the Carbon Dioxide Plant at Port Qasim

Group photo taken on the occasion of Dr Aldo Belloni's visit along with senior management team of BOC Pakistan at a major customer site

Mr Syed Ayaz Bokhari, Chief Executive, BOC Pakistan, presenting a memento to Dr Aldo Belloni

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 2009.

National Economy

Pakistan's economy continued to be challenging during 2009, although considerable stability was achieved in the major macroeconomic indicators, stemming the significant deterioration seen in them in the previous year. However, the improved macroeconomic environment continued to be adversely affected by the intensification of war on terror, substantial decline in exports, a visible slowdown in foreign direct inflows and a worsening of the internal security environment. Business conditions therefore remained extremely difficult and the industrial sector in general and large-scale manufacturing in particular performed unsatisfactorily.

Manufacturing sector, the second largest sector of the economy, posted a reduced growth rate of 3.3% down from a growth rate of 4.8% last year. Main contributors to this decline were increasing prices and shortages of energy, deteriorating law and order, a sharp depreciation of the rupee vis-à-vis the US dollar, and most importantly, a weak external demand because of the global recession accompanied by a slowdown in domestic demand.

Despite the above difficulties, Moody's has maintained Pakistan's B3 rating with stable outlook, reflecting an expected improvement in near-term external liquidity and a cessation of the country's economic downturn. Indeed, it indicates a gradual stabilization of the economy and return to financial strength, as efforts to improve economic performance continue intensively based on a firm and agreed strategic plan.

Company Operations & Performance

In the wake of the economic difficulties experienced both locally and internationally, your Company also faced significant challenges, which primarily included lower demand from the steel, secondary cutting, automobile, bulb industry and beverage sectors. In addition to these factors, escalating costs of production & distribution due to higher energy and fuel costs, a depreciated rupee, an interrupted power supply and above all very importantly fierce competition in the gases business, also significantly affected sales revenue and margins. Further, damage to the Company's grid station at the Port Qasim plant, due to a fire put an additional unfortunate pressure on production and profitability. However, your Company took a number of mitigating actions to reduce the impact of these adverse conditions to some extent but overall net sales remained at Rs 2,307 million and operating profit (before restructuring cost) at Rs 492 million which are lower by 5.9% and 10.7%, respectively, compared to the same period last year.

Operations

Plants at all locations i.e. Port Qasim, Lahore, Multan, Qasba Gujrat, Taxila and Wah operated effectively during the year with a strong focus on safety, quality and performance, and average plant reliability remained at 98.8%. However, a deteriorating power supply situation increased the number of plant shutdowns which resulted in shortages of ASU product availability in the Northern region. Compressing facilities were also operated at an acceptable level of safety, quality and productivity, but compressed gas demand remained lower throughout the year in the Southern and Northern region.

On 16th May 2009, a fire broke out in the KESC-operated grid station at our Port Qasim plant. The damage was severe and resulted in the plant being shutdown for several days and the Company having to declare a force majeure condition. However, we are happy to report that critical supplies to hospitals in Karachi were ensured by the Company from alternate sources.

As a result of the fire, the net book value of Rs 15 million of the old asset was written off and a completely new grid station was built from an insurance claim received of Rs 50 million. In addition an insurance claim for loss of profit is also currently under discussion.

In order to minimize the chances of such crisis occurring again, the maintenance/ownership of the new grid station has been passed on to KESC under agreed arrangements so that operation/maintenance and ownership rests with one entity.

Remote Operating Centre (ROC)

On April 1st 2009, the Investment Committee of The Linde Group approved the installation of a Remote Operating Centre (ROC), at an existing site in Jurong Island, Singapore for the Regional Business Unit (RBU), South & East Asia, which will be a centre of operational excellence from where multiple plants across ten countries will be operated. The ROC is not a new concept for The Linde Group and has been in operation in other geographies successfully for several years, and now has been brought to the RBU South & East Asia. A ROC is manned by a team of skilled operators supported by a team of expert engineers to ensure that optimum plant performance is delivered whilst maintaining exemplary customer service, plant safety and plant reliability. This will become a major source of competitive advantage for the South & East Asia RBU from which BOC Pakistan will benefit immensely.

The Port Qasim ASU plant of BOC Pakistan was identified as one of several plants in the Region to be operated by the ROC and consequently the plant is now being run very successfully from it since 9th February, 2010. The transition was seamless, and as a result of this move the local team will now be able to dedicate more time to plant maintenance, in conjunction with Regional resources, thus increasing plant reliability and efficiency. This technological advancement is seen as a competitive edge obtained from belonging to a global corporation.

Sales

Industrial & Medical Gases

Energy constraints in the country resulted in a decrease in production levels of our customers, and in turn having a negative impact on the demand for Industrial Gases from segments such as steel and glass, in addition to which medical gases volumes also remained slightly lower than the previous year. The decline in volumes recorded in these three segments was 36%, 23% and 5% respectively. Fortunately, demand for Oxygen, Nitrogen and CO_2 remained higher than the previous year in the Ship-breaking and Oil & Gas sectors. However overall, product prices came under tremendous pressure in all segments due to surplus competitive product availability in the market.

Welding & others

Overall net sales revenue reduced by 9% over the previous year mainly due to lower sale of imported electrodes, although demand for local electrodes remained consistent. Calcium carbide volumes grew 14% resulting in growth of revenue by 7%.

Financial

As a result of the above difficulties and consequent decline in volumes, sales revenue and gross profit declined by Rs 146 million (5.9%) and Rs 125 million (14.9%) respectively compared to last year. Despite inflationary pressure, intensive measures were taken to contain costs and overheads including the reorganization of certain business areas. After an expenditure of Rs 115 million for reorganization/restructuring, profit for the year before and after taxation remained at Rs 374 million and Rs 252 million respectively, and consequently the basic and diluted earning per share for the year was Rs 10.05 per share.

Projects

Your Company made an investment of Rs 36.1 million in a 40 Kg/Hour Nitrous Oxide plant at Lahore which started commercial production in December 2009. This investment reflects the continued commitment of your Company in upgrading its production facilities and competitiveness in this market.

Cash Flow Management

The Company gives utmost importance to its positive cash flows with astute and careful management of its working capital, financing and investing activities. Working capital of the Company is mainly financed through cash inflows from operating activities. Cash generated from operations during the year was Rs 553 million as against Rs 474 million last year. Additions to property, plant and equipment amounting to Rs 123 million represents mainly investment in the nitrous oxide project and distribution equipment. Despite this outflow and dividend payment of Rs 314 million, the Company held Rs 500 million in cash and cash equivalents as at 31 December 2009 which has resulted in interest earnings of Rs 25.7 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 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 45.

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

Our strong belief in not hurting any one or the environment continues to be of primary focus. The changes implemented in the recent years in various aspects of safety, health, environment and quality have resulted in greatly improved safety performance.

We have continued to focus on a set of indicators which proactively drive improvement in the behavior of our employees to enhance performance in Safety. A well managed operations and engineering audit for operations has enabled the Company to manage risks in its operations and also ensure compliance with industry standards and consequently to achieve the significant milestone of completing the year without a loss time incident. During the year we also introduced a global web based incident management system to further improve our processes and also access to a global incident database.

In the area of quality, the Company is pleased to report that our Customer Services Center and production facilities in Multan, Port Qasim, Lahore and Qasba Gujarat received ISO9001:2001 certification during the year.

We have also continued our focus on the environment by an effective impact assessment of our activities, and have taken continuous improvement initiatives in this area.

Safeguarding the health and safety of our people, customers, contractors and the communities as well as protecting the environment within which we operate has been and will continue to be a top priority of the Company.

Human Resources

The Company values the rich ethnic, cultural and gender diversity of its people. BOC 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, and as far as local conditions allow, employees are selected on the basis of their ability to perform.

People Agenda

During 2009, the Company rolled out an aggressive people's agenda initiative. This will help drive employee engagement on performance enhancement through open discussion and clear communication for change in mind-set, towards setting a high performance organization.

High Performance Organization (HPO)

The Linde Group launched the High Performance Organization (HPO) initiative in 2008, driven by its Vision which states:

"We will be the leading global industrial gases and engineering group, admired for our people who provide innovative solutions that make a difference to the world".

The purpose of launching this initiative is to build a High Performance Organisation which is not just better than our industry peers but also comparable with true excellence outside the industrial gases industry. The Group's expectation is that by completing the HPO journey our organization can become truly leading in all aspects of business, viz profitability, creating value in the capital market, safety, protecting the environment, corporate responsibility, and become consequently the employer of choice.

During 2009 BOC Pakistan has rolled-out the HPO concept / awareness across the organization and also developed a master plan that will help it deliver the benefits of the programme by 2012.

Industrial Relations

An agreement with the Union in the North West for the year 2009 -2011, was amicably signed on 26 January 2010. However, in the South, the Union has taken up the matter to conciliation and the matter is still under negotiation, but industrial peace prevailed at all locations during the year under review.

During the year in order to improve cost efficiencies and competitiveness certain areas of the Company were re-organized/restructured as a result of which 70 officers and workers were found to be redundant and consequently their services had to be terminated. The main areas affected were:

1) Non-core activities like distribution, janitorial and security services which were available at significantly less cost from third party contractors and therefore were outsourced, and

2) Electrode production which was also fully outsourced to significantly improve the profitability of the business.

The terminated employees were offered appropriate redundancy compensation, which was accepted by ten whilst the remaining sixty chose to go into litigation seeking reinstatement.

Manpower numbers consequently at 31 December 2009 were 305 against 395 as on 31 December 2008.

Corporate Social Responsibility

We view corporate responsibility towards the environment and society in general as a high priority. Each year we make tangible progress across all five action items that underpin our Group's Corporate Responsibility policy. The five dimensions are: Employees, The Environment, Corporate Citizenship, Ethics and Compliance, and Socially Responsible Investment.

Your Company's social welfare activities are evident from the continued support provided to the two government primary schools adopted in Taxila in 2007. More than 200 children in these schools, majority of whom belong to a deprived section of communities 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 and education were made during the year.

Distribution of Dividends and appropriation of Profit

Considering your Company's modest profitability in a very difficult year, the Directors are still pleased to recommend a relatively healthy final cash dividend of Rs 6.50 (65%) per ordinary share of Rs 10 each, making a total dividend for the year at Rs 9.00 (90%).

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

	(Rupees in '000)
Un-appropriated profit as at 31 December 2008	331,682
Final dividend for the year ended 31 December 2008 at Rs 10.00 per share	(250,387)
Transfer to General Reserve	(81,295)
Net Profit after taxation for the year 2009	251,612
Net Actuarial gain recognized in statement of comprehensive income	6,651
Disposable profit for appropriation	258,263
Interim dividend at Rs 2.50 per share paid in October 2009	(62,597)
Un-appropriated profit carried forward	195,666
Subsequent Effects	
Proposed final dividend at Rs 6.50 per share	162,752
Transfer to General Reserve	32,914
	195,666
Total dividend per share for the year Rs 9.00	225,349
EPS – for the year 2009 Rs 10.05 (2008: Rs 16.06)	

Post Balance Sheet Events

There has been no significant event since 31 December 2009 to date, except the declaration of final dividend which is subject to the approval of the Members at the 61st Annual General Meeting to be held on 22 April 2010. The effect of such dividend shall be reflected in the next year's financial statements.

Board of Directors

No change took place in the Board of your Company during the year 2009.

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 2010, 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, changes in equity and comprehensive income.

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

c) Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes resulted on initial application of standards and amendments, as stated in Note 3.1 to audited annual financial statements. 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:

Name of Funds	Un-audited	Audited
BOC Pakistan Limited Staff Provident Fund	-	187 million as at 31 July 2009
BOC Pakistan Limited Pakistan Employees' Gratuity Fund	93 million as at 31 December 2009	94 million as at 31 December 2008
BOC Pakistan Limited Management Staff Pension Fund	61 million as at 31 December 2009	54 million as at 31 December 2008
BOC Pakistan Limited Management Staff Defined Contribution Pension Fund	68 million as at 31 December 2009	63 million as at 31 December 2008

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

k) During the year, four 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	04
2. Mr Syed Ayaz Bokhari	Chief Executive Officer	04
3. Mr Sanaullah Qureshi	Non-Executive Director	04
4. Mr Towfiq Habib Chinoy	Non-Executive Director	04
5. Mr Sanjiv Lamba	Non-Executive Director	–
6. Mr Shamim Ahmad Khan	Non-Executive Director	03
7. Mr Ashley David Mills	Non-Executive Director	02
8. Mr Lee Bon Hian	Non-Executive Director	04

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 88 and 89.

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.

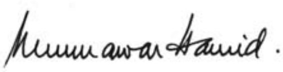
o) The Board of Directors of the Company in its meeting held on 20 September 2002 adopted the "Statement of Ethics and Business Practices" which appears on page number 11. The statement is regularly circulated within the Company since 2002. The directors and employees are also aware of the "Code of Conduct"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

FUTURE PROSPECTS & CHALLENGES

Your Company continued to remain alive to the economic difficulties at the local and international levels and focused hard on growth and cost reduction initiatives so that potential risks are mitigated. Investments in a Nitrous Oxide plant and Distribution assets and a continuous evaluation of other opportunities to grow and compete effectively despite tough challenges in the business environment, are reflective of your Company's 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 particularly in the face of the prevalent difficult economic conditions.

On behalf of the Board



MUNNAWAR HAMID – OBE
Chairman

Karachi:
24 February 2010

Supply of bulk gases to customers

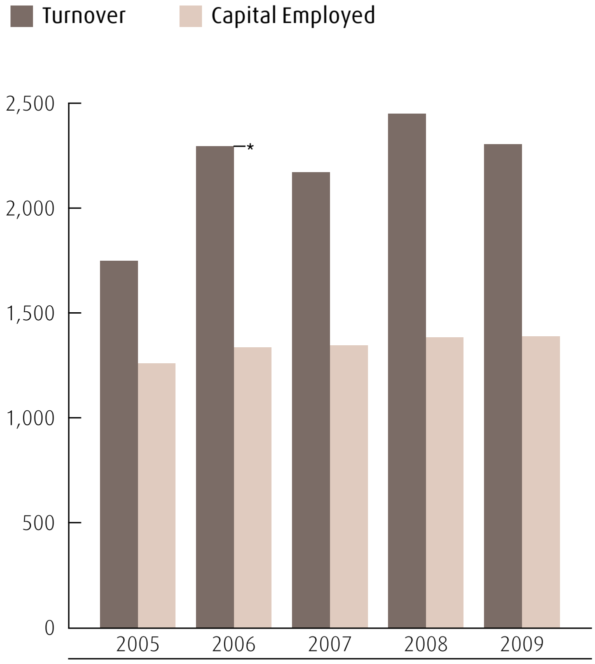
Speciality gases increasingly utilized by pharmaceutical industry

Our Special Gases lab is equipped with the state-of-the-art Gas Chromatograph to enhance quality control activities

Key Financial Data

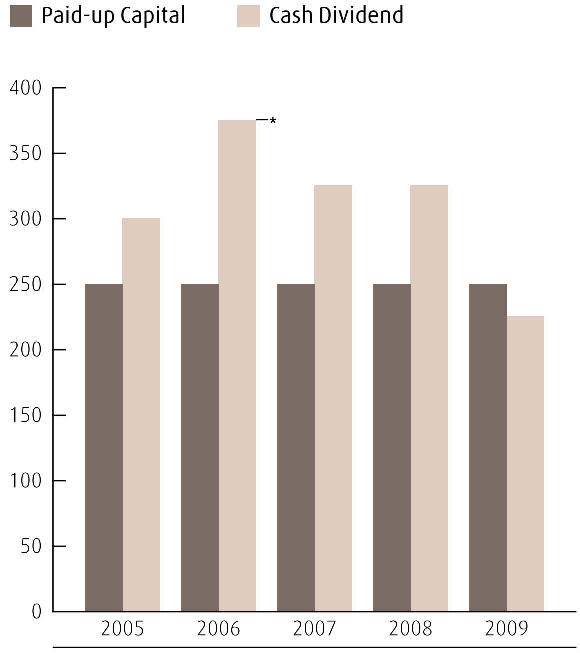
Turnover and Average Capital Employed

(Rs in Million)



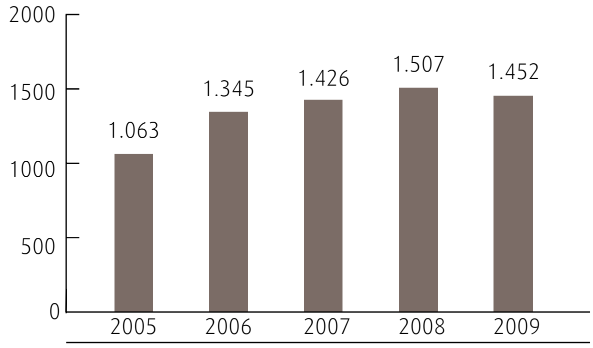
Paid-up Capital and Cash Dividend

(Rs in Million)



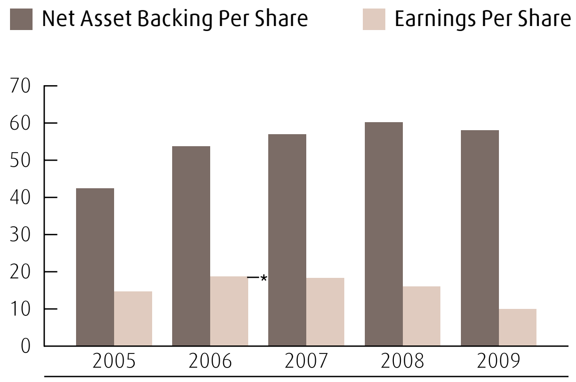
Shareholders' Fund

(Rs in Million)



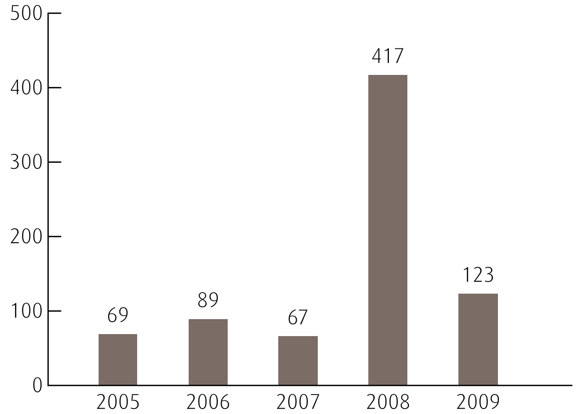
Break up Value and EPS

(Rupees)



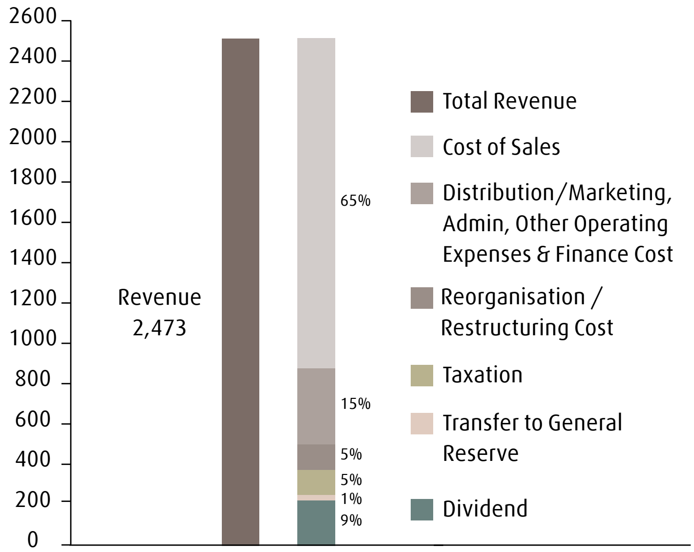
Capital Expenditure

(Rs in Million)

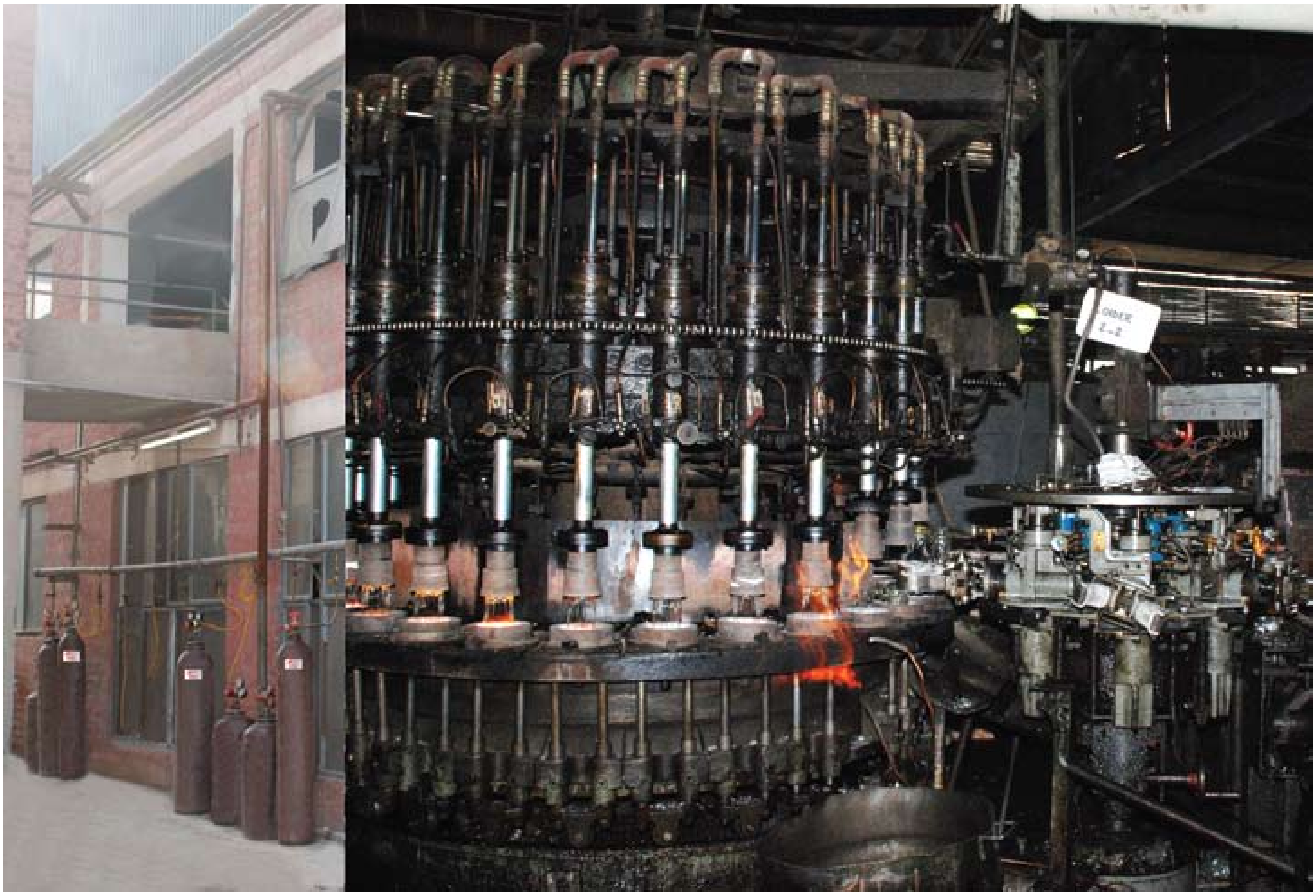


Application of Revenue 2009

(Rs in Million)



*Represents 15 months period from October 2005 to December 2006



Application of dissolved acetylene for carbon coating in glass manufacturing process

A newly commissioned 40 Kg/Hour Nitrous Oxide Plant at Lahore

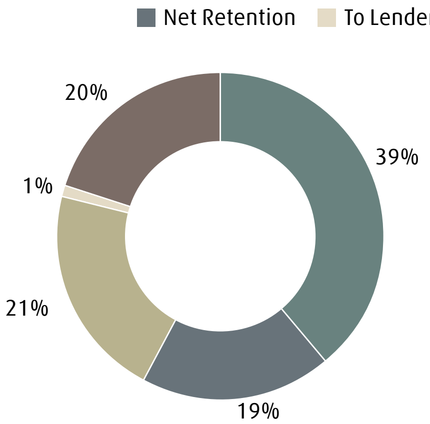
Statement of Value Added by BOC Pakistan during 2009

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:

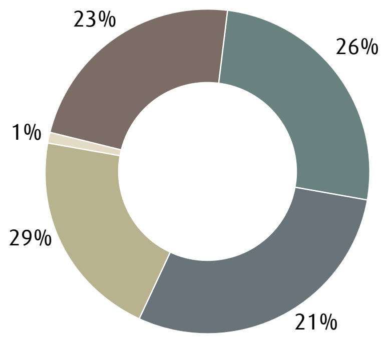
	2009	2008
	(Rupees in '000)	
Wealth Generated		
Total Revenue (net of sales tax)	2,473,485	2,511,812
Bought-in-material & services	(1,464,470)	(1,438,158)
	1,009,015	1,073,654
Wealth Distributed		
To Employees		
Salaries, wages and benefits	280,413	275,466
Reorganisation / restructuring cost	115,200	–
	395,613	275,466
To Government		
Income Tax on Profit, Workers' Funds, Import Duties (exclusive of capital items) and un-adjustable Sales Tax	188,018	244,563
To Providers of Capital		
Cash Dividends to Shareholders*	225,349	325,503
Finance cost	2,125	2,702
Retained in the Business		
For replacement of fixed assets :		
Depreciation, net of transfers to general reserves	197,910	225,420
	1,009,015	1,073,654

*Includes proposed final dividend declared subsequent to year end

Wealth Generated & Distributed 2009



Wealth Generated & Distributed 2008



Statement of Compliance with the Code of Corporate Governance for the year ended 31 December 2009

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, no casual vacancy occurred in the Board.

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 determination of annual remuneration and terms & conditions of employment of the CEO, as recommended by the Remuneration & Appointments Committee, have been taken by the Board.

8. During the year four 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. 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 2009 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. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for such transactions.

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

Syed Ayaz Bokhari
Chief Executive

Karachi:
24 February 2010

Munnawar Hamid – OBE
Chairman

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

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Fax + 92 (21) 3568 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 in which 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No.37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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

Date: 24 FEB 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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

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

Auditors' Report to the Members

We have audited the annexed balance sheet of **BOC Pakistan Limited** ("the Company") as at 31 December 2009 and the related profit and loss account, cash flow statement, statement of changes in equity and statement of comprehensive income 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 except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in note 3.1,with which we concur;

   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, statement of changes in equity and statement of comprehensive income 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

KPMG Taseer Hadi & Co.

December 2009 and of the profit, its cash flows, changes in equity and total comprehensive income 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: 24 FEB 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

Profit and Loss Account

For the year ended 31 December 2009

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
Gross sales	5	2,642,884	2,729,628
Trade discount and sales tax	5	(335,143)	(276,287)
Net sales		2,307,741	2,453,341
Cost of sales	6	(1,596,752)	(1,617,694)
Gross profit		710,989	835,647
Distribution and marketing expenses	7	(152,785)	(158,681)
Administrative expenses	8	(132,727)	(130,094)
Other operating expenses	9	(99,612)	(54,948)
Other operating income	10	165,744	58,471
Operating profit before reorganization / restructuring cost		491,609	550,395
Reorganization / Restructuring cost	29	(115,200)	-
Operating profit after reorganization / restructuring cost		376,409	550,395
Finance costs	11	(2,125)	(2,702)
Profit before taxation		374,284	547,693
Taxation	12	(122,672)	(145,587)
Profit for the year		251,612	402,106
		(Rupees)	
Earnings per share - basic and diluted	13	10.05	16.06

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 2009

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,064,448	1,128,372
Net investment in finance lease	15	199,715	239,988
Long term loans	16	660	1,168
Long term deposits and prepayments		11,181	10,638
		1,276,004	1,380,166
Current assets			
Stores and spares	17	88,973	83,712
Stock-in-trade	18	166,801	246,276
Current maturity of net investment in finance lease	15	72,335	59,022
Trade debts	19	153,030	157,555
Loans and advances	20	13,846	11,625
Deposits and prepayments	21	11,401	15,090
Other receivables	22	33,249	24,376
Cash and bank balances	23	500,310	334,478
		1,039,945	932,134
		2,315,949	2,312,300
EQUITY AND LIABILITIES			
Share capital	24	250,387	250,387
Revenue reserves			
General reserve		1,006,653	925,358
Unappropriated profit		195,666	331,682
		1,202,319	1,257,040
		1,452,706	1,507,427
Non-current liabilities			
Long term deposits	25	115,565	113,001
Deferred liabilities	26	202,034	229,124
		317,599	342,125
Current liabilities			
Trade and other payables	28	368,414	390,431
Provisions	29	154,363	28,638
Provision for taxation - net		22,867	43,679
		545,644	462,748
		2,315,949	2,312,300
Contingencies and commitments	30		

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

Syyed Ayaz Bokhari
Chief Executive

Munnawar Hamid
Munnawar Hamid OBE
Chairman

Cash Flow Statement

For the year ended 31 December 2009

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31	718,091	610,664
Reorganization / Restructuring cost paid		(31,090)	–
Finance costs paid		(2,118)	(2,843)
Income tax paid		(174,532)	(189,423)
Post retirement medical benefits paid		(261)	(30,564)
Long term loans, deposits and prepayments		(35)	63
Long term deposits		2,564	8,620
Net investment in finance lease		40,273	77,679
Net cash from operating activities		552,892	474,196
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(123,421)	(417,354)
Proceeds from disposal of operating assets		11,540	5,850
Interest received on balances with banks		26,384	36,615
Interest received on investment in finance lease		12,534	15,062
Net cash used in investing activities		(72,963)	(359,827)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(314,097)	(326,806)
Net cash used in financing activities		(314,097)	(326,806)
Net increase / (decrease) in cash and cash equivalents		165,832	(212,437)
Cash and cash equivalents at beginning of the year		334,478	546,915
Cash and cash equivalents at end of the year	23	500,310	334,478

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 2009

	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 2007	250,387	661,572	514,173	1,426,132
Total comprehensive income for the year				
Profit for the year	-	-	402,106	402,106
Other comprehensive income for the year				
Defined benefit plan actuarial gains-net	-	-	4,692	4,692
	-	-	406,798	406,798
Transactions with owners				
Final dividend for the year ended 31 December 2007 - Rs. 10 per share	-	-	(250,387)	(250,387)
Interim dividend for the year ended 31 December 2008 - Rs. 3 per share	-	-	(75,116)	(75,116)
	-	-	(325,503)	(325,503)
Transfer to general reserve	-	263,786	(263,786)	-
Balance as at 31 December 2008	250,387	925,358	331,682	1,507,427
Total comprehensive income for the year				
Profit for the year	-	-	251,612	251,612
Other comprehensive income for the year				
Defined benefit plan actuarial gains-net	-	-	6,651	6,651
	-	-	258,263	258,263
Transactions with owners				
Final dividend for the year ended 31 December 2008 - Rs. 10 per share	-	-	(250,387)	(250,387)
Interim dividend for the year ended 31 December 2009 - Rs. 2.50 per share	-	-	(62,597)	(62,597)
	-	-	(312,984)	(312,984)
Transfer to general reserve	-	81,295	(81,295)	-
Balance as at 31 December 2009	250,387	1,006,653	195,666	1,452,706

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 Comprehensive Income

For the year ended 31 December 2009

	31 December 2009	31 December 2008
	(Rupees in '000)	
Profit for the year	251,612	402,106
Other comprehensive income		
Defined benefit plan actuarial gains	10,232	7,221
Less: Deferred tax	(3,581)	(2,529)
	6,651	4,692
	258,263	406,798

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 2009

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 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 for the recognition of defined benefit plans at present 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 accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

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.

3. STANDARDS, AMENDMENTS AND INTREPRETATIONS

3.1 Standards, amendments and intrepretations to the published approved accounting standards that are effective in the current accounting period

- IFRS-7 Financial Instruments: Disclosures supersedes IAS-30 Disclosures in the Financial Satements of Banks and Similar Financial Institutions and the disclosure requirements of IAS-32 Financial Instruments: Disclosure and Presentation. Adoption of IFRS - 7 has only resulted in additional disclosures presented in these financial statements.
- IAS 1 (Revised), Presentation of Financial Statements, requires those items of income and expense that are not recognised in the profit or loss, and non-owner changes in equity should be recognised through statement of comprehensive income. The revised Standard requires an entity to opt for presenting such items of income and expense either in (a) single statement (a statement of comprehensive income'), or (b) two statements (a separate 'income statement' and 'statement of comprehensive income'). The Company has adopted IAS 1 (Revised), accordingly, items of income and expense that are not recognised in the profit or loss, and non-owner changes in equity have been presented in a separate 'statement of comprehensive income' in these financial statements.

- IFRS 8 Operating Segments requires operating segments to be determined and presented based on the information that internally is provided to the Company's chief operating decision maker, that is, the organisation's function which allocates resources to and assesses performance of its operating segments. However, adoption of the said IFRS does not have a significant effect on the Company's financial statements.

- Standards, amendments and interpretations effective during the year but not relevant:
  - IAS 29 Financial Reporting in Hyperinfaltionary Economies
  - IFRIC 7 Applying the Restatement Approach under IAS 29
  - IFRIC 11 Group and Treasury Share Transactions
  - IFRIC 13 Customer Loyalty Programmes

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

The following standards, amendments and interpretations of approved accounting standards are effective for annual accounting periods beginning on or after 1 January 2010. 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:

- Amendment to IFRS 2 Share-based Payment - Group cash-settled share-based payment transactions.
- Revised IFRS 3 Business Combinations
- IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 9 Financial Instruments.
- IAS 24 Related Party Disclosures (revised 2009)

- Amended IAS 27 Consolidated and Separate Financial Statements
- Amendments to IAS 32 Financial instruments - Classification of Right Issues
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items
- Ammendments to IFRIC 14 IAS 19 The Limit on Defined Benefit Assets, Minmum Funding Requirements and their Interaction.
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 19 Extinguishing Financial liabilites with Equity Instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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.

4.2 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.

4.3 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.

4.4 Impairment

The carrying amounts of the 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.

4.5 Stores and spares

Stores and spares are stated at cost determined using moving average method. Provision is made for slow moving and obsolete items, if any.

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

4.6 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 the inventories to their existing location and condition.

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

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

4.7 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 an objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.8 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.

4.9 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.

4.10 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 a given age. This pension scheme had been curtailed with effect from 1 October 2006. Members in service were given an option to opt for either defined benefit or defined contribution scheme. No new members have been inducted in this scheme since then. The members in this scheme are 25. 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 medical scheme as at 31 December 2009 aggregates to Rs. 6,079 thousand (2008: Rs. 5,703 thousand). The entire balance relates to 4 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 2009, using the “Projected Unit Credit Method”.

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

Defined contribution plans

The Company operates:

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

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.

4.11 Compensated absences

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

4.12 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.

4.13 Trade and other payables

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

4.14 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.

4.15 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.

4.16 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, if any, are valued at their estimated fair value on the balance sheet date.

4.17 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 using the effective rate of return.

4.18 Finance lease income

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

4.19 Operating segments

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

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

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

4.20 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.

5. SEGMENT INFORMATION

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

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, hospital, laboratory applications and a variety of medical purposes are also distributed under pressure in cylinders. This segment also covers the supply of associated medical equipment.

Welding and Others

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

5.1 Segment results are as follows:

	31 December 2009			31 December 2008		
	Industrial and Medical gases	Welding and others	Total	Industrial and Medical gases	Welding and others	Total
	(Rupees in '000)					
Gross sales	2,102,659	540,225	2,642,884	2,138,278	591,350	2,729,628
Less:						
Trade discount	72,892	-	72,892	1,899	-	1,899
Sales tax	192,267	69,984	262,251	201,011	73,377	274,388
	265,159	69,984	335,143	202,910	73,377	276,287
Net sales	1,837,500	470,241	2,307,741	1,935,368	517,973	2,453,341
Less:						
Cost of sales	1,186,662	410,090	1,596,752	1,128,171	489,523	1,617,694
Distribution and marketing expenses	139,859	12,926	152,785	153,283	5,398	158,681
Administrative expenses	121,498	11,229	132,727	125,668	4,426	130,094
	1,448,019	434,245	1,882,264	1,407,122	499,347	1,906,469
Segment result	389,481	35,996	425,477	528,246	18,626	546,872
Unallocated corporate expenses:						
- Other operating expenses			(99,612)			(54,948)
- Other operating income			165,744			58,471
			66,132			3,523
Operating profit before reorganization / restructuring cost			491,609			550,395
Reorganization / Restructuring cost			(115,200)			-
Operating profit after reorganization / restructuring cost			376,409			550,395
Finance costs			(2,125)			(2,702)
Income tax			(122,672)			(145,587)
Profit for the year			251,612			402,106

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

5.3 Revenue from Industrial and Medical Gases amounting to Rs. 431,674 thousand (2008: Rs.465,629 thousand) is generated from a customer which comprises 10% or more of the Company's revenue. Total revenue is generated from customers within Pakistan.

5.4 The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	31 December 2009			31 December 2008		
	Industrial and Medical gases	Welding and others	Total	Industrial and Medical gases	Welding and others	Total
	(Rupees in '000)					
- Segment assets	1,619,908	125,395	1,745,303	1,697,627	217,298	1,914,925
Unallocated assets			570,646			397,375
Total assets			2,315,949			2,312,300
- Segment liabilities	174,248	4,442	178,690	214,773	10,871	225,644
Unallocated liabilities			684,554			579,229
Total liabilities			863,244			804,873
- Capital expenditure	123,421	–	123,421	416,681	673	417,354

5.5 All non-current assets of the Company as at 31 December 2009 were located within Pakistan.

6. COST OF SALES

		31 December 2009	31 December 2008
		(Rupees in '000)	
Fuel and power		434,145	359,138
Raw materials consumed		266,971	264,229
Depreciation		161,422	137,860
Salaries, allowances and other benefits	6.1	140,603	154,051
Transportation expenses		119,713	113,671
Repairs and maintenance		34,148	38,609
Consumable spares		32,538	79,632
Insurance		16,230	13,830
Travelling and conveyance		12,316	16,010
Safety and security expenses		9,969	8,389
Rent, rates and taxes		2,343	3,505
Staff training, development and other expenses		999	1,074
Liquidated damages		-	12,629
Other expenses		3,686	3,130
Cost of goods manufactured		1,235,083	1,205,757
Opening stock of finished goods		209,111	109,323
Purchase of finished goods		258,122	482,916
Write down of inventory to net realisable value		2,837	28,809
Closing stock of finished goods		(108,401)	(209,111)
		1,596,752	1,617,694

6.1 Salaries, allowances and other benefits include Rs.6,622 thousand (2008: Rs.7,251 thousand) in respect of staff retirement benefits.

7. DISTRIBUTION AND MARKETING EXPENSES

		31 December 2009	31 December 2008
		(Rupees in '000)	
Salaries, allowances and other benefits	7.1	85,947	85,627
Technical assistance fee		25,170	26,795
Travelling and conveyance		12,561	17,632
Depreciation		3,243	3,409
Provision for doubtful debts		7,509	4,695
Communications and stationery		4,661	5,101
Repairs and maintenance		3,461	5,411
Safety and security expenses		2,948	2,299
Office light		2,831	1,757
Rent, rates and taxes		1,703	1,958
Advertising and sales promotion		974	243
Insurance		419	357
Staff training, development and other expenses		319	1,854
Other expenses		1,039	1,543
		152,785	158,681

7.1 Salaries, allowances and other benefits include Rs.6,395 thousand (2008: Rs. 6,432 thousand) in respect of staff retirement benefits.

8. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	8.1	75,941	69,389
Travelling and conveyance		10,773	18,097
Information systems support / maintenance		9,706	2,457
Communications and stationery		8,399	8,526
Depreciation		6,982	7,548
Repairs and maintenance		6,349	8,525
Office light		5,298	2,482
Directors' fee and remuneration		2,650	2,695
Safety and security expenses		2,633	3,239
Insurance		1,636	1,389
Rent, rates and taxes		516	439
Staff training, development and other expenses		395	3,363
Other expenses		1,449	1,945
		132,727	130,094

8.1 Salaries, allowances and other benefits include Rs.7,338 thousand (2008: Rs. 5,624 thousand) in respect of staff retirement benefits.

9. OTHER OPERATING EXPENSES

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
Power grid station	9.1	49,484	-
Old assets written off	9.1	15,063	-
		64,547	-
Workers' profits participation fund		20,173	29,494
Workers' welfare fund		8,447	11,204
Legal and professional charges		4,510	4,933
Exchange loss - net		-	6,483
Auditors' remuneration	9.2	1,430	1,425
Donations	9.3	505	690
Others		-	719
		99,612	54,948

9.1 During the year, power grid station was damaged due to fire and accordingly net book value of Rs. 15,063 thousand was written off. Insurance claim amounting to Rs. 50,000 thousand was recovered from insurance company on account of payment against the cost incurred to rebuild the damaged grid station as disclosed in note 10 of these financial statements. Cost to rebuild the grid station amounted to Rs. 49,484 thousand has been classified above as the grid station has been transferred to KESC in pursuance to an agreement.

9.2 Auditors' remuneration

	2009	2008
Audit fee	700	700
Audit of provident, gratuity, pension and workers' profits participation fund and fee for special certifications	430	437
Fee for review of half yearly financial statements	220	220
Out-of-pocket expenses	80	68
	1,430	1,425

9.3 Donations include:

- Rs. 180 thousand (2008: Rs. 160 thousand) to Pakistan Centre for Philanthropy, Islamabad. One of the Company's directors, Mr. Towfiq H. Chinoy, is also a director of the Pakistan Center for Philanthropy.

- Rs. 300 thousand (2008: Nil) to Aga Khan Hospital and Medical College Foundation, Karachi. Mr. Munnawar Hamid OBE, Chairman, is a trustee of the Aga Khan University.

10. OTHER OPERATING INCOME

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
Insurance claim	9.1	50,000	-
Exchange gain - net		33,487	-
Mark-up income on savings and deposit accounts		25,701	26,854
Income on investment in finance lease		12,534	15,062
Liabilities no more payable written back		30,961	9,345
Gain on disposal of property, plant and equipment		10,905	4,495
Others		2,156	2,715
		165,744	58,471

11. FINANCE COSTS

Bank charges	1,380	1,184
Guarantee commission and service charges	662	608
Mark-up on short term running finances	83	703
Interest on workers' profits participation fund	-	207
	2,125	2,702

12. TAXATION

Current		
- for the year	153,298	204,537
- for prior years	422	(38,849)
Deferred	(31,048)	(20,101)
	122,672	145,587

12.1 Relationship between tax expense and accounting profit

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

Profit before taxation	374,284	547,693
Tax at the applicable tax rate of 35% (2008: 35%)	130,999	191,693
Tax effect of non-deductible expenses	(1,288)	3,740
Effect of tax under final tax regime	(7,461)	(10,997)
Effect of prior years (reversal) - net	422	(38,849)
Tax expense for the year	122,672	145,587

12.2 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 2009 by the Company were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, in respect of Tax Year 2008, the deemed assessment was amended by the taxation authorities by passing an amended order after making certain disallowances out of profit and loss account expenses and completing audit proceedings. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), Karachi in respect of the amended assessment.

13. EARNINGS PER SHARE - basic and diluted

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

	31 December 2009	31 December 2008
	(Rupees in ‘000)	
Profit for the year	251,612	402,106
	(Number in ‘000)	
Weighted average number of ordinary shares	25,039	25,039
	(Rupees)	
Earnings per share - basic and diluted	10.05	16.06

14. PROPERTY, PLANT AND EQUIPMENT

		31 December 2009	31 December 2008
		(Rupees in ‘000)	
Operating assets	14.1	1,020,722	1,029,650
Capital work in progress	14.5	43,726	98,722
		1,064,448	1,128,372

14.1 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 2008:											
- 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
Additions including transfers		–	–	–	10,500	1,202	307,986	13,011	3,567	6,666	342,932
Disposals:											
- 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		–	(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
Additions including transfers	14.5	–	–	–	616	–	157,447	5,693	3,109	11,552	178,417
Disposals:	14.3										
- Cost		–	–	–	–	–	(7,242)	(15,294)	–	(140)	(22,676)
- Accumulated depreciation		–	–	–	–	–	7,242	14,659	–	140	22,041
		–	–	–	–	–	–	(635)	–	–	(635)
Write offs:											
- Cost		–	–	–	–	–	(51,078)	–	–	–	(51,078)
- Accumulated depreciation		–	–	–	–	–	36,015	–	–	–	36,015
		–	–	–	–	–	(15,063)	–	–	–	(15,063)
Depreciation	14.4	–	(856)	(303)	(3,232)	–	(153,047)	(8,017)	(539)	(5,653)	(171,647)
Net book value as at 31 December 2009		351	5,780	2,087	25,043	12,127	933,435	19,460	6,192	16,247	1,020,722
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 2009:											
- Cost		351	10,526	9,341	50,663	19,640	2,196,707	48,152	18,059	57,568	2,411,007
- Accumulated depreciation		–	(4,746)	(7,254)	(25,620)	(7,513)	(1,263,272)	(28,692)	(11,867)	(41,321)	(1,390,285)
- Net book value		351	5,780	2,087	25,043	12,127	933,435	19,460	6,192	16,247	1,020,722
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	

14.2 As at 31 December 2009, plant and machinery included cylinders and Vaccum Insulated Equipments held by third parties, having cost and net book values as follows:

	Cost 2009	Cost 2008	Net book value 2009	Net book value 2008
	(Rupees in '000)			
Cylinders	70,229	53,030	26,545	18,463
Vaccum Insulated Equipments	276,828	244,156	155,415	139,288
	347,057	297,186	181,960	157,751

14.3 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)					
Vehicles	3,385	2,750	635	1,115	Quotations	Hi-Tech Electronics & Machinery
Book value upto Rs. 50,000 each	19,291	19,291	-	10,425	Quotations	Various
	22,676	22,041	635	11,540		

14.4 Depreciation / Impairment has been allocated as follows:

	31 December 2009	31 December 2008
	(Rupees in '000)	
Cost of sales	161,422	137,860
Distribution and marketing expenses	3,243	3,409
Administrative expenses	6,982	7,548
	171,647	148,817

14.5 Capital work in progress

	Plant and machinery	Advances to suppliers against vehicles	Furniture, fittings and office equipments	Total
	(Rupees in '000)			
As at 1 January 2008	12,793	7,911	3,596	24,300
Additions during the year	400,207	7,425	9,722	417,354
Transfers during the year	(319,688)	(13,011)	(10,233)	(342,932)
As at 31 December 2008	93,312	2,325	3,085	98,722
Additions during the year	99,632	9,063	14,726	123,421
Transfers during the year	(158,063)	(5,693)	(14,661)	(178,417)
As at 31 December 2009	34,881	5,695	3,150	43,726

15. NET INVESTMENT IN FINANCE LEASE

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

	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	245,850	22,251	223,599
Later than five years	17,080	691	16,389
	262,930	22,942	239,988
	334,486	35,476	299,010

16. LONG TERM LOANS - secured, considered good

	31 December 2009	31 December 2008
	(Rupees in '000)	
Loans to employees	4,406	5,780
Recoverable within one year shown under current assets	(3,746)	(4,612)
	660	1,168

16.1 Reconciliation of the carrying amount of loans

Balance at beginning of the year	5,780	6,555
Disbursements	5,769	6,646
Repayments	(7,143)	(7,421)
Balance at end of the year	4,406	5,780

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

17. STORES AND SPARES

	31 December 2009	31 December 2008
	(Rupees in '000)	
Stores	2,431	2,384
Spares	145,755	140,206
In transit	5,733	1,030
	153,919	143,620
Provision against slow moving stores and spares	(64,946)	(59,908)
	88,973	83,712

18. STOCK-IN-TRADE

Raw and packing materials	54,520	28,140
In transit	3,880	9,025
	58,400	37,165
Finished goods		
- in hand	107,367	109,711
- bonded warehouse	-	89,514
- in transit	1,034	9,886
	108,401	209,111
	166,801	246,276

18.1 The cost of raw and packing materials and finished goods has been adjusted to net realisable value by Rs. 11,384 thousand (2008: Rs. 39,830 thousand).

18.2 Raw and packing materials and finished goods include inventories with a value of Rs. 26,543 thousand (2008: Rs. 6,345 thousand) which are held by a third party.

19. TRADE DEBTS - unsecured

Considered good	19.1	153,030	157,555
Considered doubtful		18,028	11,521
		171,058	169,076
Provision for doubtful debts		(18,028)	(11,521)
		153,030	157,555

19.1 These include balances due from related parties amounting to Rs. 393 thousand (2008: Rs. 1,633 thousand).

20. LOANS AND ADVANCES - considered good

Loans to employees - secured	16	3,746	4,612
Advances			
- employees		599	590
- suppliers		9,501	6,423
		10,100	7,013
		13,846	11,625

21. DEPOSITS AND PREPAYMENTS

Security deposits	2,175	1,767
Other deposits	8,335	12,660
Prepayments	891	663
	11,401	15,090

22. OTHER RECEIVABLES

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
Mark-up income accrued on savings and deposit accounts		2,931	3,614
Receivable from related parties		4,257	2,260
Receivable from staff retirement benefit funds	22.1	24,175	12,932
Sales tax refundable		-	3,757
Others		1,886	1,813
		33,249	24,376

22.1 This represents balances due from Management Staff Pension Fund and BOC Pakistan Limited - Pakistan Employees' Gratuity Fund primarily on account of accumulated actuarial gains.

23. CASH AND BANK BALANCES

	31 December 2009	31 December 2008
Cash in hand	1,884	1,718
Cash with banks:		
- current and savings accounts	133,426	112,760
- deposit accounts	365,000	220,000
	500,310	334,478

24. SHARE CAPITAL

Authorised capital:

31 December 2009	31 December 2008		31 December 2009	31 December 2008
(Number of shares)			(Rupees in '000)	
40,000,000	40,000,000	Ordinary shares of Rs. 10 each	400,000	400,000

Issued, subscribed and paid-up capital:

31 December 2009	31 December 2008		31 December 2009	31 December 2008
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 2009 and 2008, The BOC Group Limited - U.K., held 15,023,232 ordinary shares of Rs. 10 each of the Company, whose parent company is Linde AG, Germany.

25. LONG TERM DEPOSITS

	31 December 2009	31 December 2008
Cylinders	106,459	103,121
Others	9,106	9,880
	115,565	113,001

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

26. DEFERRED LIABILITIES

	Note	31 December 2009	31 December 2008
		(Rupees in '000)	
Deferred taxation	26.1	195,955	223,421
Post retirement medical benefits	32.1	6,079	5,703
		202,034	229,124

26.1 Deferred taxation

Taxable temporary differences:		
- accelerated tax depreciation	177,063	160,690
- net investment in finance lease	95,217	104,654
- actuarial gain on pension fund	12,662	9,923
- actuarial gain on post retirement medical benefits	852	786
Deductible temporary differences:		
- slow moving stores and spares and stock-in-trade	(26,715)	(34,908)
- post retirement medical benefits	(2,980)	(1,996)
- actuarial loss on gratuity	(1,547)	(2,322)
- reorganization / restructuring cost	(29,439)	(328)
- doubtful receivables and other provisions	(29,158)	(13,078)
	195,955	223,421

27. 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 (2008 : Rs.185,000 thousand). The rate of mark-up in the running finance facilities ranges from one month KIBOR+1% to 3 months KIBOR+1% per annum (2008: one month KIBOR+1% to 3 months KIBOR+1% to per annum). 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 2009 amounted to Rs. 360,000 thousand (2008: Rs. 360,000 thousand) of which the amount remaining unutilised as at the year end was Rs.235,835 thousand (2008: Rs. 179,677 thousand).

28. TRADE AND OTHER PAYABLES

	Note	2009	2008
Creditors	28.1	77,579	112,643
Accrued liabilities		182,733	178,579
Advances from customers	28.2	28,849	12,836
Technical assistance fee payable to parent company		22,653	25,456
Information systems support / maintenance	28.3	10,500	24,331
Sales tax payable		1,259	–
Workers' profits participation fund		1,237	–
Workers' welfare fund		25,687	17,239
Unclaimed dividends		14,584	15,697
Others		3,333	3,650
		368,414	390,431

28.1 These include balances due to related parties amounting to Rs. 1,694 thousand (2008: Rs.12,490 thousand).

28.2 These include amounts due to the related parties amounting to Rs. 128 thousand (2008: Rs.15 thousand).

28.3 This represents balance payable to a related party for services received in respect of IT related tasks and operations and maintenance of IT systems.

29. PROVISIONS

	31 December 2009			
	Sales tax (note 29.1)	Vendor / customer claims (note 29.1)	Reorganization / Restructuring cost (note 29.2)	Total
	(Rupees in '000)			
Opening balance	8,897	18,805	936	28,638
Additions during the year	–	43,890	115,200	159,090
	8,897	62,695	116,136	187,728
Payments / transfer	–	(103)	(31,090)	(31,193)
Reversals	(2,172)	–	–	(2,172)
	(2,172)	(103)	(31,090)	(33,365)
	6,725	62,592	85,046	154,363

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

29.2 This represents provision on account of staff redundancy due to reorganization / restructuring. The provision has been recognised in accordance with duly approved plan and the full amount of provision is expected to be utilized during 2010.

30. CONTINGENCIES AND COMMITMENTS

Contingencies

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

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

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

30.2 The Company has disputed the unilateral increase in rentals of one of its leased premises being exorbitant, unreasonable and unjustified. Therefore, a civil suit has been filed against the Lessor. The Court has directed parties to maintain status quo. The amount not acknowledged as debt in this regard as at 31 December 2009 amounted Rs. 28,751 thousand (2008: Rs. 26,845 thousand).

30.3 Claims against the Company not acknowledged as debt amounted to Rs. 20,000 thousand (2008: Rs. 20,000 thousand) as the management is confident that ultimately these claims would not be payable.

Commitments

30.4 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 2009 amounted to Rs. 1,153 thousand (2008: Rs. 3,309 thousand).

30.5 Capital commitments outstanding as at 31 December 2009 amounted to Rs. 53,823 thousand (2008: Nil).

30.6 Commitments under letters of credit as at 31 December 2009 amounted to Rs. 30,116 thousand (2008: Rs. 117,204 thousand).

31. CASH GENERATED FROM OPERATIONS

		31 December 2009	31 December 2008
		(Rupees in '000)	
Profit before taxation		374,284	547,693
Adjustments for:			
Depreciation / Impairment		171,647	148,817
Gain on disposal of property, plant and equipment		(10,905)	(4,495)
Operating assets written off		15,063	–
Mark-up income from savings and deposit accounts		(25,701)	(26,854)
Income on investment on finance lease		(12,534)	(15,062)
Finance costs		2,125	2,702
Post retirement medical benefits		828	899
Provision / (reversal of provision) for:			
- Sales tax		(2,172)	(2,557)
- Vendor / customer claims		43,890	1,623
- Reorganization / Restructuring cost		115,200	–
Working capital changes	31.1	46,366	(42,102)
		718,091	610,664

31.1 Working capital changes

(Increase) / decrease in current assets:		
Stores and spares	(5,261)	44,070
Stock-in-trade	79,475	(89,912)
Net investment in finance lease	(13,313)	280
Trade debts	4,525	(29,024)
Loans and advances	(2,221)	(2,131)
Deposits and prepayments	3,689	(3,012)
Other receivables	478	20,373
	67,372	(59,356)
Increase / (decrease) in current liabilities:		
Trade and other payables	(21,006)	17,254
	46,366	(42,102)

32. STAFF RETIREMENT BENEFITS

The actuarial valuation of pension, gratuity and medical benefit schemes was carried out at 31 December 2009. The projected unit credit method using the following significant assumptions, has been used for the actuarial valuation:

	Pension Fund	Gratuity Fund	Medical Scheme
	(Percent % per annum)		
Rate of discount	12.75	12.75	12.75
Expected rate of return on investments	12.75	12.75	–
Expected rate of increase in post retirement benefits	10.75	–	–
Expected rate of increase in future salaries	–	12.75	–
Medical cost escalation rate	–	–	9.75

32.1 The amounts recognised in balance sheet are as follows:

	31 December 2009			
	Pension Fund	Gratuity Fund	Medical Scheme	Total
	(Rupees in '000)			
Present value of defined benefit obligation	44,119	86,042	6,079	136,240
Fair value of plan assets	(60,702)	(92,612)	-	(153,314)
(Asset) / liability in balance sheet	(16,583)	(6,570)	6,079	(17,074)
Present value of defined benefit obligation - beginning of the year	45,829	92,337	5,703	143,869
Current service cost	-	5,739	-	5,739
Interest cost	6,662	13,927	828	21,417
Actuarial gains on obligations	(5,542)	(6,322)	(191)	(12,055)
Benefits paid	(2,830)	(19,639)	(261)	(22,730)
Present value of defined benefit obligation - closing date	44,119	86,042	6,079	136,240
Fair value of plan assets - beginning of the year	(53,442)	(96,555)	-	(149,997)
Expected return on plan assets	(7,804)	(14,516)	-	(22,320)
Actuarial losses / (gains)	(2,286)	4,109	-	1,823
Benefits paid	2,830	19,639	-	22,469
Contribution to fund	-	(5,289)	-	(5,289)
Fair value of plan assets - closing date	(60,702)	(92,612)	-	(153,314)

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	-	5,739	-	5,739
Interest cost	6,662	13,927	828	21,417
Expected return on plan assets	(7,804)	(14,516)	-	(22,320)
	(1,142)	5,150	828	4,836
Actual return on plan assets	10,090	10,407	-	20,497
Expected contributions to funds / charge in the following year	(2,114)	5,071	752	3,709
Expected benefit payments to retirees in the following year	3,127	3,461	-	6,588
Accumulated actuarial (gains) / losses recognised in equity	(36,180)	4,423	(2,436)	(34,193)

Composition / fair value of plan assets used by the fund	(Percent %)	
Equity / mutual funds	1	6
Debt instruments	92	71
Others	7	23

Expected return on plan assets used by the fund	(Percent % per annum)	
Expected return on equity / mutual funds	14	14
Expected return on debt instruments	12.75	12.75
Expected return on others	11.25	11.25

The actuarial valuation was carried out at 31 December 2008, using the following significant assumptions.

	Pension Fund	Gratuity Fund	Medical Scheme
		(Percent % per annum)	
Rate of discount	15	15	15
Expected rate of return on investments	15	15	-
Expected rate of increase in post retirement benefits	13	-	-
Expected rate of increase in future salaries	-	15	-
Medical cost escalation rate	-	-	12

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 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)
(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 (gains) / losses	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:

	Pension Fund	Gratuity Fund	Medical Scheme	Total
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)
Amortisation of non-vested benefits	-	-	(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/charge 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	Pension Fund	Gratuity Fund
	(Percent %)	
Equity	1	5
Debt instruments	96	92
Others	3	3
	(Percent % per annum)	
Expected return on plan assets used by the fund		
Expected return on equity	10	10
Expected return on debt instruments	15	15
Expected return on others	6	6

32.2 Historical information:

	2009	2008	2007	2006	2005
	(Rupees in '000)				
Present value of the defined benefit obligation	136,240	143,870	192,930	199,097	249,440
Fair value of plan assets	(153,314)	(149,997)	(173,362)	(187,180)	(165,839)
(Surplus) / deficit in the plan	(17,074)	(6,127)	19,568	11,917	83,601
Experience adjustments arising on plan liabilities	(12,055)	(7,000)	13,986	(2,642)	22,923
Experience adjustments arising on plan assets	1,823	(185)	(10,288)	(55,809)	(18,196)

In 2005 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 2009		31 December 2008		
	Chief Executive	Executives	Chief Executive	Executive Director	Executives
	(Rupees in '000)				
Managerial remuneration	8,549	38,977	8,432	1,527	33,318
Bonus, house rent, utilities etc.	3,329	27,890	5,544	2,635	26,702
Company's contribution to pension, gratuity and provident funds	2,063	11,547	2,008	351	9,766
Compensated absences	–	441	–	853	980
Medical and others	254	1,736	818	2,005	13,491
	14,195	80,591	16,802	7,371	84,257
Number of persons (including those who worked part of the year)	1	42	1	2	37

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

33.2 During the year, there was no Executive Director on the Board of Directors.

33.3 Aggregate amount charged in the financial statements for fee to four directors was Rs. 244 thousand (2008: four directors – Rs. 288 thousand).

33.4 Bonus includes amount payable in cash to Chief Executive and one of the executives Rs. 1,518 thousand and Rs. 662 thousand (2008: Rs. 774 thousand and Rs. 320 thousand), respectively, on completion of qualifying period of service, based on share value of ultimate parent company.

33.5 Remuneration paid to Non-executive directors are as follows:

	31 December 2009	31 December 2008
	(Rupees in '000)	
Remuneration to Chairman of the Board of Directors	1,920	1,920
Remuneration to Chairman of Board Audit Committee	486	486
	2,406	2,406

34. 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.

34.1 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. 712,686 thousand (2008: Rs. 547,239 thousand), the financial assets which are subject to credit risk amount to Rs. 207,970 thousand (2008: Rs. 206,981 thousand) and the details are as follows:

		31 December 2009	31 December 2008
		(Rupees in '000)	
Loans to employees	34.1.1	4,406	5,780
Deposits		21,691	25,050
Trade debts	34.1.2	153,030	157,555
Other receivables		33,249	24,376
Cash and bank balances		500,310	334,478
		712,686	547,239

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

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

According to aging analysis, trade debts include balances which are due by not later than 90 days valuing Rs. 53,420 thousand (2008: Rs. 57,356 thousand). Trade debts due by more than 90 days amounted to Rs. 3,977 thousand (2008: Rs. 5,584 thousand), net of impairment, as at 31 December 2009.

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

	31 December 2009	31 December 2008
	(Rupees in '000)	
Opening balance	11,521	7,621
Provision for the year	7,509	4,695
Written off during the year	(1,002)	(795)
Closing balance	18,028	11,521

34.2 Liquidity risk

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

	31 December 2009		31 December 2008	
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year
	(Rupees in '000)			
Long term deposits	-	115,565	-	113,001
Trade and other payables	339,566	-	377,595	-
	339,566	115,565	377,595	113,001

34.3 Market risk

i) Foreign exchange risk

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

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

The significant currency exposure at year end was as follows:

	31 December 2009			
	Euro	US $	GBP	Total
	---------- Equivalent Rupees in '000 ----------			
Financial assets				
Investment in finance lease	-	-	211,035	211,035
Other receivable	491	128	2,978	3,597
	491	128	214,013	214,632
Financial liabilities				
Trade and other payables	(10,499)	(10,023)	-	(20,522)
Net exposure	(10,008)	(9,895)	214,013	194,110

	31 December 2008			
	Euro	US $	GBP	Total
	---------- Equivalent Rupees in '000 ----------			
Financial assets				
Investment in finance lease	-	-	228,471	228,471
Other receivable	456	552	2,260	3,268
	456	552	230,731	231,739
Financial liabilities				
Trade and other payables	(2,748)	(40,373)	(6,291)	(49,412)
Net exposure	(2,292)	(39,821)	224,440	182,327

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Reporting date spot rate	
	2009	2008	2009	2008
Euro	113	101	122	112
US$	82	71	84	79
GBP	129	131	136	115

Sensitivity Analysis	Effect on profit and loss	
	2009	2008
	Equivalent Rupees in '000	
Euro	(651)	(149)
US$	(643)	(2,588)
GBP	13,911	14,589
	12,617	11,852

A 10 percent higher of the rupee against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all others variables remain constant.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market inertest rates.

As at the balance sheet date, the interest bearing financial instruments comprised bank balances in savings accounts and short term deposits.

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to price risk.

34.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an 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 2009	31 December 2008
		(Rupees in '000)	
The BOC Group Limited (Parent)	Technical assistance fee	25,170	26,795
	Information systems support / maintenance	–	2,457
Linde AG (Ultimate parent)	Information systems support / maintenance	9,706	–
Associated Companies	Purchase of plant and machinery, plant spares, welding equipments and electrodes, gases and gas cylinders	54,204	115,380
	Training cost of executives	–	365
Related entities by virtue of common directorship	Income on savings accounts	–	901
	Mark - up on short term finance	–	8
	Sale of goods	14,342	16,985
	Insurance premium (net of commission)	508	960
Contributions to BOC Pakistan Limited Staff Provident Fund		8,233	7,724
Contributions to Management Staff Defined Contribution Pension Fund		7,285	6,842
Contributions to Management Staff Pension Fund		(1,142)	(2,813)
Contributions to BOC Pakistan Limited - Pakistan Employees' Gratuity Fund		5,150	6,655
Meeting fee to Directors and remuneration to Non-Executive Directors		2,650	2,695

Actuarial gain recognised during the period in the Statement of Comprehensive Income on account of:	31 December 2009	31 December 2008
	(Rupees in ‘000)	
- Management Staff Pension Fund	7,828	4,727
- Pakistan Employees' Gratuity Fund	2,212	1,963

Balances with related parties can be summarised as follows:

Receivable from associates in respect of trade debts	393	1,619
Receivable from holding company / associate in respect of other receivables	4,257	2,260
Payable to holding company / associate in respect of trade and other payables	(34,975)	(65,152)
Payable to Staff Provident Fund	(1,341)	(1,771)
Receivable from Management Staff Defined Contribution Pension Fund	1,023	1,102
Receivable from Management Staff Pension Fund	16,582	7,612
Receivable from Employees Gratuity Fund	6,570	4,218

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

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

The related party status of outstanding balances as at 31 December 2009 is included in trade debts, other receivables and trade and other payables, respectively.

37. PRODUCTION CAPACITY

	Unit of quantity	Capacity (triple shift)		Actual production*		Remarks
		31 December 2009	31 December 2008	31 December 2009	31 December 2008	
Oxygen / Nitrogen	Cubic meters	52,248,000	52,248,000	41,646,947	42,147,468	-
Hydrogen	Cubic meters	3,434,000	3,434,000	1,745,683	1,679,244	Dedicated supply scheme
Dissolved acetylene	Cubic meters	836,000	836,000	109,426	128,233	Short fall in demand
Nitrous oxide	Gallons	77,344,183	78,000,000	22,934,996	29,011,119	Short fall in demand
Welding electrodes	Metric tons	2,400	2,400	356	1,721	Note 37.1
Carbon dioxide	Metric tons	27,850	27,850	11,345	10,763	Seasonal demand variation

*Net of normal losses

37.1 Since 16 May 2009, the Company has closed in house production of welding electrodes and the production activity has been outsourced to a third party manufacturer.

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 24 Feburary 2010 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 24 February 2010 (i) approved the transfer of Rs.32,914 thousand from unappropriated profit to general reserve; and (ii) proposed a final dividend of Rs.6.50 per share for the year ended 31 December 2009, amounting to Rs. 162,752 thousand for approval of the members at the Annual General Meeting to be held on 22 April 2010.

Syed Ayaz Bokhari
Chief Executive

Munnawar Hamid OBE
Chairman

Pattern of Shareholding

As at 31 December 2009

Number of Shareholders	Shareholding From		Shareholding To	Total Number of Shares Held
455	1	–	100	25,368
557	101	–	500	174,730
320	501	–	1,000	260,422
425	1,001	–	5,000	1,063,162
99	5,001	–	10,000	699,931
34	10,001	–	15,000	423,063
22	15,001	–	20,000	383,177
23	20,001	–	25,000	518,065
10	25,001	–	30,000	274,185
7	30,001	–	35,000	224,612
7	35,001	–	40,000	260,904
4	40,001	–	45,000	168,819
3	45,001	–	50,000	144,883
1	65,001	–	70,000	66,185
1	70,001	–	75,000	70,331
2	75,001	–	80,000	156,692
1	80,001	–	85,000	82,657
1	90,001	–	95,000	94,500
1	95,001	–	100,000	100,000
1	200,001	–	205,000	204,100
1	280,001	–	285,000	280,099
1	285,001	–	290,000	285,332
1	305,001	–	310,000	308,400
1	395,001	–	400,000	400,000
1	965,001	–	970,000	967,341
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
1,982				25,038,720

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Individuals	1,899	4,419,595	17.65
Joint Stock Companies	35	740,570	2.96
Associated Company and its nominees*	7	15,023,232	60.00
Insurance Companies	7	1,827,840	7.30
Financial Institutions	10	2,598,474	10.38
Modarabas	2	50,290	0.20
Charitable Trusts	7	122,734	0.49
Mutual Funds	5	201,452	0.80
Others	10	54,533	0.22
	1,982	25,038,720	100.00

* Represents its 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%

Pattern of Shareholding

As at 31 December 2009 Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, undertakings and related parties (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	2	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	20	2,710,511
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 2010 and at any adjournment thereof.

As witness my/our hand/seal this __________ day of ____________ 2010.

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.

BOC Pakistan Limited

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

A Member of The Linde Group

Designed by: Adétude Private Limited