

First Quarterly Report

31 March 2013

(un audited)

**Invest in Agriculture - Reduce Hunger & Poverty
&
Promote Sustainability**



AL FUTTAIM



AGTL



NEWHOLLAND

QUALITY MANAGEMENT-BRAND STRENGTH

AL-GHAZI TRACTORS LTD



to make AGTL a symbol of success

Mission

- *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

- *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. Kunwar Idris	Director
Mr. Damiano Cretarola	Director
Mr. Kashif Lawai	Director
Mr. Stefano Pampalone	Director
Mr. Nasir Mahmood	Director
Ms. Giovanna Barbieri	Director

Company Secretary

Ms. Sobika Zubair ACA

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
Ground Floor, State Life Building 1-A
I.I. Chundrigar Road, Karachi

Board Committees

Audit Committee

Mr. Nasir Mahmood - Chairman
Mr. Kunwar Idris - Member
Mr. Damiano Cretarola - Member

Auditors

A.F.Ferguson & Co.
Chartered Accountants
Karachi

Tax Advisors

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants Karachi.

Registered Office

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

Human Resource And Remuneration Committee

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



AL-GHAZI TRACTORS LIMITED

DIRECTORS' REPORT

Throughout the first quarter of the year 2013, the tractor market remained elusive.

The spillover effect of an announcement by the former Deputy Prime Minister that Sales Tax of 10% imposed on tractors with effect from January 2013 will be withdrawn/reduced stagnated the market. Dumping of those tractors in the open market at cut prices which were delivered under the Sindh Tractor Scheme with a subsidy of Rs. 200,000 to Rs. 300,000 jeopardised fresh sales. Such incentive schemes with huge subsidies offered through a lucky draw distort the market. Despite various conditionalities which prohibit resale, the so called "investors mafia" jumps in with irrational exuberance to purchase coupons with cash offers to the lucky winners. Tractors so purchased are then dumped in the open market at cut prices.

Only 2,252 tractors were thus delivered during the first quarter of the year 2013, compared with 6,004 delivered during the same period last year – a rather disturbing contraction. The pre-tax profit for the first quarter was a mere Rs. 336 million.

The government has finally announced that Sales Tax on tractors will not be withdrawn or reduced. Yet with the economy dragging its feet, there may not be a dramatic upturn in the second quarter. Forecasting here is notoriously difficult. What renders the forecasts completely unrealistic is that they cannot discount national crisis. Should elections be held as scheduled in May, governance mechanism may well improve. The Company with its capacity to reaccelerate its momentum will revert to expansion mode.

The Company's financial results have been recommended by the Audit Committee of the Board and will be placed on the Company's website at www.alghazitractors.com.

For and on behalf of
the Board

Charles Leonard Hunt
Chairman

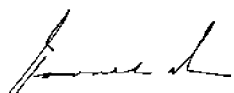
Karachi
April 22, 2013

AL-GHAZI TRACTORS LIMITED

**CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2013 (UN-AUDITED)**

		(Unaudited) March 31, 2013	(Audited) December 31, 2012
		(Rupees'000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	370,804	373,481
Long-term investments		54,800	55,800
Long-term loans		16,410	19,439
Long-term deposits		1,789	1,789
		<u>443,803</u>	<u>450,509</u>
CURRENT ASSETS			
Stores, spares and loose tools		22,423	21,119
Stock-in-trade		2,506,554	1,543,151
Trade debts		225,606	386,558
Loans and advances		61,136	75,894
Short-term deposits and prepayments		11,438	1,346
Accrued mark-up		20,901	192,312
Other receivables		121	5,804
Taxation		81,605	113,428
Refunds due from the Government		1,763,765	1,637,869
Investments		1,779,183	1,251,729
Cash and bank balances		2,470,593	3,782,632
		<u>8,943,325</u>	<u>9,011,842</u>
TOTAL ASSETS		<u><u>9,387,128</u></u>	<u><u>9,462,351</u></u>
SHARE CAPITAL AND RESERVES			
Share capital		214,682	214,682
Reserves		<u>7,290,115</u>	<u>7,705,980</u>
		7,504,797	7,920,662
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		26,545	28,132
Deferred taxation		<u>37,447</u>	<u>38,342</u>
		63,992	66,474
CURRENT LIABILITIES			
Trade and other payables		1,818,339	1,475,215
Commitments	4		
TOTAL EQUITY AND LIABILITIES		<u><u>9,387,128</u></u>	<u><u>9,462,351</u></u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

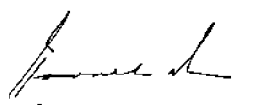

Chief Executive Officer


Director

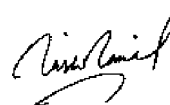
AL-GHAZI TRACTORS LIMITED**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE FIRST QUARTER ENDED MARCH 31, 2013 (UN-AUDITED)**

	Note	Quarter ended	
		March, 31 2013	March, 31 2012
		(Rupees' 000)	
Sales	5	1,507,561	3,329,562
Cost of goods sold	6	<u>(1,185,392)</u>	<u>(2,736,066)</u>
Gross profit		322,169	593,496
Distribution cost		(27,143)	(17,165)
Administrative expenses		<u>(40,342)</u>	<u>(29,859)</u>
		254,684	546,472
Other operating income		106,570	137,184
Other operating expenses		<u>(24,923)</u>	<u>(47,073)</u>
		336,331	636,583
Finance cost		<u>(44)</u>	<u>(1,432)</u>
Profit before taxation		336,287	635,151
Taxation		<u>(108,106)</u>	<u>(210,978)</u>
Profit after taxation		228,181	424,173
Other comprehensive income		-	-
Total comprehensive income		<u>228,181</u>	<u>424,173</u>
Earnings per share-Basic and diluted		<u>5.31</u>	<u>9.88</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.



Chief Executive Officer



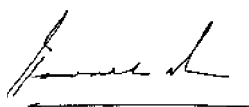
Director

AL-GHAZI TRACTORS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED MARCH 31, 2013 (UN-AUDITED)**

	Note	March 31, 2013	March 31, 2012
		(Rupees'000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	7	(975,805)	3,338,280
Income taxes paid		(77,178)	(146,222)
Decrease in long-term loans		3,029	3,069
(Decrease) in deferred staff benefits		(1,587)	(1,732)
Net cash from operating activities		<u>(1,051,541)</u>	<u>3,193,395</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(8,096)	(2,049)
Proceeds from disposal of fixed assets		1,990	-
Purchase of investments - net		(499,001)	(1,137,330)
Placement in term deposits - net		1,200,000	(630,000)
Return on investments		245,643	280,187
Net cash used in investing activities		<u>940,536</u>	<u>(1,489,192)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(1,035)	(427,919)
Net increase in cash and cash equivalents		<u>(112,040)</u>	<u>1,276,284</u>
Cash and cash equivalents at the beginning of period		1,277,632	302,110
Cash and cash equivalents at the end of period	8	<u><u>1,165,592</u></u>	<u><u>1,578,394</u></u>

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Chief Executive Officer



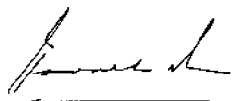
Director

AL-GHAZI TRACTORS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED MARCH 31, 2013 (UN-AUDITED)

	Share capital	General reserve	Unappropriated profit	Total
	(Rupees'000)			
Balance at January 1, 2012	214,682	1,000,000	5,540,849	6,755,531
Final Dividend @ Rs. 10 per share for the year ended December 31, 2011	-	-	(429,364)	(429,364)
Interim Dividends @ Rs. 7.5 per share for the year ended December 31, 2012	-	-	(322,023)	(322,023)
Total comprehensive income for the year ended December 31, 2012	-	-	1,916,518	1,916,518
Balance at December 31, 2012	214,682	1,000,000	6,705,980	7,920,662
Final Dividend @ Rs. 15 per share for the year ended December 31, 2012	-	-	(644,046)	(644,046)
Total comprehensive income for the first quarter ended March 31, 2013	-	-	228,181	228,181
Balance at March 31, 2013	<u>214,682</u>	<u>1,000,000</u>	<u>6,290,115</u>	<u>7,504,797</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.



Chief Executive Officer



Director

AL-GHAZI TRACTORS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST QUARTER ENDED MARCH 31, 2013 (UN-AUDITED)

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 registered office of the company is situated at '11th Floor, NIC Building, Abbasi Shaheed Road, Karachi'. The company is principally engaged in the manufacturing and sale of agricultural tractors, implements and spare parts.

The financial statements are presented in Pak Rupee which is the company's functional and presentation currency.

2 BASIS OF PREPARATION

This condensed interim financial information 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.

The accounting policies and 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, 2012.

	March 31, 2013	December 31, 2012
	(Rupees'000)	
3 FIXED ASSETS		
Cost - opening	686,827	655,387
Additions during the period	8,096	37,559
Diposals during the period	(1,716)	(6,119)
Cost - closing	<u>693,207</u>	<u>686,827</u>
Accumulated Depreciation - opening	313,346	282,221
Charge for the period	9,379	36,876
Depreciation on diposals	(322)	(5,751)
Accumulated Depreciation - closing	<u>322,403</u>	<u>313,346</u>
Net Book Value	<u>370,804</u>	<u>373,481</u>

4 COMMITMENTS

Commitments for capital expenditure outstanding as at March 31, 2013 amounted to Rs. 20.56 million (2012: Rs. 8.26 million)

	March, 31 2013	March, 31 2012
	(Rupees'000)	
5 SALES		
Tractors	1,656,427	3,546,048
Trading and others	<u>20,964</u>	<u>11,475</u>
	<u>1,677,391</u>	<u>3,557,523</u>
Less: Commission and discounts	(19,518)	(48,078)
Sales Tax	<u>(150,312)</u>	<u>(179,883)</u>
	<u>1,507,561</u>	<u>3,329,562</u>

AL-GHAZI TRACTORS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST QUARTER ENDED MARCH 31, 2013 (UN-AUDITED)

	March 31, 2013	March 31, 2012
	(Rupees'000)	
6 COST OF GOODS SOLD		
Cost of goods manufactured	1,538,640	1,994,106
Opening stock of finished goods	16,288	739,583
Closing stock of finished goods	(386,513)	(5,819)
Manufactured goods	<u>1,168,415</u>	<u>2,727,870</u>
Trading and others	16,977	8,196
	<u>1,185,392</u>	<u>2,736,066</u>
7 CASH GENERATED FROM OPERATIONS		
Profit before taxation	336,287	635,151
Add/(Less) adjustment for non cash charges and other items		
Depreciation	9,379	8,965
Profit on disposal of fixed assets	(596)	-
Fair value gain on investments	(27,453)	(26,859)
Return on investments and bank deposits	(74,232)	(103,395)
Profit before working capital changes	<u>243,385</u>	<u>513,862</u>
Effect on Cash Flow due to Working Capital changes		
(Increase) / Decrease in current assets		
Stores and spares	(1,304)	(13,261)
Stock in trade	(963,403)	1,056,816
Trade debts	160,952	(15,514)
Loans and advances	14,758	(15,980)
Short- term deposits and prepayments	(10,092)	(110,222)
Other receivables	5,683	4,123
Refunds due form the Government	(125,896)	25,198
	(919,302)	931,160
(Decrease) / Increase in trade and other payables	(299,888)	1,893,258
Cash generated from operations	<u>(975,805)</u>	<u>3,338,280</u>

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, demad drafts in hand and balances with banks on current accounts and deposit accounts with maturity upto three months.

AL-GHAZI TRACTORS LIMITED

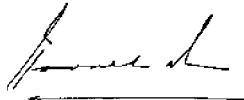
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST QUARTER ENDED MARCH 31, 2013 (UN-AUDITED)**

9 RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the period (2012: Rs. 400 million - dividend payment).

10 AUTHORISATION OF ISSUE

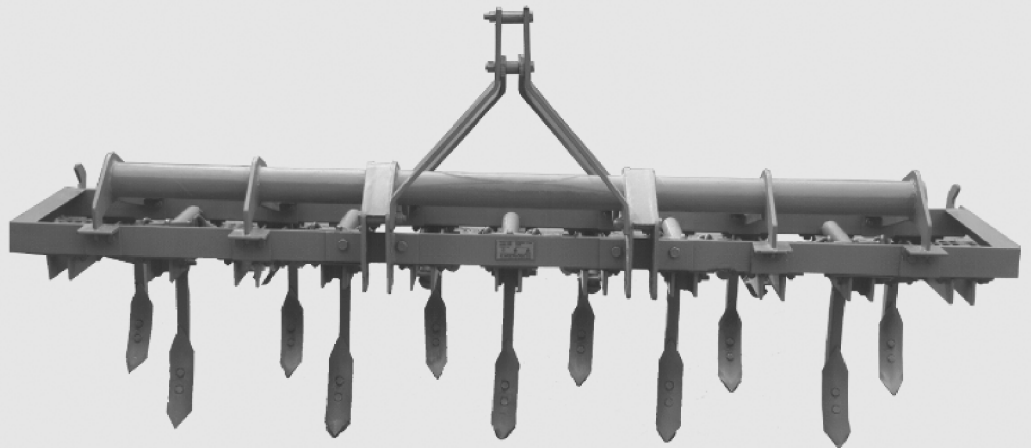
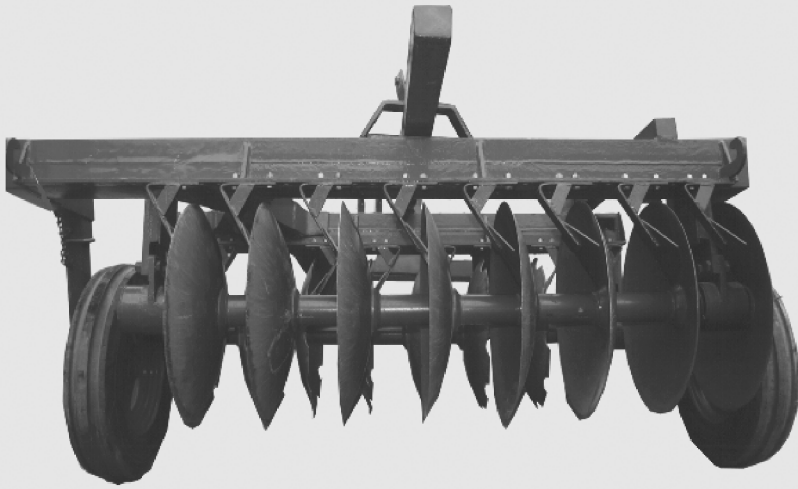
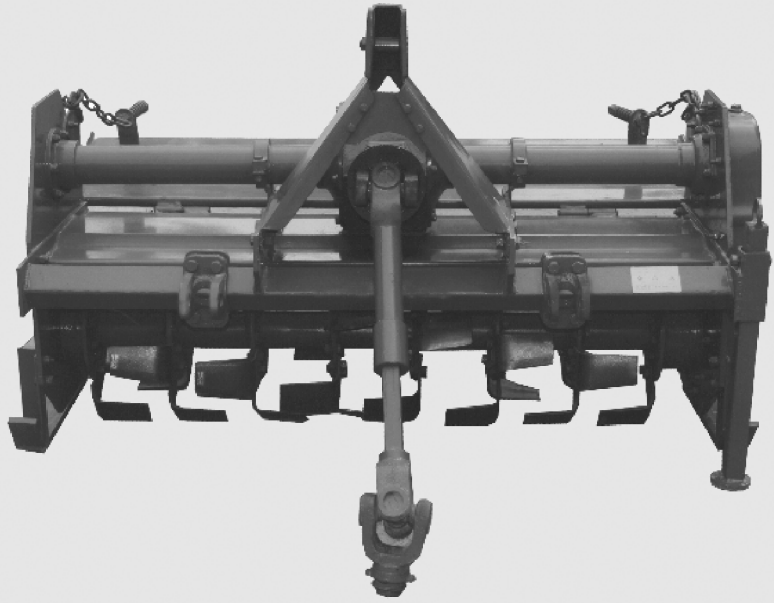
These financial statements were authorised for issue by the Board of Directors on April 22, 2013.



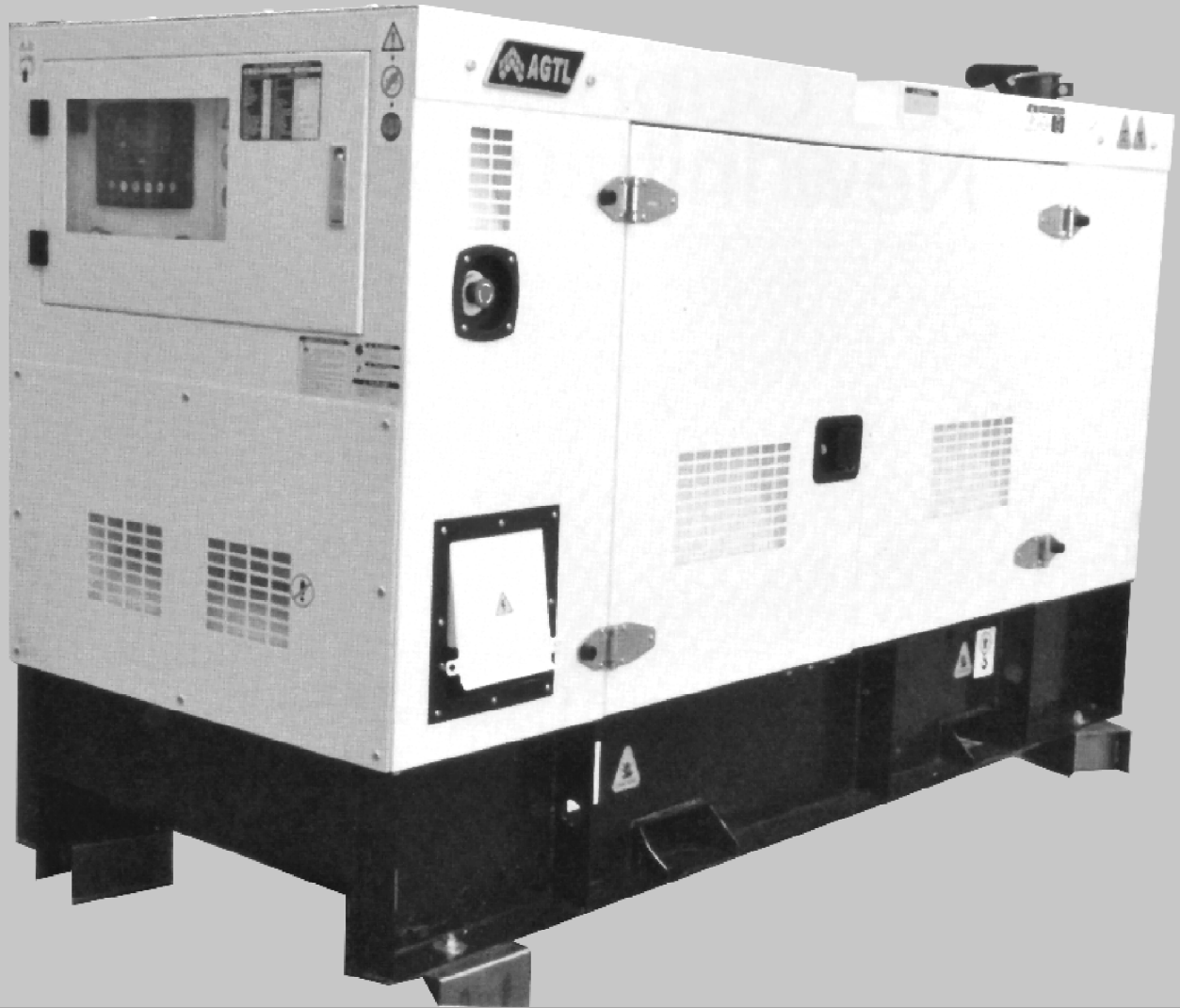
Chief Executive Officer



Director



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AL-GHAZI TRACTORS LTD

REGIONAL OFFICES

Marketing Centre, Lahore

10 Km, Sheikhpura 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, 2nd Floor, Plaza City Arcade I-8, Markaz.
ISLAMABAD

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



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