

BOC Pakistan Limited

Annual Report 1998

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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
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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fiftieth Annual General Meeting of BOC PAKISTAN LIMITED will be held at Karachi Sheraton Hotel & Towers, Club Road, Karachi on Tuesday, the 26th day of January 1999 at 10.30 a.m. to transact the following business:

1. To confirm the Minutes of the 49th Annual General Meeting held on 24 January 1998.
2. To receive and consider the Statement of Accounts for the year ended 30 September 1998 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. To elect Directors of the Company for a period of three years from 30 January 1999 under Section 178(1) of the Companies Ordinance, 1984. The number of elected Directors of the Company fixed by the Board of Directors in their meeting held on 30 November 1998 is Eight (8). Mr J R Rahim, Mr R S Grant, Mr C G Leon, Dr R Ahmad, Mr I Husain, Mr A U Khawaja, Mr S Qureshi and Mr J Anwar being all the Directors of the Company for the time being, retire in accordance with the provisions of the said Ordinance.

6. Any other business which may legally be transacted at an Annual General Meeting.

The Share Transfer Books of the Company will be closed from 13 January to 26 January 1999, both days inclusive.

By Order of the Board

West Wharf
Karachi-74000
30 November 1998

MUHAMMAD ASLAM
Secretary

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

THE YEAR AT A GLANCE

	1998	1997
	(Rupees in thousand)	
Sales	1,020,786	838,584
Profit before mark-up, interest & tax	340,387	245,115
Profit after tax	282,964	260,904
Paid-up Capital	181,440	181,440
Dividend - payout	108,864	108,864
- per share	Rs 6.00	Rs 6.01
- cover	2.60x	2.40x
	-----	-----
	221,798	1,125,428
Capital Expenditure		
Capital Employed at Year End	1,360,742	1,218,937
Return on Average Capital Employed (based on Profit before mark-up, interest and tax)	26.40%	34.50%
	-----	-----
Net Asset Backing at Year End	Rs 42.52	Rs 32.93
Number of Permanent Employees at Year End	536	551

CHAIRMAN'S STATEMENT

The company faced unprecedented challenges during the period under review. The economic environment in the country which was difficult initially, deteriorated further after the imposition of economic sanctions after Pakistan's nuclear tests in May this year. The company's Air Separation Unit (ASU plant) at Lahore had an unfortunate accident in December 1997. This resulted in suspension of production for about seven months.

I am, however, pleased to report that through innovative marketing strategy and mobilization of distribution resources both local and international, the management of your company dealt with these challenges most effectively. Your company's largest investment in ASU facility to date at Pod Qasim came on stream at the most opportune time and commenced supplies to major customers and to ICI's PTA plant from March 1998. This also enabled your company to meet ASU gases requirement of North Region. The production facility at Lahore was expeditiously restored in July 1998 through movement of Aspen Plant from Hub to Lahore. Your company thus closed the financial year with record sales and profit. I would like to congratulate the management and all staff and workers for achieving excellent results under such challenging circumstances.

The Government is engaged in negotiating financial assistance with IMF and other lending agencies to revive the economy of the country. Economic sanctions imposed on Pakistan are now being softened. It is hoped that successful conclusion of these measures will have positive impact on investment in the country. With expected improvement in the economy, your company is well placed to take full advantage of growth opportunities and continue to maintain its market leadership position.

Karachi

30 November 1998

J R RAHIM

Chairman

TEN-YEAR FINANCIAL REVIEW

Operating Results	1989 Rs 000	1990 Rs 000	1991 Rs 000	1992 Rs 000	1993 Rs 000	1994 Rs 000	1995 Rs 000	1996 Rs 000	1997 Rs 000
Sales	218,199	267,256	331,130	418,670	510,842	550,643	694,115	828,811	838,811
Operating Profit	39,381	52,309	70,635	104,986	135,329	148,734	208,132	258,206	251,132
Interest and Mark-up, Net	(1,831)	(5,819)	(5,982)	(2,606)	2,451	13,554	21,871	20,697	19,871
Profit before Taxation	34,737	43,459	60,530	96,926	131,441	156,956	226,990	268,535	264,871
Taxation	(19,332)	(21,729)	(29,293)	(41,298)	(51,493)	(56,636)	(66,376)	(62,039)	(3,871)
Profit after Taxation	15,405	21,730	31,237	55,628	79,948	100,320	160,614	206,496	260,999
Dividends	(8,316)	(9,979)	(12,701)	(26,611)	(38,707)	(48,384)	(72,576)	(96,163)	(108,811)

Tax on Bonus Shares	--	--	--	--	--	--	--	(12,096)	
Retained Surplus	7,089	11,751	18,536	29,017	41,241	51,936	88,038	98,237	152,000
Capital Employed									
Paid-up Capital	30,240	36,288	36,288	48,384	48,384	60,480	60,480	181,440	181,440
Reserves	76,395	82,098	100,634	117,555	158,796	198,636	286,674	263,951	415,000
Shareholders' Fund	106,635	118,386	136,922	165,939	207,180	259,116	347,154	445,391	597,000
Deferred Taxation	--	9,900	10,000	10,200	9,700	9,600		
Long-term Liabilities & Borrowings (net of cash)	34,903	59,754	21,301	4,911	(64,825)	(119,085)	(199,654)	(245,332)	621,000
	141,538	188,040	168,223	181,050	152,055	149,631	147,500	200,059	1,218,000
Represented by:									
Fixed Assets	99,235	140,714	142,202	162,732	162,369	168,497	171,318	337,548	1,419,000
Working Capital	42,303	47,326	26,021	18,318	(10,314)	(18,866)	(23,818)	(137,489)	(200,000)
	141,538	188,040	168,223	181,050	152,055	149,631	147,500	200,059	1,218,000
Statistics									
Expenditure on Fixed Assets	36,622	53,397	20,023	40,820	23,020	30,830	29,974	199,197	1,125,000
Annual Depreciation	11,874	11,350	18,502	20,289	23,178	24,328	27,027	32,860	43,000
Adjusted Earnings per share--Rupees (Note)	0.85	1.20	1.72	3.07	4.41	5.53	8.85	11.38	14.00
Adjusted Dividend per share--Rupees (Note)	0.46	0.55	0.70	1.47	2.13	2.67	4.00	5.30	6.00
Dividend Cover--Times	1.85x	2.18x	2.46x	2.09x	2.07x	2.07x	2.21 x	2.15x	2.33x
Adjusted Net Asset Backing per share--Rupees (Note)	5.88	6.52	7.55	9.15	11.42	14.28	19.13	24.55	32.00
Return on average Shareholders' Fund (based on profit after tax)	14.90%	19.30%	24.50%	36.7%	42.9%	43.0%	53.0%	52.1%	50.0%
Dividend paid on average Shareholders' Fund	8.10%	8.90%	9.90%	17.6%	20.7%	20.8%	23.9%	24.3%	20.0%
Return on average Capital Employed (based on profit before mark-up, interest & tax)	28.10%	29.90%	37.30%	57.0%	77.4%	95.1%	138.1%	142.6%	34.0%

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

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
Phone: (0596) 2477
Acetylene Factory

Taxila Adjacent to Heavy
Mechanical Complex No. 2
Phones: (051) 9270563 (5 lines)
Ext: 383
(0596) 2408
Fax: (0596) 4608
Oxygen/Nitrogen Factory

Nowshera C/o Associated Industries Ltd.
Amangarh
Phone: (0923) 610559
Sales Depot

	Peshawar	Jhagra Chowk, G.T. Road Phones: (091) 261573 (2 lines)	Sales Depot & Oxygen Compressing Station
SOUTHERN REGION	Karachi	West Wharf Phones: (021) 2313361 (9 lines) Fax: 2312968	Oxygen/Nitrogen & Argon Factory Acetylene Factory Nitrous Oxide Factory Speciality Gases
		Eastern Zone, Port Qasim Phone: (0321) 244485 Fax: (0321) 4320038	Oxygen/Nitrogen & Argon Factory Hydrogen Factory
	Hyderabad	Kh. Gharib Nawaz Road C/o Wazir All Industries Ltd., Hall R Phone: (0221) 880930	Sales Depot Oxygen Compressing Station
	Sukkur	Bandani Colony No. 1, Main Shikarpur Road Phone: (071) 614791	Sales Depot
	Quetta	C-8, Kabir Bldg., M.A. Jinnah Road Phone: (081) 824637	Sales Depot
		Eissa Khan Street, Off Sirki Road	Oxygen Compressing Station
	Hub	65/67, Mauza Pathara, RCD Highway, Hub Chowki Phones: (0202) 32294 & 32295	Oxygen/Nitrogen & Argon Factory Hydrogen Factory
MANUFACTURING	Karachi	West Wharf Phones: (021) 2313361 (9 lines)	Electrode Factory

**STATEMENT OF VALUE ADDED
BY BOC PAKISTAN DURING 1998**

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:

	1998		1997	
	Rs 000	%	Rs 000	%
Wealth Generated				
Total revenue, net of sales tax	1,078,269		873,124	

Bought-in-materials & services	(471,889)		(390,692)	
	-----	-----	-----	
	606,380	100	482,432	100
	=====	=====	=====	
Wealth Distributed				
To Employees				
Salaries, benefits & related costs	144,807	24	125,271	26
To Government				
Income Tax on Profit, Workers' Funds, Import Duties (exclusive of capital items) and un-adjustable Sales Tax	19,206	3	50,571	10
To Providers of Capital				
Dividends to shareholders	108,864	18	108,864	23
Mark-up/Interest Expense on borrowed funds	75,376	12	1,996	-
Retained in the Business				
For replacement of fixed assets: depreciation	84,027	14	43,690	9
To provide for growth: retained profit	174,100	29	152,040	32
	-----	-----	-----	-----
	606,380	100	482,432	100
	=====	=====	=====	=====

BUSINESS DIVISIONS, PRODUCTS AND SERVICES

GASES	GASES	WELDING
Industrial Gases	HEALTH CARE	Gas Welding & Cutting
	Medical Gases	
Compressed Oxygen	Compressed Medical Oxygen	Regulators
Liquid Oxygen	Liquid Medical Oxygen	Cutting Torches
Aviation Oxygen	Nitrous Oxide & Entonox	Welding Torches
Compressed Nitrogen		Cutting Machines
Liquid Nitrogen	Medical Equipment	Gas Control Equipment
Pure Argon		Safety Equipment
Compressed Air	Anaesthesia Equipment	Flame Cleaning

Dissolved Acetylene
Hydrogen
Industrial Pipelines

Speciality Gases

High Purity Gases
Research Grade Gases
Gaseous Chemicals
Calibration Mixtures
Argon Mixtures
Welding Gas Mixtures
Sterilization Gases
Helium
FREON® Refrigerants
FREON® Solvents
SUVA® Refrigerants
FORMACEL Blowing Agents
DYMEL Propellants

Vaporisers
Ventilators
Anaesthesia Systems

Patient Monitoring Equipment

Invasive & Non-Invasive Blood Pressure
ECG - 2,5, or 10 leads
CO2 (Endtidal)

Temperature
Pulse Oximetry
Agent Monitoring

Paediatric Equipment

Incubators & Infant Warmers
Photo Therapy
CTG/Fetal Monitors

Resuscitation

ICU Equipment

Ventilators & Humidifiers
Defibrillators

Syringe & Infusion Pumps

Suction Machines

Diagnostic Equipment

ETT & ECG Machines
Cardiac & GP Ultrasound Systems
Stress Echo

Medical Gases Pipeline

Design, Installation & Service

Vaporizer Service and Calibration Centre

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 coating most of the world's high performance glass to distributing food, clothes and other consumables.

DIRECTORS' REPORT

The Directors of your company take pleasure in presenting their Annual Report and the Statement

of Accounts for the year ended 30 September 1998.

SALES

The Directors are pleased to report that despite difficult market environment and unprecedented operational challenges, your company achieved record sales and profits. The sales revenue at Rs 1,020.8 million registered an improvement of 22% whilst the profit before mark-up, interest and tax of Rs 340.4 million recorded a growth of 39% over last year.

Industrial gases business performed exceedingly well and recorded strong growth over the last year. Strong demand in shipbreaking sector specially in second half of the year and commissioning of nitrogen and hydrogen supply scheme to ICl's PTA plant at Port Qasim in March 1998 gave a boost to company's industrial gases sales. Liquid nitrogen demand in chemical industry remained strong. Demand of high purity gases maintained rising trend. The health care business achieved noticeable growth over last year. Medical oxygen demand remained strong throughout the year. Nitrous oxide demand, however, remained soft. Good growth in business was attained by winning hospital pipeline jobs. Low activity in industrial projects due to general recession resulted in sluggish demand for welding products and locally produced electrodes experienced competitive pressures from cheap imports and registered lower demand.

ENGINEERING OPERATIONS

The company achieved a major milestone, in the expansion of its production capacity with the installation and commissioning of the 100/110 tonnes per day air separation and the 390 M3/Hr hydrogen plants at Port Qasim, near Karachi.

There was a set back in December 1997 when the 1600 M3/hr Lahore plant went out of production due to an accident. Any ill effects on market supplies were however, averted by sound management action of trucking the product from other

company plants. The production was rehabilitated in record time by shifting the new Aspen-1000 plant from Hub to Lahore.

All other production plants ran efficiently and in accordance with the product requirements. The dissolved acetylene and nitrous oxide plants ran at lower loadings due to low demand.

SAFETY, HEALTH AND ENVIRONMENT

High importance to safety, health and environment was continued as a management commitment. The company won the BOC Group Chairman's Safety Award for the fourth consecutive year. A number of safety courses by in-house team for the operatives and vehicle drivers were organised. During the implementation of projects at Port Qasim and at Lahore a total 775,000 man-hours were worked without loss time injury. Due to liquid trunking of about 1.8 million M3 of ASU gases to Lahore from Karachi and Taxila an additional 600,000 kilometers were covered without any road accident.

At Port Qasim plant a new system of integrated management & safety system (IMSS) which incorporates plant maintenance within the safety systems has been implemented. It will be extended to other locations in due course.

OPERATING RESULTS

The year under review witnessed a number of daunting experiences. There was an unfortunate accident in Lahore plant in December 1997 which brought unprecedented pressure on management, material and manpower resources of the company. The imposition of international sanctions on Pakistan as a consequence of nuclear tests severely affected the economy and Pakistan Rupee suffered sharp decline in its value.

Despite above stated operating difficulties your Directors are pleased to report that management's sustained efforts resulted in achievement of highly satisfactory business results. The profit before

markup, interest and tax at Rs 340.4 million was 39% up on last year. Because of long term finance arranged for Port Qasim production facilities interest charge has been substantial. However, profit before tax is more than that of last year. Due to company's opting for presumptive tax regime for the year ended September 1997 this year tax write back is more than the tax charge.

Despite capital expenditure of Rs 165.9 million and interest, mark-up payments of Rs 130.2 million the company's cash flow position remained healthy. Interest charge is 4.6 times covered.

Working capital remained in sharp focus of the management and is in good shape. The management was able to negotiate reduction in mark-up rates from 4% and 4.95% to 2.50% and 3.45% respectively, with effect from November 1997 and achieved a further negotiated reduction of 1% with effect from May 1998 on redeemable capital for Port Qasim facilities. The mark-up rates now stand at 1.50% and 2.45% above six months short term federal bonds average cut-off yield which are quite economical.

Overheads were reasonably well contained despite inflation and substantial growth in sales revenue.

One of the significant developments during the year was satisfactory outcome of the insurance claim in respect of Lahore Plant with the insurance consortium. The Directors complement the management on effective handling of a complex issue. The details of the claim are given in Note 8 to the Accounts.

Under the guidance of The BOC Group, the management is taking several measures to meet the challenge of millennium bug. The systems which are not year 2000 compliant are being replaced and our current efforts are focussed on getting compliance confirmation from suppliers. The Corporation is also in the process of upgrading its IT infrastructure and has opted for the world class

System Application Products (SAP) software packages for financial as well as other major applications in the areas of sales, distribution and materials management. In end October, a satellite link has also been established between company's head office at Karachi and our regional headquarters at Lahore. SAP is one of the most integrated computer software systems which would give your company a competitive advantage in the market through best operating practices, high level of customer service and also help overcome problem of millennium date in computer applications.

In the opinion of the Directors, no timing differences

on account of accelerated tax depreciation are likely to reverse in the foreseeable future. Consequently, deferred tax provision is not being made. An interim dividend of 15% was paid out of current year's profit in June 1998. The Directors now recommend a final dividend of 45% making a total dividend of 60% for the year.

This year's profit and its disposal and appropriation are as follows:

(Rupees in thousand)

Profit for the year before taxation	266,980	
Out of which the Directors have accounted for taxation, as under		
Current - for the year	(35,728)	
Less · for prior years	51,712	15,984
	-----	-----
Disposable profit for appropriation		282,964
From which an interim dividend at Rs 1.50 per share was paid in June 1998	(27,216)	
The Directors now recommend payment of final dividend at Rs 4.50 per share	(81,648)	

Total dividend for the year	(108,864)

Transfer to general reserve	174,100
	=====
Post tax earnings per share amounted to Rs 15.60 (1997: Rs 14.38)	

CORPORATE EXCELLENCE

Directors are pleased to state that your company was again selected to receive Karachi Stock Exchange's 'Top 25 Companies Award' for the financial year 1997. So far your company has got this coveted award for the eleventh time and consecutively for the six years since 1992. The Directors would like to congratulate the management on this top class performance.

During the year the company's shares have been declared eligible security by the Central Depository Company of Pakistan Limited and necessary actions are being taken to go live by the stipulated date.

MATERIAL CHANGES

There have been no material changes since 30 September 1998 and the company has not entered into any commitment which would effect the financial position of the company at that date.

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 company for having achieved outstanding results in a difficult year. Directors are also grateful to the valued customers whose continuous support is a great source of strength to the company in

the market place.

On behalf of the Board

Karachi

J R RAHIM

30 November 1998

Chairman

PATTERN OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 1998

FORM 34

Number of Shareholders	Shareholding			Total Shares held	
185	From	1	to	100	9,656
302	From	101	to	500	91,046
171	From	501	to	1000	137,505
343	From	1001	to	5000	808,223
70	From	5001	to	10000	488,411
26	From	10001	to	15000	316,169
12	From	15001	to	20000	200,526
5	From	20001	to	25000	114,866
6	From	25001	to	30000	166,083
3	From	30001	to	35000	98,112
6	From	35001	to	40000	223,785
1	From	50001	to	55000	53,405
1	From	55001	to	60000	57,093
1	From	60001	to	65000	61,200
1	From	65001	to	70000	66,197
3	From	70001	to	75000	219,014
1	From	75001	to	80000	77,418
1	From	110001	to	115000	110,988
1	From	150001	to	200000	167,005
2	From	200001	to	300000	497,321
1	From	300001	to	400000	302,758
1	From	400001	to	550000	547,139
2	From	1000001	to	2500000	2,443,680
1	From	10000001	to	11000000	10,886,400
-----				-----	
1146					18,144,000
=====				=====	

Categories of Shareholders	Number	Shares held	Percentage
----------------------------	--------	-------------	------------

Individuals	1111	2,796,307	15.41
Investment Companies	7	565,196	3.12
Insurance Companies	7	1,578,360	8.70
Joint Stock Companies	11	277,414	1.53
Financial Institutions	7	1,929,332	10.63
Associated Company (a)	1	10,886,400	60.00
Corporate Law Authority	1	3	-
Administrator, Abandoned Properties, Government of Pakistan	1	110,988	0.61
	-----	-----	-----
	1146	18,144,000	100.00
	=====	=====	=====

(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 1.62%.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BOC Pakistan Limited as at September 30, 1998 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 except for the change as stated in note 15, 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 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, 1998 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: 01 DEC 1998

A F FERGUSON & CO.

Chartered Accountants

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Note	1998	1997
		(Rupees in thousand)	
Sales	3	1,020,786	838,584
Cost of sales	4	(575,009)	(468,441)
		-----	-----
Trading profit		445,777	370,143
Marketing expenses	5	(59,218)	(50,848)
Administration expenses	6	(85,922)	(67,452)
		-----	-----
		(145,140)	(118,300)
		-----	-----
Operating profit	3	300,637	251,843
Other charges	7	(15,764)	(19,668)
		-----	-----
		284,873	232,175
Other income	8	55,514	12,940
		-----	-----
		340,387	245,115
Mark-up and interest (expense)/income, net	9	(73,407)	19,604
		-----	-----
Profit before taxation		266,980	264,719
Taxation	10	15,984	(3,815)
		-----	-----
Profit After Taxation		282,964	260,904
Appropriations			

Interim dividend at Rs 1.50 (1997: Rs 1.50) per share	(27,216)	(27,216)
Proposed final dividend at Rs 4.50 (1997: Rs 4.50) per share.	(81,648)	(81,648)
	-----	-----
Total dividend for the year	(108,864)	(108,864)
	-----	-----
Transfer to general reserve	174,100	152,040
	=====	=====

The annexed notes form an integral part of these accounts.

JAVAID ANWAR	J R RAHIM
Chief Executive	Chairman

BALANCE SHEET AS AT SEPTEMBER 30, 1998

	Note	1998	1997
(Rupees in thousand)			
Share capital and reserves			
Share capital			
Authorised			
40,000,000 ordinary shares			
of Rs 10 each (1997: 40,000,000)			
		400,000	400,000
		=====	=====
Issued, subscribed and paid up	11	181,440	181,440
Revenue reserves	12	590,091	415,991
		-----	-----
		771,531	597,431
Redeemable Capital	13	566,667	600,000
Long-term Liabilities			
Loan	14	--	2,150
Cylinder deposits	15	62,897	60,248
		-----	-----
		62,897	62,398
Current Liabilities and Provisions			
Current maturity - redeemable capital	13	133,333	--
-long-term loan	14	4,299	4,299

Creditors, accrued and other liabilities	17	373,139	257,632
Taxation		3,151	91,966
	18	84,854	84,080
Dividends		-----	-----
		598,776	437,977
	19		
Contingencies and commitments		-----	-----
		1,999,871	1,697,806
		=====	=====
Fixed assets - tangible			
Operating assets	20	1,527,252	320,708
Capital work-in-progress	21	26,431	1,098,502
		-----	-----
		1,553,683	1,419,210
Long-term loans and advances	22	4,847	7,358
Long-term deposits and prepayments	23	7,369	7,231
Current assets			
Stores and spares	24	66,022	48,333
Stock-in-trade	25	78,131	68,290
Trade debts, unsecured	26	85,506	76,419
Loans and advances	27	9,646	6,327
Deposits and prepayments	28	5,891	5,244
Other receivables	29	8,791	12,203
Investments	30	2,000	2,000
Cash and bank balances	31	177,985	45,191
		-----	-----
		433,972	264,007
		-----	-----
		1,999,871	1,697,806
		=====	=====

The annexed notes form an integral part of these accounts.

JAVAID ANWAR
Chief Executive

J R RAHIM
Chairman

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Note 1998 1997
(Rupees in thousand)

Cash flow from operating activities

Cash generated from operations	32	478,725	334,492
Mark-up and Interest paid		(130,245)	(9,245)
Tax paid		(72,830)	(45,193)
Long-term loans, advances, deposits and prepayments		2,373	(2,482)
Cylinder deposits		2,649	2,926
		-----	-----
Net cash inflow from operating activities		280,672	280,498
Cash flow from investing activities			
Fixed capital expenditure, net		(165,948)	(1,072,992)
Proceeds from disposal of fixed assets		26,892	851
Income from investments/savings account/ portfolio management schemes		1,418	23,732
		-----	-----
Net cash outflow from investing activities		(137,638)	(1,048,409)
Cash flow from financing activities			
Proceeds from redeemable capital		100,000	600,000
Repayment of long-term loans		(2,150)	(4,299)
Dividends paid		(108,090)	(96,001)
		-----	-----
Net cash inflow/(outflow) from financing activities		(10,240)	499,700
		-----	-----
Net increase/(decrease) in cash and cash equivalents		132,794	(268,211)
Cash and cash equivalents at beginning of the year		45,191	313,402
		-----	-----
Cash and cash equivalents at end of the year	31	177,985	45,191
		=====	=====

The annexed notes form an integral part of these accounts.

JAVAID ANWAR
Chief Executive

J R RAHIM
Chairman

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan under the

Companies Act, 1913 (now Companies Ordinance, 1984), as a private limited company in 1949 and converted into a public limited company in 1958. Its shares are quoted on all

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

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 and gratuity schemes 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 2.5% of basic salaries.

Entry age normal method, using the 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, if any, 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 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

	Industrial and medical gases	1998 Others	Total	Industrial and medical gases	1997 Others	Total
(R u p e e s i n t h o u s a n d)						
Sales	914,065	106,721	1,020,786	691,338	147,246	838,584

Cost of sales	Note 4	(491,856)	(83,153)	(575,009)	(361,718)	(106,723)	(468,441)
Marketing expenses	Note 5	(49,477)	(9,741)	(59,218)	(42,292)	(8,556)	(50,848)
Administration expenses	Note 6	(74,549)	(11,373)	(85,922)	(57,404)	(10,048)	(67,452)
		-----	-----	-----	-----	-----	-----
		(615,882)	(104,267)	(720,149)	(461,414)	(125,327)	(586,741)
		-----	-----	-----	-----	-----	-----
		298,183	2,454	300,637	229,924	21,919	251,843
		=====	=====	=====	=====	=====	=====

3.1 Inter-segment pricing

Transfers between business segments are recorded at cost

3.2 Segment assets employed (%)

	96	4	100	95	5	100
	=====	=====	=====	=====	=====	=====

4. COST OF SALES

Raw material consumed	49,612	53,421	103,033	51,068	73,359	124,427
Salaries, wages and benefits (note 4.1)	57,740	9,451	67,191	48,688	9,191	57,879
Rent, rates and taxes	478	77	555	291	52	343
Fuel and power	185,611	2,063	187,674	135,803	2,134	137,937
Repairs and maintenance	9,399	859	10,258	6,408	855	7,263
Plant spares consumed	13,227	804	14,031	9,105	1,032	10,137
Insurance	7,425	80	7,505	4,292	75	4,367
Depreciation	77,656	154	77,810	37,629	518	38,147
Transportation expenses	34,929	1,695	36,624	17,999	2,421	20,420
Other expenses	4,011	246	4,257	2,300	218	2,518
	-----	-----	-----	-----	-----	-----
Cost of goods manufactured	440,088	68,850	508,938	313,583	89,855	403,438
Opening stock of finished goods	27,731	21,719	49,450	32,255	22,005	54,260
Purchase of finished goods	52,895	20,325	73,220	43,611	16,582	60,193
Closing stock of finished goods	(28,858)	(27,741)	(56,599)	(27,731)	(21,719)	(49,450)
	-----	-----	-----	-----	-----	-----
	491,856	83,153	575,009	361,718	106,723	468,441
	=====	=====	=====	=====	=====	=====

4.1 Staff retirement benefits

Salaries, wages and benefits include Rs 3,110 thousand (1997: Rs 2,742 thousand) in respect of staff retirement benefits.

5. MARKETING EXPENSES

	1998			1997		
	Industrial	Others	Total	Industrial	Others	Total

	and medical gases		and medical gases			
	(R u p e e s i n t h o u s a n d)					
Salaries and benefits (note 5.1)	25,908	6,261	32,169	23,028	4,856	27,884
Insurance	1,043	331	1,374	1,180	341	1,521
Depreciation	745	48	793	773	62	835
Provision for doubtful debts	543	357	900	317	208	525
Technical aid fee	12,463	--	12,463	9,133	--	9,133
Communications and stationery	2,373	746	3,119	2,568	900	3,468
Advertising and sales promotion	1,524	266	1,790	621	416	1,037
Travelling and entertainment	3,769	1,239	5,008	3,586	1,308	4,894
Other expenses	1,109	493	1,602	1,086	465	1,551
	-----	-----	-----	-----	-----	-----
	49,477	9,741	59,218	42,292	8,556	50,848
	=====	=====	=====	=====	=====	=====

5.1 Staff retirement benefits

Salaries and benefits include Rs 3,428 thousand (1997: Rs 3,231 thousand) in respect of staff retirement benefits.

6. ADMINISTRATION EXPENSES

Salaries and benefits (note 6.1)	39,661	5,786	45,447	33,800	5,708	39,508
Rent, rates and taxes	940	131	1,071	715	130	845
Insurance	1,457	206	1,663	1,177	212	1,389
Repairs and maintenance	4,294	709	5,003	2,484	471	2,955
Depreciation	4,633	791	5,424	3,945	763	4,708
Communications and stationery	4,596	658	5,254	3,893	671	4,564
Travelling and entertainment	10,321	1,687	12,008	6,159	1,125	7,284
Other expenses	8,647	1,405	10,052	5,231	968	6,199
	-----	-----	-----	-----	-----	-----
	74,549	11,373	85,922	57,404	10,048	67,452
	=====	=====	=====	=====	=====	=====

6.1 Staff retirement benefits

Salaries and benefits include Rs 4,613 thousand (1997: Rs 4,070 thousand) in respect of staff retirement benefits.

1998 **1997**
(Rupees in thousand)

7. OTHER CHARGES

Legal and professional charges	1,039	1,115
Auditors' remuneration		
Audit fee	290	290
Audit of provident, gratuity, pension and workers' profits participation funds and		

fee for special certifications and sundry advisory services	91	153
Out of pocket expenses	35	41
Excise duty	--	33
	-----	-----
	416	517
Donations	200	211
Workers' profits participation fund	14,109	14,173
Workers' welfare fund	--	3,652
	-----	-----
	15,764	19,668
	=====	=====

7.1 Donations include payment of:

i) Rs 150 thousand (1997: Rs 75 thousand) to The Layton Rehmatullah Benevolent Trust, Karachi where Mr I Husain, a director, is a member of the Board of Trustees;

ii) Rs 25 thousand (1997: Rs 30 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.

1998 **1997**
(Rupees in thousand)

8. OTHER INCOME

Income from WAPDA Bonds (Fifth Issue)	320	320
Commission	3,979	2,641
Profit on disposal of fixed assets (note 8.1)	23,594	775
Insurance claim, including consequential loss (note 8.1)	27,256	8,374
Sundries	365	830
	-----	-----
	55,514	12,940
	=====	=====

8.1 During the year the Company received an insurance claim of Rs. 52,200 thousand comprising of Rs 25,100 thousand for material damage and Rs 27,100 thousand for consequential loss suffered on account of an explosion at Lahore's ASU plant. Material damage claim as reduced by the net book value of the column of the plant destroyed of Rs 21,807 thousand has been included in profit on disposal of fixed assets above.

1998 **1997**
(Rupees in thousand)

9. MARK-UP AND INTEREST (EXPENSE)/INCOME, net

Mark-up on- redeemable capital	(70,006)	--
--------------------------------	----------	----

- running finances	(2,583)	(127)
Interest on - long term loan	(157)	(304)
- WPPF	(1,083)	(915)
Exchange risk fee, excise duty and others	(1,547)	(650)
	-----	-----
	(75,376)	(1,996)
Less		
Income from savings account/portfolio management schemes	1,969	21,600
	-----	-----
	(73,407)	19,604
	=====	=====

10. TAXATION

Current - for the year under presumptive tax regime	(35,728)	(56,722)
- for prior years (note 10.1)	51,712	52,907
	-----	-----
	15,984	(3,815)
	=====	=====

10.1 During the year the Company has written back provision for taxation amounting to Rs 6,708 thousand on the basis of assessment orders in respect of the years ended September 30, 1995 and 1996. Further write back of provision in respect of the years ended September 30, 1991 to 1994, which are in appeal at various levels with the tax authorities, amounting to Rs 45,004 thousand has also been made under advice from the Company's tax advisors on the basis of recent assessments finalised under the presumptive tax regime and recent decisions by the superior courts.

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 124,317 thousand and Rs 24,863 thousand (1997: Rs 39,000 thousand and Rs 11,700 thousand) under normal basis and presumptive tax regime respectively.

	1998	1997
	(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, 1997 and 1998.

1997 1998
(Rupees in thousand)

12. REVENUE RESERVES

General		
At the beginning of the year	415,991	263,951
Transfer from profit and loss account	174,100	152,040
	-----	-----
	590,091	415,991
	=====	=====

13. REDEEMABLE CAPITAL, secured

(Non participatory)

Long-term finances utilised under mark-up arrangements		
Syndicate of banks led by		
Citibank N.A., Karachi	I	350,000 262,500
" "	II	260,000 260,000

		610,000 522,500
Long-term Morabaha		
Faysal Bank Limited	I	50,000 37,500
" "	II	40,000 40,000

		90,000 77,500

		700,000 600,000
Less: Current maturity shown under current liabilities		(133,333) --

		566,667 600,000
		=====

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

Sale Price	II	Purchase Price	Prompt Payment		Installments		Commencing From	
			I	II	Half yearly	II	I	II
I		I	I	II	I	II	I	II

(Rupees in thousand)

Long-term Finances										
Citibank N.A.	80,000	70,000	130,045	135,701	14,140	17,017	Three	Six	May 20, 1999	Nov 12, 1997
ANZ Grindlays Bank Ltd.	50,000	80,000	81,279	155,087	8,837	19,448	"	"	"	"
Deutsche Bank AG	30,000	20,000	48,767	38,772	5,302	4,862	"	"	"	"
Emirates Bank International PJSC	50,000	50,000	81,279	96,929	8,837	12,155	"	"	"	"
Societe Generale-The French & International Bank	50,000	40,000	81,279	77,543	8,837	9,724	"	"	"	"
Standard Chartered Bank	90,000	--	146,301	--	15,907	--	"	--	"	"
Long-term Morabaha										
Faysal Bank Ltd.	50,000	40,000	81,279	77,543	8,836	9,724	"	Six	"	Nov 12, 1997

13.2 Mark-up is payable at the rate of:

Long-term finance/morabaha-I : 1.50% above six months Short Term Federal Bonds (STFB) average cut-off yield, which at the year end was 16.85% per annum.

Long-term finance/morabaha-II : 2.45% above six months Short Term Federal Bonds (STFB) average cut-off yield, which at the year end was 17.80% per annum.

During the year, the margins of 4% and 4.95% on STFB yield were reduced to 2.50% and 3.45% respectively, with effect from November 1997 and further reduced to 1.50% and 2.45% with effect from May 1998.

13.3 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 moveable fixed assets pertaining to the aforementioned new facility. In this respect, the revised agreements are in the process of being finalised in co-ordination with the banks.

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

1998 1997
(Rupees in thousand)

14. LONG-TERM LOAN, secured

Standard Chartered Bank, London (Swiss Francs 0.33 million; 1997: Swiss Francs 0.5 million)	4,299	6,449
---	-------	-------

Less: Current maturity shown under
current liabilities

(4,299)	(4,299)
-----	-----
-	2,150
=====	=====

14.1 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 (SBP). The loan is repayable in thirteen equal semi-annual instalments from February 6, 1993. Under the recently imposed exchange restrictions, the remittance of instalment due in August 1998, included in current maturity, is awaiting clearance from SBP.

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

15. CYLINDER DEPOSITS

The Company after review has reclassified cylinder deposits, effective from current year, from current liabilities to long term liabilities as it results in a more appropriate presentation of the liability. Such a reclassification has, however, no financial effect on the current year's income.

These deposits are non-interest bearing and refundable to customers on return of cylinders.

16. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

The facility for the short-term running finance available from various banks, which represents the aggregate sale price of all mark-up agreements, amounts to Rs 358,000 thousand (1997: Rs 486,000 thousand). The corresponding purchase prices are payable on various dates between September 30, 1998 to August 31, 1999. The rates of mark-up, net of prompt 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, 1998 amounted to Rs 369,000 thousands (1997: Rs 334,000 thousand) of which the amount remaining unutilised at year end was Rs 333,000 thousand (1997: Rs 305,000 thousand).

1998 1997
(Rupees in thousand)

17. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	45,250	11,840
Bills payable	5,433	6,527

Accrued liabilities	130,692	69,272
Sales tax (note 17.2)	61,440	48,486
Customs duty payable	10,960	--
Advances from customers	44,679	48,335
Interest accrued on long-term loan	91	29
Mark-up accrued on - redeemable capital	45,563	45,214
- running finance arrangements	622	51
Workers' profits participation fund (note 17.3)	15,192	15,088
Workers' welfare fund	2,072	3,652
Retention money	7,792	6,081
Others	3,353	3,057
	-----	-----
	373,139	257,632
	=====	=====

17.1 Creditors, bills payable and accrued liabilities include amounts due to associated undertakings at year end aggregating Rs 56,688 thousand (1997: Rs 11,157 thousand).

17.2 This includes current liability amounting to Rs 11,638 thousand (1997: Rs 6,878 thousand) whilst the balance represents provision, net of payments under protest of Rs 6,451 thousand (1997: 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.

17.3 Workers' profits participation fund

Balance at the beginning of the year	15,088	16,588
Interest on funds utilised in the Company's business	1,083	915
Allocation for the year	14,109	14,173
	-----	-----
	30,280	31,676
Less: Amount paid to the Trustees of the fund	(15,088)	(16,588)
	-----	-----
Balance at the end of the year	15,192	15,088
	=====	=====

18. DIVIDENDS

Unclaimed	3,206	2,432
Proposed final	81,648	81,648
	-----	-----
	84,854	84,080
	=====	=====

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 623 thousand (1997: Rs 879 thousand).

19.2 Capital commitments outstanding as at September 30, 1998 amounted to approximately Rs 2,547 thousand (1997: Rs 65,556 thousand).

20. OPERATING ASSETS

20.1 The following is a statement of operating assets:

	Cost at Oct. 01, 1997	Additions/ (disposals)	Cost at Sept. 30, 1998	Accumulated Depreciation at Oct. 01, 1997	Accumulated Depreciation charge for the year (disposals)	Accumulated depreciation at Sept. 30, 1998	Net Book value at Sept. 30, 1998	Annual rate of depreciation %
(R u p e e s i n t h o u s a n d)								
Freehold land	5,003	--	5,003	--	--	--	5,003	--
Leasehold land	10,583	--	10,583	287	210	497	10,086	2 & 2.5
Buildings on [freehold land	16,918	--	16,918	5,736	655	6,391	10,527	2.5 to 10
Buildings on leasehold land	15,936	30,981	46,917	7,837	1,162	8,999	37,918	2.5 to 10
Plant and machinery	493,993	1,260,221 (11,653)	1,742,561	236,689	73,174 (8,361)	301,502	1,441,059	7 to 10
Vehicles	40,080	1,808 (2,294)	39,594	20,001	5,139 (2,288)	22,852	16,742	20
Furniture, fittings and office equ	26,117	859 (41)	26,935	17,372	3,687 (41)	21,018	5,917	10 to 25
	608,630	*1,293,869 (13,988)	1,888,511	287,922	84,027 (10,690)	361,259	1,527,252	
1997	572,462	37,856 (1,688)	608,630	245,844	43,690 (1,612)	287,922	320,708	

*Includes Rs 1,255,349 thousand transferred from capital work in progress (note 21.1)

20.2 Disposal of fixed assets

The following assets were disposed of during the year:

Particulars	Cost	Accumulated Depreciation	Net Book Value	Proceeds	Mode of Disposal	Particulars of Purchasers
(Rupees in thousand)						
Plant & Machinery	11,621	8,328	3,293	25,100	Insurance claim (note 8.1)	Commercial Union Assurance Co., Lalazar, M.T. Khan Road, Karachi.
Vehicle	1,542	1,542	--	30	Company policy	Mr. J. R. Rahim (Chairman) Karachi.
"	10	8	2	127	Tender	Mr. Iftikhar Ahmed (Executive) Karachi.
Items having book value below Rs 5,000 each	815	812	3	1,635		
	-----	-----	-----	-----		
	13,988	10,690	3,298	26,892		
	=====	=====	=====	=====		
1997	1,688	1,612	76	851		
	=====	=====	=====	=====		

1998 1997
(Rupees in thousand)

21. CAPITAL WORK-IN-PROGRESS, at cost

Civil works	233	37,351
Plant and machinery	--	1,004,359
Computer system	22,083	--
Borrowing costs	--	52,436
Advances to suppliers	575	4,356
Others	3,540	--
	-----	-----
	26,431	1,098,502
	=====	=====

21.1 Expenditure amounting to Rs 1,255,349 thousand, inclusive of borrowing costs of Rs 108,287 thousand 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 has been transferred to fixed assets upon commissioning of the plant in March 1998.

22. LONG-TERM LOANS AND ADVANCES

	Current portion		Long-term portion	
	1997	1998	1998	1997
	(Rupees in thousand)		(Rupees in thousand)	
Considered good due from:				
- Chief Executive	800	800	67	867
- Executives	2,031	2,252	2,249	3,589
- Other employees	2,831	2,738	2,531	2,902
	-----	-----	-----	-----
	5,662	5,790	4,847	7,358
	=====	=====	=====	=====
		(note 27)		
Outstanding for period exceeding three years			498	296
Others			4,349	7,062
			-----	-----
			4,847	7,358
			=====	=====

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 instalments. 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:

	1998	1997
	(Rupees in thousand)	
- Chief Executive	1,601	2,401
- Executives	6,068	7,504
	=====	=====

23. LONG-TERM DEPOSITS AND PREPAYMENTS

Security deposits	7,122	7,122
Prepayments	247	109
	-----	-----
	7,369	7,231
	=====	

24. STORES AND SPARES

Stores	2,242	2,193
--------	-------	-------

Spares (including in transit Rs 4,099 thousand;
1997: Rs 786 thousand)

	69,015	50,100
	-----	-----
	71,257	52,293
	(5,235)	(3,960)
	-----	-----
	66,022	48,333
	=====	=====

25. STOCK-IN-TRADE

Raw and packing materials (including in transit
Rs Nil; 1997: Rs 1,689 thousand)

	21,532	18,840
--	--------	--------

Finished goods (including in transit
Rs 349 thousand; 1997: Rs 1,964 thousand)

	66,616	57,142
--	--------	--------

	-----	-----
	88,148	75,982
Less: Provision for slow moving items	(10,017)	(7,692)
	-----	-----
	78,131	68,290
	=====	=====

26. TRADE DEBTS, unsecured

Trade debts are considered good and have been arrived at after deducting general provision for doubtful debts of Rs 5,835 thousand (1997: Rs 4,935 thousand).

Amount due from associated undertakings at year-end aggregated Rs 62 thousand (1997: Rs 36 thousand). The maximum amount due from associated undertakings at the end of any month during the year was Rs 758 thousand (1997: Rs 732 thousand).

1998 1997
(Rupees in thousand)

27. LOANS AND ADVANCES, considered good

Current portion of long-term loans and advances (note 22)

	5,662	5,790
--	-------	-------

Advances to suppliers

	3,984	537
--	-------	-----

	-----	-----
	9,646	6,327
	=====	=====

28. DEPOSITS AND PREPAYMENTS

Deposits

	4,811	4,512
--	-------	-------

Prepayments

	1,080	732
--	-------	-----

	-----	-----
	5,891	5,244
	=====	=====

1998 1997
(Rupees in thousand)

29. OTHER RECEIVABLES

Accrued income on WAPDA Bonds and savings account	988	117
Sales tax refundable	599	1,264
Recoverable jobs	6,342	10,245
Others	862	577
	-----	-----
	8,791	12,203
	=====	=====

30. INVESTMENTS

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

31. CASH AND BANK BALANCES

With banks		
- On savings account	119,709	3,805
- On current and collection accounts	31,585	12,109
Cheques, drafts and cash in hand	26,691	29,277
	-----	-----
	177,985	45,191
	=====	=====

32. CASH GENERATED FROM OPERATIONS

Profit before taxation	266,980	264,719
Adjustment for non cash charges and other items:		
Depreciation	84,027	43,690
Profit on disposal of fixed assets	(23,594)	(775)
Income from investments	(320)	(320)
Mark-up and interest expense/(income), net	73,407	(19,604)
Working capital changes - note 32.1	78,225	46,782
	-----	-----
	478,725	334,492
	=====	=====

32.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	(17,689)	(905)
Stock-in-trade	(9,841)	12,509
Trade debts	(9,087)	2,485
Loans and advances	(3,319)	1,823
Deposits and prepayments	(647)	13
Other receivables, net	4,283	(84)
	-----	-----

	(36,300)	15,841
Increase in current liabilities		
Creditors, accrued and other liabilities, net	114,525	30,941
	-----	-----
	78,225	46,782
	=====	=====

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:

	1998			1997		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
Number of persons including those who worked part of the year	1	67	68	1	60	61
	=====	=====	=====	=====	=====	=====
	(R u p e e s i n t h o u s a n d)					
Managerial remuneration	3,998	20,267	24,265	3,915	17,676	21,591
Pension, gratuity and provident fund	1,186	5,757	6,943	1,166	5,381	6,547
Housing	2,318	7,790	10,108	1,976	6,893	8,869
Utilities	455	1,992	2,447	276	1,373	1,649
Leave passage	515	2,334	2,849	393	1,518	1,911
Conveyance	--	841	841	--	676	676
Medical and others	117	924	1,041	10	736	746
	-----	-----	-----	-----	-----	-----
	8,589	39,905	48,494	7,736	34,253	41,989
	=====	=====	=====	=====	=====	=====

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 (1997: five directors - Rs 10 thousand). A non-executive director was also paid Rs 203 thousand (1997: Rs 176 thousand) as technical advisory fee.

1998 1997
(Rupees in thousand)

34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales	2,050	2,788
Purchases (including fixed asset items)		

Rs 62,336 thousand; 1997: Rs 802,278 thousand)	73,298	820,631
Commission Income	427	92

35. CAPACITY

	Unit of quantity	Capacity (triple shift)	P r o d u c t i o n		Remarks
			1998	1997	
Oxygen/Nitrogen	Cubic meters	68,356,000	29,365,589	23,462,526	PQA facility came on stream in March 1998
Hydrogen	Cubic meters	3,276,000	357,438		--Dedicated supply scheme
Dissolved acetylene	Cubic meters	836,000	219,292	232,966	Capacity for future growth
Nitrous oxide	Gallons	78,000,000	34,379,395	35,451,121 "	
Welding electrodes	Metric tons	*4,422	1,450	1,985 "	

* Based on single gauge

36. CORRESPONDING FIGURES

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

JAVAID ANWAR
Chief Executive

J R RAHIM
Chairman