

AL-GHAZI TRACTORS LIMITED

DIRECTORS' REPORT

While Pakistan's economy is "showing few signs of improvement and stabilization", "fiscal and real sector performance" according to State Bank of Pakistan "remains tenuous".

Though growth of large-scale manufacturing in the country has declined by 8.1% during the last fiscal year, the tractor industry has maintained steady throughput.

6763 tractors were produced during the period July – September 2009, thus reaching a total production of 22,396 tractors during the period January – September 2009, compared with 20,003 produced during the same period last year.

For the first three quarters of the year 2009 (January – September), the company has sold 23770 tractors compared with 19,996 tractors sold during the same period last year – thus setting a new record.

On sales of 23770 tractors during the first three quarters of the year 2009, the company has earned a pre-tax profit of Rs 1.877 billion, compared with Rs. 1.437 billion earned during the same period last year.

The Benazir Tractor Scheme for 10,000 tractors which was scheduled to be launched on August 14, 2009, has now been launched, albeit, with a delay of almost a month. Open to all and sundry, local as well as tractors imported at zero tariffs by some suppliers, bookings are now coming in and the company has commenced speedy delivery of tractors.

Applications for 5,000 tractors to be subsidized by the Government of Sindh have also been invited. The scheme is likely to be launched by end October.

The Green Tractor Scheme of the Government of Punjab to subsidize sale of 10,000 tractors is also under active consideration and is likely to be launched in October / November.

The company has made arrangements for speedy delivery of tractors for all of these schemes. The last quarter of the year therefore looks promising.

Company's application for registration for Mechanization of Farming, Water conservation projects including Drip Irrigation, Sprinkler Systems, etc., has been approved by the Government of Pakistan. The company is now ready to take full advantage of the new business opportunities in the development of High Efficiency Irrigation System.

Mr. Stefano Pampalone, the nominee director of CNH has resigned and Mr. Pietro Cianci Venturi has been appointed as a director in his stead.

The Board welcomes Mr. Pietro Cianci Venturi and wishes Mr. Stefano Pampalone the best of luck.

For and on behalf of the Board

Karachi
October 14, 2009

Charles Leonard Hunt
Chairman

BALANCE SHEET
AS AT SEPTEMBER 30, 2009

	Note	(Unaudited) September 30, 2009	(Audited) December 31, 2008
(Rupees'000)			
ASSETS			
Fixed assets	3	249,774	235,452
Long-term loans		10,137	10,137
Long-term deposits		367	367
		<u>260,278</u>	<u>245,956</u>
CURRENT ASSETS			
Stores, spares and loose tools		11,967	14,673
Stock-in-trade		1,386,551	1,931,399
Trade debts		28,316	7,143
Loans and advances		21,917	37,393
Short-term deposits and prepayments		20,611	16,443
Accrued mark-up		158,986	164,045
Other receivables		1,458	9,838
Taxation		170,632	112,809
Sales tax refundable		1,104,980	750,554
Investments		160,000	446,760
Cash and bank balances		3,217,928	3,348,997
		<u>6,283,346</u>	<u>6,840,054</u>
		<u>6,543,624</u>	<u>7,086,010</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up		214,682	214,682
Reserves		4,691,058	4,213,090
		<u>4,905,740</u>	<u>4,427,772</u>
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		20,918	19,367
Deferred taxation		29,409	27,161
CURRENT LIABILITIES			
Trade and other payables	4	1,587,557	2,611,710
Commitments		<u>6,543,624</u>	<u>7,086,010</u>

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


Chairman


Chief Executive Officer

PROFIT & LOSS ACCOUNT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	Note	Quarter ended		Nine months ended	
		Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
(Rupees'000)					
Sales	5	2,735,520	2,983,946	11,351,478	7,878,802
Cost of goods sold	6	(2,221,811)	(2,501,919)	(9,536,972)	(6,529,687)
Gross profit		513,709	482,027	1,814,506	1,349,115
Distribution cost		(13,762)	(23,877)	(63,924)	(60,828)
Administrative expenses		(19,710)	(22,668)	(73,927)	(69,754)
		480,237	435,482	1,676,655	1,218,533
Other Operating Income		99,590	104,699	341,498	328,169
Other Operating Expenses		(40,716)	(37,222)	(139,116)	(106,524)
		539,111	502,959	1,879,037	1,440,178
Finance Cost		720	(268)	(1,981)	(2,875)
Profit before Taxation		539,831	502,691	1,877,056	1,437,303
Taxation					
Current		(198,700)	(162,489)	(655,210)	(474,009)
Prior		-	-	-	-
Deferred		9,758	-	7,510	-
		(188,942)	(162,489)	(647,700)	(474,009)
Profit after Taxation		350,889	340,202	1,229,356	963,294
Earnings per share-Basic and diluted		8.17	7.92	28.63	22.44

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


Chairman


Chief Executive Officer



CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	Note	Sept 30, 2009	Sept 30, 2008
(Rupees'000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	7	734,173	(401,545)
Income tax paid		(703,275)	(681,062)
Increase in accumulating compensated staff benefits		1,551	362
Net cash from operating activities		<u>32,449</u>	<u>(1,082,245)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(35,402)	(11,254)
Sale proceeds of fixed assets		2,472	2,837
Decrease in investments		286,760	319,817
Return on certificates of investments and deposits		288,863	313,015
Gain on disposal of Investments		45,177	30,182
Decrease in long-term loans and advances		-	(12,820)
Net cash from investing activities		<u>587,870</u>	<u>641,777</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(751,388)	(751,468)
Net decrease in cash and cash equivalents		<u>(131,069)</u>	<u>(1,191,936)</u>
Cash and cash equivalents at the beginning of period		3,348,997	4,384,551
Cash and cash equivalents at the end of period		<u><u>3,217,928</u></u>	<u><u>3,192,615</u></u>

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


Chairman


Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

	Share capital	General reserve	Unappropriated profit	Total
	(Rupees'000)			
Balance at January 1, 2008	214,682	1,000,000	2,636,539	3,851,221
Final Dividend @Rs. 7.50 per share for the year ended December 31, 2007	-	-	(322,023)	(322,023)
Net Profit after taxation for nine months ended 30th Sept 2008	-	-	963,294	963,294
Interim Dividend for the year ended December 31, 2008 @ Rs.5 per share	-	-	(214,682)	(214,682)
Balance as at Sept 30, 2008	214,682	1,000,000	3,063,128	4,277,810
Profit for the quarter ended December 31, 2008	-	-	149,962	149,962
Balance at December 31, 2008	214,682	1,000,000	3,213,090	4,427,772
Final Dividend @ Rs. 7.50 per share for the year ended December 31 2008	-	-	(536,706)	(536,706)
Profit for 9 months ended September 30 2009	-	-	1,229,356	1,229,356
Interim Dividend for the year ending December 31 2009 @ Rs.5 per share	-	-	(214,682)	(214,682)
Balance as at Sept 30, 2009	<u>214,682</u>	<u>1,000,000</u>	<u>3,691,058</u>	<u>4,905,740</u>

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


Chairman


Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

1 THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan under the Companies Act, 1913 (now the Companies Ordinance, 1984) as a public limited company in June 1983 and is quoted on Karachi and Lahore Stock Exchanges. The company is engaged in the manufacture and sale of agricultural tractors, implements and spare parts.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Lahore Stock Exchanges.

Accounting policies and methods of computation adopted for the preparation of these financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the company.

	(Un-audited) Sept 30, 2009	(Audited) December 31, 2008
	(Rupees'000)	
3 FIXED ASSETS		
Cost-Opening	457,753	448,613
Additions	35,402	18,338
Diposals	(4,350)	(9,198)
Cost- Closing	<u>488,805</u>	<u>457,753</u>
Accumulated Depreciation- Opening	222,301	203,685
Charge for the period	20,968	27,165
Depreciation on diposals	(4,238)	(8,549)
Accumulated Depreciation-Closing	<u>239,031</u>	<u>222,301</u>
Net Book Value	<u>249,774</u>	<u>235,452</u>

- 4 Trade and other payables include Rs 228 million (December 31, 2008: Rs 1.5 billion) in respect of 'customers' advance against sale of tractors which carry no mark-up.

	Sept 30, 2009	Sept 30, 2008
	(Rupees'000)	
5 SALES		
Tractors	11,458,785	7,951,961
Trading goods	53,476	27,406
	<u>11,512,261</u>	<u>7,979,367</u>
Less: Commission and discounts	(160,784)	(100,565)
	<u>11,351,478</u>	<u>7,878,802</u>

6	COST OF GOODS SOLD	Sept 30, 2009	Sept 30, 2008
		(Rupees'000)	
	Cost of goods manufactured	8,928,114	6,511,700
	Opening stock of finished goods	1,024,712	9,654
	Closing stock of finished goods	(456,477)	(14,089)
		9,496,349	6,507,265
	Trading Goods	40,623	22,422
		9,536,972	6,529,687

7	CASH GENERATED FROM OPERATIONS	Sept 30, 2009	Sept 30, 2008
		(Rupees'000)	
	Profit before taxation	1,877,056	1,437,303
	Add/(Less) adjustment for non cash charges and other items		
	Depreciation	20,968	20,569
	Gain on disposal of fixed assets	(2,360)	(2,225)
	Fair value gain on investments	-	(30,182)
	Return on bank deposits	(70,915)	(17,790)
	Return on Certificates of Investment and deposits	(258,066)	(264,971)
	Profit before working capital changes	1,566,683	1,142,704

Effect on Cash Flow due to Working Capital changes

(Increase) / Decrease in current assets		
Stores and spares	2,706	(10,728)
Stock in trade	544,848	(146,009)
Trade debts	(21,173)	(118,624)
Loans and advances	15,476	(3,596)
Short- term deposits and prepayments	(4,168)	(24,041)
Other receivables	8,380	(377,390)
Sales tax refundable	(354,426)	890
	191,643	(679,498)
Decrease in trade and other payables	(1,024,153)	(864,751)
Cash generated from operations	734,173	(401,545)

8 RELATED PARTY TRANSACTIONS

Significant related party transaction including Royalty and dividend payments during the period amounted to Rs.418 million (2008:Rs.384 million)

9 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on October 14, 2009 by the Board of Directors.



Chairman



Chief Executive Officer