AL-GHAZI TRACTORS LIMITED
CHAIRMAN'S REVIEW

It gives me immense pleasure to say that in spite of economic turmoil on the global and the national fronts the Company has confidently forged ahead to close the financial year 2008 on "high expectations".

The Company set a new record of production for Pakistan's' tractor industry producing 27,550 tractors in the year 2008 compared with 26,380 tractors produced in 2007.

In December 2008 the Company was jolted by the arbitrary stopping of the release of the promised subsidy on the Green Tractor Scheme of the Government of Punjab. This happened suddenly resulting in reducing tractor deliveries by 2,594 green tractors that were specifically produced for the Scheme and were ready for delivery after invoicing to the winners of lucky draw. This resulted in adverse impact on financials for the year for no fault of the Company.

The Government of Punjab had offered subsidy of Rs. 200,000 per tractor under the Green Tractor Scheme. The Company offered 10,000 tractors of which 6100 tractors were booked. This enabled the Company to acquire market share of 61%. In good faith and rising to the call of the Punjab Government, the Company commenced speedy production and delivery of the Green Tractors. 1,615 tractors were thus delivered, for which the Company received the amount of Rs. 200,000/- per tractor as subsidy from the Government of Punjab in accordance with the Scheme. The Company accelerated the production and produced 2,594 Green Tractors for delivery in December 2008. These 2,594 tractors were invoiced on receipt of the amount payable by the lucky winners of the scheme.

But then in a stunning move, the Government of Punjab stopped the release of the promised subsidy and demanded a decrease in the selling prices. This arbitrary action of the provincial government of Punjab was against all norms of business practices and violated the procedures that it had itself devised and laid down for the Scheme. The stopping of the subsidy amount forced the Company to stop delivery of tractors to all lucky winners of the Scheme though they had paid their share of the price to the Company.

The issue has now been resolved and the company has given a discount on the agreed prices.

OPERATING RESULTS

Of the 27,550 tractors produced in 2008, only 24,985 were thus recorded as delivered with sales revenue of Rs. 10.107 billion. The Company earned a pre-tax profit of Rs. 1.683 billion compared with Rs. 1.914 billion in 2007 – a fall of 12.1%.

The post tax profit for the year was Rs. 1.113 billion compared with Rs. 1.267 billion in 2007, with Rs. 570 million going to the government as income tax.

The Company's financial position as of December 31, 2008 also took a hit due to blockage by FBR of refundable sales tax of Rs. 751 million paid by the Company on behalf of the vendors. Also, ZTBL's inability to encash bank drafts worth Rs. 298.4 million which later increased to Rs. 471.4 million, for tractors already delivered added to the problems.

There is no sales tax on tractors, but the Company is forced to pay sales tax on components supplied by the vendors and submit returns for refunds to FBR. Such refunds should come immediately since the Company also submits bank guarantees, but taking refunds from FBR has never been easy. These delays have been disappointing and have affected financial position of the Company from time to time.

Estoppel of the promised subsidy on 2594 tractors, inability to encash Bank Drafts by ZTBL, monies stuck up as refunds with FBR created pressure on the liquidity of the Company.

DIVIDEND PAYOUT

An interim cash dividend of 100% was paid by the Company with the financial results of the half year ended June 30, 2008. The Board of Directors is now pleased to recommend payout of another cash dividend of 250%. The cash dividend for the year 2008 will thus total 350%, that is a payout of Rs. 751.39 million.

Details of the financial highlights can be seen on Page 16 - 20 of this report.

THE STATE OF THE ECONOMY – AGRICULTURE SECTOR

Though Pakistan's economy has survived a default because of a bail out package of $7.6 billion from the IMF, confidence in the economy can only be restored if the political environment becomes stable, law and order is restored, confrontational politics ends and operations in the NWFP, which is a major market for Company's products are diffused.

The Annual Report of the State Bank of Pakistan, released recently painted a rather bleak picture of the economy. While GDP growth rate has been scaled down from 5.5% to 3.5%, the report stated that "in particular the outlook for industrial and services sector is gloomy".

Acute energy shortages and high costs of production have adversely affected the manufacturing sector. The Automobile Sector took the worst hit while industrial output went into the negative registering a fall of 6.2%. Growth in the agricultural sector according to the State Bank report was a mere 1.5% against the target of 4.6% - the lowest since the FY03. This is rather alarming for a country whose economy is agriculture based.

There are around 6.6 million farms in the country contributing to around 21% of the country's Gross Domestic Production. The demand for agricultural credit has surged and there is thus a need to increase disbursement of loans to farmers at low interest rates to finance the entire value chain of agriculture, especially the tractor which is the bulwark of agriculture. According to reports "country's current credit requirement is around Rs 553 billion, while the available farm credit is Rs. 250 billion". The government ought to make available additional "Rs. 303 billion agricultural loans to plug in the existing demand and supply gap". The Zarai Taraqiati Bank – ZTBL – has recently indicated what it called a "paradigm shift towards provision of agricultural technology to maximize per acre yield productivity". This is welcome, particularly for the tractor industry where the scenario with shrinking loans for tractors is unappetizing. ZTBL's loaning for tractors, which once accounted for 99% of tractor sales has over the years shrunk to less than 20%. Cash bookings which in the last two years came as a spurt are now drying up, because of bad crops, distress sale of cash crops, dismal law and order situation, prolonged political uncertainty and soaring inflation reported at 20-22% by the State Bank.

Tractor bookings used to be the tail wind that the Company built into its business plans. One of the challenges today is that that assumption is no longer true. Lending for tractors has slowed down, depriving the industry of the essential credit. The industry needs a functional financial system that gives stimulus to granting loans for tractors.

According to the report released by Pakistan Tractors Manufacturing Association, during the year 2008, ZTBL provided loans for 19,297 tractors only for the whole industry. Cash bookings during the fiscal 2007-08 were 76592 for the whole industry. Notwithstanding the Green Tractor Scheme where 218607 applications were received for 10,000 tractors awarded through the lucky draw, the enthusiasm for purchase of tractors has of late dampened. Optimism has been dented and farmers are waiting for good weather and increased earnings. The fact that 218607 applications were received for the scheme and all of them from bona fide farmers is one indicator of the requirement of tractors in the country.

Then there is also the waiting for the proposed Benazir Tractor Scheme of the Federal Government where the government has plans to provide 20,000 tractors with a subsidy of Rs. 200,000/- per tractor. In meetings held with the government, the Company has given written assurances to supply 2000+ tractors per month at the most competitive prices with back-up support of after-sale-service in every nook and cranny of the country and with a life time guarantee for availability of spare parts.

Previous scheme of the federal government which was restricted to imported tractors ended up in bad state with scandals and incriminating rulings from the superior courts.

The Company has urged the government to support the local effort, which will also give fillip to the local vendors who supply 92% of the parts to local tractor manufacturers and who are in distress because of the sharp downturn in the auto industry. Locally manufactured tractors are cheaper, they provide after-sale-service and will save the much needed foreign exchange for the country. The Company has urged that the scheme should be transparent, through open competition where the choice of the tractor should be left to the customer, as against awarding artificial quotas to select groups with no manufacturing base or after sale support. Should the scheme be launched with transparency with a level playing field, the Company is confident of securing a leading position because the customer perceives the Company's products as the best buy.

Bonafide local tractor manufacturers have enough spare capacity. AGTL itself is competent to produce 30000+ tractors in a single shift. There is no gap between the demand and supply and waiting period on tractor booking is zero. There are around 20 approved local tractor manufacturers in the country. Many are dormant who lost the race of survival of the fittest. Some of them were fly-by-night operators. Such operators keep raising their head to spoil the industry. The Engineering Development Board has done well to protect the bonafide manufacturers like AGTL by rejecting attempts by unscrupulous elements to pirate components. We therefore urge that only the bonafide tractor manufacturers with adequate after-sale-service with availability of spare parts should be allowed to participate in such incentive schemes to prevent the country from becoming a graveyard of tractors with unknown technology and with no support beyond sales.

SOCIAL RESPONSIBILITY

As part of its social responsibility, the Company takes due care about the needs of the consumer providing quality products at a fair and at the lowest selling prices in the country. The Company believes in Good Manufacturing Practices – GMP – to observe a code of conduct in manufacturing and marketing.

The Company has a moral responsibility to the brand – FIAT / NH– which has become a household name with the farmers in the country. Our Principals New Holland, the world's largest tractor manufacturers, trust in the Company to maintain quality and standard in accordance with local as well as international standards. Consumers therefore enjoy the benefit of this commitment directly from the Company as well as through the Principals, CNH, the vendors, the dealers, and their workshops which dot the whole country. It is not just the supply chain, but the whole value chain which adds value to the Company's product and its servicing. Such synergy in Value Chain Analysis was manifest when our Principals, CNH, recently undertook a survey in the areas of productivity, business development and market access. The Company had much to gain from these surveys and expert advice which strengthened the value chain creating competitive advantage for the whole system. The positive ripple effect added value to the quality effort. The Company has declared the year 2009 to be observed as the "Year of Quality improvement".

The Company has relations of mutual goodwill with all its stakeholders and engages with them in a proactive manner. The Company is committed to environmental responsibility, provision of healthy life at work as well as its staff town in the factory. Through various committees of the Board, the Company endeavours to promote good governance and corporate social responsibility. There is stress on behavioural safety at the workplace. The Company takes initiatives to encourage, promote and instill safe behavior among its employees. A Safety Manual has been introduced to develop safety culture expressed through employee's behaviour and work activities. To foster more economic growth in the otherwise less developed areas of Dera Ghazi Khan, the Sheet Metal Project which was set-up adjacent to the factory, is undergoing expansion to bring more and more sheet metal parts into in-house manufacturing, thus creating more job opportunities and activity.

Workers in AGTL are happy and enjoy well deserved perks and privileges. The three year term of the CBA has just ended and a new CBA is to be elected.

The Company's corporate excellence was once again recognized by the Management Association of Pakistan conferring the Award of the Best Corporate Performance in the Engineering, Auto and Allied Sector. The Company's outstanding performance was also recognized with Company winning the Top Companies Award of the Karachi Stock Exchange. The Company's 2008 calendar was declared the best calendar of the year by the National Council of Culture and Arts. The Employer's Federation of Pakistan conferred "Best Practices in Occupational Safety and Health" award to the Company.

FUTURE PROSPECTS

There were signs of an "anticipated downturn" in the economy, as we had reported in our review of the financial results of the year 2007. Our fears became realities. The State Bank's recent Report corroborates the hurt sentiments of the country's economy. The World Bank in its latest report has also predicted a significant slowdown in Pakistan's growth prospects for 2009-10 stating that Pakistan was "much more fragile and faced the most vulnerability in the region". It says that "high fiscal and current account deficit, rapid inflation, low reserves, a weak currency and a declining economy have put Pakistan in a very difficult situation". Mired in uncertainty, there is need for new plans to stem, much less reverse the downturn. One hopes that following the package of $ 7.6 billion from the IMF, Pakistan would have more access to funds from international financial institutions and friendly countries.

The country, with a lack of options, must focus on the agricultural sector which has always been called the backbone of the economy. We hope that the concerted shift towards agricultural technology as announced by ZTBL will be directed towards increased disbursement of loans for tractors which industry now has sufficient spare capacity.

We hope that the incentive schemes of the government, such as the Benazir Tractor Scheme will be restricted to tractors manufactured locally which are cheaper and provide the pre-requisite after sale support.

The government says that the economy has been put on the right track. We hope this will pave the way to reclaim the situation.

For and on behalf of the Board

Karachi
February 23, 2009

Colin D.W. Leitch
Chairman

AL-GHAZI TRACTORS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2008

	Note	2008	2007
		Rupees '000	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	235,452	244,928
Long-term loans	4	10,137	971
Long-term deposits		367	367
		245,956	246,266
CURRENT ASSETS			
Stores, spares and loose tools	5	14,673	10,442
Stock-in-trade	6	1,931,399	708,733
Trade debts	7	7,143	24,271
Loans and advances	8	37,393	19,590
Short-term deposits and prepayments	9	16,443	1,193
Accrued mark-up	10	164,045	226,997
Other receivables	11	9,838	2,833
Taxation		112,809	-
Refunds due from the Government	12	750,554	183,632
Investments	13	446,760	1,018,800
Cash and bank balances	14	3,348,997	4,384,551
		6,840,054	6,581,042
		7,086,010	6,827,308
SHARE CAPITAL AND RESERVES			
Share capital	15	214,682	214,682
Reserves	16	4,213,090	3,636,539
		4,427,772	3,851,221
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		19,367	18,387
Deferred taxation	17	27,161	19,476
CURRENT LIABILITIES			
Trade and other payables	18	2,611,710	2,912,127
Taxation		-	26,097
		2,611,710	2,938,224
COMMITMENTS	19		
		7,086,010	6,827,308

Aff

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

AL-GHAZI TRACTORS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		Rupees '000	
Sales	21	10,107,874	9,081,310
Cost of goods sold	22	(8,530,087)	(7,427,824)
Gross profit		1,577,787	1,653,486
Distribution cost	22	(75,286)	(67,145)
Administrative expenses	22	(91,560)	(85,845)
		1,410,941	1,500,496
Other operating income	23	399,487	558,858
Other operating expenses	24	(124,753)	(141,888)
		1,685,675	1,917,466
Finance cost	25	(2,734)	(3,012)
Profit before taxation		1,682,941	1,914,454
Taxation	26	(569,685)	(647,044)
Profit after taxation		1,113,256	1,267,410
Earnings per share	27	Rs 25.93	Rs 29.52

Aff

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

AL-GHAZI TRACTORS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	28	(576,025)	475,567
Income taxes paid		(700,906)	(535,497)
Increase in deferred staff benefits - compensated absences		980	1,214
Net cash used in operating activities		(1,275,951)	(58,716)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(18,338)	(20,988)
Proceeds from disposal of fixed assets		3,393	1,692
Purchase of investments		(1,098,983)	(975,000)
Proceeds from sale of investments		1,708,558	500,000
Return on bank deposits		349,180	482,883
Return on Certificates of Investment (COIs)		57,723	62,193
Increase in long-term loans		(9,166)	(478)
Net cash from investing activities		992,367	50,302
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid		(751,970)	(749,156)
Net decrease in cash and cash equivalents		(1,035,554)	(757,570)
Cash and cash equivalents at the beginning of the year		4,384,551	5,142,121
Cash and cash equivalents at the end of the year	14	3,348,997	4,384,551

AFF

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

AL-GHAZI TRACTORS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008

	Share capital	General reserve	Unappropriated profit	Total
	Rupees '000			
Balance at January 1, 2007	214,682	1,000,000	2,335,198	3,549,880
Final dividend @ Rs 12.5 per share for the year ended December 31, 2006	-	-	(536,705)	(536,705)
First interim dividend @ Rs 5 per share for the year ended December 31, 2007	-	-	(214,682)	(214,682)
Second interim dividend @ Rs 5 per share for the year ended December 31, 2007	-	-	(214,682)	(214,682)
Net profit after taxation for the year ended December 31, 2007	-	-	1,267,410	1,267,410
Balance at December 31, 2007	214,682	1,000,000	2,636,539	3,851,221
Final dividend @ Rs 7.5 per share for the year ended December 31, 2007	-	-	(322,023)	(322,023)
First interim dividend @ Rs 5 per share for the year ended December 31, 2008	-	-	(214,682)	(214,682)
Net profit after taxation for the year ended December 31, 2008	-	-	1,113,256	1,113,256
Balance at December 31, 2008	214,682	1,000,000	3,213,090	4,427,772

Aff

The annexed notes 1 to 36 form an integral part of these financial statements.

Chairman

Chief Executive

AL-GHAZI TRACTORS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan under the Companies Act, 1913 (now 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 and spare parts.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The matter involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements is provision for staff retirement benefit. Significant estimates relating to staff retirement benefit are disclosed in note 29.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgments made by the company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

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Recent accounting developments

- **Amendments to published standards, new standards and interpretations not yet effective**

  Following accounting standards, amendments and interpretations to approved accounting standards have been published that are mandatory for company's accounting periods beginning on or after the dates mentioned below:

  IFRS 7 'Financial instruments: Disclosures', introduces new disclosures relating to financial instruments. The standard shall be applicable on accounting periods beginning on or after July 1, 2008. Adoption of the standard will only impact the format and extent of disclosures presented in the financial statements.

  IAS 1, 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in the statement of changes in equity and with non-owners in the comprehensive income statement. The revised standard will be effective from January 1, 2009 and it will impact mainly the presentation of the financial statements.

  Other amendments to existing approved accounting standards and new interpretations have been published that are mandatory for future years but are not relevant hence not affecting company's accounting periods beginning on the dates prescribed there.

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

2.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation / amortisation except freehold land and capital work-in-progress which are stated at cost.

The cost of leasehold land is amortised over the period of lease. Depreciation on all other assets is charged to profit and loss account applying straight-line method whereby the cost of an asset less residual value is written off over its estimated useful life. The useful lives of the assets as estimated by the management are as follows:

- Leasehold land	99 years
- Building	40 years
- Plant and machinery	10 years
- Furniture and fixtures	4 - 10 years
- Office equipment	10 years
- Computer hardware	3 years
- Vehicles	4 years
- Factory equipments and tools	10 years

AFF

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal / retirement of fixed assets are included in profit and loss account.

2.4 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and the resulting impairment is charged to profit and loss account.

2.5 Loans, deposits and other debts

These are initially measured at cost which is the fair value of the consideration given and are subsequently measured at amortised cost.

2.6 Taxation

Current

Provision for current income tax is based on the taxable income at the current rates of taxation after taking into account tax credits available, if any, in accordance with the prevailing income tax law.

Deferred

Deferred income tax is accounted for using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account.

2.7 Stores, spares and loose tools

These are valued at average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

AFF

2.8 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined on moving average method except for stock-in-transit which is valued at invoice value plus other charges incurred thereon.

Cost of finished goods includes prime cost and appropriate portion of manufacturing expenses.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

2.9 Trade Debts

Trade debts are valued at invoice value, being the fair value and subsequently measured at amortised cost. Provision is made against debts considered doubtful of recovery.

2.10 Investments

Investments of the company are classified into the following categories :

(i) Held to maturity

These are investments with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold to maturity. These are stated at amortised cost.

(ii) Investments at fair value through profit and loss account

These are investments designated at fair value through profit and loss account at inception. Investments in this category are classified as current assets if they are expected to be realised within twelve months of the balance sheet date.

'Investments at fair value through profit and loss account' are recognised at fair value and changes in fair value are taken to profit and loss account.

(iii) Available for sale

These represent non derivative investments that are either designated in this category or not classified in any other category. They are included as non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

Available for sale investments are initially recognised at fair value plus transaction cost, and subsequently at fair value. Changes in fair value are recognised in equity.

Afl

2.11 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, demand drafts in hand and balances with banks on current accounts and deposit accounts.

2.12 Staff retirement benefits

(i) Defined benefit plan

The company operates an approved funded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme. The amount of gratuity is usually dependant on one or more factors such as age, years of service and salary.

The liability recognised in respect of gratuity scheme is the present value of the company's gratuity obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gain or losses.

The gratuity obligation is calculated as at December 31, 2008 by independent actuary using projected unit credit method. The present value of the gratuity obligation is determined by discounting the estimated future cash outflows using interest rates of high quality government securities and that have terms to maturity approximating to the terms of the related gratuity liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the gratuity obligation are charged or credited to profit and loss account over the employees' expected average remaining working lives.

(ii) Defined contribution plan

The company also operates an approved contributory provident fund for its permanent employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

2.13 Financial instruments

Financial instruments include investments, loans and advances, deposits, trade and other debts, accrued mark-up, cash and bank balances and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Aff

2.14 Deferred staff benefits - compensated absences

The company accounts for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned. The liability recognised in respect of compensated absences is based on employees last drawn salary.

2.15 Trade and other payables

Trade and other payables are initially measured at cost which is the fair value of the consideration received. These are subsequently measured at amortised cost.

2.16 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.17 Foreign currencies

Assets and liabilities in foreign currencies are recorded using the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating to those applicable on the balance sheet date. Exchange gains and losses are taken to profit and loss account.

2.18 Revenue recognition

Sales are recorded on dispatch of goods.

Return on deposits and investments is recognised on accrual basis.

Dividend income on investments is recognised when the company's right to receive payments is established.

2.19 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

3. FIXED ASSETS

3.1 PROPERTY, PLANT AND EQUIPMENT

	Note	2008	2007
		Rupees '000	
Operating assets	3.2	233,214	244,928
Capital work-in-progress - civil work		2,238	-
Intangible assets	3.3	-	-
		235,452	244,928

AFF

3.2 Operating assets

	LAND		BUILDING								
	Freehold	Lease hold	on freehold land	on lease hold land	Plant and machinery	Furniture and fixtures	Office equipment	Computer hardware	Vehicles	Factory equipment and tools	Total
	Rupees'000										
At January 1, 2007											
Cost	3,854	830	157,392	8,969	152,275	8,134	3,111	11,631	49,690	35,628	431,514
Accumulated depreciation / amortisation	-	(193)	(43,787)	(2,632)	(60,677)	(6,374)	(2,276)	(10,438)	(31,372)	(23,914)	(181,663)
Net book value	3,854	637	113,605	6,337	91,598	1,760	835	1,193	18,318	11,714	249,851
Year ended December 31, 2007											
Opening net book value	3,854	637	113,605	6,337	91,598	1,760	835	1,193	18,318	11,714	249,851
Additions	-	-	1,604	-	7,882	398	80	1,004	7,666	4,746	23,380
Disposals / write off											
Cost	-	-	-	-	(22)	(360)	-	-	(5,818)	(81)	(6,281)
Depreciation	-	-	-	-	22	258	-	-	5,671	81	6,032
	-	-	-	-	-	(102)	-	-	(147)	-	(249)
Depreciation / amortisation charge	-	(8)	(3,836)	(224)	(11,374)	(864)	(208)	(908)	(8,225)	(2,407)	(28,054)
Closing net book value	3,854	629	111,373	6,113	88,106	1,192	707	1,289	17,612	14,053	244,928
At December 31, 2007											
Cost	3,854	830	158,996	8,969	160,135	8,172	3,191	12,635	51,538	40,293	448,613
Accumulated depreciation / amortisation	-	(201)	(47,623)	(2,856)	(72,029)	(6,980)	(2,484)	(11,346)	(33,926)	(26,240)	(203,685)
Net book value	3,854	629	111,373	6,113	88,106	1,192	707	1,289	17,612	14,053	244,928
Year ended December 31, 2008											
Opening net book value	3,854	629	111,373	6,113	88,106	1,192	707	1,289	17,612	14,053	244,928
Additions	-	-	1,136	-	6,007	1,625	42	677	6,224	389	16,100
Disposals / write off - note 3.2.2											
Cost	-	-	-	-	-	(1,486)	-	(37)	(7,646)	(29)	(9,196)
Depreciation	-	-	-	-	-	1,311	-	37	7,172	29	8,549
	-	-	-	-	-	(175)	-	-	(474)	-	(649)
Depreciation / amortisation charge	-	(8)	(3,377)	(224)	(11,521)	(650)	(193)	(891)	(7,919)	(2,382)	(27,165)
Closing net book value	3,854	621	109,132	5,889	82,592	1,992	556	1,075	15,443	12,060	233,214
At December 31, 2008											
Cost	3,854	830	160,132	8,969	166,142	8,311	3,233	13,275	50,116	40,653	455,515
Accumulated depreciation / amortisation	-	(209)	(51,000)	(3,080)	(83,550)	(6,319)	(2,677)	(12,200)	(34,673)	(28,593)	(222,301)
Net book value	3,854	621	109,132	5,889	82,592	1,992	556	1,075	15,443	12,060	233,214

3.2.1 Fixed assets include leasehold land located at Multan carried at Rs 621 thousand. In 2004 the company received a notice from the Board of Management Industrial Estate Multan (BOM) for cancellation of lease of land at a price of Rs 700 thousand on the contention that the company had not constructed building on the land for industrial purposes in the specified time.

The company has obtained a stay from the Civil Court of Multan against BOM's decision. The lawyer handling the case is positive about the favourable outcome of the case.

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3.2.2 Following are the details of fixed assets disposed / written off:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	←	Rupees '000		→		
Furniture and fixtures	134	3	131	130	Company policy	Mr. Ahsan Majeed Ex-Executive
Vehicle	849	793	56	39	Company policy	Mr. Abdul Rasheed Executive
"	418	-	418	418	Insurance Claim	EFU General Insurance Limited 1st Floor, Kashif Centre, Shahrah-e-Faisal, Karachi
Aggregate of assets disposed / write off having book value less than Rs. 50,000 each						
Furniture and fixtures	1,352	1,308	44	37		
Vehicles	6,379	6,379	-	2,769		
Factory equipment and tools	29	29	-	-		
Computer hardware	37	37	-	-		
	9,198	8,549	649	3,393		

	Note	2008	2007
		Rupees '000	

3.3 **INTANGIBLE ASSETS**

		2008	2007
Cost		6,234	6,234
Accumulated amortisation		(6,234)	(6,234)
Net book value		-	-

4. **LONG-TERM LOANS - considered good**

	Note	2008	2007
Loan to employees	4.1	670	971
Dealer car loans	4.2	9,467	-
		10,137	971

4.1 These are interest free loans given to employees under employee loan schemes to facilitate purchase of domestic appliances and motor cycles. The said loans are repayable over a period of 24 to 36 months and are secured against provident fund balances.

4.2 These represent loans given by the company to finance the purchase of cars by dealers. The amount is repayable in 36 monthly installments carrying interest at the rate of 9% per annum and are secured by joint registration of cars in the name of dealers and the company.

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	Note	2008	2007
		Rupees '000	

5. STORES, SPARES AND LOOSE TOOLS

	Note	2008	2007
Stores		9,294	4,853
Spares		5,379	5,573
Loose tools		-	16
		14,673	10,442

6. STOCK-IN-TRADE

	Note	2008	2007
Raw materials and components – including in transit Rs 205.10 million (2007: Rs 144.17 million)	6.1	904,500	694,559
Finished goods – tractors	6.2	1,024,712	9,654
Trading stock – spare parts and implements		2,187	4,520
		1,931,399	708,733

6.1 The above includes raw materials and components of Rs 13.35 million (2007: Rs 10.03 million) held by third parties.

6.2 Finished goods stock represents 2,600 units of Green Tractors not dispatched till the year end. This also includes stocks held by third parties amounting to Rs 65.85 million (2007: NIL).

	Note	2008	2007
		Rupees '000	

7. TRADE DEBTS – considered good

	Note	2008	2007
Secured		2,496	936
Unsecured		4,647	23,335
		7,143	24,271

8. LOANS AND ADVANCES – considered good

	Note	2008	2007
Loans to employees	4.1	1,377	1,158
Dealer car loans	4.2	7,100	-
Advances to suppliers for goods and services		28,916	18,432
		37,393	19,590

9. SHORT-TERM DEPOSITS AND PREPAYMENTS

	Note	2008	2007
Security deposits		9,795	755
Prepayments		6,648	438
		16,443	1,193

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		Note	2008	2007
			Rupees '000	
10.	**ACCRUED MARK-UP**			
	Mark-up accrued on			
	- Certificates of Investment (COIs)		21,450	45,421
	- Deposit accounts with banks		142,595	181,576
			164,045	226,997
11.	**OTHER RECEIVABLES**			
	Due from Al-Futtaim Industries Company LLC - holding company	11.1	50	112
	Due from CNH Italia SpA - associated company	11.2	326	-
	Workers' Profits Participation Fund	11.3	6,787	-
	Due from Staff Provident Fund		529	402
	Due from Employees Gratuity Fund	29.1	217	536
	Others		1,929	1,783
			9,838	2,833

11.1 Maximum aggregate amount due from Al-Futtaim Industries Company LLC - the holding company, at the end of any month during the year was Rs 125 thousand (2007: Rs 112 thousand).

11.2 Maximum aggregate amount due from CNH Italia SpA, associated company, at the end of any month during the year was Rs 326 thousand (2007: Rs 119 thousand).

		2008	2007
		Rupees '000	
11.3	**Workers' Profits Participation Fund**		
	At the beginning of the year	(102,387)	(102,570)
	Allocation for the year	(90,407)	(102,817)
		(192,794)	(205,387)
	Interest on funds utilised in company's business	(451)	-
		(193,245)	(205,387)
	Less: Amount paid during the year	200,032	103,000
		6,787	(102,387)

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	Note	2008	2007
		Rupees '000	

12. REFUNDS DUE FROM THE GOVERNMENT

	Note	2008	2007
Sales tax		670,916	167,362
Special excise duty	12.1	79,638	16,270
		750,554	183,632

12.1 This represents the amount of special excise duty paid by the company on tractor parts supplied by registered vendors. Special excise duty paid by the company is exempt by way of refund from the Government.

	Note	2008	2007
		Rupees '000	

13. INVESTMENTS

	Note	2008	2007
Held to maturity - Certificates of Investment (COIs)	13.1	200,000	500,000
Investments at fair value through profit and loss account	13.2	246,760	518,800
		446,760	1,018,800

13.1 The COIs carry mark - up of 10.95% per annum (2007: 10.35% to 12% per annum) with maturities in 2009.

13.2 These represent investments in open ended quoted mutual funds. The fair value of these investments is based on quoted market price prevailing at the balance sheet date.

	Note	2008	2007
		Rupees '000	

14. CASH AND BANK BALANCES

	Note	2008	2007
With banks on			
- Current accounts		757,430	904,998
- Deposit accounts	14.1 & 14.2	2,361,003	3,289,055
Cash in hand		230,564	190,498
		3,348,997	4,384,551

14.1 At December 31, 2008 the mark-up rates on PLS savings and term deposit accounts range from 2.7% to 18% per annum (2007: 0.76% to 11.75% per annum). The term deposits will mature in 2009.

14.2 Term deposits amounting to Rs 270 million have been held under lien by banks as a security against guarantees issued on behalf of the company.

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		2008	2007
		Rupees '000	
15.	**SHARE CAPITAL**		
15.1	**Authorised Share Capital**		
	60,000,000 ordinary shares of Rs. 5 each	300,000	300,000

15.2 Issued, subscribed and paid up capital

Ordinary shares of Rs 5 each 2008	2007		2008 Rupees '000	2007
4,500,000	4,500,000	Shares allotted for consideration paid in cash	22,500	22,500
38,436,445	38,436,445	Shares allotted as bonus shares	192,182	192,182
42,936,445	42,936,445		214,682	214,682

15.3 As at December 31, 2007 and 2008 Al-Futtaim Industries Company LLC, U.A.E., the holding company and CNH Global N.V., Netherlands, an associated company held 21,476,078 and 18,535,096 shares of Rs. 5 each respectively.

		2008	2007
		Rupees '000	
16.	**RESERVES**		
	Revenue reserve - General	1,000,000	1,000,000
	Unappropriated profit	3,213,090	2,636,539
		4,213,090	3,636,539
17.	**DEFERRED TAXATION**		
	Credit balances arising on account of:		
	Accelerated tax depreciation allowances	33,939	33,637
	Gain on investments at fair value through profit and loss account	-	6,580
	Debit balances arising on account of:		
	Deferred staff benefits - compensated absences	(6,778)	(6,436)
	Royalty payable	-	(14,305)
		(6,778)	(20,741)
		27,161	19,476

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	Note	2008	2007
		Rupees '000	
18. TRADE AND OTHER PAYABLES			
Creditors		482,027	5,819
Accrued liabilities		485,871	245,972
Customers' advance payments	18.1	1,513,337	2,220,013
Unclaimed dividend		14,442	229,707
Deposits		20,952	19,546
Taxes deducted at source and payable to statutory authority		4,578	4,906
Workers' Profits Participation Fund		-	102,387
Workers' Welfare Fund		37,479	40,993
Royalty payable to CNH Global N.V. - associated company		49,045	40,872
Others		3,979	1,912
		2,611,710	2,912,127

18.1 These represent advances against sale of tractors which carry no mark-up.

19. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2008 amounted to Rs 1.66 million (2007: Rs 2.34 million).

20. UNFUNDED BANKING FACILITIES

The facilities for opening letters of credit and guarantees as at December 31, 2008 amounted to Rs 1,783 million (2007: Rs 1,496 million) of which unutilised balance at year end amounted to Rs 1,428 million (2007: Rs 1,127 million).

The above arrangements are secured by way of pari-passu charge against hypothecation of company's stock-in-trade and book debts.

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	2008	2007
	Rupees '000	

21. SALES

	2008	2007
Tractors	10,200,736	9,163,733
Trading goods	41,151	45,795
	10,241,887	9,209,528
Less:		
Commission and discounts	129,398	123,425
Sales tax	4,615	4,793
	134,013	128,218
	10,107,874	9,081,310

22. OPERATING COST

	COST OF GOODS SOLD		DISTRIBUTION COST		ADMINISTRATIVE EXPENSES		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007
	Rupees '000							
Manufactured goods								
Raw materials and components consumed	9,014,414	7,000,819						
Salaries, wages and benefits	161,877	140,451	41,143	39,391	63,616	58,315	266,636	238,157
Charge for defined benefit plan	1,576	867	570	838	1,045	1,040	3,191	2,745
Charge for defined contribution plan	2,083	2.016	865	842	1,505	1,396	4,453	4,254
Royalty and technical fee	96,158	84,577	-	-	-	-	96,158	84,577
Stores and supplies	162,038	111,772	-	-	-	-	162,038	111,772
Insurance	845	806	32	35	22	24	899	865
Depreciation / amortisation	20,050	20,333	3,312	3,709	3,803	4,012	27,165	28,054
Fuel, power and electricity	27,755	20,121	881	895	-	-	28,636	21,016
Travelling, vehicle running and entertainment	5,158	4,915	7,242	5,740	5,203	5,499	17,603	16,154
Repairs and maintenance	17,792	9,087	261	385	426	363	18,479	9,835
Rent, rates and taxes	1,718	1,548	471	470	5,835	5,399	8,024	7,417
Communication	849	661	1,193	1,328	5,394	5,180	7,436	7,169
Advertisement and promotion	-	-	14	569	-	1,021	14	1,590
After sales expense	-	-	11,199	10,007	-	-	11,199	10,007
Dealers' convention	-	-	5,045	154	-	-	5,045	154
Auditors' remuneration - note 22.1	-	-	-	-	1,445	1,352	1,445	1,352
Legal and professional charges	-	-	287	-	523	469	810	469
Printing and stationery	1,357	1,157	1,624	1,411	1,691	1,542	4,672	4,110
Donation - note 22.2	-	-	-	-	-	100	-	100
Others	2,518	1,506	1,147	1,371	1,052	133	4,717	3,010
	501,774	399,817	75,286	67,145	91,560	85,845	668,620	552,807
Cost of goods manufactured	9,516,188	7,400,636						
Opening stock of finished goods	9,654	5,035						
Closing stock of finished goods	(1,024,712)	(9,654)						
	8,501,130	7,396,017						
Trading goods								
Opening stock	4,520	2,530						
Purchases	26,624	33,797						
	31,144	36,327						
Closing stock	(2,187)	(4,520)						
	28,957	31,807						
	8,530,087	7,427,824						

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		2008	2007
		Rupees '000	
22.1	Auditors' remuneration		
	Audit fee	660	605
	Fee for limited review of half yearly financial statements, certification for compliance with Code of Corporate Governance and certifications for government and other agencies	625	605
	Out of pocket expenses	160	142
		1,445	1,352

22.2 None of the directors or their spouses had any interest in the donee.

		2008	2007
		Rupees '000	
23.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Return on deposit accounts	310,199	466,180
	Return on COIs	33,752	59,607
	Revaluation (loss) / gain on investments at fair value through profit and loss account	(7,305)	16,992
	Gain on disposal of investments at fair value through profit and loss account	44,840	-
	Others	1,251	214
		382,737	542,993
	Income from other assets		
	Scrap sales	13,086	11,568
	Profit on disposal of fixed assets	2,744	1,443
	Others	920	2,854
		16,750	15,865
		399,487	558,858

24.	**OTHER OPERATING EXPENSES**		
	Workers' Profits Participation Fund	90,407	102,817
	Workers' Welfare Fund	34,346	39,071
		124,753	141,888

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		2008	2007
		Rupees '000	
25.	**FINANCE COST**		
	Interest on Workers' Profits Participation Fund	451	-
	Bank charges and commission	2,283	2,863
	Mark-up on security deposit	-	149
		2,734	3,012
26.	**TAXATION**		
	Current		
	- for the year	562,000	662,951
	- for prior years	-	(22,901)
	Deferred	7,685	6,994
		569,685	647,044
26.1	Relationship between tax expense and accounting profit:		
	Accounting profit before tax	1,682,941	1,914,454
	Tax at applicable rate of 35%	589,029	670,059
	Income exempt from tax	(13,137)	-
	Tax effect of permanent differences	(6,207)	(114)
	Reversal of current tax in respect of prior years	-	(22,901)
		569,685	647,044
27.	**EARNINGS PER SHARE**		
	Profit after taxation attributable to ordinary shareholders	1,113,256	1,267,410
	Number of ordinary shares outstanding (in thousands) at the end of the year	42,936	42,936
	Earnings per share	Rs 25.93	Rs 29.52

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2007 and 2008 which would have any effect on the earnings per share if the option to convert exercised.

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	Note	2008	2007
		Rupees '000	
28. CASH (USED IN) / GENERATED FROM OPERATIONS			
Profit before taxation		1,682,941	1,914,454
Add / (less): Adjustment for non-cash charges and other items			
Depreciation / amortisation		27,165	28,054
Gain on disposal of fixed assets		(2,744)	(1,443)
Gain on disposal of investments at fair value through profit and loss account		(44,840)	-
Revaluation loss / (gain) on investments at fair value through profit and loss account		7,305	(16,992)
Return on bank deposits		(310,199)	(466,180)
Return on Certificates of Investment		(33,752)	(59,607)
Profit before working capital changes		1,325,876	1,398,286
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
Stores and spares		(4,231)	(2,324)
Stock-in-trade		(1,222,666)	22,269
Trade debts		17,128	(18,155)
Loans and advances		(17,803)	3,451
Short-term deposits and prepayments		(15,250)	1,964
Other receivables		(7,005)	(2,521)
Refunds due from the Government		(566,922)	76,236
		(1,816,749)	80,920
Decrease in trade and other payables		(85,152)	(1,003,639)
		(1,901,901)	(922,719)
		(576,025)	475,567

29. STAFF RETIREMENT BENEFIT

29.1 Movement in (asset) / liability

	Note	2008	2007
Balance as at January 1		(536)	283
Charge for the year	29.5	3,191	2,745
Employer contributions		(2,872)	(3,564)
Balance as at December 31		(217)	(536)

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		2008	2007
		Rupees '000	
29.2	**Movement in the defined benefit obligation**		
	Obligation as at January 1	73,774	66,835
	Service cost	4,657	4,370
	Interest cost	7,377	6,684
	Actuarial gains	(6,072)	(287)
	Benefits paid	(3,671)	(3,828)
	Obligation as at December 31	76,065	73,774
29.3	**Movement in the fair value of plan assets**		
	Fair value as at January 1	85,499	78,760
	Expected return on plan assets	8,550	7,876
	Actuarial gains / (losses)	1,944	(873)
	Employer contributions	2,872	3,564
	Benefits paid	(3,671)	(3,828)
	Fair value as at December 31	95,194	85,499
29.4	**Balance sheet reconciliation as at December 31, 2007**		
	Present value of obligation	76,065	73,774
	Fair value of plan assets	(95,194)	(85,499)
	Unrecognised actuarial gains	18,912	11,189
		(217)	(536)
29.5	**Charge for the year**		
	Service cost	4,657	4,370
	Interest cost	7,377	6,684
	Expected return on plan assets	(8,550)	(7,876)
	Actuarial gains recognised during the year	(293)	(433)
		3,191	2,745
29.6	**Actual return on plan assets**	10,494	7,003

29.7	Key actuarial assumptions used are as follows:	2008	2007
	Expected rate of return on investments	15%	10%
	Expected rate of increase in salaries		
	- Management staff	13%	10%
	- Non-management staff	13%	8%
	Discount factor used	15%	10%
	Retirement age (years)	60	60

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29.8 Comparison of actuarial estimates and experience adjustments for five years:

	2008	2007	2006	2005	2004
	Rupees '000				
Comparison for five years:					
As at December 31					
Present value of defined benefit obligation	76,065	73,774	66,835	61,980	62,487
Fair value of plan assets	(95,194)	(85,499)	(78,760)	(69,459)	(67,384)
Surplus	(19,129)	(11,725)	(11,925)	(7,479)	(4,897)
Experience adjustments					
Actuarial gain on obligation	(6,072)	(287)	(2,409)	(1,060)	(1,336)
Actuarial gain / (loss) on plan assets	1,944	(873)	2,715	706	(2,571)
	(4,128)	(1,160)	306	(354)	(3,907)

29.9	2008		2007	
Composition of plan assets:	Rupees '000	%	Rupees '000	%
Term Deposits	82,584	86.8	80,773	94.47
Others (include bank balance)	12,610	13.2	4,726	5.53
	95,194	100	85,499	100

29.10 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at the beginning of the period.

29.11 As per actuarial advice, the company is not expected to contribute any amount towards gratuity fund in 2009 (2008: Rs 3.19 million).

30. TRANSACTIONS WITH RELATED PARTIES

Disclosure of transactions between the company and related parties

Relationship	Nature of transactions	2008	2007
		Rupees '000	
i. Holding company:	Dividends paid	375,831	375,831
ii. Other related parties:	Dividends paid	324,364	324,364
	Purchases of goods, material and services	5,274	4,265
	Sales of goods, material and services	-	7,670
	Royalty paid	82,112	82,535
	Recovery of expenses	75	194
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	4,453	4,254
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	2,872	3,564
iii. Key management personnel:	Salaries and other employee benefits	59,390	52,086
	Retirement benefits	2,604	2,317

The outstanding balances of related parties as at December 31, 2008 are included in trade and other payables and other receivables respectively.

Key management compensation is disclosed in note 31.

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31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to the Chief Executive, Director and Executives of the company are as follows:

	Chief Executive		Director		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees '000					
Managerial remuneration	5,419	4,509	2,787	2,555	5,995	5,575
Bonus and ex-gratia	12,194	10,145	6,271	5,749	13,128	12,544
House Rent	2,439	2,029	1,254	1,150	2,698	2,509
Utilities	542	451	279	255	600	558
Retirement benefits	994	827	511	468	1,099	1,022
Medical expenses	-	442	56	32	628	503
Leave passage	1,152	958	592	543	1,288	1,190
Other expenses	478	153	505	52	1,085	184
	23,218	19,514	12,255	10,804	26,521	24,085
Number of persons	1	1	1	1	5	4

The Chief Executive, Director and Executives are also provided with company maintained cars in accordance with their entitlements.

In addition to the above, fee and benefits to one non-executive director paid during the year amounted to Rs 528 thousand (2007: Rs 520 thousand).

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(i) Financial assets and liabilities

	Interest / Mark-up bearing			Non interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees '000						
Financial assets							
Investments	200,000	-	200,000	246,760	-	246,760	446,760
Loans and advances	7,100	9,467	16,567	1,377	670	2,047	18,614
Deposits	-	-	-	9,795	367	10,162	10,162
Trade debts	-	-	-	7,143	-	7,143	7,143
Accrued mark-up	-	-	-	164,045	-	164,045	164,045
Other receivables	-	-	-	3,051	-	3,051	3,051
Cash and bank balances	2,361,003	-	2,361,003	987,994	-	987,994	3,348,997
2008	2,568,103	9,467	2,577,570	1,420,165	1,037	1,421,202	3,998,772
2007	3,789,055	-	3,789,055	1,870,310	1,338	1,871,648	5,660,703
Financial liabilities							
Trade and other payables	-	-	-	1,056,316	-	1,056,316	1,056,316
2008	-	-	-	1,056,316	-	1,056,316	1,056,316
2007	-	-	-	543,828	-	543,828	543,828
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure	-	-	-	1,656	-	1,656	1,656
Open letters of credit	-	-	-	354,631	-	354,631	354,631
2008	-	-	-	356,287	-	356,287	356,287
2007	-	-	-	280,529	-	280,529	280,529

The effective mark-up rates for the monetary financial assets are mentioned in respective notes to the financial statements.

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(ii) Concentrations of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The company's products are either sold against cash or demand drafts issued by Zarai Taraqiati Bank Limited (ZTBL) and certain other commercial banks. Hence, the company believes that it is not exposed to credit risk against tractor sales.

The company places surplus funds with various reputed banks and Non-Banking Finance Companies (NBFCs). The exposure to the banks and NBFCs is managed through monitoring of limits on exposure on a continuous basis.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks included in trade and other payables as at December 31, 2008 amounted to Rs 43.59 million (2007: Nil).

(iv) Liquidity risk

The company manages liquidity risk by maintaining sufficient cash and balances with banks and the availability of financing through banking arrangements.

(v) Fair values of the financial instruments

The carrying values of all the financial instruments reflected in the financial statements approximate their fair values.

33. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders. The capital structure of the company is equity based with no financing through long term or short term borrowings.

34. PLANT CAPACITY AND PRODUCTION

	2008	2007
Plant capacity (single shift) - units	30,000	30,000
Actual production - units	27,550	26,376

34.1 Low actual production was due to limited availability of local components.

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35. DIVIDEND

The Board of Directors in their meeting held on February 23, 2009 have proposed a final cash dividend of Rs 12.5 per share amounting to Rs 536.71 million (2007: Rs 7.50 per share amounting to Rs 322.02 million).

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 23, 2009 by the Board of Directors.

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Chairman

Chief Executive