

AL-GHAZI TRACTORS LIMITED

CHAIRMAN'S REVIEW

According to the latest quarterly report of the State Bank of Pakistan the manufacturing sector continues to reel under pressure due to economic slowdown at national and international levels. However you will be happy to note that the Company continued to perform very well under the circumstances during the first quarter of the year 2009.

9,288 tractors were delivered during the quarter, compared with 5,458 tractors during the same period last year. However it should be noted that this volume includes 2008 backlog of 2,594 tractors of the Green Tractor Scheme. These units were invoiced in December 2008 but not delivered due to payment issues with the Government of Punjab. These issues were eventually resolved and the Company gave discount on agreed prices.

During the quarter the company has earned a pre-tax profit of Rs. 572.50 million compared with Rs. 356.53 million earned during the same period last year. Because of the extra discount given on the Green Tractor Scheme, the gross profit of the Company for the first quarter contracted to 12.85%. All tractors booked under the Green Tractor Scheme have now been delivered. A total of 1615 tractors in 2008 and 4454 tractors in 2009 have been delivered under the scheme and now there are no pending commitments.

The Economic Coordination Committee of the Cabinet has, in principle, approved the Benazir Tractor Scheme to provide 20,000 tractors to the farmers with a subsidy of Rs. 200,000 per tractor. The modalities of the scheme are now being worked out. The Ministry of Industries and Production is reported to have recommended that the scheme be limited to locally assembled tractors. This is indeed encouraging. This will also directly benefit the local vending industry which supplies 92% of the components to local tractor manufacturers and which is facing a slowdown because of a downturn in the auto industry. The farmers will also benefit from the intensive after-sale-support and the easy availability of spare parts of locally manufactured tractors in Pakistan. Previous schemes of the Federal Government which were restricted to imported tractors had ended up in scandals and were quashed by the superior courts. Also, imported tractors are expensive and usually without adequate after-sale-support.

The State Bank of Pakistan has predicted significant agricultural growth during the current fiscal year. The assessment is based on an anticipated good harvest and supportive government policies on pricing. We hope this anticipated growth will also benefit the tractor industry with increased demands for tractors.

The Company's financial results will be placed on the Company's website at www.alghazitractors.com.

For and on behalf of
the Board

Karachi
April 21, 2009

Colin D.W. Leitch
Chairman

BALANCE SHEET
AS AT MARCH 31, 2009

	(Unaudited) March 31, 2009	(Audited) Dec 31, 2008
Note	(Rupees'000)	
ASSETS		
NON-CURRENT ASSETS		
Fixed Assets	230,173	235,452
Long-term loans	7,806	10,137
Long-term deposits	367	367
CURRENT ASSETS		
Stores, spares and loose tools	14,107	14,673
Stock-in-trade	926,000	1,931,399
Trade debts	-	7,143
Loans and advances	19,376	37,393
Short-term deposits and prepayments	11,161	16,443
Accrued mark-up	54,734	164,045
Other receivables	19,474	9,838
Taxation	289,846	112,809
Sales tax refundable	693,616	750,554
Investments	459,529	446,760
Cash and bank balances	4,315,317	3,348,997
	<u>6,803,160</u>	<u>6,840,054</u>
	<u>7,041,506</u>	<u>7,086,010</u>
SHARE CAPITAL AND RESERVES		
Share Capital		
Authorized		
60,000,000 ordinary shares of Rs. 5 each	<u>300,000</u>	<u>300,000</u>
Issued, subscribed and paid-up	214,682	214,682
Reserves	<u>4,587,639</u>	<u>4,213,090</u>
	4,802,321	4,427,772
Accumulating compensated staff benefits	16,853	19,367
Deferred taxation	29,019	27,161
CURRENT LIABILITIES		
Trade and other payables	2,193,313	2,611,710
	<u>7,041,506</u>	<u>7,086,010</u>

The annexed notes form an integral part of these financial statements

**PROFIT & LOSS ACCOUNT
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)**

	Note	Quarter ended	
		March 31, 2009	March 31, 2008
		(Rupees'000)	
Sales	4	4,296,522	1,921,345
Cost of goods sold	5	<u>(3,741,851)</u>	<u>(1,608,412)</u>
Gross profit		554,671	312,933
Distribution cost		(19,518)	(17,721)
Administrative expenses		<u>(25,456)</u>	<u>(24,121)</u>
		509,697	271,091
Other Operating Income		107,751	113,283
Other Operating Expenses		<u>(42,431)</u>	<u>(26,423)</u>
		575,017	357,951
Finance Cost		<u>(2,513)</u>	<u>(1,424)</u>
Profit before Taxation		572,504	356,527
Taxation		<u>(197,955)</u>	<u>(124,784)</u>
Net Profit after Taxation		<u>374,549</u>	<u>231,743</u>
Earnings per share		<u>8.72</u>	<u>5.40</u>

The annexed notes form an integral part of these financial statements

Chairman

Chief Executive Officer

CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)

	Note	March 31, 2009	March 31, 2008
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	6	1,140,805	(31,907)
Taxes paid		(373,134)	(332,917)
Decrease in long term loans		2,331	18
(Decrease) in accumulated compensating staff benefits		<u>(2,514)</u>	<u>(213)</u>
Net cash inflow from operating activities		767,488	(365,019)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,494)	(1,351)
Sale proceeds of fixed assets		1,077	421
Return on certificates of investments and deposits		199,260	248,250
Net cash inflow (outflow) from investing activities		198,843	247,320
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		<u>(11)</u>	<u>(215,017)</u>
Net cash (Outflow) from financing activities		<u>(11)</u>	<u>(215,017)</u>
Net increase in cash and cash equivalents		966,320	(332,716)
Cash and cash equivalents at the beginning of period		<u>3,348,997</u>	<u>4,384,551</u>
Cash and cash equivalents at the end of period		<u><u>4,315,317</u></u>	<u><u>4,051,835</u></u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)**

	Share capital	General reserve	Unappropriated profit	Total
	Rupees'000			
Balance as at January 1, 2008	214,682	1,000,000	2,636,539	3,851,221
Final Dividend @Rs. 7.50 per share for the year ended December 31, 2007	-	-	(322,023)	(322,023)
Net profit after taxation for the year ended December 31, 2008	-	-	1,113,256	1,113,256
Interim Dividend for the year ended December 31, 2008 @ Rs. 5 per share	-	-	(214,682)	(214,682)
Balance as at December 31, 2008	214,682	1,000,000	3,213,090	4,427,772
Net profit for three months to March 31, 2009	-	-	374,549	374,549
Balance as at March 31, 2009	214,682	1,000,000	3,587,639	4,802,321

The annexed notes form an integral part of these financial statements

Chairman

Chief Executive Officer

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)**

1 THE COMPANY AND ITS OPERATIONS

Al-Ghazi Tractors Limited is a public company quoted on Karachi and Lahore stock exchanges. The company is engaged in the manufacture and sale of agricultural tractors, implements and spare parts.

2 BASIS OF PREPARATION

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

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

	(Un-audited) March 31, 2009	(Audited) Dec 31, 2008
	(Rupees'000)	
3 FIXED ASSETS		
Cost- 1. 1. 2009	457,753	448,613
Additions	1,494	18,338
Disposals	(1,431)	(9,198)
	<u>457,816</u>	<u>457,753</u>
Accumulated Depreciation - 1. 1. 2009	222,301	203,685
Charge for the period	6,773	27,165
Depreciation on disposals	(1,431)	(8,549)
	<u>227,643</u>	<u>222,301</u>
Accumulated Depreciation - 31. 3. 2009	<u>227,643</u>	<u>222,301</u>
Net Book Value at 31. 3. 2009	<u>230,173</u>	<u>235,452</u>
	(Un-audited) March 31, 2009	(Un-audited) March 31, 2008
	(Rupees'000)	
4 SALES		
Sales	4,374,529	1,947,406
Less: Commission	(78,007)	(26,061)
	<u>4,296,522</u>	<u>1,921,345</u>
5 COST OF GOODS SOLD		
Cost of goods manufactured	2,715,082	1,599,128
Opening stock of finished goods	1,024,712	9,654
Closing stock of finished goods	(3,086)	(8,876)
Manufactured goods	3,736,708	1,599,906
Trading goods	5,143	8,506
	<u>3,741,851</u>	<u>1,608,412</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED MARCH 31, 2009 (UN-AUDITED)**

(Un-audited) (Audited)
March 31, March 31,
2009 2008
(Rupees'000)

6 CASH GENERATED FROM OPERATIONS

Profit before taxation	572,504	356,527
Add/(Less) adjustment for non cash charges and other items		
Depreciation / amortisation	6,773	6,878
Profit on sale of fixed assets	(1,077)	(421)
Gain on investment at fair value	(12,769)	(11,730)
Return on certificate of investments and deposits	<u>(89,949)</u>	<u>(99,168)</u>
Profit before working capital changes	475,482	252,086

Effect on Cash Flow due to Working Capital changes

(Increase) / decrease in current assets

Stores and spares	566	(2,179)
Stock in trade	1,005,399	(285,282)
Trade debts	7,143	(28,571)
Loans and advances	18,017	(21,118)
Short term deposits and prepayments	5,282	(6,949)
Sales tax refundable	56,938	1,284
Other receivables	<u>(9,636)</u>	<u>1,163</u>
	1,083,709	(341,652)

Increase in current liabilities

Creditors, accrued and other liabilities	<u>(418,386)</u>	<u>57,659</u>
Cash generated from operations	<u><u>1,140,805</u></u>	<u><u>(31,907)</u></u>

7 RELATED PARTY TRANSACTIONS

Significant related party transactions during the period amounted to Rs. 38.23 million .
(2008: Rs. 224.17 million)

8 AUTHORIZATION OF ISSUE

The financial statements were authorised for issue by the Board of Directors on 21st April, 2009.