

BOC GASES

BOC PAKISTAN LIMITED

ANNUAL REPORT 1997

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**BOARD OF
DIRECTORS**

Chairman

J R RAHIM

Managing Director

J ANWAR

Directors

R S GRANT

C G LEON

R AHMAD

I HUSAIN

A U KHAWAJA

S QURESHI

Secretary

M ASLAM

Bankers

BANK OF AMERICA NT & SA

STANDARD CHARTERED BANK

ANZ GRINDLAYS BANK PLC

EMIRATES BANK INTERNATIONAL PJSC

CITIBANK NA
SOCIETE GENERALE
THE FRENCH & INTERNATIONAL BANK
DEUTSCHE BANK AG
FAYSAL BANK LTD.
MASHREQ BANK PSC
NATIONAL BANK OF PAKISTAN
MUSLIM COMMERCIAL BANK LTD.

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

**NOTICE OF ANNUAL
GENERAL MEETING**

Notice is hereby given that the Forty-Ninth Annual General Meeting of BOC PAKISTAN LIMITED will be held at Karachi Sheraton Hotel & Towers, Club Road, Karachi on Saturday, the 24th day of January 1998 at 10.30 a.m. to transact the following business:

1. To confirm the Minutes of the 48th Annual General Meeting held on 04 February 1997.
2. To receive and consider the Statement of Accounts for the year ended 30 September 1997 and Reports of the Directors and Auditors thereon.
3. To declare a final dividend of Rs 4.50 per ordinary share, as recommended by Directors.
4. To appoint Auditors and fix their remuneration.
5. Any other business which may legally be transacted at an Annual General Meeting.

NOTES:

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

ii) The Share Transfer Books of the Company will be closed from 10 January to 24 January 1998, both days inclusive.

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

THE YEAR AT A GLANCE

	1997	1996
	(Rupees in thousand)	
Sales	838,584	828,811
Operating Profit	251,843	258,206
Profit before Tax	284,719	268,535
	-----	-----
Shares in Issue (of Rs 10 each)	18.144M	18.144M
	-----	-----
Dividend - per share	Rs 6.00	Rs 5.30
- payout	108,864	96,163
- cover	2.40x	2.15x
	-----	-----
Capital Expenditure	1,125,428	199,197
	-----	-----
Capital Employed at Year End	1,218,937	200,059
Return on Average Capital Employed (based on Profit before interest, mark-up and tax)	34.50%	142.60%
Net Asset Backing at Year End	Rs 32.93	Rs 24.55
Number of Permanent Employees at Year End	551	553

CHAIRMAN'S STATEMENT

The year 1996-97 was a difficult year as it witnessed important political and economic changes. The overall performance of the economy during the year remained below expectations in that large scale manufacturing sector which is the main driver of demand for company's gases and welding businesses recorded a decline. I am, however, pleased to report that despite significant challenges on all management fronts, your company closed the financial year with a positive growth in its turnover.

The present government which assumed office in February 1997 has embarked upon a new strategy of broad based structural reforms. The World Bank and other international donor agencies have also expressed endorsement of new economic directions adopted by the government and have extended their financial support. It is hoped that several reforms undertaken by the present government would provide a durable stabilisation of macro-economic situation and stimulate economic growth in the country.

As stated last year, your company is carrying out a new capacity expansion in a 100 ton/day air separation plant and a 390M3/Hr hydrogen facility at Port Qasim

to meet ICl's needs and requirement of gases in the merchant market. I am pleased to say that the construction is going as planned. Your company feels that as a result of this facility it is well placed to take advantage of the growth opportunities in various market sectors.

TEN-YEAR FINANCIAL REVIEW

Operating Results	1988	1989	1990
	Rs 000	Rs 000	Rs 000
Sales	190,505	218,199	267,256
Operating Profit	34,629	39,381	52,309
Interest and Mark-up, Net	(389)	(1,831)	(5,819)
	=====	=====	=====
Profit before Taxation	32,339	34,737	43,459
Taxation	(17,038)	(19,332)	(21,729)
	-----	-----	-----
Profit after Taxation	15,301	15,405	21,730
Dividends	(8,316)	(8,316)	(9,979)
Tax on Bonus Shares	-	-	-
	-----	-----	-----
Retained Surplus	6,985	7,089	11,751
	=====	=====	=====
Capital Employed			
Paid-up Capital	30,240	30,240	36,288
Reserves	69,306	76,395	82,098
	-----	-----	-----
Shareholders' Fund	99,546	106,635	118,386
Deferred Taxation	-	-	9,900
Long-term Liabilities & Borrowings (net of cash)	19,558	34,903	59,754
	-----	-----	-----
	119,104	141,538	188,040
	=====	=====	=====
Represented by:			
Fixed Assets	74,923	99,235	140,714
Working Capital	44,181	42,303	47,326
	-----	-----	-----
	119,104	141,538	188,040
	=====	=====	=====
Statistics			
Expenditure on Fixed Assets	5,360	36,622	53,397
Annual Depreciation	12,169	11,874	11,350

168,223	181,050	152,055	149,631	147,500	200,059	1,218,937
=====	=====	=====	=====	=====	=====	=====
20,023	40,820	23,020	30,830	29,974	199.20	1,125,428
18,502	20,289	23,178	24,328	27,027	32,860	43,690
1.72	3.07	4.41	5.53	8.85	11.38	14.38
0.70	1.47	2.13	2.67	4.00	5.30	6.00
2.46x	2.09x	2.07x	2.07x	2.21x	2.15x	2.40x
7.55	9.15	11.42	14.28	19.13	24.55	3,293
24.50%	36.70%	42.90%	43.00/°	53.00%	52.10%	50.00%
9.90%	17.60%	20.70%	20.80%	23.90%	24.30%	20.90%
37.30%	57.0%	77.40%	95.10%	138.10%	142.60%	34.50%

Note: Figures restated based on bonus issues.

BUSINESS LOCATIONS

REGISTERED

AND HEAD OFFICE

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

NORTH

WESTERN REGION

Lahore	P.O. Box 205, Shalamar Link Road, Moghalpura Phones: (042) 6824091 (4 lines) Fax: 6817573	Oxygen/Nitrogen & Argon Factory Acetylene Factory Nitrous Oxide Factory
Rawalpindi	267, Saddar Road Phones: (051)566441, 585670 Fax: 585670	Sales Depot
Multan	Opp. Khakwani House, Vehari Chowk, Vehari Road Phones: (061) 526141, 529820, 529568	Sales Depot & Oxygen Compressing Station
Faisalabad	Altaf Ganj Chowk, Near Usman Flour Mills, Jhang Road Phones: {041) 653463, 650564	Sales Depot & Oxygen Compressing Station
Gujranwala	Pindi By-Pass, G.T. Road Phones: {0431) 254720, 259115	Sales Depot & Oxygen Compressing Station

	Wah Cantonment	Kabul Road	Acetylene Factory
		Phone: (0596) 2477	
	Taxila	Adjacent to Heavy Mechanical Complex No. 2	Oxygen/Nitrogen Factory
		Phones: (051) 581681 (2 lines)	
		Ext: 363	
		(0596) 535591-9	
	Nowshera	C/o Associated Industries Ltd.	Sales Depot
	Amangarh		
		Phone: (0923) 610559	
	Peshawar	Jhagra Chowk, G.T. Road	Sales Depot &
		Phones: (091) 261573 (2 lines)	Oxygen Compressing Station
SOUTHERN REGION	Karachi	West Wharf	Oxygen/Nitrogen & Argon Factory
		Phones: (021) 2313361 (9 lines)	Acetylene Factory
		Fax: 2312968	Nitrous Oxide Factory
			Speciality Gases
		Eastern Zone. Port Qasim	Oxygen/Nitrogen & Argon Factory
		Phone: (0321)235217	Hydrogen Factory
	Hyderabad	Kh. Gharib Nawaz Road	Sales Depot
		C/o Wazir All Industries Ltd., Hall R	Oxygen Compressing Station
		Phone: (0221) 880930	
	Sukkur	Bandani Colony No. 1,	Sales Depot
		Main Shikarpur Road	
		Phone: (071) 614791	
	Quetta	C-8, Kabir Bldg., M.A. Jinnah Road	Sales Depot
		Phone: (081) 824637	
		7-7/9-497, Toghi Road,	Oxygen Compressing Station
		Phone: (081) 838498	
		Hub 65/67, Mauza Pathara,	Oxygen/Nitrogen & Argon Factory
		RCD Highway, Hub Chowki	Hydrogen Factory
		Phones: (0202) 32294, 32295, 33771	
		Fax: (0202) 33770	
MANUFACTURING	Karachi	West Wharf	Electrode Factory
		Phones: (021) 2313361 (9 lines)	

**BUSINESS DIVISIONS,
PRODUCTS AND SERVICES**

GASES
Industrial Gases

HEALTH CARE
Medical Gases

WELDING
Gas Welding & Cutting

Compressed Oxygen
Liquid Oxygen
Aviation Oxygen
Compressed Nitrogen
Liquid Nitrogen
Pure Argon
Compressed Air
Dissolved Acetylene
Hydrogen

Industrial Pipelines

Speciality Gases

High Purity Gases
Research Grade Gases
Gaseous Chemicals
Calibration Mixtures
Argon Mixtures
Welding Gas Mixtures
Sterilisation Gases
Helium®
FREON® Refrigerants

FREON® Solvents

SUVA® Refrigerants
FORMACEL® Blowing Agents
DYMEL® Propellants

Medical Oxygen
Liquid Medical Oxygen
Nitrous Oxide
Entonox
Medical Air

Medical Equipment

Anaesthetic
Analgesic
Patient Monitoring Equipment
· Blood Pressure
Monitors-Non invasive
· CO2 Monitors
· ECG Monitors/Cardiographs
· Oximeters
· Agent Monitors
· Oxygen Monitors
· Volume Monitors
Oxygen Therapy
Resuscitation
Anaesthesia Equipment
Intensive Care Ventilators
Incubators & Tents

Infant Warming Systems
Wall Rail/Modular Head Walls
Suction
Medical Pipelines
· Design Consultants
· Installation
· Maintenance Service
Vaporizer Service & Calibration
· Infusion & Syringe Pumps
· Ultra Sound Systems
· Defibrillators

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

Electric Welding

Welding Machines
· Automatic
· Semi-automatic
· Manual
Welding Consumables
· Welding Electrodes
· MIG Welding Wires
· TIG Welding Wires
Accessories

NATURE OF BUSINESS

The main business areas of the Company are:
- Industrial Gases
- Speciality Gases
- Health Care--Medical Gases and Equipment
- Welding Products

BOC Pakistan is an associate Company of The BOC Group plc, U.K. which adds

value to a wide range of industries and activities worldwide: from electronics and food to environmental clean-up; from pharmaceutical to sophisticated equipment for hospitals; from coating most of the world's high performance glass to distributing food, clothes and other consumables.

**STATEMENT OF VALUE ADDED
BY BOC PAKISTAN DURING 1997**

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:

	1997		1996	
	Rs 000	%	Rs 000	%
Wealth Generated				
Total revenue, net of sales tax	871,128		860,114	
Bought-in-materials & services	(390,692)		(379,676)	
	-----		-----	
	480,436	100	480,438	100
	=====		=====	
Wealth Distributed				
To Employees				
Salaries, benefits & related costs	125,271	26	111,937	23
To Government				
Income Tax on Profit, Workers' Funds, Import Duties (exclusive of capital items) and un-adjustable Sales Tax				
	50,571	10	141,241	29
To Providers of Capital				
Dividends to shareholders	108,864	23	96,163	20
Retained in the Business				
For replacement of fixed assets:				
depreciation	43,690	9	32,860	7
To provide for growth:				
retained profit	152,040	32	98,237	21
	-----		-----	
	480,436	100	480,438	100
	=====		=====	

DIRECTORS' REPORT

Your Directors take pleasure in presenting their Report together with the audited accounts of the company for the year ended 30 September 1997.

SALES

The Directors are pleased to report that despite recession which persisted during the year and negative growth in large scale manufacturing, your company was able to maintain a positive growth in its turnover. The sales revenue at Rs 838.58 Million was higher by Rs 9.8 Million over last year.

The industrial gases business remained under pressure due to downturn in large scale manufacturing and specially in shipbreaking and steel remelting sectors. However, strong growth was registered in demand of argon due to ongoing projects in energy and chemical sectors. Despite low demand of industrial gases and intense competition, your company was able to achieve turnover close to last year.

The health care business attained strong growth over last year. Demand of medical oxygen remained strong. However, nitrous oxide experienced competitive pressures. The efforts made in marketing of monitoring equipment and anaesthetic agents resulted in attaining positive growth in medical equipment sales. Due to slow down of activities in the upcoming new hospital projects the demand of medical pipeline equipment remained sluggish.

The welding business had a challenging year due to poor performance of manufacturing sector. Demand of gas and arc welding equipment remained low throughout the year. Changes in the import tariff further created pressures on locally produced electrodes. Despite such difficult environment, business was able to maintain its activity level and demonstrated positive improvement.

ENGINEERING OPERATIONS

Despite significant power interruptions at Karachi, Hub and Lahore, plants at all locations were run

effectively to meet the market demand and no product shortages were encountered. The production rates of the ASU plants were achieved as per Plan. The newly installed Aspen 1000 plant operated at full production capacity at various combinations for oxygen/nitrogen production modes. D.A. plants performed efficiently and were well maintained. Nitrous oxide factories at Karachi and Lahore were run satisfactorily to meet market demand.

The new capacity expansion in a 100 ton/day air separation plant at Port Qasim is in progress. The installation is being done by BOC Process Plants, UK. A 390M3/Hr hydrogen production and corn-pressing facility is also under installation at the same site. All construction activities are progressing well.

SAFETY

Safety, Health and Environment continued receiving focused attention and highest priority throughout the year. As a result the excellent safety track record of the company was further consolidated. There were no loss time incidents reported from any of the company sites including Karachi, Lahore, Taxila, Wah and Hub. A Driver's Safety Audit by BOC USA was conducted in July 1997 which indicated an overall improvement of 43% in the implementation of company's drivers safety policy. Hub and Taxila have been prepared for base line external NOSA Audit planned for January 1998. Similarly, Karachi and Lahore sites which already have been accredited 4-Star NOSA Rating have also been prepared for further upgradation at the next external audit. The Company has won The BOC Group, Chairman's Safety Award in this area for the last 3 consecutive years.

All four sites Karachi, Lahore, Taxila and Hub completed 1259, 2916, 2551 and 1974 days respectively without any lost time accident.

OPERATING RESULTS

Despite significant pressure on company revenues and costs due to downturn in the economy, we

are pleased to report that adverse impact on pretax profit was well contained by the management. This was made possible through a number of initiatives taken to achieve internal efficiencies and cost controls. The income tax department finalised company's assessment for the assessment year 1996-97 (accounting year ended 30 September 1995) under Section 80-C of Income Tax Ordinance 1979. This provided the company with tax savings of Rs 30 Million as compared to the normal tax liability. This is the first time that the department so clearly accepted company's position on the subject. In the light of this tax provision was reinstated in the books resulting in substantial tax benefit. Since in view of company's investment plans timing differences pertaining to accelerated tax depreciation are not likely to reverse in the foreseeable future deferred tax liability has not been accounted for.

During the year company also signed two syndicated rupee term finance agreements for an aggregate sum of Rs 700 Million to partly finance the 1.2 Billion-rupee investment in a 390 M3/hr hydrogen plant and 100 ton/day air separation unit for gas supplies mainly to ICl's Pure Terephthalic Acid (PTA) plant at Port Qasim. You will notice that almost 45% of the investment inclusive of spares etc. has been internally funded. This is a substantial achievement. This biggest ever investment has totally changed the complexion of the company's balance

sheet. Fixed assets base which had almost doubled in the previous year, reached a level of Rs 1.4 Billion this year and has more than quadrupled.

The area of working capital management was also attended to very well. Company's cash flows and balance sheet remain healthy. Management has also negotiated lower mark-up rates on syndicated term finance facility that would result in substantial saving in funding cost. Earnings per share at Rs 14.38 has surpassed last year's level of Rs 11.38 in a significant way.

Your company is also in the process of upgrading its computer hardware and software applications

to enhance its IM capabilities.

An interim dividend at 15% was declared and paid in June 1997 out of the year's profit. The Directors now recommend a final dividend of 45% making a total of 60%, involving total payout of Rs 108.864 Million for the year as a whole. This year's profit and its disposal and appropriation are as follows:

(Rupees in thousand)

Profit for the year before providing for taxation amounted to	264,719
Out of which the Directors have provided for taxation current	
- for the year	(56,722)
- for prior years	52,907

	(3,815)

Leaving a disposable balance of	260,904
From which an Interim dividend at Rs 1.50 per share was paid in June 1997	(27,216)
The Directors now recommend payment of final dividend at Rs 4.50 per share	(81,648)

Making total dividend for the year	(108,864)

Transfer to general reserve	152,040
	=====
Post tax earnings per share amounted to Rs 14.38 (1996: Rs 11.38)	

MATERIAL CHANGES

There have been no material changes since 30 September 1997 and the company has not entered into any commitment which would affect the financial position of the company at that date.

CORPORATE EXCELLENCE

Directors are pleased to state that your company has again won the Karachi Stock Exchange 'Top 25 Companies Award' for the year 1996. Your company has now received this coveted award for the 5th consecutive year and ten times in all. The Directors would like to congratulate the employees of the corporation on this excellent performance.

HOLDING COMPANY

The pattern of shareholdings is provided on page 16. The Company's holding company is The BOC Group plc which is incorporated in the U.K.

AUDITORS

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

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

PATTERN OF SHAREHOLDINGS

FORM 34

Number of Shareholders		Shareholding		Total Shares held
165	From	1	to	100 8,129
312	From	101	to	500 94,551
153	From	501	to	1000 123,363
353	From	1001	to	5000 835,563
69	From	5001	to	10000 488,123
26	From	10001	to	15000 314,715
11	From	15001	to	20000 182,026
7	From	20001	to	25000 158,865
6	From	25001	to	30000 166,083

4	From	30001	to	35000	130,811
4	From	35001	to	40000	152,151
1	From	40001	to	45000	40,410
1	From	50001	to	55000	53,405
1	From.	55001	to	60000	57,093
1	From	60001	to	65000	60,492
1	From	65001	to	70000	66,197
3	From	70001	to	75000	219,014
1	From	75001	to	80000	77,418
1	From	90001	to	95000	90,005
2	From	110001	to	115000	221,988
2	From	200001	to	300000	498,321
1	From	300001	to	400000	302,758
1	From	400001	to	500000	443,139
2	From	1000001	to	2500000	2,472,980
1	From	10000001	to	11000000	10,886,400
-----					-----
1129					18,144,000
=====					=====

Categories of Shareholders

	Number	Shares held	Percentage
1. Individuals	1093	2,885,049	15.90
2. Investment Companies	9	464,394	2.56
3. Insurance Companies	6	1,500,360	8.27
4. Joint Stock Companies	11	286,774	1.58
5. Financial Institutions	7	2,010,032	11.08
6. Associated Company (a)	1	10,886,400	60.00
7. Corporate Law Authority	1	3	-
8. Administrator, Abandoned Properties, Government of Pakistan	1	110,988	0.61
-----			-----
1129			18,144,000
=====			=====

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

Other foreign shareholding in the Company is about 1.64%.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BOC Pakistan Limited as at September 30, 1997 and the related profit and loss account and cash flow statement,

together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 1997 and of the profit and cash flows for the year then ended; and

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

Karachi
Dated: Dec 1, 1997

A.F. Ferguson & Co.
chartered accountants

**PROFIT AND LOSS ACCOUNT for
THE YEAR ENDED SEPTEMBER 30, 1997**

	Note	1997	1996
		(Rupees in thousand)	
Sales	3	838,584	828,811
Cost of sales	4	(468,441)	(462,508)
		-----	-----

Trading profit		370,143	366,303
		-----	-----
Marketing expenses	5	(50,848)	(48,611)
Administration expenses	6	(67,452)	(59,486)
		-----	-----
		(118,300)	(108,097)
		-----	-----
Operating profit	3	251,843	258,206
Other charges	7	(19,668)	(20,974)
		-----	-----
		232,175	237,232
Other income, net	8	12,940	10,606
		-----	-----
		245,115	247,838
Interest and mark-up income, net	9	19,604	20,697
		-----	-----
Profit before taxation		264,719	268,535
Taxation	10	(3,815)	(62,039)
		-----	-----
Profit After Taxation		260,904	206,496
Appropriations			
Interim dividend at Rs 1.50 (1996: Rs 1.50) per share		-----	-----
		(27,216)	(27,216)
Proposed final dividend at Rs 4.50 (1996: Rs 3.80) per share		-----	-----
		(81,648)	(68,947)
		-----	-----
Total dividend for the year		(108,864)	(96,163)
Transfer to capital reserve for tax on bonus shares issued		-	(12,096)
		-----	-----
		(108,864)	(108,259)
		-----	-----
Transfer to general reserve		152,040	98,237
		=====	=====

The annexed notes form an integral part of these accounts.

BALANCE SHEET
AS AT SEPTEMBER 30, 1997

Note	1997	1996
------	------	------

(Rupees in thousand)

Share capital and reserves

Share capital

Authorised

40,000,000 ordinary shares

of Rs 10 each (1996: 20,000,000)

400,000 200,000

=====

Issued, subscribed and paid up

11 161,440 181,440

Reserves

12 415,991 263,951

597,431 445,391

Redeemable Capital

13 600,000 -

Long-term loan

14 2,150 6,449

Current Liabilities and Provisions

Current maturity of long-term loan

14 4,299 4,299

Running finance under mark-up arrangements

15 - -

Cylinder deposits

16 60,248 57,322

Creditors, accrued and other liabilities

17 257,632 181,504

Taxation

91,966 133,344

Dividends

18 84,080 71,217

498,225 447,686

Contingencies and commitments

19 -----

1,697,806 899,526

=====

Fixed assets - tangible

Operating assets

20 320,708 326,618

Capital work-in-progress

21 1,098,502 10,930

1,419,210 337,548

Long-term loans and advances

22 7,358 8,850

Long-term deposits and prepayments

23 7,231 3,257

Current assets

Stores and spares

24 48,333 47,428

Stock-in-trade

25 68,290 80,799

Trade debts, unsecured

26 76,419 78,904

Loans and advances

27 6,327 8,150

Deposits and prepayments

28 5,244 5,257

Other receivables

29 12,203 13,931

Investments

30 2,000 2,000

Cash and bank balances

31 45,191 313,402

264,007 549,871

1,697,806	899,526
=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Note	1997 (Rupees in thousand)	1996
Cash flow from operating activities			
Cash generated from operations	32	337,418	301,821
Interest and mark-up paid		(9,245)	(4,094)
Tax paid		(45,193)	(50,074)
Long-term loans, advances, deposits and prepayments		(2,482)	(2,504)
		-----	-----
Net cash inflow from operating activities		280,498	245,149
Cash flow from investing activities			
Fixed capital expenditure, net		(1,072,992)	(199,197)
Sale proceeds of fixed assets		851	1,786
Income from investments/portfolio management schemes		23,732	36,422
		-----	-----
Net cash outflow from investing activities		(1,048,409)	(160,989)
Cash flow from financing activities			
Proceeds from redeemable capital		600,000	-
Repayment of long-term loans		(4,299)	(4,299)
Dividends paid		(96,001)	(74,988)
Tax paid on bonus shares issued		-	(12,096)
		-----	-----
Net cash inflow/(outflow) from financing activities		499,700	(91,383)
		-----	-----
Net decrease in cash and cash equivalents		(268,211)	(7,223)
Cash and cash equivalents at beginning of the year		313,402	320,625
		-----	-----
Cash and cash equivalents at end of the year	31	45,191	313,402

=====

The annexed notes form an integral part of these accounts.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan under the Companies Act, 1913 as a private limited company in 1949 and converted into a public limited company in 1958. Its shares are quoted on all the Stock Exchanges of Pakistan. The Company is principally engaged in the manufacture of industrial and medical gases, welding electrodes and marketing of medical equipments.

**2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Retirement benefits

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

Based on the latest actuarial valuation of pension scheme and gratuity scheme as of September 30, 1996 carried out at least once in every three years, the fair valuation of pension fund's assets and liabilities was Rs 40.836 million and Rs 51.392 million respectively. The fair valuation of the gratuity fund's assets and liabilities was Rs 19.482 million and Rs 27.867 million respectively. Whereas the

aforementioned contribution rate of pension is sufficient to cover the projected shortfall in that fund, the shortfall in the gratuity fund is being accounted for through a book provision of 3% of basic salaries.

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

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

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

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

2.3 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation or provisos of the presumptive tax regime. Tax credits on investments in balancing, modernisation or replacement of machinery or extension of industrial undertaking are recognised in providing for current taxation for the year in which these are allowed for tax purposes.

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

2.4 Fixed assets

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

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

Maintenance and normal repairs are charged to income as

and when incurred. Major renewals and betterments are capitalised and the assets so replaced, if any, are retired.

Profit or loss on disposal of fixed assets is reflected in income currently.

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

2.5 Stores and spares

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

2.6 Stock-in-trade

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

2.7 Trade debts

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

2.8 Investments

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

2.9 Foreign currency translation

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

- i) foreign currency loan repayable in rupees at the State Bank of Pakistan guaranteed rate of exchange and balances held abroad out of proceeds of such loan, are translated at such guaranteed rate of exchange; and
- ii) all current liabilities, where forward exchange cover has been arranged, are translated at such arranged rates.

Exchange gains and losses are included in income currently.

2.10 Revenue recognition

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

3. OPERATING PROFIT

		1997			1996		
		Industrial and medical gases	Others	Total	Industrial and medical gases	Others	Total
(Rupees in thousand)							
Sales		691,338	147,246	838,584	676,915	151,896	828,811
Cost of sales	Note 4	(361,718)	(106,723)	(468,441)	(350,142)	(112,366)	(462,508)
Marketing expenses	Note 5	(42,292)	(8,556)	(50,848)	(39,333)	(9,278)	(48,611)
Administration expenses	Note 6	(57,404)	(10,048)	(67,452)	(49,940)	(9,546)	(59,486)
		(461,414)	(125,327)	(586,741)	(439,415)	(131,190)	(570,605)
		229,924	21,919	251,843	237,500	20,706	258,206
		=====	=====	=====	=====	=====	=====

3.1 Inter-segment pricing

Transfers between business segments are recorded at cost

3.2 Segment assets employed (%)	95	5	100	87	13	100
	=====	=====	=====	=====	=====	=====

4. COST OF SALES

Raw material consumed	51,068	73,359	124,427	55,501	71,342	126,843
Salaries, wages and benefits (note 4.1)	48,688	9,191	57,879	42,313	9,153	51,466
Rent, rates and taxes	291	52	343	489	169	658
Fuel and power	135,803	2,134	137,937	130,653	2,201	132,854
Repairs and maintenance	6,408	855	7,263	9,265	1,142	10,407
Plant spares consumed	9,105	1,032	10,137	11,175	1,384	12,559
Insurance	4,292	75	4,367	3,739	64	3,803
Depreciation	37,629	518	38,147	26,944	906	27,850
Transportation expenses	17,999	2,421	20,420	14,972	2,269	17,241
Other expenses	2,300	218	2,518	2,546	315	2,861
	-----	-----	-----	-----	-----	-----
Cost of goods manufactured	313,583	89,855	403,438	297,597	88,945	386,542
Opening stock of finished goods	32,255	22,005	54,260	34,935	18,244	53,179
Purchase of finished goods	43,611	16,582	60,193	49,865	27,182	77,047
Closing stock of finished goods	(27,731)	(21,719)	(49,450)	(32,255)	(22,005)	(54,260)

6.1 Staff retirement benefits

Salaries and benefits include Rs 4,070 thousand (1996: Rs 3,552 thousand) in respect of staff retirement benefits.

	1997	1996
	(Rupees in thousand)	
7. OTHER CHARGES		
Legal and professional charges	1,171	1,471
Auditors' remuneration	-----	-----
Audit fee	290	200
Audit of provident, gratuity, pension and workers' profits participation funds and fee for special certifications and sundry advisory services	97	102
Out of pocket expenses	41	27
Excise duty	33	57
	-----	-----
	461	386
Donations	211	175
Workers' profits participation fund	14,173	14,479
Workers' welfare fund	3,652	4,463
	-----	-----
	19,668	20,974
	=====	=====

7.1 Donations include payment of:

- i) Rs 75 thousand (1996: Nil) to The Layton Rehmatultah Benevolent Trust, Karachi where Mr I Husain, a director, is a member of the Board of Trustees;
- ii) Rs 30 thousand (1996: Nil) to Anjuman Kashana-e-Atfal-o-Naunehal, Karachi where Mr J R Rahim, Chairman, is a member of the executive committee; and
- iii) Rs 30 thousand (1996: Rs 20 thousand) to Friends of APWA, Karachi, where the spouse of Mr J R Rahim, Chairman, is a member of management committee.

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

	1997	1996
	(Rupees in thousand)	
8. OTHER INCOME, net		
Income from WAPDA Bonds (Fifth Issue)	320	320
Dividend on NIT units	-	6,000
Loss on sale of investments	-	(1,200)
Profit on sale of fixed assets	775	1,679
Commission	2,641	1,860

Insurance claim and sundries	9,204	1,947
	-----	-----
	12,940	10,606
	=====	=====
9. INTEREST AND MARK-UP INCOME, net		
Income from portfolio management schemes	21,600	24,653
Less:		
Interest on	-----	-----
- long-term loan	(304)	(492)
- workers' profits participation fund	(915)	(2,109)
Mark-up and excise duty on running finance	(149)	(427)
Exchange risk fee	(628)	(928)
	-----	-----
	(1,996)	(3,956)
	-----	-----
	19,604	20,697
	=====	=====

1997 1996
(Rupees in thousand)

10. TAXATION

Current - for the year	56,722	72,453
- for prior years (note 10.1)	(52,907)	(10,414)
	-----	-----
	3,815	62,039
	=====	=====

10.1 During the year, the Company has written back provision for taxation for the years ended September 30, 1995 and 1996 on the basis of a recent assessment finalised under presumptive tax regime. However, further write back of provision for the years 1991 to 1994 amounting to Rs 51,000 thousand, being in appeals at various levels, has been deferred pending final outcome of such appeals.

10.2 As no timing differences, related to accelerated tax depreciation, are likely to reverse in the foreseeable future, provision for deferred tax has not been made. However, had the provision for deferred tax been made on the basis of full potential liability, the tax charge would have been higher by Rs 39,000 thousand (1996: Rs 39,200 thousand).

1997 1996
(Rupees in thousand)

11. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Ordinary shares of Rs 10 each

452,955 shares fully paid in cash	4,530	4,530
672,045 shares issued for consideration other than cash	6,720	6,720
17,019,000 shares issued as fully paid bonus shares	170,190	170,190
-----	-----	-----
18,144,000	181,440	181,440
=====	=====	=====

The BOC Group plc, U.K. held 10,886,400 ordinary shares of Rs 10 each as at September 30, 1996 and 1997.

1997 1996
(Rupees in thousand)

12. RESERVES

Capital

At the beginning of the year	-	120,960
Transfer from profit & loss account for tax on issue of bonus shares	-	12,096
	-----	-----
	-	133,056
	-----	-----
Bonus shares issued during the year	-	(120,960)
Tax paid thereon	-	(12,096)
	-----	-----
	-	(133,056)
	-----	-----
	-	-
Revenue		
General		
At the beginning of the year	263,951	165,714
Transfer from profit and loss account	152,040	98,237
	-----	-----
	415,991	263,951
	-----	-----
	415,991	263,951
	=====	=====

1997 1996
(Rupees in thousand)

13. REDEEMABLE CAPITAL, secured
(Non participatory)

Long-term finances utilised under mark-up arrangements

Syndicate of banks led by
Citibank N.A., Karachi

I	262,500	-	--
II	260,000	-	--

522,500 -

Long-term Morabaha
Faysal Bank Limited

I	37,500	-
II	40,000	-

77,500 -

600,000 -

=====

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

	Sale Price		Purchase Price		Prompt Payment Rebate		Half yearly		Commencing	
	I	II	I	II	I	II	I	II	I	
(Rupees in thousand)										
Long-term Finances										
Citibank N.A.	80,000	70,000	130,045	135,701	8,247	8,331	Three	Six	May 20, 1999	12
ANZ Grindlays Bank Ltd.	50,000	80,000	81,279	155,087	5,155	9,521	"	"	"	
Deutsche Bank AG	30,000	20,000	48,767	38,772	3,093	2,380	"	"	"	
Emirates Bank										
International PJSC	50,000	50,000	81,279	96,929	5,155	5,951	"	"	"	
Societe Generale-										
The French &										
International Bank	50,000	40,000	81,279	77,543	5,155	4,760	"	"	"	
Standard Chartered Bank	90,000	-	146,301	-	9,279	-	"	-	"	
Long-term Morabaha										
Faysal Bank Ltd.	50,000	40,000	81,279	77,543	5,155	4,761	"	Six	"	Nov

13.2 Mark-up is payable at the rate of:

Long-term finance/morabaha-I:

4% above six months Short Term Federal Bonds average cut-off yield, which for the year comes to 20.88% per annum.

Long-term finance/morabaha-II:

4.95% above six months Short Term Federal Bonds average cut-off yield, which for the year comes to 21.83% per annum.

Subsequent to year end, the above margins of 4% and 4.95% have been reduced to 2.50% and 3.45% respectively.

13.3 A commitment fee @ 0.75% per annum is payable on the unutilised amount.

13.4 The long-term finances/morabaha obtained for the acquisition and construction of new facility at Port Qasim as referred to in note 21,1, are secured by a joint pari passu charge on all present and future moveable fixed assets of the company upto the time new facility comes on stream and thereafter restricted to moveable fixed assets pertaining to the aforementioned new facility.

13.5 In view of the substances of the transactions, the sale and repurchase of assets referred in 13.1 above have not been recorded as such in these accounts.

1997 1996
(Rupees in thousand)

14. LONG-TERM LOAN, secured

Standard Chartered Bank, London
(Swiss Francs 0.5 million;
1996: Swiss Francs 0.83 million)

6,449 10,748

Less: Current maturity shown under
current liabilities

(4,299) (4,299)

----- -----

2,150 6,449

===== =====

The above loan, arranged in 1989, carries interest at 1% above six month's LIBOR for the first five years and 1.25% above six month's LIBOR thereafter, payable half yearly. An exchange risk cover has also been obtained from the State Bank of Pakistan. The loan is repayable in thirteen equal semi annual installments from February 6, 1993.

The loan is secured by a pari passu equitable charge over plant and machinery purchased with the loan proceeds.

15. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

The facility for the short-term running finance available from various banks, including a tentative arrangement for bridge finance of Rs 200 million, amounts to Rs 486 million (1996: Rs 326 million). The purchase prices are payable on various dates between November 30, 1997 to June 30, 1998. The rates of mark-up, net of prompt payment bonus, range from Re 0.38 to Re 0.44 per Rs 1,000 per day.

The arrangements are secured by way of pari passu charge against hypothecation of stock-in-trade and trade debts.

The facility for opening letters of credit and guarantees as at September 30, 1997 amounted to Rs 334 million (1996: Rs 375 million) of which the amount remaining unutilised at year end was Rs 305 million (1996: Rs 332 million).

16. CYLINDER DEPOSITS

These are repayable on demand and are non-interest bearing.

	1997	1996
	(Rupees in thousand)	
17. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	11,840	8,823
Bills payable	6,527	3,682
Accrued liabilities	69,272	68,416
Sales tax (note 17.2)	48,486	42,700
Advances from customers	48,335	31,778
Interest accrued on long-term loan	29	63
Mark-up accrued on - redeemable capital	45,214	-
- running finance arrangements	51	44
Workers' profits participation fund (note 17.3)	15,088	16,588
Workers' welfare fund	3,652	7,131
Retention money	6,081	270
Others	3,057	2,009
	-----	-----
	257,632	181,504
	=====	=====

17.1 Creditors, bills payable and accrued liabilities include amounts due to associated undertakings at year end aggregating Rs 11,157 thousand (1996: Rs 11,964 thousand).

17.2 This includes current liability amounting to Rs 6,878 thousand (1996: Rs 10,204 thousand) whilst the balance represents provision, net of payments under protest of Rs 6,451 thousand (1996: Rs 6,451 thousand), to the Central Excise Department. The Company considers Department's contention as unjustified and has accordingly taken up the matter at appropriate level.

	1997	1996
	(Rupees in thousand)	

17.3 Workers' profits participation fund

Balance at the beginning of the year	16,586	13,200
Interest on funds utilised in the Company's business	915	2,109
Allocation for the year	14,173	14,479
	-----	-----
	31,676	29,788
Less: Amount paid to the Trustees of the fund	(16,588)	(13,200)
	-----	-----
Balance at the end of the year	15,088	16,588
	=====	=====

1997 1996
(Rupees in thousand)

18. DIVIDENDS

Unclaimed	2,432	2,270
Proposed final	81,648	68,947
	-----	-----
	84,080	71,217
	=====	=====

19. CONTINGENCIES AND COMMITMENTS

19.1 The Company has guaranteed repayment of loans given by banks to certain members of the Company's staff. The amount of such loans outstanding at the balance sheet date amounted to Rs 879-thousand (1996: Rs 870 thousand).

19.2 The Company is defendant in a claim case filed by a supplier who violated the agreement by discontinuing the supply of oxygen gas to the Company without notice. The claim relates to recovery of Rs 750 thousand alleged to be the value of 500 cylinders provided to the Company for circulation, rental of cylinders and interest thereon. In view of default by the supplier, the management expects a favourable decision.

19.3 Capital commitments outstanding as at September 30, 1997 amounted to approximately Rs 65,556 thousand (1996: Rs 702,393 thousand).

20. OPERATING ASSETS

20.1 The following is a statement of operating assets:

Cost at Sept. 30,	Additions/ (disposals/	Cost at Sept. 30,	Accumulated depreciation	Depreciation charge for	Accumulated depreciation	Net Book value at	Annual rate of
----------------------	---------------------------	----------------------	-----------------------------	----------------------------	-----------------------------	----------------------	-------------------

	1996	*adjustment)	1997	at Sept. 30, 1996	the year (disposals/ *adjustment)	at Sept 30, 1997	Sept. 30, 1997	depreciation %
(Rupees in thousand)								
Freehold land	5,003	-	5,003	-	-	-	5,003	-
Leasehold land	10,226	357	10,583	84	203	287	10,296	2 & 2.5
Buildings on freehold land	16,731	187	16,918	5,063	673	5,736	11,182	2.5 to 10
Buildings on leasehold land	15,936	-	15,936	7,383	454	7,837	8,099	2.5 to 10
Plant and machinery	471,919	22,720 (646)	493,993	202,144	35,191 (646)	236,689	257,304	7 to 10
Vehicles	28,802	11,841 (563)	40,080	16.91	3,612 (517)	20,001	20,079	20
Furniture, fittings and office equipment	23,845	2,751 (479)	26,117	14,264	3,557 (449)	17,372	8,745	10 to 25
	-----	-----	-----	-----	-----	-----	-----	
	572,462	37,856 (1,688)	608,630	245,844	43,690 (1,612)	287,922	320,708	
	=====	=====	=====	=====	=====	=====	=====	
1996	383,651	192,315 (3,395) *(109)	572,462	216,276	32,860 (3,288) (4)	245,844	326,618	
	=====	=====	=====	=====	=====	=====	=====	

20.2 Disposal of fixed assets

The following assets were disposed of during the year:

Particulars	Cost	Accumulated Depreciation	Net Book value	Sale Proceeds	Mode of Disposal	Particulars of Purchasers
(Rupees in thousand)						
Office Equipment	160	130	30	50	Trade in	Gestetner (Pvt) Ltd. I.I. Chundrigar Road. Karachi.
Vehicle	185	139	46	183	Insurance claim	Commercial Union Assurance Co., Lalazar, M.T. Khan Road, Karachi.
"	157	157	-	81	Negotiation	Nazir Ahmed (Executive)

"	169	169	-	-
Items having book value below Rs. 5,000 each	1,017	1,017	-	537
	-----	-----	-----	-----
	1,688	1,612	76	851
	=====	=====	=====	=====
1996	3,395	3,288	107	1,786
	=====	=====	=====	=====

Karachi.
Company Niaz A Quraishi (Ex-Executive
policy Rawalpindi

1996 1997
(Rupees in thousand)

21. CAPITAL WORK-IN-PROGRESS, at cost

Civil works	37,351	613
Plant and machinery (including in transit Nil; 1996: Rs 6,022 thousand)	1,004,359	8,639
Borrowing costs	52,436	-
Advances to suppliers	4,356	1,678
	-----	-----
	1,098,502	10,930
	=====	=====

21.1 The above includes expenditure amounting to Rs. 1,094,197 thousand, inclusive of borrowing costs pertaining to finances referred to in note 13, incurred for the acquisition and construction of 100/110 tons a day air separation unit and a hydrogen plant at Port Qasim, Karachi which will supply nitrogen and hydrogen to ICI's PTA plant at Port Qasim.

22. LONG-TERM LOANS AND ADVANCES

	Current portion		Long-term portion	
	1997	1996	1997	1996
	(Rupees in thousand)		(Rupees in thousand)	
Considered good due from:				
- Chief Executive	800	800	867	1,667
- Executives	2,252	1,830	3,589	4,324
- Other employees	2,738	2,894	2,902	2,859
	-----	-----	-----	-----
	5,790	5,524	7,358	8,850
	=====	=====	=====	=====

(note 27)

Outstanding for period exceeding three years	296	77
--	-----	----

Others	7,062	8,773
	-----	-----
	7,358	8,850
	=====	=====

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

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

	1997	1996
	(Rupees in thousand)	
- Chief Executive	2,401	3,201
- Executives	7,504	6,310
	=====	=====

23. LONG-TERM DEPOSITS AND PREPAYMENTS

Security deposits	7,122	3,046
Prepayments	109	211
	-----	-----
	7,231	3,257
	=====	=====

24. STORES AND SPARES

	1997	1996
	(Rupees in thousand)	
Stores	2,193	2,146
Spares (including in transit Rs 786 thousand; 1996: Rs 26 thousand)	50,100	48,244
	-----	-----
	52,293	50,390
Less: Provision for obsolete items	(3,960)	(2,962)
	-----	-----
	48,333	47,428
	=====	=====

25. STOCK-IN-TRADE

Raw and packing materials (including in transit Rs 1,689 thousand; 1996: Rs 274 thousand)	18,840	26,539
--	--------	--------

Finished goods (including in transit

Rs 1,964 thousand; 1996: Rs 744 thousand)	57,142	59,950
	-----	-----
	75,982	86,489
Less: Provision for slow moving items	(7,692)	(5,690)
	-----	-----
	68,290	80,799
	=====	=====

26. TRADE DEBTS, unsecured

Trade debts are considered good and have been arrived at after deducting general provision for doubtful debts of Rs 4,935 thousand (1996: Rs 4,410 thousand).

Amount due from associated undertakings at year-end aggregated Rs 36 thousand (1996: Rs 405 thousand). The maximum amount due from associated undertakings at the end of any month during the year was Rs 732 thousand (1996: Rs 1,810 thousand).

1997 1996
(Rupees in thousand)

27. LOANS AND ADVANCES, considered good

Current portion of long-term loans and advances (note 22)	5,790	5,524
Advances to suppliers	537	2,626
	-----	-----
	6,327	8,150
	=====	=====

28. DEPOSITS AND PREPAYMENTS

Deposits	4,512	3,999
Prepayments	732	1,258
	-----	-----
	5,244	5,257
	=====	=====

1997 1996
(Rupees in thousand)

29. OTHER RECEIVABLES

Accrued income on WAPDA bonds and portfolio management schemes	117	1,929
Sales tax refundable	1,264	2,145
Recoverable jobs	10,245	8,315
Others	577	1,542
	-----	-----
	12,203	13,931
	=====	=====

30. INVESTMENTS

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

31. CASH AND BANK BALANCES

With banks		
- Under portfolio management schemes	-	258,000
- On current and collection accounts	15,914	18,610
Cheques, drafts and cash in hand	29,277	36,792
	-----	-----
	45,191	313,402
	=====	=====

32. CASH GENERATED FROM OPERATIONS

Profit before taxation	264,719	268,535
Adjustment for non cash charges and other items:		
Depreciation	43,690	32,860
Profit on sale of fixed assets	(775)	(1,679)
Loss on sale of investments	-	1,200
Income from investments	(320)	(6,320)
Interest and mark-up income, net	(19,604)	(20,697)
Working capital changes - note 32.1	49,708	27,922
	-----	-----
	337,418	301,821
	=====	=====

32.1 Working capital changes

(Increase)/decrease in current assets	(905)	(9,152)
Stores and spares	12,509	(3,789)
Stock-in-trade	2,485	3,062
Trade debts	1,823	(1,897)
Loans and advances	13	(19)
Deposits and prepayments	(84)	1,046
Other receivables, net	-----	-----
	15,841	(10,749)
Increase in current liabilities	-----	-----
Cylinder deposits	2,926	7,398
Creditors, accrued and other liabilities, net	30,941	31,273
	-----	-----
	33,867	38,671
	-----	-----
	49,708	27,922
	=====	=====

33. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive	1997 Execu- tives	Total	Chief Executive	1996 Execu- tives	Total
Number of persons including those who worked part of the year	1	60	61	1	54	55
			(Rupees in thousand)			
Managerial- remuneration	3,915	17,676	21,591	2,837	14,791	17,628
Pension, gratuity and provident fund	1,166	5,381	6,547	776	4,504	5,280
Housing	1,976	6,893	8,869	1,490	5,676	7,166
Utilities	276	1,373	1,649	201	1,223	1,424
Leave passage	393	1,518	1,911	273	1,727	2,000
Conveyance	-	676	676	-	522	522
Medical and others	10	736	746	4	419	423
	----- 7,736 =====	----- 34,253 =====	----- 41,989 =====	----- 5,581 =====	----- 28,862 =====	----- 34,443 =====

The Chairman, chief executive and certain executives of the Company are provided with free use of cars. Aggregate amount charged in the accounts for fee to five directors was Rs 10 thousand (1996: five directors - Rs 8 thousand). A non-executive director was also paid Rs 176 thousand (1990: Rs 156 thousand) as technical advisory fee.

1997 1996
(Rupees in thousand)

34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales	2,788	6,163
Purchases (including fixed asset items Rs 802,278 thousand; 1996: Rs 9,291 thousand)	820,631	29,746
Commission Income	92	77

35. CAPACITY

Unit of	Capacity	Production	Remarks
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	quantity	(triple shift)	1997	1996	
Oxygen	Cubic meters	38,620,000	23,462,526	25,913,765	Capacity for future growth
Dissolved acetylene	Cubic meters	836,000	232,966	273,237	"
Nitrous oxide	Gallons	78,000,000	35,451,121	35,826,236	"
Welding electrodes	Metric tons	*4,422	1,985	2,159	"

* Based on single gauge

36. CORRESPONDING FIGURES

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