



ENERGY EFFICIENT GENERATORS



FARM MACHINES & EQUIPMENT



SMART IRRIGATION SOLUTIONS



TRACTORS

Sustainable Agriculture

Second Quarterly Report  
30 June 2014  
(un audited)



AL-GHAZI TRACTORS LTD



*to make AGTL a symbol of success*

## ***Mission***

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- *With AGTL's name being synonymous with stability, profitability, brand strength and customer loyalty, AGTL's mission is to retain market leadership as the lowest cost producer of the highest quality products – the most enduring competitive edge being the quality of our tractors.*
- *With corporate virtue, AGTL's mission is to be a text book case example of good Corporate Governance and through Corporate Social Responsibility create mutually beneficial relationships between the Company, Stakeholders and the Community.*

## ***Corporate focus***

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- *To achieve evolution through continuous change – the deliverables being: to pursue “LEAN MANAGEMENT” to eliminate all activities which don't add value; to eliminate waste; to reduce costs; to focus on all target markets; customer focus and to continuously add customer care centres to give fillip to mechanization of farming in the country.*

# AL-GHAZI TRACTORS LTD

## CORPORATE INFORMATION

### Board of Directors

Mr. Charles Leonard Hunt	Chairman
Mr. Parvez Ali	Chief Executive Officer & Managing Director
Mr. Nasir Mahmood	Director
Mr. Kashif Lawai	Director
Mr. Majd-ul-Ahsan Syed	Director
Ms. Giovanna Barbieri	Director
Mr. Stefano Pampalone	Director
Mr. Damiano Cretarola	Director
Ms. Sobika Zubair	Company Secretary

### Bankers

Askari Bank Limited  
Habib Bank Limited  
Meezan Bank Limited  
Faysal Bank Limited  
Bank AL-Habib Limited

### Legal Advisors

Saiduddin & Co.  
Karachi.

### Registrar

FAMCO Associates (Private) Limited  
8-F, Next to Hotel Faran, Nursery  
Block 6, P.E.C.H.S, Karachi

### Auditors

A.F.Ferguson & Co.  
Chartered Accountants  
Karachi

### Tax Advisors

Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants Karachi.

### Registered Office

11<sup>th</sup> Floor, NICL Building, Abbasi Shaheed Road,  
Karachi – 74400  
Phones (PABX) (92-21) 35660881-5  
Fax : (92-21) 35689387  
Email : [agtl@alghazitractors.com](mailto:agtl@alghazitractors.com)  
Web : [www.alghazitractors.com](http://www.alghazitractors.com)

## Board Committees

### Audit Committee

Mr. Nasir Mahmood - Chairman  
Mr. Majd-ul-Ahsan Syed - Member  
Mr. Damiano Cretarola - Member

### Human Resource And Remuneration Committee

Mr. Charles Leonard Hunt - Chairman  
Mr. Nasir Mahmood - Member  
Ms.Giovanna Barbieri- Member



## AL-GHAZI TRACTORS LIMITED

### DIRECTORS' REPORT

The tractor industry in Pakistan having endured the tumult caused by the issue of Sales Tax which resulted in a slow-motion implosion of production, seems poised for a turn around. The ding-dong state was finally settled when the government announced the scaling down of the General Sales Tax on tractors from 16% to 10% for the fiscal 2014-15.

For almost a year the tractor industry was operating at only a fraction of its installed capacity. This sharp decline in production and sales was like a death knell for the manufacturing industry comprising of not just the tractor manufacturers but the 300+ supply chain associates who manufacture 90%+ local content to the tractor producers.

Mass production, assembly lines, factory floors occupy a dominant share of domestic value-added employment and are a vibrant part of the economy. They also provide a large proportion of government taxes, jobs, foreign investment, indigenization, and transfer of technology.

Policy inconsistency and uncertainty had bottomed local sale of tractors in the first half of the 2014. Though off season, sales are beginning to pick up with signs that the industry would be in a sweeter spot come September.

Results of the first half, hit with a downturn, were uneven if rather dismal. 4705 tractors were sold during the first half of the year 2014, compared with 7168 sold during the first half of the year 2013. On sale of 4705 tractors the company has earned a pre-tax profit of Rs. 855.9 million compared with Rs. 1.09 billion earned during the same period last year.

The government has allocated Rs. 500 billion to be disbursed as credit for "agriculture". Credit for production loans for tractors by ZTBL – the agricultural development bank – continues to remain stubbornly low – which a few years ago accounted for almost 100% of tractor sales in Pakistan. With meager loaning by ZTBL, the Principal Bank for development of agriculture, tractor sales have slipped in to the hands of investors, who operate as a mafia and control the market by fleecing the customers. Should a portion of the Rs. 500 billion package for agricultural credit be earmarked for production loans for tractor through the ZTBL, the menace of "investors" would largely be eliminated and the farmers will not have to purchase tractors through what is otherwise a black market.

The Sindh government has recently launched another phase of an incentive scheme for 1200 tractors. Once again the scheme is fraught with serious irregularities. Unlike other schemes where the applications are called, scrutinized and the winners are chosen through a lucky draw, the Sindh scheme was opened for just three hours and lucky winners were chosen on first-come-first-won basis. Applicants, it seems had already been chosen, as if it was a done deal. Vouchers will now be sold in the market for cash. This is rather gruesome and a grossly inappropriate use of tax payers money. Such schemes distort the market and should

be curbed. But if these are required for political exigencies, these have to be made transparent, conforming to rules and ethical standards.

With the reduction of sales tax from 16% to 10%, the disturbing issue of input/output tax has raised its head again. It was proposed by tax advisors that the input of tractor manufacturers especially their imports and utilities be subject of Reduced Sales Tax at 10% to give concurrent relief to them.

But the proposal was not accepted by FBR. While the SRO promises refunds within "three days", sales tax is not refunded for years. A staggering sum of Rs. 1.7 billion accumulated over the past years, is held up with FBR. The company is actually providing a service to FBR by paying 17% tax on behalf of the vendors. Yet it has to keep biting nails to seek refunds.

The Company's half yearly financial statements have been subject of a limited scope review by the statutory auditors. These results have been recommended for approval by the Audit Committee of the Board and will be placed on the company's website at [www.alghazitractors.com](http://www.alghazitractors.com).

For and on behalf of  
the Board



**Charles Leonard Hunt**  
Chairman

Karachi  
July 24, 2014

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF  
INTERIM FINANCIAL INFORMATION****Introduction**


We have reviewed the accompanying condensed interim balance sheet of Al-Ghazi Tractors Limited as at June 30, 2014 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2014.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

  
Chartered Accountants  
Karachi

Dated: August 6, 2014

Engagement Partner: Syed Fahim ul Hasan

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

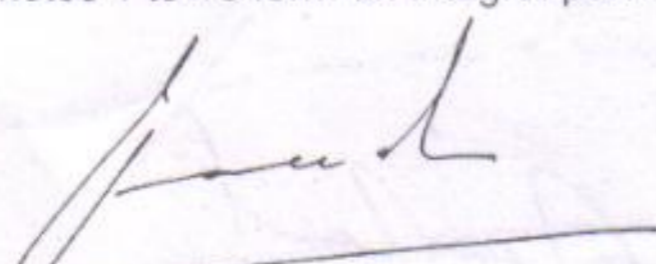
Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

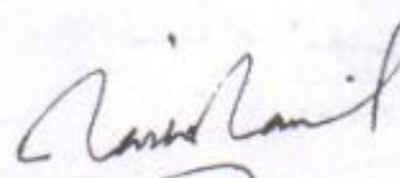
AL-GHAZI TRACTORS LIMITED  
CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2014

	Note	(Unaudited) June 30, 2014	(Audited) December 31, 2013
Rupees '000			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	5	421,080	404,433
Long-term Investment		42,800	44,800
Long-term loans		1,481	7,544
Long-term deposits		1,789	1,789
		<u>467,150</u>	<u>458,566</u>
<b>CURRENT ASSETS</b>			
Stores and spares		21,864	15,649
Stock-in-trade		1,914,928	1,693,249
Trade debts		390,856	166,306
Loans and advances		77,758	73,393
Short-term deposits and prepayments		6,866	1,450
Accrued mark - up		8,545	3,525
Other receivables		121	11,457
Taxation		443	30,669
Refunds due from the Government - sales tax and special excise duty		1,667,057	1,709,416
Investments		2,033,574	3,354,256
Cash and bank balances		2,794,860	2,308,497
		<u>8,916,872</u>	<u>9,367,867</u>
<b>TOTAL ASSETS</b>		<u><u>9,384,022</u></u>	<u><u>9,826,433</u></u>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		289,821	214,682
Reserves		7,901,041	8,004,277
		<u>8,190,862</u>	<u>8,218,959</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred staff benefits - compensated absences		34,514	31,656
Staff retirement benefit		1,177	1,177
Deferred taxation		32,477	36,747
		<u>68,168</u>	<u>69,580</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,124,992	1,537,894
<b>TOTAL LIABILITIES</b>		<u>1,193,160</u>	<u>1,607,474</u>
<b>COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>9,384,022</u></u>	<u><u>9,826,433</u></u>

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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

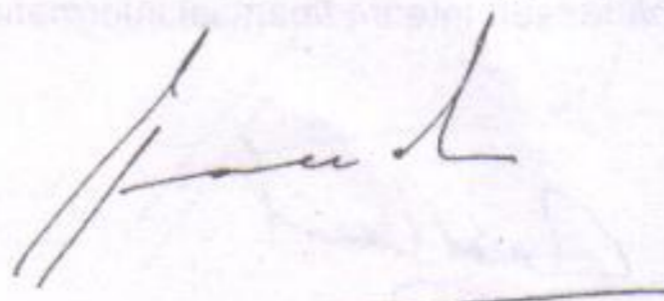
AL-GHAZI TRACTORS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR  
ENDED JUNE 30, 2014 (UNAUDITED)

	Note	Quarter ended		Half year ended	
		June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
← Rupees '000 →					
Sales	8	2,063,525	3,244,172	3,314,712	4,751,733
Cost of goods sold	9	(1,504,955)	(2,461,930)	(2,442,907)	(3,647,322)
Gross profit		558,570	782,242	871,805	1,104,411
Distribution cost		(22,372)	(21,486)	(50,149)	(48,629)
Administrative expenses		(58,718)	(43,953)	(106,533)	(84,295)
		477,480	716,803	715,123	971,487
Other income		101,103	90,218	204,541	196,788
Other operating expenses		(39,913)	(55,677)	(63,437)	(80,600)
		538,670	751,344	856,227	1,087,675
Finance cost		(132)	(103)	(292)	(147)
Profit before taxation		538,538	751,241	855,935	1,087,528
Taxation					
Current		(161,682)	(244,126)	(244,255)	(352,232)
Deferred		4,270	4,188	4,270	4,188
		(157,412)	(239,938)	(239,985)	(348,044)
Profit after taxation		381,126	511,303	615,950	739,484
Other comprehensive income		-	-	-	-
Total comprehensive income		381,126	511,303	615,950	739,484
Earnings per share	7	Rs 6.58	Rs 8.82	Rs 10.63	Rs 12.76

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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

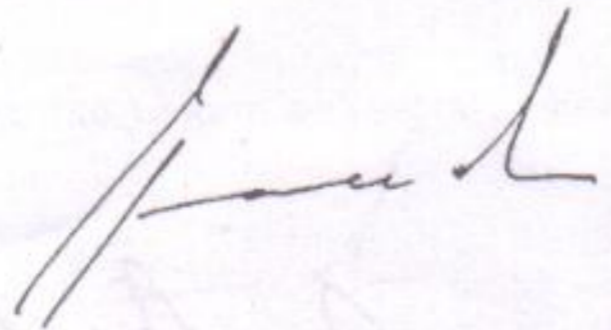
AL-GHAZI TRACTORS LIMITED

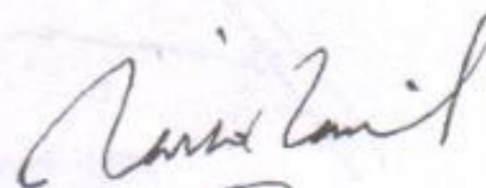
CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR  
ENDED JUNE 30, 2014 (UNAUDITED)

	Note	June 30, 2014	June 30, 2013
Rupees '000			
<b>CASH FLOW FROM OPERATIONS</b>			
Cash (used in) / generated from operations	10	(144,315)	132,083
Income tax paid		(214,029)	(186,096)
Increase in deferred staff benefits - compensated absences		2,858	3,454
Net cash used in operating activities		<u>(355,486)</u>	<u>(50,559)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(37,575)	(30,055)
Proceeds from disposal of fixed assets		1,622	4,340
Purchase of investments		-	(596,000)
Proceeds from disposal of investments		1,452,001	-
(Placement) in / encashment of term deposits - net		(900,000)	1,350,000
Return on bank deposits		62,231	290,819
Decrease in long-term loans		6,063	5,970
Net cash from investing activities		<u>584,342</u>	<u>1,025,074</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Dividend paid		(642,493)	(643,591)
Net (decrease) / increase in cash and cash equivalents		<u>(413,637)</u>	<u>330,924</u>
Cash and cash equivalents at beginning of the period		1,903,497	1,277,632
Cash and cash equivalents at end of the period		<u>1,489,860</u>	<u>1,608,556</u>

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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

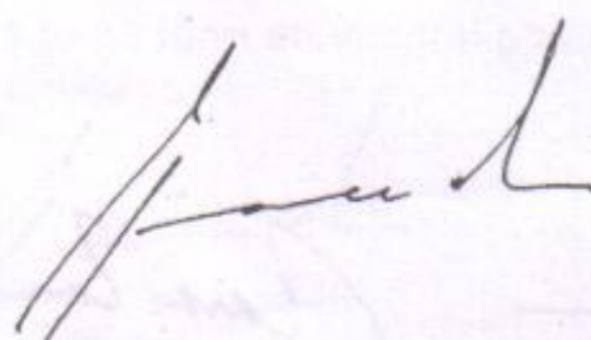
**AL-GHAZI TRACTORS LIMITED**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2014 (UNAUDITED)**

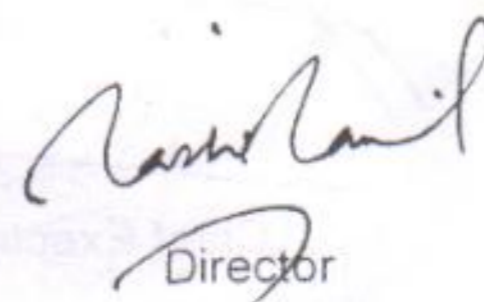
	Share capital	General reserve	Unappropriated profit	Total
	← Rupees '000 →			
<b>Balance as at January 1, 2014</b>	214,682	1,000,000	7,004,277	8,218,959
Final dividend @ Rs 15 per share for the year ended December 31, 2013	-	-	(644,047)	(644,047)
Issue of 35 bonus shares for every 100 shares held	75,139	-	(75,139)	-
Profit for the half year ended June 30, 2014	-	-	615,950	615,950
Other comprehensive income for the half year ended June 30, 2014	-	-	-	-
<b>Balance as at June 30, 2014</b>	<b>289,821</b>	<b>1,000,000</b>	<b>6,901,041</b>	<b>8,190,862</b>
<b>Balance as at January 1, 2013</b>	214,682	1,000,000	6,711,234	7,925,916
Final dividend @ Rs 15 per share for the year ended December 31, 2012	-	-	(644,047)	(644,047)
Profit for the half year ended June 30, 2013	-	-	739,484	739,484
Other comprehensive income for the half year ended June 30, 2013	-	-	-	-
<b>Balance as at June 30, 2013</b>	<b>214,682</b>	<b>1,000,000</b>	<b>6,806,671</b>	<b>8,021,353</b>

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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive



Director

## AL-GHAZI TRACTORS LIMITED

### SELECTED NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2014 (UNAUDITED)

#### 1. THE COMPANY AND ITS OPERATIONS

Al-Ghazi Tractors Limited (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 address of registered office of the company is '11th Floor, NIC Building, Abbasi Shaheed Road, Karachi'. The company is principally engaged in the manufacture and sale of agricultural tractors, implements, spare parts and providing irrigation solutions for agriculture.

#### 2. BASIS OF PREPARATION

This condensed interim financial information of the company for the half year ended June 30, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information is 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.

#### 3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the company for the year ended December 31, 2013.

#### 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended December 31, 2013.

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2013.

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5. **FIXED ASSETS**

Additions and disposals of operating assets during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	← Rupees '000 →			
Land	-	480	-	-
Building	-	298	-	-
Plant and machinery	250	4,874	-	-
Furnitures and fixtures	329	403	240	-
Computer hardware	1,368	1,707	-	-
Vehicles	3,432	7,047	-	1,394
Factory equipments and tools	3,312	652	-	-
	<b>8,691</b>	<b>15,461</b>	<b>240</b>	<b>1,394</b>

6. Commitments for capital expenditure outstanding as at June 30, 2014 amounted to Rs. 5.24 million (2013: Rs. 10.24 million).

June 30,  
2014                  June 30,  
2013  
Rupees '000

7. **EARNINGS PER SHARE**

Profit after taxation attributable to ordinary shareholders	<u>615,950</u>	<u>739,484</u>
Weighted average number of shares in issue during the period	<u>57,964</u>	<u>57,964</u>
Earnings per share - Rupees	<u>10.63</u>	<u>12.76</u>

There were no convertible dilutive potential ordinary shares in issue as at June 30, 2014 and 2013.

June 30,  
2014                  June 30,  
2013  
Rupees '000

8. **SALES**

Tractors	3,811,588	5,243,831
Trading goods and others	60,052	50,466
	<u>3,871,640</u>	<u>5,294,297</u>
Less: Commission and discounts	43,504	62,758
Sales tax	513,424	479,806
	<u>3,314,712</u>	<u>4,751,733</u>

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	June 30, 2014	June 30, 2013
	Rupees '000	
<b>9. COST OF GOODS SOLD</b>		
Cost of goods manufactured	2,736,362	3,768,531
Opening stock of finished goods	8,866	16,288
Closing stock of finished goods	(345,641)	(174,892)
Cost of manufactured goods sold	<u>2,399,587</u>	<u>3,609,927</u>
Cost of trading goods and others sold	43,320	37,395
	<u><u>2,442,907</u></u>	<u><u>3,647,322</u></u>
<b>10. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	855,935	1,087,528
Add / (Less) : Adjustments for non-cash charges and other items		
Depreciation / amortisation	20,688	18,920
Profit on disposal of fixed assets	(1,382)	(2,946)
Gain on investments at fair value through profit and loss account	(129,319)	(61,810)
Return on bank deposits	(67,251)	(125,190)
	<u>678,671</u>	<u>916,502</u>
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	(6,215)	5,930
Stock-in-trade	(221,679)	(222,377)
Trade debts	(224,550)	143,117
Loans and advances	(4,365)	23,579
Short-term deposits and prepayments	(5,416)	(5,833)
Other receivables	11,336	5,683
Refunds due from the Government - sales tax and special excise duty	42,359	(142,611)
	<u>(408,530)</u>	<u>(192,512)</u>
Decrease in current liabilities		
Trade and other payables	(414,456)	(591,907)
	<u>(822,986)</u>	<u>(784,419)</u>
	<u><u>(144,315)</u></u>	<u><u>132,083</u></u>

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**11. TRANSACTIONS WITH RELATED PARTIES**

Significant transactions between the company and the related parties during the period are as follows:

Relationship	Nature of transactions	June 30,	June 30,
		2014	2013
		Rupees '000	
i. Holding company	Dividends paid	322,141	322,141
ii. Other related parties	Dividends paid	278,026	278,026
	Royalty paid	-	51,075
	Contribution to Al-Ghazi Tractors Staff Provident Fund	3,367	3,507
	Contribution to Al-Ghazi Tractors Employees' Gratuity Fund	3,025	2,037
iii. Key management personnel	Salaries and other employee benefits	73,300	73,615
	Retirement benefits	3,508	2,700

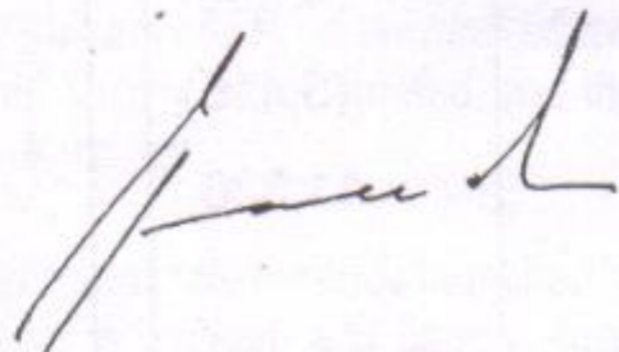
**12. DIVIDEND**

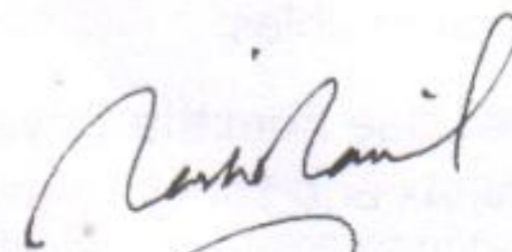
Final dividend for the year ended December 31, 2013 amounting to Rs. 15 per share was paid during the half year ended June 30, 2014 (2013: Rs. 15 per share).

**13. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on July 24, 2014 by the Board of Directors.

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 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

## **REGIONAL OFFICES**

### **Marketing Centre, Lahore**

10 Km, Sheikhupura Road,  
Tel: 042-3791226, 37924677

### **Marketing Regional Office, Multan**

20 Industrial Estates,  
Tel: 061-6514057-9

### **Marketing Regional Office, Sukkur**

House No. 8/A Hamdard Housing Society Airport Road.  
Tel: 071-5633920,5002852

### **Marketing Regional Office, Islamabad**

Flat no.7, 2<sup>nd</sup> Floor, Plaza City Arcade I-8, Markaz.

Tel: 051-4862524-25, Fax: 051-4862523

# INVEST IN AGRICULTURE



AL-FUTAIM



AGIL



NEWHOLLAND

QUALITY MANAGEMENT-BRAND STRENGTH

**AL-GHAZI TRACTORS LTD**