



AL-GHAZI TRACTORS LTD
PRODUCERS OF NEW HOLLAND TRACTORS IN PAKISTAN

**Half yearly financial statements
for the period ended 30 June 2020**

AL-GHAZI TRACTORS LIMITED

DIRECTORS' REVIEW

The Directors are pleased to present the condensed interim financial information of the Company for the half year ended 30 June 2020.

In first half of 2020, the business community have encountered various challenges including overall economic slow-down, currency devaluation, locust attacks, COVID-19 driven supplies disruptions etc. These factors have impacted tractor market and led to its sharp shrinkage of 32% versus SPLY. But despite of all these challenges, the Company has managed to sell 5,944 tractors during the current half year as compared to 9,838 tractors sold during same period last year. The Company earned a post-tax profit of Rs. 435 million during this period, as compared to Rs. 961 million for same period last year. The half yearly EPS is Rs. 7.51 per share which is an increase of 162% from Quarter 1 (PKR 2.86).

Despite testing economic times, the Company has performed exceptionally well on balance sheet health improvements and effective working capital management has resulted in sustainable free cash flows' generation, optimal inventory levels' and an improved debt to equity ratios, etc.

Going forward, we expect existing economic scenario to continue its turbulent journey as markets will evolve during ongoing pandemic driven disruptions. However, the Company is devising strategies to stand resilient to these uncertain pressures through effective working capital and profitability optimization measures.

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

On behalf of the Board of Directors

Chief Executive Officer

Director

Karachi

28 July 2020

Independent Auditor's Review Report to the members of Al-Ghazi Tractors Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al-Ghazi Tractors Limited as at June 30, 2020 and the related condensed interim statement of profit or loss, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended, (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of profit or loss and other comprehensive income for the quarters ended June 30, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2020.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Syed Muhammad Hasnain.

Chartered Accountants
Karachi

Date:

AL-GHAZI TRACTORS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in thousand)	(Audited) December 31, 2019
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	1,090,686	1,068,382
Deferred tax asset		108,396	87,090
Long-term loans		1,527	2,437
Long-term deposits		3,605	2,320
		<u>1,204,214</u>	<u>1,160,229</u>
CURRENT ASSETS			
Inventories		1,603,505	2,786,893
Trade receivables		1,323	9,624
Loans and advances		96,815	93,216
Trade deposits and short-term prepayments		20,840	7,398
Interest accrued		272	-
Other receivables		40,453	108,134
Taxation - payments less provision		204,007	347,462
Refunds due from Government		850,402	773,334
Cash and bank balances	6	590,149	189,093
		<u>3,407,766</u>	<u>4,315,154</u>
TOTAL ASSETS		<u>4,611,980</u>	<u>5,475,383</u>
SHARE CAPITAL AND RESERVES			
Share capital		289,821	289,821
Unappropriated profit		1,049,447	613,896
		<u>1,339,268</u>	<u>903,717</u>
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		73,254	78,389
Employee benefit obligations		38,390	51,199
		<u>111,644</u>	<u>129,588</u>
CURRENT LIABILITIES			
Trade and other payables	7	2,120,186	736,098
Unclaimed dividend		74,859	77,084
Short-term financing	8	966,023	3,628,896
TOTAL LIABILITIES		<u>3,272,712</u>	<u>4,571,666</u>
COMMITMENTS			
	9		
TOTAL EQUITY AND LIABILITIES		<u>4,611,980</u>	<u>5,475,383</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

AL-GHAZI TRACTORS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2020 (UNAUDITED)

	Note	Quarter ended		Half year ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		← (Rupees in thousand) →			
Revenue from contracts with customers	10	3,026,395	3,737,979	5,708,469	8,571,170
Cost of sales	11	(2,406,294)	(2,898,223)	(4,591,761)	(6,659,695)
Gross profit		620,101	839,756	1,116,708	1,911,475
Distribution costs		(63,031)	(81,704)	(121,398)	(151,362)
Administrative expenses		(117,738)	(70,672)	(192,027)	(147,403)
		439,332	687,380	803,283	1,612,710
Other income	12	5,544	21,661	12,117	36,100
Other operating expenses		(39,502)	(42,814)	(90,040)	(100,138)
		405,374	666,227	725,360	1,548,672
Finance costs		(29,339)	(96,888)	(116,391)	(193,949)
Profit before income tax		376,035	569,339	608,969	1,354,723
Income tax expense					
Current		(127,793)	(168,168)	(194,724)	(387,943)
Deferred		21,306	(4,831)	21,306	(4,831)
		(106,487)	(172,999)	(173,418)	(392,774)
Profit after income tax		269,548	396,340	435,551	961,949
Basic and diluted earnings per share	13	Rs 4.65	Rs 6.84	Rs 7.51	Rs 16.60

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

AL-GHAZI TRACTORS LIMITED

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2020 (UNAUDITED)

	Quarter ended		Half year end	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	← (Rupees in thousand) →			
Profit after taxation	269,548	396,340	435,551	961,949
Other comprehensive income	-	-	-	-
Items that will not be subsequently reclassified in profit or loss	-	-	-	-
Total comprehensive income for the period	<u>269,548</u>	<u>396,340</u>	<u>435,551</u>	<u>961,949</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive

Chief Financial Officer

AL-GHAZI TRACTORS LIMITED**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

	Note	June 30, 2020 (Rupees in thousand)	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	14	3,383,215	1,280,699
Income tax paid		(51,269)	(423,521)
Mark-up paid		(192,119)	(164,768)
Decrease / (increase) in long-term deposits		(1,285)	(900)
(Decrease) / increase in deferred staff benefits - compensated absences		(5,135)	11,084
Decrease in employee benefit obligations		(12,809)	(21,602)
Net cash generated from operating activities		<u>3,120,598</u>	<u>680,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to fixed assets		(65,103)	(118,898)
Proceeds from disposal of fixed assets		268	363
Interest received		9,481	7,575
Decrease in long-term loans		910	56
Net cash used in investing activities		<u>(54,444)</u>	<u>(110,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2,225)	(523,805)
Net increase in cash and cash equivalents		<u>3,063,929</u>	<u>46,283</u>
Cash and cash equivalents at beginning of the period		(3,439,803)	(3,679,296)
Cash and cash equivalents at end of the period		<u>(375,874)</u>	<u>(3,633,013)</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive

Chief Financial Officer

AL-GHAZI TRACTORS LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

	Share capital	General reserve	Unappropriated profit	Total
	← (Rupees in thousand) →			
Balance as at January 1, 2020	289,821	-	613,896	903,717
Profit after tax for the half year ended June 30, 2020	-	-	435,551	435,551
Other comprehensive income for the half year ended June 30, 2020	-	-	-	-
	-	-	435,551	435,551
Balance as at June 30, 2020	289,821	-	1,049,447	1,339,268
Balance as at January 1, 2019	289,821	-	1,079,576	1,369,397
Final dividend @ Rs 9 per share for the year ended December 31, 2018	-	-	(521,681)	(521,681)
Profit after tax for the half year ended June 30, 2019	-	-	961,949	961,949
Other comprehensive income for the half year ended June 30, 2019	-	-	-	-
	-	-	961,949	961,949
Balance as at June 30, 2019	289,821	-	1,519,844	1,809,665

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive

Chief Financial Officer

AL-GHAZI TRACTORS LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2020 (UNAUDITED)

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) as a public limited company in June 1983 and is quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at 'Tractor House, Plot No. 102-B, 16th East Street, Off Korangi Road, Phase I, D.H.A, Karachi'. The Company is principally engaged in the manufacture and sale of agricultural tractors, implements and spare parts.

The Company is a subsidiary of Al-Futtaim Industries Company LLC, U.A.E.

These condensed interim financial statements are presented in Pak Rupee which is the Company's functional and presentation currency.

The events surrounding the COVID-19 pandemic (the virus) continue to evolve and impact global markets. The spread of the virus has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. Consequently, the worldwide automotive industry has been disrupted in the short term as a result of which, the sales and actual production of the Company during the period has decreased by 33% and 40% as compared to the prior period, as against an overall drop of 32.5% in sales volume of the tractor industry during the same period. The Company activated its response plan accordingly which included prioritizing the health and safety of its employees and dealers while maintaining business continuity and shutting down its plant for a period of 20 days from March 27, 2020 to April 15, 2020 in order to comply with directives issued by the provincial government. Further, the Company has entered this crisis in a strong position, having previously reported accumulated profits amounting to Rs. 780 million as at March 31, 2020 and operating cash flows amounting to Rs. 2.4 billion for the period ended March 31, 2020 respectively. While it is too early to predict the duration of the downturn, the Company believes their current liquidity availability provides them with sufficient financial resources to meet their anticipated working capital requirements and obligations as they come due. Further, no such indication exists for the Company that triggered impairment of its assets.

2. BASIS OF PREPARATION

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2019.

2.2 Changes in accounting standards, interpretations and amendments to published accounting and reporting standards

a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on January 1, 2020. However, these do not have any significant impact on the Company's financial reporting.

b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2021. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2019.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to annual audited financial statements for the year ended December 31, 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended December 31, 2019.

5. FIXED ASSETS

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

	Additions (at cost)		Disposals (at net book value)	
	June 30, 2020	December 2019	June 30, 2020	December 2019
	← (Rupees in thousand) →			
Building	-	132,939	-	-
Plant and machinery	5,011	39,528	-	4
Furnitures and fixtures	1,627	10,268	268	156
Computer hardware	1,237	5,784	-	3
Vehicles	-	14,888	-	-
Factory equipments and tools	1,898	5,924	-	55
	9,773	209,331	268	218

5.2 Additions to capital work in process and intangibles are Rs 55.12 million (2019: Rs 200.09 million) and Rs 0.21 million (2019: Rs 2.60 million) respectively.

	June 30, 2020	December 31, 2019
6. CASH AND BANK BALANCES	(Rupees in thousand)	
Cash with banks on		
- Current accounts	103,699	73,317
- PLS savings and deposit accounts	390,706	76,458
Cash in hand	538	401
Demand drafts in hand	95,206	38,917
	590,149	189,093

The rates of mark-up on savings accounts during the period ranged from 3.25% to 11.25% per annum (December 30, 2019: 6.75% to 11.25% per annum).

	June 30, 2020	December 31, 2019
7. TRADE AND OTHER PAYABLES	(Rupees in thousand)	
Creditors - note 7.1	1,190,768	154,836
Accrued liabilities	392,553	204,220
Accrued markup	29,336	105,988
Customers' and dealers' advances - unsecured	172,577	43,683
Deposits	70,876	71,132
Taxes deducted at source	23,403	17,860
Workers' Welfare Fund	49,673	33,576
Workers' Profit Participation Fund	16,815	-
Royalty payable to CNH Industrial N.V. - associated company	99,624	50,612
Others	74,561	54,191
	2,120,186	736,098

- 7.1 These include payable to CNH Industrial Italia S.p.A amounting to Rs. 1.97 million (2019: Rs. 9.2 million) against purchases made during the period.

8. SHORT-TERM FINANCING

The facility for running finance available from banks amounted to Rs. 4.5 billion (2019: Rs. 4.5 billion). Rates of mark-up ranges from three month KIBOR plus 0.25% to one month KIBOR plus 0.5% (2019: one month KIBOR plus 0.2% to three month KIBOR plus 0.3%) per annum.

The above arrangements are secured by way of hypothecation of selected plant and machinery and pari-passu charge against hypothecation of Company's present and future current assets.

9. COMMITMENTS

Commitments for capital expenditure outstanding as at June 30, 2020 amounted to Rs. 152.15 million (2019: Rs. 199.53 million).

	Half year ended	
	June 30, 2020	June 30, 2019
	(Rupees in thousand)	
10. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Tractors	6,091,473	9,095,824
Trading goods and others	27,489	52,569
	6,118,962	9,148,393
Less: Commission and discounts	(113,691)	(140,569)
Sales tax	(296,802)	(436,654)
	5,708,469	8,571,170
11. COST OF SALES		
Cost of goods manufactured	4,194,707	6,204,070
Opening stock of finished goods	648,957	822,097
Closing stock of finished goods	(269,817)	(399,004)
Cost of manufactured goods sold	4,573,847	6,627,163
Cost of trading goods and others sold	17,914	32,532
	4,591,761	6,659,695
12. OTHER INCOME		
Income from financial assets:		
Return on PLS savings and deposit accounts	9,753	8,852
Income from assets other than financial assets:		
Profit on disposal of fixed assets	-	333
Sale of scrap materials	1,431	17,599
Recovery of investment written off	-	3,000
Liability no longer required written back	-	4,900
Others	933	1,416
	12,117	36,100

	Half year ended	
	June 30, 2020	June 30, 2019
	(Rupees in thousand)	
13. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	435,551	961,949
Weighted average number of shares in issue during the period	57,964	57,964
Basic and diluted earnings per share - Rupees	7.51	16.60

There were no convertible dilutive potential ordinary shares in issue as at June 30, 2020 and 2019.

	Half year ended	
	June 30, 2020	June 30, 2019
	(Rupees in thousand)	
14. CASH GENERATED FROM OPERATIONS		
Profit before taxation	608,969	1,354,723
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and amortisation	42,531	39,055
Gain on disposal of fixed assets	-	(333)
Profit on PLS savings and deposit accounts	(9,753)	(8,852)
Mark up on running finance	115,467	190,704
	757,214	1,575,297

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets

Inventories	1,183,388	607,149
Trade receivables	8,301	(442,418)
Loans and advances	(3,599)	(5,752)
Trade deposits and short-term prepayments	(13,442)	(5,515)
Other receivables	67,681	9,310
Refunds due from Government	(77,068)	(562,939)
	1,165,261	(400,165)
Increase in current liabilities		
Trade and other payables	1,460,740	105,567
	2,626,001	(294,598)
Cash generated from operations	3,383,215	1,280,699

15. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	Half year ended	
		June 30, 2020	June 30, 2019
		(Rupees in thousand)	
i. Holding company	Dividend paid	-	260,934
ii. Other related parties	Dividend paid	-	225,201
	Royalty paid	-	49,278
	Royalty charge	42,640	63,784
	Purchases of goods	141	-
	Contribution to Al-Ghazi Tractors Staff Provident Fund	6,973	7,332
	Contribution to Al-Ghazi Tractors Employees' Gratuity Fund	10,955	9,701
iii. Key management personnel	Salaries and other employee benefits	91,612	71,019
	Retirement benefits	4,399	5,705

16. SUBSEQUENT EVENTS

16.1 The Board of Directors in its meeting held on July 28, 2020 transferred an amount of Rs. 1,049 million (2019: Rs. Nil) into general reserve out of unappropriated profits.

16.2 The Board of Directors in its meeting held on July 28, 2020 declared an interim cash dividend of Rs. Nil per share (2019: Rs. 15 per share) amounting to Rs. Nil (2019: Rs. 869.46 million).

17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on July 28, 2020 by the Board of Directors.

Chairman

Chief Executive

Chief Financial Officer