

# CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

## FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010



## Directors' Review

I am pleased to present the Directors' Review together with the financial statements of your Company (un-audited) for the quarter and nine months ended 30 September 2010.

During the period under review, macroeconomic conditions of Pakistan and outlook seemed fragile even before the floods. These economic conditions were further aggravated by the recent catastrophic floods which have serious implications for macroeconomic stability and growth prospects.

Given the scale of the devastation caused by the recent calamity, it is difficult to fully and accurately determine the extent of damage to the economy as indicated by State Bank of Pakistan. Losses in agriculture and infrastructure are more direct and visible while the impact on industry and opportunities for the workforce is going to be indirect and nuanced. Highly provisional estimates suggest that the economic growth for FY11 could come down to 2.5 percent from an earlier target of 4.5%.

Your Company also, apart from prevalent macroeconomic conditions, continued to face business challenges due to fierce low-price competition in the ASU products and the CO<sub>2</sub> business. Additionally, the Company's important business segment in the ship-breaking sector, which witnessed improved sales in the 2<sup>nd</sup> Quarter FY10 and helped mitigate the losses marginally remained lower in the 3<sup>rd</sup> Quarter FY10, though for the period to-date under review it remained in line with the corresponding period last year. Lastly, increasing cost of production and distribution, mainly due to an incessant increase in power costs, also put additional pressure on cost recoveries and margins.

As a socially responsible corporate citizen, your Company and The Linde Group have contributed Rs 12.8 million to the relief and rehabilitation efforts being made for the victims of the recent unprecedented devastating floods in the country. This donation also includes voluntary contributions by the employees of the Company equivalent to 2 days salary.


As a result of these factors, although net sales at Rs 1,741 million for nine months remained more or less in line with the same period last year, profit from operations at Rs 208 million was lower by 42%. Consequently, profit before taxation at Rs 206 million and EPS at Rs 5.46 were also lower by 43% compared to the same period last year.

Despite economic difficulties and security concerns, the work on the new investment outside Lahore of about Rs 2 billion in the largest Air Separation Unit (ASU Plant) in Pakistan, as reported earlier, is progressing as planned, and the plant is expected to be commissioned by the first quarter of 2012. In the meanwhile, to face the increasing competitive pressure and challenges as stated above, your Company remains focused on its strengths and is confident to grow business and improve productivity and efficiency in its existing operations.

We take this opportunity to express our sincere thanks to our extremely valuable shareholders, customers, suppliers, contractors, financial institutions for their cooperation and support which play a pivotal role in improving quality of our products and services. We are also thankful to the management and employees for their hard work and dedication to the Company despite prevalent difficult economic conditions.

On behalf of the Board

Karachi:  
26 October 2010

  
**Munnawar Hamid OBE**  
Chairman

**BOC Pakistan Limited**  
**Condensed Interim Profit and Loss Account (Unaudited)**  
*For the nine months ended 30 September 2010*

	Note	For the nine months ended		For the third quarter ended	
		30 September 2010	30 September 2009	30 September 2010	30 September 2009
----- <b>(Rupees in '000)</b> -----					
Net sales	5	1,741,090	1,753,726	599,119	542,993
Cost of sales	5	(1,343,245)	(1,204,610)	(451,302)	(361,718)
<b>GROSS PROFIT</b>		<b>397,845</b>	<b>549,116</b>	<b>147,817</b>	<b>181,275</b>
Distribution and marketing expenses	5	(135,765)	(109,415)	(47,934)	(36,139)
Administrative expenses	5	(108,477)	(98,217)	(36,554)	(31,530)
Other operating expenses	6	(38,440)	(97,707)	(15,379)	(10,304)
Other operating income	7	103,660	144,262	21,411	13,446
Reorganization / restructuring cost	13.1	(11,000)	(26,635)	(11,000)	(4,640)
		(190,022)	(187,712)	(89,456)	(69,167)
<b>PROFIT FROM OPERATIONS</b>		<b>207,823</b>	<b>361,404</b>	<b>58,361</b>	<b>112,108</b>
Finance costs	5	(1,719)	(1,701)	(855)	(564)
<b>PROFIT BEFORE TAXATION</b>		<b>206,104</b>	<b>359,703</b>	<b>57,506</b>	<b>111,544</b>
Taxation	8	(69,470)	(121,204)	(19,191)	(39,555)
<b>PROFIT AFTER TAXATION</b>		<b>136,634</b>	<b>238,499</b>	<b>38,315</b>	<b>71,989</b>
----- <b>(Rupees)</b> -----					
<b>Earnings per share - basic and diluted</b>		<b>5.46</b>	<b>9.53</b>	<b>1.53</b>	<b>2.88</b>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.


  
**Syed Ayaz Bokhari**  
 Chief Executive


  
**Munnawar Hamid OBE**  
 Chairman

**BOC Pakistan Limited**  
**Condensed Interim Balance Sheet**  
*As at 30 September 2010*

	<i>Note</i>	30 September 2010 (Unaudited) (Rupees in '000)	31 December 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,119,662	1,064,448
Net investment in finance lease	10	142,307	199,715
Long term loans		752	660
Long term deposits		<u>11,174</u>	<u>11,181</u>
		<b>1,273,895</b>	<b>1,276,004</b>
<b>Current assets</b>			
Stores and spares		<u>102,050</u>	<u>88,973</u>
Stock-in-trade	11	244,401	166,801
Current maturity of net investment in finance lease	10	75,720	72,335
Trade debts, considered good - unsecured		182,231	153,030
Loans and advances		14,545	13,846
Deposits and prepayments		20,048	11,401
Other receivables		43,444	33,249
Cash and bank balances		<u>379,811</u>	<u>500,310</u>
		<u>1,062,250</u>	<u>1,039,945</u>
		<b>2,336,145</b>	<b>2,315,949</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised:			
40,000,000 (2009: 40,000,000) Ordinary shares of Rs. 10 each		<u>400,000</u>	<u>400,000</u>
Issued, subscribed and paid-up:			
25,038,720 (2009: 25,038,720) Ordinary shares of Rs. 10 each		250,387	250,387
General reserve		<u>1,039,567</u>	<u>1,006,653</u>
Unappropriated profit		<u>100,550</u>	<u>195,666</u>
		<u>1,140,117</u>	<u>1,202,319</u>
		<b>1,390,504</b>	<b>1,452,706</b>
<b>Non-current liabilities</b>			
Long term deposits		<u>119,491</u>	<u>115,565</u>
Deferred liabilities	12	<u>131,548</u>	<u>202,034</u>
		251,039	317,599
<b>Current liabilities</b>			
Trade and other payables		<u>402,476</u>	<u>368,414</u>
Provisions	13	<u>235,693</u>	<u>154,363</u>
Taxation - net		<u>56,433</u>	<u>22,867</u>
		<u>694,602</u>	<u>545,644</u>
		<b>2,336,145</b>	<b>2,315,949</b>
Contingencies and commitments	14		

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.


  
**Syed Ayaz Bokhari**  
 Chief Executive


  
**Munnawar Hamid OBE**  
 Chairman

**BOC Pakistan Limited**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the nine months ended 30 September 2010*

	Note	For the nine months ended	
		30 September 2010 (Rupees in '000)	30 September 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	15	262,806	493,441
Finance costs paid		(1,600)	(1,664)
Income tax paid		(106,453)	(142,754)
Reorganization / restructuring cost paid		(9,893)	(26,635)
Payments to post retirement medical benefits		(179)	(183)
Long-term loans, deposits and prepayments		(85)	(148)
Long-term deposits		3,926	817
Net investment in finance lease		57,408	21,344
<b>Net cash from operating activities</b>		<b>205,930</b>	<b>344,218</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(186,138)	(85,302)
Proceeds from disposal of operating assets		2,209	5,221
Interest received on balances with banks		31,531	18,723
Interest received on investment in finance lease		7,644	9,646
<b>Net cash used in investing activities</b>		<b>(144,754)</b>	<b>(51,712)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(181,675)	(249,653)
<b>Net cash used in financing activities</b>		<b>(181,675)</b>	<b>(249,653)</b>
Net (decrease) / increase in cash and cash equivalents		(120,499)	42,853
Cash and cash equivalents at beginning of the period		500,310	334,478
<b>Cash and cash equivalents at end of the period</b>		<b>379,811</b>	<b>377,331</b>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

  
**Syed Ayaz Bokhari**  
 Chief Executive

  
**Munnawar Hamid OBE**  
 Chairman

**BOC Pakistan Limited**
**Condensed Interim Statement of Comprehensive Income (Unaudited)**
*For the nine months ended 30 September 2010*

	For the nine months ended		For the third quarter ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	----- (Rupees in '000) -----			
Profit for the period	136,634	238,499	38,315	71,989
<i>Other comprehensive income</i>				
Defined benefit plan actuarial gain	2,268	6,885	17,057	6,561
Deferred tax	(794)	(2,410)	(5,970)	(2,297)
	1,474	4,475	11,087	4,264
<b>Total comprehensive income for the period</b>	<b>138,108</b>	<b>242,974</b>	<b>49,402</b>	<b>76,253</b>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



**Syed Ayaz Bokhari**  
Chief Executive




**Munnawar Hamid OBE**  
Chairman

**BOC Pakistan Limited**  
**Condensed Interim Statement of Changes in Equity (Unaudited)**  
*For the nine months ended 30 September 2010*

	Share capital	Revenue reserves		Total
	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	
	----- (Rupees in '000) -----			
<b>Balance as at 1 January 2009</b>	250,387	925,358	331,682	1,507,427
Profit for the period	-	-	238,499	238,499
Other comprehensive income for the period - Defined benefit plan actuarial gains - net	-	-	4,475	4,475
	-	-	242,974	242,974
<i>Transaction with owners</i>				
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)
Transfer to general reserve	-	81,295	(81,295)	-
<b>Balance as at 30 September 2009</b>	<u>250,387</u>	<u>1,006,653</u>	<u>180,377</u>	<u>1,437,417</u>
<b>Balance as at 1 January 2010</b>	250,387	1,006,653	195,666	1,452,706
Profit for the period	-	-	136,634	136,634
Other comprehensive income for the period - Defined benefit plan actuarial losses - net	-	-	1,474	1,474
	-	-	138,108	138,108
<i>Transaction with owners</i>				
Final dividend for the year ended 31 December 2009 - Rs 6.50 per share	-	-	(162,752)	(162,752)
Interim dividend for the year ended 31 December 2010 - Rs 1.50 per share	-	-	(37,558)	(37,558)
Transfer to general reserve	-	32,914	(32,914)	-
<b>Balance as at 30 September 2010</b>	<u>250,387</u>	<u>1,039,567</u>	<u>100,550</u>	<u>1,390,504</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

  
**Syed Ayaz Bokhari**  
 Chief Executive

  
**Munnawar Hamid OBE**  
 Chairman

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**BOC Pakistan Limited****Notes to the Condensed Interim Financial Statements (Unaudited)***For the nine months ended 30 September 2010***1. LEGAL STATUS AND OPERATIONS**

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

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

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

**2. BASIS OF PREPARATION**

These condensed interim financial statements of the Company for the half year ended 30 June 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**4. ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

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



**5. PROFIT FROM OPERATIONS**

	For the nine months ended						For the third quarter ended					
	30 September 2010			30 September 2009			30 September 2010			30 September 2009		
	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total	Industrial and medical gases	Welding and others	Total
	(Rupees in '000)											
Gross sales	1,670,401	353,442	2,023,843	1,564,681	426,244	1,990,925	587,061	110,363	697,424	530,387	87,511	617,898
Less: Trade discount	(85,615)	-	(85,615)	(38,467)	-	(38,467)	(28,577)	-	(28,577)	(16,673)	-	(16,673)
Sales tax	(151,475)	(45,663)	(197,138)	(143,652)	(55,080)	(198,732)	(54,797)	(14,931)	(69,728)	(47,241)	(10,991)	(58,232)
Net sales	<u>(237,090)</u>	<u>(45,663)</u>	<u>(282,753)</u>	<u>(182,119)</u>	<u>(55,080)</u>	<u>(237,199)</u>	<u>(83,374)</u>	<u>(14,931)</u>	<u>(98,305)</u>	<u>(63,914)</u>	<u>(10,991)</u>	<u>(74,905)</u>
Net sales	1,433,311	307,779	1,741,090	1,382,562	371,164	1,753,726	503,687	95,432	599,119	466,473	76,520	542,993
Cost of sales	(1,067,074)	(276,171)	(1,343,245)	(887,636)	(316,974)	(1,204,610)	(367,833)	(83,469)	(451,302)	(295,675)	(66,043)	(361,718)
Distribution and marketing expenses	(124,979)	(10,786)	(135,765)	(98,617)	(10,798)	(109,415)	(44,049)	(3,885)	(47,934)	(34,421)	(1,718)	(36,139)
Administrative expenses	(99,859)	(8,618)	(108,477)	(88,524)	(9,693)	(98,217)	(33,587)	(2,967)	(36,554)	(30,101)	(1,429)	(31,530)
	<u>(1,291,912)</u>	<u>(295,575)</u>	<u>(1,587,487)</u>	<u>(1,074,777)</u>	<u>(337,465)</u>	<u>(1,412,242)</u>	<u>(445,469)</u>	<u>(90,321)</u>	<u>(535,790)</u>	<u>(360,197)</u>	<u>(69,190)</u>	<u>(429,387)</u>
	<u>141,399</u>	<u>12,204</u>	<u>153,603</u>	<u>307,785</u>	<u>33,699</u>	<u>341,484</u>	<u>58,218</u>	<u>5,111</u>	<u>63,329</u>	<u>106,276</u>	<u>7,330</u>	<u>113,606</u>
Unallocated corporate expenses:												
- Other operating expenses	6		(38,440)			(97,707)			(15,379)			(10,304)
- Other operating income	7		103,660			144,262			21,411			13,446
			<u>218,823</u>			<u>388,039</u>			<u>69,361</u>			<u>116,748</u>
Reorganization / restructuring cost			(11,000)			(26,635)			(11,000)			(4,640)
Operating profit			<u>207,823</u>			<u>361,404</u>			<u>58,361</u>			<u>112,108</u>
Finance cost			(1,719)			(1,701)			(855)			(564)
Taxation	8		(69,470)			(121,204)			(19,191)			(39,555)
Profit for the period			<u><u>136,634</u></u>			<u><u>238,499</u></u>			<u><u>38,315</u></u>			<u><u>71,989</u></u>

**6. OTHER OPERATING EXPENSES**

	For the nine months ended		For the third quarter ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	----- (Rupees in '000) -----			
Power grid station	-	50,321	-	-
Old assets written off	-	15,063	-	-
6.1	-	65,384	-	-
Workers' profit participation fund	11,912	19,566	3,814	6,239
Workers' welfare fund	8,689	7,435	3,507	2,371
Legal and professional	7,659	4,995	2,797	1,694
Donations	5,811	327	5,261	-
6.2	1,869	-	-	-
Exchange loss - net	2,500	-	-	-
Liquidated damages	38,440	97,707	15,379	10,304

6.1 In May 2009, power grid station was damaged due to fire. Amounts of Rs. 15,063 thousand and Rs. 50,321 thousand represent net book value written off for damaged grid station and costs to rebuild the same grid station, respectively.

6.2 Donation amounting to Rs. 12,235 thousand was paid towards national flood relief efforts being undertaken by certain recognized welfare trusts. This includes Rs. 5,000 thousand paid by the Company; Rs. 5,660 thousand received from parent / associate companies; and Rs. 850 thousand and Rs. 699 thousand by way of voluntary contributions made by employees of the Company and Linde Regional Office, respectively.

Donations also include:

- Rs. 300 thousand (30 September 2009: Rs.300 thousand) to Aga Khan Hospital and Medical College Foundation, Karachi. Mr. Munnawar Hamid OBE, Chairman, is a trustee of the Aga Khan University.

- Rs. 250 thousand (30 September 2009: Nil) to Pakistan Parkinson's Society, Karachi. Mr. Munnawar Hamid OBE, Chairman, is Vice Chairman of the Pakistan Parkinson's Society.

**7. OTHER OPERATING INCOME**

Income from savings and deposit accounts	33,224	17,383	9,049	4,678
Income on investment in finance lease	7,644	9,646	2,375	3,053
Exchange gain - net	-	37,419	8,187	2,465
Insurance claim	60,598	50,000	1,670	-
7.1				
Profit on disposal of property, plant and equipment	2,194	5,221	130	3,250
Liabilities no more payable written back	-	24,331	-	-
Others	-	262	-	-
	103,660	144,262	21,411	13,446

7.1 This includes claim of Rs. 60,188 thousand in respect of loss of profit resulting from damage of grid station referred to in note 6.1 above. In 2009, Rs. 50,000 thousand represents the claim received against the costs incurred to rebuild the same grid station.

**8. TAXATION**

Current				
- for the period	140,019	114,774	43,220	45,104
- for prior period	-	422	-	422
Deferred	(70,549)	6,008	(24,029)	(5,971)
	69,470	121,204	19,191	39,555

**9. PROPERTY, PLANT AND EQUIPMENT**

**30 September 2010**      **31 December 2009**  
(Rupees in '000)

Operating assets	9.1	949,112	1,020,722
Capital work-in-progress	9.2	170,550	43,726
		1,119,662	1,064,448

**9.1 Operating assets**

Net book value as at 1 January 2010 / 2009 1,020,722      1,029,650

Additions during the period / year:

- Building		11,793	616
- Plant and machinery		32,437	157,447
- Vehicles		6,550	5,693
- Furniture and fittings		1,471	3,109
- Office equipments		7,062	11,552
		59,313	178,417

Less:

- Disposals during period / year - net book value		(15)	(635)
- Depreciation charge during the period / year		(130,908)	(171,647)
- Assets written off during the period		-	(15,063)
		(130,923)	(187,345)
		949,112	1,020,722

9.2 This includes capital work-in-progress / advance payments in respect of Lahore ASU plant amounting to Rs. 131,686 thousand (31 December 2009: Nil).

**10. NET INVESTMENT IN FINANCE LEASE**

**30 September 2010**

	Minimum lease payments	Finance income for future periods	Principal outstanding
	----- (Rupees in '000) -----		
Not later than one year	83,433	7,713	75,720
Later than one year and not later than five years	149,892	7,585	142,307
	233,325	15,298	218,027

**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

**11. STOCK-IN-TRADE**

30 September      31 December  
2010                      2009  
(Rupees in '000)

Raw and packing materials	81,640	54,520
In transit	519	3,880
	82,159	58,400
Finished goods		
- in hand	81,859	107,367
- in bonded warehouse	76,172	-
- in transit	4,211	1,034
	162,242	108,401
	244,401	166,801

11.1 Raw and packing materials and finished goods include inventories with a value of Rs. 20,973 thousand (31 December 2009: Rs. 26,543 thousand) which were held by third parties.

**12. DEFERRED LIABILITIES**

Deferred taxation	126,197	195,955
Post retirement medical benefits	5,351	6,079
	131,548	202,034

**13. PROVISIONS**

This represents provision for sales tax, discounts, re-organization / restructuring cost and vendor / contractor claims against the Company.

13.1 During the period, an additional provision for re-organization / restructuring cost amounting to Rs. 11,000 thousand was made to meet the settlement of dues of terminated officers / workers as explained in note 14.1 to these condensed interim financial statements.

**14. CONTINGENCIES AND COMMITMENTS**
**14.1 Contingencies**

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

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

Subsequently the Management and the CBA Union signed an Agreement dated 18th October 2010 before the Directorate of Labour Welfare whereby all 59 ex- retrenched workers shall file applications for withdrawal of their complaints before the Learned N.I.R.C. Similarly, the CBA Union and the Management have also withdrawn the cases filed before the Hon'ble N.I.R.C. The 59 retrenched workers and the union have undertaken that they shall not file any further case before any Authority or Court of Law.

Management has moved an application before the Honorable High Court of Sindh for withdrawal of the Petition, as the complaints filed by 59 individual workers have been withdrawn.

- 14.2 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 30 September 2010 amounted to Rs. 29,964 thousand (31 December 2009: Rs. 28,751 thousand).
- 14.3 In pursuance to a notification from NEPRA for revision of Fuel Adjustment Charges (FAC) for Karachi Electric Supply Corporation (KESC) consumers, a constitutional petition, by various KESC consumers, has been filed in the High Court of Sindh against the said FAC. According to the interim order of High Court of Sindh, KESC has been allowed to recover the FAC for the period from July 2009 to March 2010 and restrained from passing on the charges for the period April 2010 to June 2010 till the final order. Accordingly, a provision was made during the half year ended 30 June 2010 against the revised FAC upto 31 March 2010. However, pending final order and non availability of adequate information, no provision for FAC could be made for the period from April 2010 to June 2010.

#### Commitments

- 14.4 Capital commitments outstanding as at 30 September 2010 amounted to Rs. 553,904 thousand (31 December 2009: Rs. 53,823 thousand). This includes commitments in respect of Lahore ASU plant amounting to Rs. 531,566 thousand (31 December 2009: Nil).

#### 15. CASH GENERATED FROM OPERATIONS

	<b>For the nine months ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>
	<b>(Rupees in '000)</b>	
Profit before taxation	206,104	359,703
<i>Adjustments for :</i>		
Depreciation	130,908	129,243
Assets written off during the period	-	15,063
Profit on disposal of property, plant and equipment	(2,194)	(5,221)
Income from savings account and deposits	(33,224)	(17,383)
Income on investment in finance lease	(7,644)	(9,646)
Finance costs	1,719	1,701
Provision for post retirement medical benefits	(549)	621
Working capital changes	15.1 (32,314)	19,360
	<b>262,806</b>	<b>493,441</b>

**15.1 Working capital changes**

	<b>For the nine months ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>
	<b>(Rupees in '000)</b>	
<i>(Increase) / decrease in current assets:</i>		
Stores and spares	(13,077)	(552)
Stock-in-trade	(77,600)	28,024
Trade debts	(29,201)	(29,929)
Loans and advances	(699)	(9,424)
Deposit and prepayments	(8,647)	1,125
Net investment in finance lease	(3,385)	(12,280)
Other receivables	(6,234)	7,642
	<u>(138,843)</u>	<u>(15,394)</u>
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	106,529	34,754
	<u>(32,314)</u>	<u>19,360</u>

**16. 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 condensed interim financial statements, are as follows:

<b>Nature of relationship</b>	<b>Nature of transactions</b>		
The BOC Group Limited (Parent)	Technical assistance fee	<u>19,940</u>	<u>19,207</u>
	Information systems support / maintenance	<u>-</u>	<u>8,581</u>
Linde AG (Ultimate parent)	Information systems support / maintenance	<u>6,914</u>	<u>-</u>
Associated Companies	Purchase of plant spares, welding equipments and electrodes, gases and gas cylinders	<u>20,608</u>	<u>49,853</u>
Related entities by virtue of common directorship	Sale of goods	<u>9,778</u>	<u>10,262</u>
	Insurance premium (net of commission)	<u>355</u>	<u>292</u>
Contributions to BOC Pakistan Limited Staff Provident Fund		<u>6,452</u>	<u>6,189</u>
Contributions to BOC Pakistan Limited Management Staff Defined Contribution Pension Fund		<u>6,838</u>	<u>5,814</u>
Contributions to BOC Pakistan Limited Management Staff Pension Fund		<u>(1,587)</u>	<u>(856)</u>



	<u>For the nine months ended</u>	
	30 September 2010	30 September 2009
	(Rupees in '000)	
Contributions to BOC Pakistan Limited - Pakistan Employees' Gratuity Fund	<u>3,803</u>	<u>3,863</u>
Meeting fee to Directors and remuneration to Non-Executive Directors	<u>2,027</u>	<u>1,982</u>
Net actuarial (loss) / gain recognised during the period in the Statement of Comprehensive Income on account of:		
- BOC Pakistan Limited Management Staff Pension Fund	<u>(2,592)</u>	<u>4,062</u>
- BOC Pakistan Limited Pakistan Employees' Gratuity Fund	<u>3,748</u>	<u>3,066</u>
Balances with related parties can be summarised as follows:	<b>30 September 2010</b>	<b>31 December 2009</b>
	(Rupees in '000)	
Receivable from associates in respect of trade debts	<u>1,419</u>	<u>393</u>
Receivable from holding company / associate in respect of other receivables	<u>3,846</u>	<u>4,257</u>
Payable to holding company / associate in respect of trade and other payables	<u>(33,411)</u>	<u>(34,975)</u>
Payable to BOC Pakistan Limited Staff Provident Fund	<u>(1,473)</u>	<u>(1,341)</u>
(Payable to) /receivable from BOC Pakistan Limited Management Staff Defined Contribution Pension Fund	<u>(787)</u>	<u>1,023</u>
Receivable from BOC Pakistan Limited Management Staff Pension Fund	<u>15,576</u>	<u>16,582</u>
Receivable from BOC Pakistan Limited Employees Gratuity Fund	<u>10,422</u>	<u>6,570</u>

- 16.1** 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 the terms of employment, as disclosed elsewhere in these condensed interim financial


**17. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the Balance Sheet has been compared with the preceding Balance Sheet as at the period-end, whereas the Profit and Loss Account, statement of comprehensive income and Cash Flow Statement have been compared with the corresponding periods of the previous year. Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison.

**18. DATE OF AUTHORISATION**

These condensed interim financial statements were authorized for issue on 26 October 2010 by the Board of Directors of the Company.

  
**Syed Ayaz Bokhari**  
 Chief Executive

  
**Munnawar Hamid OBE**  
 Chairman