A.F. FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants
Karachi

"In case of any discrepancy on the Company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company's registered office."

Dated: February 21, 2011

Name of Engagement Partner: Ali Muhammad Mesia

AL-GHAZI TRACTORS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2010

	Note	2010	2009
		Rupees '000	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	368,671	252,695
Long-term investment	4	40,000	-
Long-term loans		495	2,858
Long-term deposits		367	367
		409,533	255,920
CURRENT ASSETS			
Stores, spares and loose tools	5	9,749	11,691
Stock-in-trade	6	1,073,122	1,253,682
Trade debts	7	264,063	20,292
Loans and advances	8	22,109	32,012
Short-term deposits and prepayments	9	11,476	12,725
Accrued mark-up	10	54,884	128,281
Other receivables	11	57,967	10,761
Taxation		339,456	530,563
Refunds due from the Government	12	979,537	1,457,265
Investments	13	1,331,464	145,000
Cash and bank balances	14	3,112,794	3,522,479
		7,256,621	7,124,751
		7,666,154	7,380,671
SHARE CAPITAL AND RESERVES			
Share capital	15	214,682	214,682
Reserves	16	6,148,039	5,205,237
		6,362,721	5,419,919
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		24,405	21,871
Deferred taxation	17	37,739	31,460
CURRENT LIABILITIES			
Trade and other payables	18	1,241,289	1,907,421
COMMITMENTS	19		
		7,666,154	7,380,671

The annexed notes 1 to 38 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, 2010

	Note	2010	2009
		Rupees '000	
Sales	21	14,936,034	15,764,825
Cost of goods sold	22	(11,987,519)	(13,119,011)
Gross profit		2,948,515	2,645,814
Distribution cost	23	(92,605)	(87,569)
Administrative expenses	24	(121,174)	(111,270)
		2,734,736	2,446,975
Other operating income	25	381,640	411,070
Other operating expenses	26	(214,939)	(197,057)
		2,901,437	2,660,988
Finance cost	27	(1,324)	(2,154)
Profit before taxation		2,900,113	2,658,834
Taxation	28	(991,241)	(915,299)
Profit after taxation		1,908,872	1,743,535
Earnings per share	29	Rs 44.46	Rs 40.61

The annexed notes 1 to 38 form an integral part of these financial statements.

Chairman

Chief Executive

AL-GHAZI TRACTORS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	2,339,720	1,553,642
Income tax paid		(793,855)	(1,328,754)
Increase in deferred staff benefits - compensated absences		2,534	2,504
Net cash from operating activities		1,548,399	227,392
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(148,797)	(46,025)
Proceeds from disposal of fixed assets		4,617	2,529
Purchase of investments		(1,300,000)	(400,000)
Proceeds from sale of investments		149,161	746,938
Return on bank deposits		283,386	355,399
Return on Certificates of Investment (COIs)		15,087	29,572
Decrease in long-term loans		2,363	7,279
Net cash (used in) / from investing activities		(994,183)	695,692
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid		(963,901)	(749,602)
Net (decrease) / increase in cash and cash equivalents		(409,685)	173,482
Cash and cash equivalents at the beginning of the year		3,522,479	3,348,997
Cash and cash equivalents at the end of the year	14	3,112,794	3,522,479

The annexed notes 1 to 38 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, 2010

	Share capital	General reserve	Unappropriated profit	Total
	Rupees '000			
Balance at January 1, 2009	214,682	1,000,000	3,213,090	4,427,772
Final dividend @ Rs 12.5 per share for the year ended December 31, 2008	-	-	(536,706)	(536,706)
Interim dividend @ Rs 5 per share for the year ended December 31, 2009	-	-	(214,682)	(214,682)
Net profit after taxation for the year ended December 31, 2009	-	-	1,743,535	1,743,535
Balance at December 31, 2009	214,682	1,000,000	4,205,237	5,419,919
Final dividend @ Rs 15 per share for the year ended December 31, 2009	-	-	(644,047)	(644,047)
Interim dividend @ Rs 7.5 per share for the year ended December 31, 2010	-	-	(322,023)	(322,023)
Net profit after taxation for the year ended December 31, 2010	-	-	1,908,872	1,908,872
Balance at December 31, 2010	214,682	1,000,000	5,148,039	6,362,721

The annexed notes 1 to 38 form an integral part of these financial statements.

Chairman

Chief Executive

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 registered office of the company is situated at '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 judgement 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 31.

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 judgements made by the company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.1.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards effective in 2010 but not relevant

Certain standards, amendments and new interpretations to existing approved accounting standards are effective from the current year. However, these did not affect the financial statements, therefore, these have not been detailed here.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

i. IAS 1 (Amendment) 'Presentation of Financial Statements' is effective for the accounting periods beginning on or after January 01, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. There are no items of other comprehensive income, therefore, no impact is expected on the company's financial statements.

ii. IAS 24 (Revised) 'Related Party Disclosures' is effective for the accounting periods beginning on or after January 01, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have a material impact on the company's financial statements.

iii. IFRS 7 (Amendment) 'Financial Instruments: Disclosures' is effective for the accounting periods beginning on or after January 01, 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the financial instruments disclosures in the company's financial statements.

iv. IFRIC 14 (Amendment) 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction' is effective for the accounting periods beginning on or after January 01, 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the company's financial statements.

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 life of the assets as estimated by the management is 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

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 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 laws.

Deferred

Deferred tax is accounted for using the 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.

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.

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.

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 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 recognition methods adopted for each of the financial instruments is disclosed in the relevant notes of accounting policies.

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 at 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 despatch of goods to customers.

Return on deposits and investments is recognised on accrual basis.

2.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset, if any, are capitalised as part of the cost of that asset.

2.20 Dividend distribution

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

	Note	2010	2009
		Rupees '000	

3. FIXED ASSETS

3.1 PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
Operating assets	3.2	360,293	252,695
Capital work-in-progress - civil work		8,378	-
Intangible assets	3.3	-	-
		368,671	252,695

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										
Net carrying value basis											
Year ended December 31, 2010											
Opening net book value	3,854	613	106,480	5,665	104,146	1,666	446	670	16,012	13,143	252,695
Additions	-	80,688	25,812	809	12,138	1,021	400	625	15,802	3,124	140,419
Deletions - note 3.2.1											
Cost	-	-	(8,612)	-	(5,790)	(707)	-	(8)	(16,122)	(2,452)	(33,691)
Accumulated depreciation	-	-	8,612	-	5,611	656	-	8	15,609	2,175	32,671
	-	-	-	-	(179)	(51)	-	-	(513)	(277)	(1,020)
Depreciation / amortisation charge	-	(483)	(3,458)	(228)	(14,634)	(730)	(86)	(586)	(9,124)	(2,472)	(31,801)
Closing net book value	3,854	80,818	128,834	6,246	101,471	1,906	760	709	22,177	13,518	360,293
Gross carrying value basis											
At December 31, 2010											
Cost	3,854	81,518	178,072	9,778	205,690	8,520	3,702	14,288	56,125	44,517	606,064
Accumulated depreciation / amortisation	-	(700)	(49,238)	(3,532)	(104,219)	(6,614)	(2,942)	(13,579)	(33,948)	(30,999)	(245,771)
Net book value	3,854	80,818	128,834	6,246	101,471	1,906	760	709	22,177	13,518	360,293
Net carrying value basis											
Year ended December 31, 2009											
Opening net book value	3,854	621	109,132	5,889	82,592	1,992	556	1,075	15,443	12,060	233,214
Additions	-	-	740	-	34,148	586	84	396	8,868	3,441	48,263
Deletions											
Cost	-	-	-	-	(948)	(691)	(15)	-	(2,539)	(249)	(4,442)
Accumulated depreciation	-	-	-	-	948	529	15	-	2,539	243	4,274
	-	-	-	-	-	(162)	-	-	-	(6)	(168)
Depreciation / amortisation charge	-	(8)	(3,392)	(224)	(12,594)	(750)	(194)	(801)	(8,299)	(2,352)	(28,614)
Closing net book value	3,854	613	106,480	5,665	104,146	1,666	446	670	16,012	13,143	252,695
Gross carrying value basis											
At December 31, 2009											
Cost	3,854	830	160,872	8,969	199,342	8,206	3,302	13,671	56,445	43,845	499,336
Accumulated depreciation / amortisation	-	(217)	(54,392)	(3,304)	(95,196)	(6,540)	(2,856)	(13,001)	(40,433)	(30,702)	(246,641)
Net book value	3,854	613	106,480	5,665	104,146	1,666	446	670	16,012	13,143	252,695

3.2.1 Details of fixed assets disposed of during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees '000					
Vehicle	524	44	480	524	Insurance Claim	EFU General Insurance Limited 206, Kashif Centre Shahrah-e-Faisal Karachi
Aggregate of assets disposed of having book value less than Rs. 50,000 each:						
Furniture and fixtures	360	309	51	40		
Vehicles	15,598	15,565	33	4,050		
Factory equipment and tools	29	29	-	3		
	16,511	15,947	564	4,617		
Asset destroyed due to fire - Note 25.1						
Building	8,612	8,612	-			
Plant and machinery	5,790	5,611	179			
Furniture and fixture	347	347	-			
Computer hardware	8	8	-			
Factory equipment and tools	2,423	2,146	277			
	17,180	16,724	456			
	33,691	**32,671**	**1,020**			

	Note	2010	2009
		Rupees '000	

3.3 **INTANGIBLE ASSETS**

		2010	2009
Computer software - cost		6,234	6,234
Accumulated amortisation		(6,234)	(6,234)
Net book value		-	-

4. **LONG-TERM INVESTMENT**

	Note	2010	2009
Held to maturity - Certificates of Investment (COIs)	4.1	100,000	145,000
Current maturity of investment	13	(60,000)	(145,000)
		40,000	-

4.1 The COI(s) carry mark - up of 7% per annum (2009: 13% to 16% per annum) and maturing in 2012.

		Note	2010	2009
			Rupees '000	
5.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		8,066	5,735
	Spares		1,683	5,956
			9,749	11,691
6.	**STOCK-IN-TRADE**			
	Raw materials and components – including in transit Rs 154.87 million (2009: Rs 94.12 million)	6.1	1,036,672	1,167,843
	Finished goods – tractors		34,496	83,332
	Trading stock – spare parts and implements		1,954	2,507
			1,073,122	1,253,682

6.1 The above includes raw materials and components of Rs 14.89 million (2009: Rs 12.79 million) held by third parties.

		2010	2009
		Rupees '000	
7.	**TRADE DEBTS – considered good**		
	Secured	236,827	914
	Unsecured	27,236	19,378
		264,063	20,292

7.1 The age analysis of trade debts is as follows:

	2010	2009
Not yet due	-	20,292
1 to 6 months	264,063	-
	264,063	20,292

	Note	2010	2009
		Rupees '000	

8. LOANS AND ADVANCES – considered good

	Note	2010	2009
Loans to employees	8.1	1,201	1,314
Dealer car loans	8.2	2,158	6,683
Advances to suppliers for goods and services		18,750	24,015
		22,109	32,012

8.1 This represents current portion of 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.

8.2 This represents current portion of loans given by the company to finance the purchase of cars by dealers. The amount is repayable in 36 monthly installments by April 2011 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.

	Note	2010	2009
		Rupees '000	

9. SHORT-TERM DEPOSITS AND PREPAYMENTS

Security deposits	4,535	12,308
Prepayments	6,941	417
	11,476	12,725

10. ACCRUED MARK-UP

Mark-up accrued on		
- Certificates of Investment (COIs)	344	5,995
- Deposit accounts with banks	54,540	122,286
	54,884	128,281

11. OTHER RECEIVABLES

Due from Al-Futtaim Industries Company LLC			
- holding company	11.1	29	-
Due from associated companies	11.2	-	80
Workers' Profits Participation Fund	11.3	14,247	7,204
Due from Employees Gratuity Fund	31.1	-	389
Insurance claim receivable	25.1	39,000	-
Others		4,691	3,088
		57,967	10,761

11.1 Maximum aggregate due from Al-Futtaim Industries Company LLC - the holding company, at the end of any month during the year was Rs. 29 thousand.

11.2 There was no amount due from associated companies, at the end of any month during the year.

	Note	2010	2009
		Rupees ’000	

11.3 Workers’ Profits Participation Fund

At the beginning of the year		7,204	6,787
Allocation for the year		(155,753)	(142,795)
		(148,549)	(136,008)
Less: Amount paid during the year		162,796	143,212
		14,247	7,204

12. REFUNDS DUE FROM THE GOVERNMENT

Sales tax		762,091	1,319,259
Special excise duty		217,446	138,006
		979,537	1,457,265

13. INVESTMENTS

Held to maturity - Certificates of Investment	4	60,000	145,000
Investments at fair value through profit and loss account	13.1	1,271,464	-
		1,331,464	145,000

13.1 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	2010	2009
		Rupees ’000	

14. CASH AND BANK BALANCES

With banks on			
- Current accounts		813,408	1,162,492
- Deposit accounts	14.1 & 14.2	2,270,368	1,479,144
Demand drafts in hand		28,746	880,531
Cash in hand		272	312
		3,112,794	3,522,479

14.1 At December 31, 2010 the mark-up rates on PLS savings and term deposit accounts range from 5% to 13% per annum (2009: 4.19% to 14.5% per annum). The term deposits will mature in 2011.

14.2 Term deposits amounting to Rs 227 million (2009: Rs 300 million) have been held under lien by banks as a security against guarantees issued on behalf of the company.

	2010	2009
	Rupees '000	

15. SHARE CAPITAL

15.1 Authorised Share Capital

	2010	2009
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 2010	2009		2010	2009
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, 2009 and 2010 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.

16. RESERVES

	2010	2009
	Rupees '000	
Revenue reserve - General	1,000,000	1,000,000
Unappropriated profit	5,148,039	4,205,237
	6,148,039	5,205,237

	2010	2009
	Rupees '000	

17. DEFERRED TAXATION

	2010	2009
Credit / (Debit) balance arising on account of		
- accelerated tax depreciation allowances	46,281	39,115
- deferred staff benefits - compensated absences	(8,542)	(7,655)
	37,739	31,460

18. TRADE AND OTHER PAYABLES

	2010	2009
Creditors	813,688	1,364,071
Accrued liabilities	130,393	242,141
Customers' and dealers' advances	120,782	125,367
Unclaimed dividend	18,397	16,228
Deposits	23,065	22,151
Taxes deducted at source	10,636	9,087
Workers' Welfare Fund	59,186	58,153
Royalty payable to CNH Global N.V. - associated company	59,870	66,525
Due to Employees Gratuity Fund - note 31.1	423	-
Others	4,849	3,698
	1,241,289	1,907,421

19. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2010 amounted to Rs 7.64 million (2009: Rs 10.07 million).

20. UNFUNDED BANKING FACILITIES

The facilities for opening letters of credit and guarantees as at December 31, 2010 amounted to Rs 2,325 million (2009: Rs 2,625 million) of which unutilised balance at year end amounted to Rs 1,736 million (2009: Rs 1,911 million).

The above arrangements are secured by way of pari-passu charge against hypothecation of company's stock-in-trade, book debts and term deposits held under lien by banks.

	2010	2009
	Rupees '000	

21. SALES

	2010	2009
Tractors	14,967,667	15,857,514
Trading goods	166,449	105,483
	15,134,116	15,962,997
Less:		
Commission and discounts	177,134	186,851
Sales tax	20,948	11,321
	198,082	198,172
	14,936,034	15,764,825

22. COST OF GOODS SOLD

	2010	2009
Manufactured goods		
Raw materials and components consumed	11,220,970	11,522,462
Salaries, wages and benefits	187,119	179,598
Charge / (Reversal) for defined benefit plan	862	(70)
Charge for defined contribution plan	2,272	2,169
Stores and supplies	190,753	166,188
Royalty and technical fee	143,985	152,626
Insurance	1,199	1,078
Depreciation	23,574	21,235
Fuel, power and electricity	33,693	28,894
Repairs and maintenance	23,334	21,366
Travelling, vehicle running and entertainment	3,413	3,352
Rent, rates and taxes	2,091	2,070
Freight charges	-	351
Communication	364	778
Printing and stationery	2,069	1,714
Others	2,087	1,217
Cost of goods manufactured	11,837,785	12,105,028
Opening stock of finished goods	83,332	1,024,712
Closing stock of finished goods	(34,496)	(83,332)
	11,886,621	13,046,408
Trading goods		
Opening stock	2,507	2,187
Purchases	100,345	72,923
	102,852	75,110
Closing stock	(1,954)	(2,507)
	100,898	72,603
	11,987,519	13,119,011

		2010	2009
		Rupees '000	
23.	**DISTRIBUTION COST**		
	Salaries, wages and benefits	48,983	48,414
	Charge/ (Reversal) for defined benefit plan	383	(36)
	Charge for defined contribution plan	1,016	972
	Insurance	28	34
	Depreciation / amortisation	4,126	3,454
	Fuel, power and electricity	1,222	1,017
	Travelling, vehicle running and entertainment	7,327	7,846
	Repairs and maintenance	319	229
	Rent, rates and taxes	517	476
	Communication	1,061	1,073
	Advertisement and promotion	1,006	806
	After sales expense	18,404	17,148
	Dealers' convention	4,000	3,503
	Freight charges	1,190	457
	Legal and professional charges	67	32
	Printing and stationery	2,257	1,747
	Others	699	397
		92,605	87,569
24.	**ADMINISTRATIVE EXPENSES**		
	Salaries, wages and benefits	86,072	80,166
	Charge/ (Reversal) for defined benefit plan	727	(66)
	Charge for defined contribution plan	2,099	1,802
	Insurance	21	22
	Depreciation	4,101	3,925
	Travelling, vehicle running and entertainment	7,973	6,339
	Repairs and maintenance	366	896
	Rent, rates and taxes	7,433	7,197
	Communication	6,413	5,168
	Auditors' remuneration - Note 24.1	1,891	1,759
	Legal and professional charges	2,043	2,104
	Printing and stationery	1,997	1,830
	Others	38	128
		121,174	111,270

		2010	2009
		Rupees '000	
24.1	Auditors' remuneration		
	Audit fee	1,000	750
	Fee for limited review of half yearly financial statements, certification for compliance with Code of Corporate Governance, certifications for government and other agencies and other services	685	829
	Out of pocket expenses	206	180
		1,891	1,759

25. OTHER OPERATING INCOME

		2010	2009
Income from financial assets			
Return on deposit accounts		215,640	335,090
Return on COIs		9,436	14,117
Revaluation gain on investments at fair value through profit and loss account		71,464	-
Gain on disposal of investments at fair value through profit and loss account		4,161	45,178
Others		487	1,169
		301,188	395,554
Income from other assets			
Scrap sales		16,712	11,923
Profit on disposal of fixed assets		4,053	2,361
Insurance claim against assets destroyed by fire	Note 25.1	59,000	-
Less: assets destroyed by fire -			
- net book value of fixed assets		(456)	-
- cost of raw materials and components		(4,470)	-
- cost of stores and spares		(6,234)	-
		47,840	-
Provision for Workers' Welfare Fund written back		5,009	-
Discount received		5,100	-
Others		1,738	1,232
		80,452	15,516
		381,640	411,070

25.1 On April 17, 2010 a fire broke out at the company's factory located at Dera Ghazi Khan. Consequently a part of the company's factory premises was affected by the incident which resulted in destruction of certain items of fixed assets, raw materials and components and stores and spares. An insurance claim of Rs 59 million was acknowledged by the insurance company in respect of the destroyed assets. During the year Rs 20 million has been received against the insurance claim and the balance received subsequently.

		2010	2009
		Rupees '000	
26.	**OTHER OPERATING EXPENSES**		
	Workers' Profits Participation Fund	155,753	142,795
	Workers' Welfare Fund	59,186	54,262
		214,939	197,057
27.	**FINANCE COST**		
	Bank charges and commission	1,324	2,154
28.	**TAXATION**		
	Current		
	- for the year	983,529	911,000
	- prior year	1,433	-
	Deferred	6,279	4,299
		991,241	915,299
28.1	Relationship between tax expense and accounting profit:		
	Accounting profit before tax	2,900,113	2,658,834
	Tax at applicable rate of 35%	1,015,040	930,592
	Effect of prior year	1,433	-
	Effect of income at reduced rate	(26,053)	(15,812)
	Effect of permanent differences	821	519
		991,241	915,299
29.	**EARNINGS PER SHARE**		
	Profit after taxation attributable to ordinary shareholders	1,908,872	1,743,535
	Number of ordinary shares outstanding (in thousands) at the end of the year	42,936	42,936
	Earnings per share	Rs 44.46	Rs 40.61

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2009 and 2010 which would have any effect on the earnings per share if the option to convert exercised.

	2010	2009
	Rupees '000	

30. CASH GENERATED FROM OPERATIONS

	2010	2009
Profit before taxation	2,900,113	2,658,834
Add / (less): Adjustment for non-cash charges and other items		
Depreciation / amortisation	31,801	28,614
Profit on disposal of fixed assets	(4,053)	(2,361)
Net book value of fixed assets destroyed by fire	456	-
Gain on disposal of investments at fair value through profit and loss account	(4,161)	(45,178)
Revaluation gain on investments at fair value through profit and loss account	(71,464)	-
Return on bank deposits	(215,640)	(335,090)
Return on COIs	(9,436)	(14,117)
	2,627,616	2,290,702
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	1,942	2,982
Stock-in-trade	180,560	677,717
Trade debts	(243,771)	(13,149)
Loans and advances	9,903	5,381
Short-term deposits and prepayments	1,249	3,718
Other receivables	(47,206)	(923)
Refunds due from the Government	477,728	(706,711)
	380,405	(30,985)
Decrease in current liabilities		
Trade and other payables	(668,301)	(706,075)
	(287,896)	(737,060)
	2,339,720	1,553,642

		2010	2009	
		Rupees '000		
31.	**STAFF RETIREMENT BENEFIT**			
31.1	**Movement in asset**			
	Balance as at January 1	(389)	(217)	
	Charge / (Reversal) for the year - Note 31.5	1,973	(172)	
	Employer contributions	(1,161)	-	
	Balance as at December 31	423	(389)	
31.2	**Movement in the defined benefit obligation**			
	Obligation as at January 1	86,027	76,065	
	Service cost	4,740	3,871	
	Interest cost	11,885	11,410	
	Actuarial gains	(2,397)	(118)	
	Benefits paid	(2,274)	(5,201)	
	Obligation as at December 31	97,981	86,027	
31.3	**Movement in the fair value of plan assets**			
	Fair value as at January 1	100,519	95,194	#
	Expected return on plan assets	14,073	14,279	#
	Actuarial losses	(1,669)	(3,753)	#
	Employer contributions	1,161	-	#
	Benefits paid	(2,274)	(5,201)	#
	Fair value as at December 31	111,810	100,519	#
31.4	**Balance sheet reconciliation as at December 31**			
	Present value of obligation	97,981	86,027	
	Fair value of plan assets	(111,810)	(100,519)	
	Unrecognised actuarial gains	14,252	14,103	
		423	(389)	
31.5	**Charge / (Reversal) for the year**			
	Service cost	4,740	3,871	
	Interest cost	11,885	11,410	
	Expected return on plan assets	(14,073)	(14,279)	
	Actuarial gains recognised during the year	(579)	(1,174)	
		1,973	(172)	
31.6	**Actual return on plan assets**	12,404	10,526	

31.7 Key actuarial assumptions used are as follows:

	2010	2009
Expected rate of return on investments	14%	14%
Expected rate of increase in salaries		
- Management staff	12%	12%
- Non-management staff	12%	12%
Discount factor used	14%	14%
Retirement age (years)	60	60

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

	2010	2009	2008	2007	2006
	Rupees '000				
Comparison for five years:					
As at December 31					
Present value of defined benefit obligation	97,981	86,027	76,065	73,774	66,835
Fair value of plan assets	(111,810)	(100,519)	(95,194)	(85,499)	(78,760)
Surplus	(13,829)	(14,492)	(19,129)	(11,725)	(11,925)
Experience adjustments					
Actuarial gain on obligation	(2,397)	(118)	(6,072)	(287)	(2,409)
Actuarial (loss) / gain on plan assets	(1,669)	(3,753)	1,944	(873)	2,715
	(4,066)	(3,871)	(4,128)	(1,160)	306

31.9 Composition of plan assets:

	2010		2009	
	Rupees '000	%	Rupees '000	%
Term Deposits	99,694	89.16	92,223	91.75
Others (include bank balance)	12,116	10.84	8,296	8.25
	111,810	100.00	100,519	100.00

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

31.11 As per actuarial advice, the company is expected to contribute Rs 2 million towards gratuity fund in 2011 (2010: 1.55 million).

31.12 The information in note 31 is based on actuarial valuation.

32. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties during the year:

	Relationship	Nature of transactions	2010	2009
			Rupees '000	
i.	Holding company:	Dividends paid	483,212	375,831
		Recovery of expenses	-	50
ii.	Other related parties:	Dividends paid	417,040	324,364
		Royalty paid	116,619	122,230
		Recovery of expenses	80	326
		Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	5,387	4,943
		Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	1,161	-
iii.	Key management personnel:	Salaries and other employee benefits	100,671	82,299
		Retirement benefits	3,235	1,938

The outstanding balances of related parties as at December 31, 2010 are included in trade and other payables and other receivables respectively.

33. 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	
	2010	2009	2010	2009	2010	2009
	Rupees '000					
Managerial remuneration	8,400	7,200	3,561	3,174	12,244	9,503
Bonus and ex-gratia	18,900	16,800	8,012	7,407	25,683	20,061
House Rent	3,780	3,240	1,602	1,428	5,509	4,052
Utilities	840	720	356	317	1,224	900
Retirement benefits	1,128	720	483	317	1,624	900
Medical expenses	-	162	64	175	953	653
Leave passage	1,785	1,530	756	675	2,672	1,962
Other expenses	663	434	497	356	3,170	1,550
	35,496	30,806	15,331	13,849	53,079	39,581
Number of persons	1	1	1	1	10	7

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 538 thousand (2009: Rs 535 thousand).

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(i) Financial assets and liabilities by category and their respective maturities

	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							
Loans and receivables							
Loans and advances	2,158	-	2,158	1,201	495	1,696	3,854
Deposits	-	-	-	4,535	367	4,902	4,902
Trade debts	-	-	-	264,063	-	264,063	264,063
Accrued mark-up	-	-	-	54,884	-	54,884	54,884
Other receivables	-	-	-	43,720	-	43,720	43,720
Cash and bank balances	2,270,368	-	2,270,368	842,426	-	842,426	3,112,794
Investments							
- Held to maturity at amortised cost	60,000	40,000	100,000	-	-	-	100,000
- At fair value through profit and loss	-	-	-	1,271,464	-	1,271,464	1,271,464
2010	2,332,526	40,000	2,372,526	2,482,293	862	2,483,155	4,855,681
2009	1,630,827	2,227	1,633,054	2,209,087	998	2,210,085	3,843,139
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	1,050,685	-	1,050,685	1,050,685
2010	-	-	-	1,050,685	-	1,050,685	1,050,685
2009	-	-	-	1,714,814	-	1,714,814	1,714,814
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure							7,642
Letters of credit and guarantee							588,873
2010							596,515
2009							724,380

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

(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. Out of the total financial assets of Rs. 4.856 billion (2009: Rs. 3.843 billion) the financial assets exposed to the credit risk amount to Rs. 4.855 billion (2009: Rs. 3.843 billion) which mainly comprise of balances with banks.

The company places surplus funds with various reputed banks and Non-Banking Finance Companies (NBFCs) having minimum credit rating of A-1 assigned by credit rating agencies. The company monitors its exposure to a single bank or NBFC and their respective ratings on continuous basis.

The company's products are mainly 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. As of December 31, 2010 there is no past due or impaired balance and the carrying amount of trade debts relates to independent customers for whom there is no recent history of default.

Loans to employees and dealers are not exposed to any material credit risk. Loans to employees are secured against their retirement benefits while All Pakistan Fiat / New Holland Tractor Dealers Association stands surety for dealers loans.

Other receivables are not exposed to any significant credit risk.

Deposits have been placed mainly with government institutions, hence exposed to no significant credit risk.

The management does not expect any losses from non-performance by these counterparts.

(iii) Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The company manages liquidity risk by maintaining sufficient cash and balances with banks. As at December 31, 2010 there is no maturity mismatch between financial assets and liabilities that expose the company to liquidity risk.

(iv) Market risk

a) 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, 2010 amounted to Rs 36.94 million (2009: Rs 65.47 million).

The company imports raw materials and components in US Dollar and is exposed to Rupee / US Dollar exchange risk. If the Pakistan Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs 3.69 million (2009: Rs 6.55 million), mainly as a result of foreign exchange losses / gains on settlement of US Dollar denominated trade payables.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentage for movement in foreign exchange rates has been used due to the fact that historically (5 years) rate has moved on average basis by the mentioned percentage per annum.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at December 31, 2010, the company's interest bearing financial assets amounted to Rs 2.37 billion (2009: Rs. 1.63 billion) and had the interest rate varied by 100 basis points with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs. 20.03 million (2009: Rs. 19.82 million).

(v) Fair values of the financial instruments

The carrying values of all the financial instruments reflected in the financial statements are at fair values.

35. 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.

36. PLANT CAPACITY AND PRODUCTION

	2010	2009
Plant capacity (single shift) - units	30,000	30,000
Actual production - units	29,020	30,351

37. DIVIDEND

The Board of Directors in their meeting held on February 14, 2011 have proposed a final cash dividend of Rs 12.50 per share amounting to Rs 536.71 million (2009: Rs 15 per share amounting to Rs 644.05 million).

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 14, 2011 by the Board of Directors.

Chairman

Chief Executive