

Annual Report **2011**

Pakistan's Economy is Agrarian



The Bulwark of Agriculture



QUALITY MANAGEMENT-BRAND STRENGTH

AL-GHAZI TRACTORS LTD



AL-GHAZI TRACTORS LTD

AGTL's Vision Statement is categoric:

"To make AGTL a symbol of success."

This sets the direction as well as the destination in sight and each of the employee lives to achieve the company's mission.

SHOWCASE

Incorporated in June 1983, privatized in December 1991, Al-Ghazi Tractors Limited, the subsidiary company of Al-Futtaim group of Dubai, is a story of rollicking success.

With consistent corporate achievements, the company is recognized for corporate excellence and "Best Corporate Performance".

With its head office in Karachi, the AGTL plant at Dera Ghazi Khan, some 700 kms away from Karachi, manufactures New Holland (Flat) tractors in technical collaboration with CNH – Case New Holland, the Number One manufacturer of agricultural tractors in the world.

The AGTL plant, an icon of engineering dynamics operates on high efficiency. With Quality Control and Quality Assurance, quality improvement systems exist at every level. One of our mission statement reads: "Our most enduring competitive edge is the quality of tractors". Robust and sturdy, the company's products of 55, 65, 75 and 85 hp, carry a local cost content of 92% - the highest in the country.

Monitoring the efficiency and effectiveness of each production process is the key to our success. Effort is made to make each process efficient to drive down the cost per tractor. Competent material and plant utilization has resulted in the company's core strategy of being the lowest cost producer of quality products. AGTL's produced tractors in all hp ranges are therefore the cheapest quality tractors in the whole world.

Documentation of the entire manufacturing process and improved quality measurement being our priority, Al-Ghazi was the first automobile company in Pakistan to earn the ISO-9000 certification. With yearly audits the company is now registered for ISO-9001:2008 upto December 30, 2012.

Al-Ghazi Tractors Limited was also the first automobile company in Pakistan to introduce a high profile ERP solution to put the IT process in full circle. Commissioned in January 2002, this complete ERP thus inter-links all processes and supports company's wider strategic objectives.

AGTL products being a household name with the farmer community, our product profile reflects consumer needs. Price and convenience being the customer's first priority the company's objectives include: focus on all target markets and focus on customers. As many as 82 dealers in every nook and cranny of the country, and over 3000 mechanical workshops dot the country to work as customer care centers.

AGTL name is synonymous with stability, brand strength, customer loyalty and profitability. The Top Stock of the automobile industry of Pakistan with market capitalization of almost fifty times, dividends tell our real story. To the share holders we give returns which are almost un-matched in Pakistan's corporate world.

At AGTL we believe that effective individuals make a difference; effective teams make a business. Of all the things that we have built the most admired is our teamwork. AGTL's human talent does not depreciate with time. AGTL workers are happy workers.

AGTL values the stake holders, customers, employees and the investors. The management works to ensure that all supply chain associates, dealers, shareholders and employees share in the company's growth and prosperity.

Al-Futtaim's flagship in Pakistan with 93.19% foreign shareholding, Al-Ghazi Tractors Limited is a text book example of good corporate governance, conforming to all of the Corporate Governance Reforms promulgated by the government.

AGTL's long list of accolades received year after year include Top Companies Award of the Karachi Stock Exchange, Corporate Excellence Award of the Management Association of Pakistan, Best Presented Annual Report Awards of ICAP & ICMAP, Best Presented Accounts Award by South Asian Federation of Accountants, Best Presented Best Calendar Awards of NKCA, Excellence Award on Human Resources and Industrial Relations and Excellence Award in Productivity from the Employer's Federation of Pakistan.



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Corporate Vision

To make AGTL a symbol of success



Mission

- o With AGTL's name being synonymous with stability, profitability, brand strength and customer loyalty, AGTL's mission is to retain market leadership as the lowest cost producer of the highest quality products - the most enduring competitive edge being the quality of our tractors.
- o With corporate virtue, AGTL's mission is to be a text book case example of good Corporate Governance and through Corporate Social Responsibility create mutually beneficial relationships between the Company, Stakeholders and the Community.



Corporate Focus

To achieve evolution through continuous change - the deliverables being: to pursue "LEAN MANAGEMENT: to eliminate all activities which don't add value; to eliminate waste; to reduce costs; to focus on all target markets; customer focus and to continuously add customer care centres to give fillip to mechanization of farming in the country.



Strategic Planning

With Company's Vision that sets the destination in sight; the Company's Mission, which is stirring, challenging, believable, and evolved through consensus; Goals, Objectives, Action Plans, Roles and Responsibilities clearly defined, Strategic Planning at Al-Ghazi Tractors Limited aligns the actionable vision of the company to reach optimal performance.

Sound business plans are outlined, brainstormed and developed to coordinate strategies for overall success of the company.

With disciplined efforts to produce fundamental decisions and actions that shape and guide the company with focus on the future, Strategic Planning at AGTL provides the best way to respond to circumstances of the company's environment, its resources, and thus incorporating them into being consciously responsive to a dynamic changing environment.

Strategic Planning at Al-Ghazi Tractors Limited supports strategic thinking and leads to strategic management - the basis for an effective organization.

Core Values/ Ethical Principles



Al-Ghazi Tractors Limited is a public limited company with 93.19% foreign shareholding. The company with its superior performance is recognized by all stakeholders as economically rewarding to all parties, acknowledged as being ethically, socially and environmentally responsible, welcomed by the communities, business, customers in which it operates. It facilitates economic, human resources and community development within a stable operating environment.

The Directors believe that they can make a difference within their sphere of influence. Thus it envisaged that:

- o The company should take a leadership role through establishment of ethical business principles.
- o That while reflecting cultural diversity, the company should do business consistent with the requirements of laws and regulations in Pakistan.
- o The company should show ethical leadership.
- o The company should facilitate the achievement of sound financial results and a fair sharing of economic benefits.
- o The company should facilitate the achievement of sound financial results and a fair sharing of economic benefits.
- o The company must have open, honest and transparent relationships, which are considered critical to the company's success.
- o The company should create a business environment, which instigates against bribery and corruption and refrain from participation in any corrupt business practices.

- o The company should maintain good relations with stakeholders including contractors, suppliers and other business activities.
- o The company should aspire for stability and continuous improvement within the operating environment.
- o The company should provide protection of environment.
- o The company should promote community efforts as good corporate citizens.
- o The company should ensure consistency with labour laws, standards, ensure health and safety of workers and their rights.
- o The company should promote training and human resource development as an engine for growth with particular reference to the policy on succession planning.

The company has established a defined code of ethics and business practice which is signed by all directors as well as employees of the company.

COMPANY INFORMATION

REGISTERED AND HEAD OFFICE

11th Floor, NICL Building
Abbasi Shaheed Road
Karachi - 74400
Tel: 92 21 35660881-5
Fax: 92 21 35689387
Email: agtl@alghazitractors.com
Website: www.alghazitractors.com

PLANT

Sakhi Sarwar Road, P.O. Box 38
Dera Ghazi Khan
Tel: 92 64 2463750, 2463812, 2020750-51
Fax: 92 64 2462117

BANKERS

Askari Bank Limited
Habib Bank Limited
Meezan Bank Limited
Faysal Bank Limited
Bank AL-Habib Limited

SHARE REGISTRAR

FAMCO Associates (Private) Limited
Ground Floor, State Life Building 1-A
I.I. Chundrigar Road, Karachi - 74200
Tel: 92 21 32422344, 32427012
Fax: 92 21 32428310

AUDITORS

A.F.Ferguson & Co.
Chartered Accountants
Karachi

TAX AND LEGAL ADVISOR

Saiduddin & Co.
Karachi

PROFILE

Date of Incorporation	June 26, 1983
Date of Commencement of Operation	September 1, 1983
Date of Take Over by Al-Futtaim	December 8, 1991

Start of Production at Dera Ghazi Khan Plant

Auxiliary Plant	February, 1984
Main Plant	April, 1985
Sheet Metal Plant	July, 2006
Production Capacity	30,000 tractors per annum in a single shift
Total Land Area	90 Acres
Employees	377

Offices

Head Office	Karachi
Plant	Dera Ghazi Khan
Marketing Centres	Lahore, Multan, Islamabad, Sukkur



Al-Futtaim

Established in the 1930s as a trading business, Al-Futtaim is one of the most progressive regional business houses headquartered in Dubai, United Arab Emirates.

Al-Futtaim operates through more than 65 companies across sectors as diverse as commerce, industry and services, and employs in excess of 20,000 people across the UAE, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, Egypt, Pakistan, Sri Lanka, Syria, Singapore and Europe.

Entrepreneurship and rigorous customer focus has enabled Al-Futtaim to grow its business by responding to the changing needs of the customers and societies in which it operates. Al-Futtaim is committed to offering customers an unrivalled choice of the world's best brands with exceptional standards of customer service and after sales support.

Structured into seven operational divisions; automotive, electronics, engineering and technologies, retail, financial services, general services, real estate and joint ventures, Al-Futtaim maintains a decentralised approach, giving individual businesses flexibility and versatility to maintain a competitive stance. This benefits employees, providing a clearly defined work culture where individuals are empowered with authority and responsibility for their work.

Al-Futtaim is the holding company of Al-Ghazi Tractors Limited with 50.02% shares.

CNH

Case New Holland (CNH) is a world leader in the agricultural and construction equipment business.

Created in 1999 through the merger of New Holland N.V. and Case Corporation, CNH today comprises the heritage and expertise of three agricultural brands (Case IH; New Holland Ag; and Steyr) and three construction equipment brands (Case Construction Equipment; New Holland Construction; and Kobelco).

CNH employs approximately 30,000 people worldwide and has a network of 11,300 dealers in 170 countries.

Its 40 manufacturing facilities are located throughout Europe, North America, Latin America and Asia.

CNH's product offerings encompass a full range of equipment to meet all needs in all regions; from its industry-

leading tractors to specialty grape harvesters and massive combine harvesters in agriculture, as well as agile skid steer loaders and powerful hydraulic excavators in construction.

CNH's customers are growing, and are investing every day to help them grow, leveraging international resources to provide constant quality and reliability improvements with dealer and customer support that is always one step ahead.

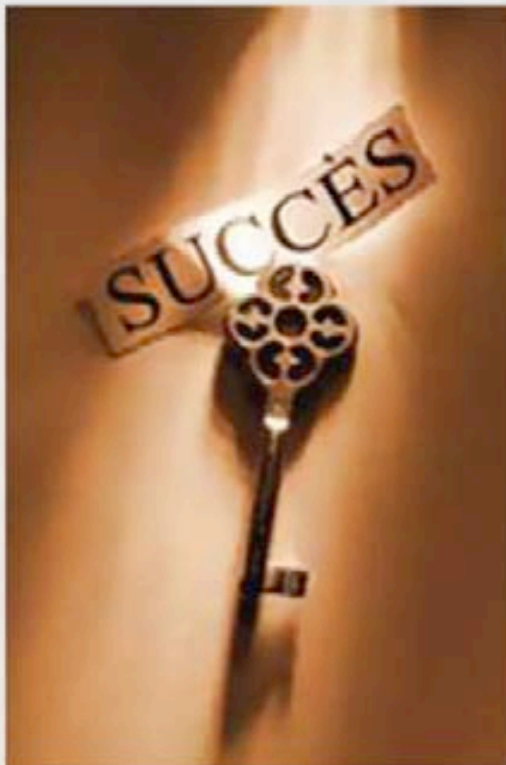
Its brands are backed by the strength and resources of its worldwide commercial, industrial, product support (CNH parts & Service), and finance (CNH Capital) organizations.

CNH Global N.V. stock is listed on the New York Stock Exchange (NYSE:CNH).

CNH holds 43.17% shares of Al-Ghazi Tractors Limited.



CRITICAL SUCCESS FACTORS



Team Work

Of all the things that we have built, the most admired is our team work. AGTL workers are happy workers. AGTL invariably has the best work force in the country.

Quality

Our most enduring competitive edge is the quality of our tractors. AGTL has over the years supplied 350,000 tractors to the farmers. Almost all are farm worthy and being kept mobile through AGTL's dealer network providing after-sales-support.

Cost Controls

We are the lowest cost producer of a quality product. There is sharp focus on cost cuts in all spheres of activity.

Financial Strength

The company has a solid financial base with no debts, no bank borrowings.

Dealers Network

The company has a strong dealer network in every nook and cranny of the country. Our products are thus a household name in the farming community of Pakistan.

Corporate Governance

AGTL is a textbook case example of good Corporate Governance having complied with all of the provisions of the Code of Corporate Governance.

BOARD OF DIRECTORS & BOARD COMMITTEES

BOARD OF DIRECTORS

Mr. Charles Leonard Hunt
Mr. Parvez All

Mr. Kunwar Idris
Mr. Hadjas Youssef
Mr. Nasir Mahmood
Mr. Kashif Lawal
Mr. Mario Gasparri
Mrs. Giovanna Barbieri

COMPANY SECRETARY
Mrs. Sobika Zubair

Chairman
Chief Executive Officer
and Managing Director
Director
Director
Director
Director
Director

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Nasir Mahmood
Mr. Kunwar Idris
Mr. Hadjas Youssef

Chairman
Member
Member

ENTERPRISE RISK MANAGEMENT COMMITTEE

Mr. Kunwar Idris
Mr. Nasir Mahmood
Mr. Hadjas Youssed

Chairman
Member
Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Mario Gasparri
(Mr. Hadjas Youssef in absence of Mr. Gasparri)
Mr. Parvez All
Mr. Kunwar Idris
Mrs. Giovanna Barbieri

Chairman
Member
Member
Member

PROFILE OF THE BOARD OF DIRECTORS

MR. CHARLES LEONARD HUNT



Non-executive Chairman
Appointment: August 4, 2009

As Chairman, Mr. Hunt is responsible for leading the Board, setting its agenda and ensuring its effectiveness in all aspects of its role.

A seasoned automotive professional, Mr. Hunt brings to Al-Ghazi Tractors many years of expertise and experience in the automobile industry of UK and USA. He is also President Automotive at Al-Futtaim and chairs various Boards of the Al-Futtaim Group companies.

He was educated at Sheffield University, UK.

Other engagements:

- Associated Motorways, Sri Lanka - Chairman
- Toyota, Egypt, Egypt - Director
- Toyota Automotive Industries, Egypt - Director

MR. PARVEZ ALI



CEO and Managing Director
Appointment: January 20, 1992

Mr. Ali is the CEO and Managing Director of the company. With over 28 years at AGTL, he is credited with spearheading the company to its growth and success. He is also a member of the Board's Human Resource and Remuneration Committee.

Mr. Parvez Ali is an engineer by profession. He did his Masters in Engineering Administration from the George Washington University in Washington DC. He is also a Certified Director from Pakistan Institute of Corporate Governance (PICG).

MR. KUNWAR IDRIS



Non-executive Director
Appointment: December 9, 1993

Mr. Idris is a non-executive director and heads the Enterprise Risk Management Committee of the Board and is also a member of the Board's Audit Committee and Human Resource and Remuneration Committee.

Mr. Kunwar Idris retired from civil service of Pakistan, as Federal secretary to various ministries and as Chief Secretary. He also served as Chairman, Pakistan Automobile Corporation.

Other engagements:

- Hinopak Motors, Pakistan - Chairman
- Orix Leasing Pakistan - Director
- Pakistan Security Printing Corporation, Pakistan - Director

MR. HADJAS YOUSSEF



Non-executive Director
Appointment: October 8, 2007

Mr. Hadjas Youssef is a non-executive director and is also a member of the Board's Audit Committee and Enterprise Risk Management Committee.

Mr. Youssef is the Vice President Commercial Development CNH. With an MBA in finance, he is also the CFO for the Pakistan market of CNH.

MR. NASIR MAHMOOD



Non-executive Director
Appointment: February 21, 2005

Mr. Nasir Mahmood, a non-executive director heads the Audit Committee of the Board and is also a member of the Enterprise Risk Management Committee.

He has 30 years of wide ranging experience in banking and finance, trading, real estate development and audit.

Mr. Mahmood holds a Masters degree from London and is also a fellow member of the Institute of Chartered Accountants in England and Wales.

MR. KASHIF LAWAI



Executive Director and CFO
Appointment: Dec 07, 2011

Mr. Lawai started his career with A.F.Ferguson & Co. He was associated with Pakistan Refinery Limited before joining AGTL.

He holds a Masters degree in Economics and is an associate member of the Institute of Chartered Accountants of Pakistan. He is also a Certified Director from PICG.

MR. MARIO GASPARRI



Non-executive Director
Appointment: May 12, 2011

Mr. Gasparri heads the Human Resource and Remuneration Committee of the Board.

He is the General Manager of CNH International and has over 20 years of experience in the agricultural equipment sector.

Other engagements:

- CNH Services Thailand Limited, Thailand - Director
- New Holland HFT Japan Inc, Japan - Director
- CNH - KAMAZ Commercial B.V., the Netherlands - Director
- CNH Australia PTY Limited, Australia - Director
- Shanghai New Holland Agricultural Machinery Co. Limited, India - Director
- New Holland Fiat (India) Private Limited, India - Director

MRS. GIOVANNA BARBIERI



Non-executive Director
Appointment: January 30, 2012

Mrs. Giovanna Barbieri is a non-executive director and a member of the Human Resource and Remuneration Committee.

Mrs. Barbieri started her career in CNH legal department in 1987 and is presently the Vice President and General Counsel of the International Region.

She holds a Law Degree from the University of Modena.

Other engagements:

- CNH Italia S.P.A., Italy - Director
- JI Case Company Limited, United Kingdom - Director
- Case International Limited, United Kingdom - Director

MRS. SOBIKA ZUBAIR



Company Secretary

A Chartered Accountant and Certified Internal Auditor by profession, Mrs. Zubair had been associated with PwC Bahrain before joining AGTL. She is also a Certified Director from PICG.

KEY MANAGEMENT



Mr. Parvez Ali
CEO and Managing Director

Mr. Parvez Ali is an engineer by profession. He did his Masters in Engineering Administration from the George Washington University in Washington DC. He is also a Certified Director from Pakistan Institute of Corporate Governance (PICG).



Mr. Kashif Lawai
CFO and Executive Director

Mr. Lawai started his career with A.F.Ferguson & Co. He was associated with Pakistan Refinery Limited before joining AGTL. He holds a Masters degree in Economics and is an associate member of the Institute of Chartered Accountants of Pakistan. He is also a Certified Director from PICG.



Mrs. Sobika Zubair
Company Secretary

A Chartered Accountant and Certified Internal Auditor by profession, Mrs. Zubair had been associated with PwC Bahrain before joining AGTL. She is also a Certified Director from PICG.



Mr. Nadeem Ahmad
General Manager Marketing

An engineer by profession, Mr. Nadeem Ahmed did his Master's in Public Administration and PGD in Farm Machinery Manufacturing Technology from Germany. He also attended various technical and marketing courses in UK. With 30 years wide ranging experience in the field of Farm Mechanization, he has been associated with AGTL since 1993.



Col (R) Rao M. Younas
General Manager Plant

Mr. Younas completed his BSC Mechanical Engineering from NED, Karachi and Masters in Mechanical Engineering from National University of Science and Technology, Islamabad. He served in Pakistan Army for 25 years and retired as Lt. Col. After meritorious service and was honoured with Tamgha-e-Imtiaz Military TI(M). He has a vast experience in manufacturing, maintenance, repair and recovery of all types of vehicles and equipment. He has been associated with AGTL for the last four years.



Mr. Tanvir Ahmad
General Manager Materials Management

Mr. Tanvir Ahmad graduated in Mechanical Engineering from NED University of Engineering and Technology in 1983 and completed the Master of Engineering in Industrial Engineering and Management from Asian Institute of Technology in 1986. He has to his credit a rich experience, local and international, in the fields of project management, operations management and supply chain management. He is associated with the automobile industry since 1993.



Mr. Abdul Rashid
General Manager Accounts

Mr. Abdul Rashid graduated from Karachi University and possesses extensive experience in the field of accounts and finance. He holds international as well as local experience in the manufacturing and construction sector. He has served at various senior positions in the company during his association since 1986.



Syed Faisal Bin Maaz
Chief Internal Auditor

Syed Faisal Bin Maaz is an associate member of the Institute of Chartered Accountants of Pakistan. He also holds a Masters degree in Economics. Before moving to Al-Ghazi, he worked seven years in A.F. Ferguson.



Mr. Ilyas Dadi
Senior Manager MIS

Mr. Dadi did his post graduation in Computer Science, followed by Masters in Finance. He possesses vast experience in the field of Information Technology and has worked for multinationals locally and internationally.

OVERVIEW OF THE COMPANY

Nature of Business:

Al-Ghazi Tractors Limited was incorporated under the Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on Karachi and Lahore Stock Exchanges. With its head office in Karachi, the company has marketing offices in Lahore, Islamabad, and Sukkur. The manufacturing plant has been set up in Dera Ghazi Khan.

Al-Ghazi Tractors Limited is engaged in the manufacture and sale of agricultural tractors, implements and spare parts. Bookings and deliveries are routed through a network of 82 tractors all over the country.

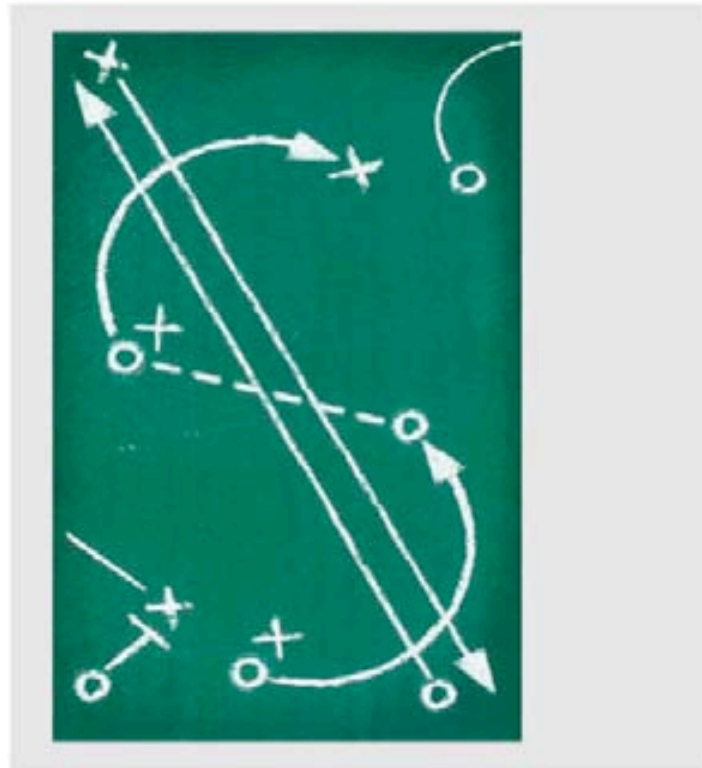
Objectives and Strategies:

The company's objectives are to give fillip to Pakistan's agrarian economy by playing a lead role in offering mechanized farming through robust and sturdy tractors, implements and water conservation projects - the primary focus being on offering quality products as a lowest cost producer.

To achieve these objectives the company's core strategy is to evolve an edge by teaming with world leaders of agricultural machines. For manufacture of tractors, therefore, the company has signed a technical collaboration agreement with CNH Global N.V. - a world leader in the agricultural and construction equipment business. The company has a modern manufacturing plant for production of tractors and a huge base of supply chain associates to feed the local content to the assembly lines.

For water conservation projects, the company has signed agreements of collaboration with eminent companies in Turkey and China.

For implements, the company has built a versatile sheet-metal press shop.



The company has set up a network of dealers and mechanical workshop in every nook and cranny of the country for after-sale-support of its products.

The company is a text book case example of good corporate governance.

Relationships:

AGTL pursues a policy of harmonious relationship with all its stakeholders - the Government, the Principals, the Dealers, the supply chain associates, the employees, the community at large and above all its share holders to whom the company offers handsome dividends.

Sphere of Influence



Resources:

Working capital: The company manages its working capital requirements on its own with a view to balance the risk of non-availability of funds and the cost of funding an optimal level of funds. The company has a sound financial base and is free of all debts.

Human resource: "A team of many talents" is how we describe our staff. Realizing that in the present era of global competition success comes through collective efforts and professional approach of the employees, the company puts maximum emphasis on the strategic human resource management. The company has its own Training Centre for development of its human resources and demarcates a career path of all its employees.

Risks:

For Risk Management refer to page 74.

Results and Prospects:

Six years analysis of the Financial Statements has been included in this annual report.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of Al-Ghazi Tractors Limited will be held on Tuesday, March 27, 2012 at 15:30 hrs. at Marriott Hotel, Karachi to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements, the Directors' Report and the Auditors' Report for the year ended December 31, 2011.
2. To declare the final cash dividend, the Directors have recommended a dividend of Rs. 10 per share in addition to interim dividend already paid @ 200% making a total dividend of 400% i.e. Rs. 20 per share.
3. To appoint Auditors for the year ending December 31, 2012 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer them selves for reappointment.
4. Any other business with permission of the chair.

By Order of the Board

SOBIKA ZUBAIR
COMPANY SECRETARY
Karachi, March 6, 2012

NOTES:

1. A member entitled to attend and vote may appoint a proxy to attend and vote on his/her behalf. No person shall act as a proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right. Proxies, in order to be effective, must be received at the Registered Office of the company duly stamped and signed not less than 48 hours before the time of the meeting.
2. The share transfer books of the company will remain closed from March 20, 2012, to March 27, 2012 (both days inclusive). Transfers received at our Share Registrar Office M/s FAMCO Associates (Pvt.) Ltd. situated at Ground Floor, State Life Building, 1-A, I.I. Chundrigar Road, Karachi 74000, at the close of business on March 19, 2012 will be treated in time for the purpose of payment of dividend to the transferees.
3. CDC share holders or their proxies are requested to bring with them copies of their Computerized National Identity Card or Passport along with the participants ID number and their Account Number at the time of attending the Annual General Meeting in order to facilitate their identification.
4. Members are requested to promptly communicate to the Share Registrar of the company any change in their addresses.
5. Members who have not yet submitted photocopy of their Computerized National Identity Cards are requested to send the same to the Share Registrar of the company at the earliest.



AGTL

FINANCIAL HIGHLIGHTS

ANNUAL REPORT **2011**

SIX YEARS AT A GLANCE

OPERATING RESULTS

	2011	2010	2009	2008	2007	2006
Sales -units	18344	29,164	32,732	24,985	26,364	26,250
Production -units	19936	29,020	30,351	27,550	26,380	26,076
	← Rupees '000 →					
Sales Revenue	10,113,572	14,936,034	15,764,825	10,107,874	9,081,310	9,022,515
Gross Profit	1,872,956	2,948,515	2,645,814	1,577,787	1,653,486	1,635,047
Depreciation	34,537	31,801	28,614	27,165	28,054	16,917
Operating Profit (before investment income)	1,528,131	2,599,412	2,264,449	1,301,455	1,371,675	1,355,442
Interest/Investment Income	534,544	300,701	394,385	381,486	542,779	554,738
Profit before Taxation	2,062,675	2,900,113	2,658,834	1,682,941	1,914,454	1,910,180
Taxation	703,795	991,241	915,299	569,685	647,044	680,862
Profit after Taxation	1,358,880	1,908,872	1,743,535	1,113,256	1,267,410	1,229,318
Earnings before investment income, Tax and Depreciation (EBITDA)	1,562,668	2,631,213	2,293,063	1,328,620	1,399,729	1,372,359
Manpower Cost - Direct	180,444	190,253	181,697	165,536	143,334	134,537
Manpower Cost - Indirect	152,820	139,280	131,252	108,744	101,822	92,512
Total Manpower Cost	333,264	329,533	312,949	274,280	245,156	227,049
Direct Headcount	259	264	269	282	295	293
Indirect Headcount	118	140	144	141	141	129
Total Headcount	377	404	413	423	436	422

OPERATING RATIOS

Gross profit to Sales	Percentage	18.52%	19.74%	16.78%	15.61%	18.21%	18.12%
Operating profit to Sales	Percentage	15.11%	17.40%	14.36%	12.88%	15.10%	15.02%
Pre-tax profit to Sales	Percentage	20.40%	19.42%	16.87%	16.65%	21.08%	21.17%
Post-tax profit to Sales	Percentage	13.44%	12.78%	11.06%	11.01%	13.96%	13.63%
EBITDA to Sales	Percentage	15.45%	17.62%	14.55%	13.14%	15.41%	15.21%
Fixed Assets Turnover	Times	27.09	40.51	62.39	42.93	37.08	35.77
Total Assets Turnover	Times	1.18	1.95	2.14	1.43	1.33	1.24
Working Capital % of sales	Percentage	19.47%	3.57%	-0.50%	10.73%	8.12%	8.26%
Operating cash flow % of sales	Percentage	-6.03%	10.37%	1.44%	-12.62%	-0.65%	4.30%
Direct Manpower cost % of sales	Percentage	1.78%	1.27%	1.15%	1.64%	1.58%	1.49%
Direct Manpower cost % of sales	Percentage	1.51%	0.93%	0.83%	1.08%	1.12%	1.03%
Indirect cost % of sales	Percentage	3.64%	2.87%	2.51%	2.88%	3.25%	3.18%

SIX YEARS AT A GLANCE

FINANCIAL POSITION

	2011	2010	2009	2008	2007	2006
	← Rupees '000 →					
Property, Plant & Equipment	373,295	368,671	252,695	235,452	244,928	252,243
Current Assets	8,059,527	7,256,621	7,124,751	6,840,054	6,581,042	7,025,286
Current Liabilities	1,717,363	1,241,289	1,907,421	2,611,710	2,938,224	3,698,853
Net Working Capital	6,342,164	6,015,332	5,217,330	4,228,344	3,642,818	3,326,433
Long-term investments	74,000	40,000	-	-	-	-
Other assets	32,448	862	3,225	10,504	1,338	860
	106,448	40,862	3,225	10,504	1,338	860
	6,821,907	6,424,865	5,473,250	4,474,300	3,889,084	3,579,536
Less: Other liabilities	66,376	62,144	53,331	46,528	37,863	29,656
Share holder equity	6,755,531	6,362,721	5,419,919	4,427,772	3,851,221	3,549,880
Represented by:						
Share capital	214,682	214,682	214,682	214,682	214,682	214,682
Reserves	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unappropriated profit	5,540,849	5,148,039	4,205,237	3,213,090	2,636,539	2,335,198
Capital employed	6,755,531	6,362,721	5,419,919	4,427,772	3,851,221	3,549,880

OPERATING CYCLE

Inventory Turnover	Times	4.33	10.30	8.24	6.46	10.25	9.98
Inventory Turnover	Days	84	35	44	56	36	37
Debtors Turnover	Days	5	3	0	1	1	0
Credit Received	Days	36	33	36	26	13	15
Operating Cycle	Days	53	6	9	31	23	22

LIQUIDITY RATIOS

Current Ratio	Times	4.69	5.85	3.74	2.62	2.24	1.90
Quick Ratio	Times	3.10	4.98	3.08	1.88	2.00	1.70

PERFORMANCE RATIOS FOR SHAREHOLDERS

Return on Equity	Percentage	20.12%	30.00%	32.17%	25.14%	32.91%	34.63%
Return on Assets	Percentage	15.91%	24.90%	23.62%	15.71%	18.56%	16.89%
Earning per share (Pre-Tax)	Rs.	48.04	67.54	61.92	39.20	44.59	44.49
Earning per share (Post-Tax)	Rs.	31.65	44.46	40.61	25.93	29.52	28.63
Net Assets per share	Rs.	157.34	148.19	126.23	103.12	89.70	82.68
Cash dividend	Rs. 000	858,728	858,728	858,728	751,387	751,387	751,387
%	Percentage	400%	400%	400%	350%	350%	350%
Dividend payout	Percentage	63.19%	44.99%	49.25%	67.49%	59.29%	61.12%
Dividend cover	Times	1.58	2.22	2.03	1.48	1.69	1.64
Price earning ratio	Times	6.09	5.11	5.86	8.43	9.33	7.63
Market price to break up value	Times	1.23	1.53	1.89	2.12	3.07	2.64
Earning Yield (%)	Percentage	16.41%	19.59%	17.06%	11.87%	10.72%	13.10%
Dividend yield	Percentage	10.37%	8.81%	8.40%	8.01%	6.35%	8.01%
Dividend ratio	Times	9.64	11.35	11.90	12.49	15.74	12.49
Market value per share - closing	Rs.	192.84	227.00	238.04	218.50	275.45	218.50
Share price - High	Rs.	244.95	264.00	268.75	298.70	298.00	249.90
Share price - Low	Rs.	158.00	194.25	113.56	210.00	199.10	194.00
Market capitalisation	Rs. Million	8,280	9,747	10,221	9,382	11,827	9,382

HORIZONTAL ANALYSIS

BALANCE SHEET	2011	2010	2009	2008	2007	2006
	← Rupees '000 →					
Fixed assets	373,295	368,671	252,695	235,452	244,928	252,243
Long-term investments	74,000	40,000	-	-	-	-
Long-term loans and deposits	32,448	862	3,225	10,504	1,338	860
Stock-in-trade	2,750,420	1,082,871	1,265,373	1,946,072	719,175	739,120
Trade debts	14,339	264,063	20,292	7,143	24,271	6,116
Loan and advances	47,249	22,109	32,012	37,393	19,590	23,041
Short-term deposits and prepayment:	4,602	11,476	12,725	16,443	1,193	3,157
Accrued mark-up	214,003	54,884	128,281	164,045	226,997	246,286
Other receivables	5,866	57,967	10,761	9,838	2,833	312
Taxation	532,814	339,456	530,563	112,809	-	78,457
Refunds due from the Government	928,675	979,537	1,457,265	750,554	183,632	259,868
Investments	1,084,449	1,331,464	145,000	446,760	1,018,800	526,808
Cash and bank balances	2,477,110	3,112,794	3,522,479	3,348,997	4,384,551	5,142,121
Total assets	8,539,270	7,666,154	7,380,671	7,086,010	6,827,308	7,278,389
Current liabilities	1,717,363	1,241,289	1,907,421	2,611,710	2,938,224	3,698,853
Non-current liabilities	66,376	62,144	53,331	46,528	37,863	29,656
Total liabilities	1,783,739	1,303,433	1,960,752	2,658,238	2,976,087	3,728,509
Capital employed	6,755,531	6,362,721	5,419,919	4,427,772	3,851,221	3,549,880
Share capital	214,682	214,682	214,682	214,682	214,682	214,682
Reserves	6,540,849	6,148,039	5,205,237	4,213,090	3,636,539	3,335,198
Capital employed	6,755,531	6,362,721	5,419,919	4,427,772	3,851,221	3,549,880
PROFIT AND LOSS ACCOUNT						
Sales	10,113,572	14,936,034	15,764,825	10,107,874	9,081,310	9,022,515
Cost of goods sold	8,240,616	11,987,519	13,119,011	8,530,087	7,427,824	7,387,468
Gross profit	1,872,956	2,948,515	2,645,814	1,577,787	1,653,486	1,635,047
Distribution cost	82,474	92,605	87,569	75,286	67,145	65,152
Administrative expenses	133,245	121,174	111,270	91,560	85,845	80,043
	1,657,237	2,734,736	2,446,975	1,410,941	1,500,496	1,489,852
Other operating income	560,447	381,640	411,070	399,487	558,858	564,660
Other operating expenses	152,874	214,939	197,057	124,753	141,888	141,571
	2,064,810	2,901,437	2,660,988	1,685,675	1,917,466	1,912,941
Finance cost	2,135	1,324	2,154	2,734	3,012	2,761
Profit before taxation	2,062,675	2,900,113	2,658,834	1,682,941	1,914,454	1,910,180
Taxation	703,795	991,241	915,299	569,685	647,044	680,862
Profit after taxation	1,358,880	1,908,872	1,743,535	1,113,256	1,267,410	1,229,318

HORIZONTAL ANALYSIS

	2011	2010	2009	2008	2007	2006
	← Increase / (decrease) from preceding year in Rs 000 →					
BALANCE SHEET						
Fixed assets	4,624	115,976	17,243	(9,476)	(7,315)	93,730
Long-term investments	34,000	40,000	-	-	-	-
Long-term loans and deposits	31,586	(2,363)	(7,279)	9,166	478	(6,557)
Stock-in-trade	1,667,549	(182,502)	(680,699)	1,226,897	(19,945)	(16,336)
Trade debts	(249,724)	243,771	13,149	(17,128)	18,155	(817)
Loan and advances	25,140	(9,903)	(5,381)	17,803	(3,451)	(15,274)
Short-term deposits and prepayments	(6,874)	(1,249)	(3,718)	15,250	(1,964)	(7,638)
Accrued mark-up	159,119	(73,397)	(35,764)	(62,952)	(19,289)	161,291
Other receivables	(52,101)	47,206	923	7,005	2,521	(8,550)
Taxation	193,358	(191,107)	417,754	112,809	(78,457)	78,457
Refunds due from the Government	(50,862)	(477,728)	706,711	566,922	(76,236)	(122,327)
Investments	(247,015)	1,186,464	(301,760)	(572,040)	491,992	(224,486)
Cash and bank balances	(635,684)	(409,685)	173,482	(1,035,554)	(757,570)	124,814
Total assets	873,116	285,483	294,661	258,702	(451,081)	56,307
Current liabilities	476,074	(666,132)	(704,289)	(326,514)	(760,629)	(433,042)
Non-current liabilities	4,232	8,813	6,803	8,665	8,207	11,418
Total liabilities	480,306	(657,319)	(697,486)	(317,849)	(752,422)	(421,624)
Capital employed	392,810	942,802	992,147	576,551	301,341	477,931
Share capital	-	-	-	-	-	-
Reserves	392,810	942,802	992,147	576,551	301,341	477,931
Capital employed	392,810	942,802	992,147	576,551	301,341	477,931
PROFIT AND LOSS ACCOUNT						
Sales	(4,822,462)	(828,791)	5,656,951	1,026,564	58,795	1,283,193
Cost of goods sold	(3,746,903)	(1,131,492)	4,588,924	1,102,263	40,356	1,250,694
Gross profit	(1,075,559)	302,701	1,068,027	(75,699)	18,439	32,499
Distribution cost	(10,131)	5,036	12,283	8,141	1,993	3,749
Administrative expenses	12,071	9,904	19,710	5,715	5,802	299
	(1,077,499)	287,761	1,036,034	(89,555)	10,644	28,451
Other operating income	178,807	(29,430)	11,583	(159,371)	(5,802)	261,288
Other operating expenses	(62,065)	17,882	72,304	(17,135)	317	19,871
	(836,627)	240,449	975,313	(231,791)	4,525	269,868
Finance cost	(811)	(830)	(580)	(278)	251	(4,756)
Profit before taxation	(837,438)	241,279	975,893	(231,513)	4,274	274,624
Taxation	(287,446)	75,942	345,614	(77,359)	(33,818)	106,179
Profit after taxation	(549,992)	165,337	630,279	(154,154)	38,092	168,445

VERTICAL ANALYSIS

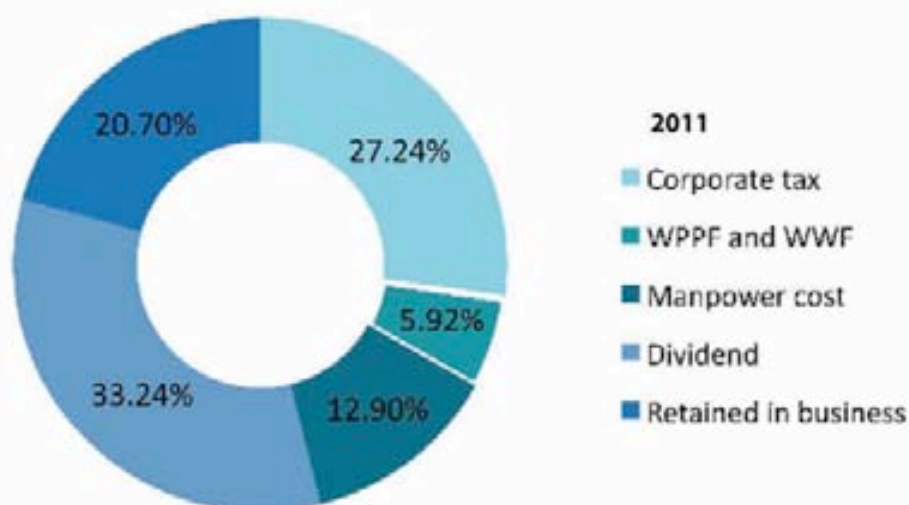
BALANCE SHEET	2011 (Rupees 000)	2011 %	2010 (Rupees 000)	2010 %	2009 (Rupees 000)	2009 %
Fixed assets	373,295	5.53%	368,671	5.79%	252,695	4.66%
Long-term investments	74,000	1.10%	40,000	0.63%	-	0.00%
Long-term loans and deposits	32,448	0.48%	862	0.01%	3,225	0.06%
Stock-in-trade	2,750,420	40.71%	1,082,871	17.02%	1,265,373	23.35%
Trade debts	14,339	0.21%	264,063	4.15%	20,292	0.37%
Loans and advances	47,249	0.70%	22,109	0.35%	32,012	0.59%
Short-term deposits and prepayments	4,602	0.07%	11,476	0.18%	12,725	0.23%
Accrued mark-up	214,003	3.17%	54,884	0.86%	128,281	2.37%
Other receivables	5,866	0.09%	57,967	0.91%	10,761	0.20%
Taxation	532,814	7.89%	339,456	5.34%	530,563	9.79%
Refunds due from the Government	928,675	13.74%	979,537	15.39%	1,457,265	26.89%
Investments	1,084,449	16.05%	1,331,464	20.93%	145,000	2.68%
Cash and bank balances	2,477,110	36.66%	3,112,794	48.92%	3,522,479	64.99%
Total assets	8,539,270	126.40%	7,666,154	120.49%	7,380,671	136.18%
Current liabilities	1,717,363	25.42%	1,241,289	19.51%	1,907,421	35.19%
Non-current liabilities	66,376	0.98%	62,144	0.98%	53,331	0.98%
Total liabilities	1,783,739	26.40%	1,303,433	20.49%	1,960,752	36.18%
Capital employed	6,755,531	100.00%	6,362,721	100.00%	5,419,919	100.00%
Share capital	214,682	3.18%	214,682	3.37%	214,682	3.96%
Reserves	6,540,849	96.82%	6,148,039	96.63%	5,205,237	96.04%
Capital employed	6,755,531	100.00%	6,362,721	100.00%	5,419,919	100.00%
PROFIT AND LOSS ACCOUNT						
Sales	10,113,572	100.00%	14,936,034	100.00%	15,764,825	100.00%
Cost of goods sold	8,240,616	81.48%	11,987,519	80.26%	13,119,011	83.22%
Gross profit	1,872,956	18.52%	2,948,515	19.74%	2,645,814	16.78%
Distribution cost	82,474	0.81%	92,605	0.62%	87,569	0.56%
Administrative expenses	133,245	1.32%	121,174	0.81%	111,270	0.71%
	1,657,237	16.39%	2,734,736	18.31%	2,446,975	15.52%
Other operating income	560,447	5.54%	381,640	2.56%	411,070	2.61%
Other operating expenses	152,874	1.51%	214,939	1.44%	197,057	1.25%
	2,064,810	20.42%	2,901,437	19.43%	2,660,988	16.88%
Finance cost	2,135	0.02%	1,324	0.01%	2,154	0.01%
Profit before taxation	2,062,675	20.40%	2,900,113	19.42%	2,658,834	16.87%
Taxation	703,795	6.96%	991,241	6.64%	915,299	5.81%
Profit after taxation	1,358,880	13.44%	1,908,872	12.78%	1,743,535	11.06%

VERTICAL ANALYSIS

BALANCE SHEET	2008 (Rupees 000)	2008 %	2007 (Rupees 000)	2007 %	2006 (Rupees 000)	2006 %
Fixed assets	235,452	5.32%	244,928	6.36%	252,243	7.11%
Long-term investments	-	0.00%	-	0.00%	-	0.00%
Long-term loans and deposits	10,504	0.24%	1,338	0.03%	860	0.02%
Stock-in-trade	1,946,072	43.95%	719,175	18.67%	739,120	20.82%
Trade debts	7,143	0.16%	24,271	0.63%	6,116	0.17%
Loans and advances	37,393	0.84%	19,590	0.51%	23,041	0.65%
Short-term deposits and prepayments	16,443	0.37%	1,193	0.03%	3,157	0.09%
Accrued mark-up	164,045	3.70%	226,997	5.89%	246,286	6.94%
Other receivables	9,838	0.22%	2,833	0.07%	312	0.01%
Taxation	112,809	2.55%	-	0.00%	78,457	2.21%
Refunds due from the Government	750,554	16.95%	183,632	4.77%	259,868	7.32%
Investments	446,760	10.09%	1,018,800	26.45%	526,808	14.84%
Cash and bank balances	3,348,997	75.64%	4,384,551	113.85%	5,142,121	144.85%
Total assets	7,086,010	160.04%	6,827,308	177.28%	7,278,389	205.03%
Current liabilities	2,611,710	58.98%	2,938,224	76.29%	3,698,853	104.20%
Non-current liabilities	46,528	1.05%	37,863	0.98%	29,656	0.84%
Total liabilities	2,658,238	60.04%	2,976,087	77.28%	3,728,509	105.03%
Capital employed	4,427,772	100.00%	3,851,221	100.00%	3,549,880	100.00%
Share capital	214,682	4.85%	214,682	5.57%	214,682	6.05%
Reserves	4,213,090	95.15%	3,636,539	94.43%	3,335,198	93.95%
Capital employed	4,427,772	100.00%	3,851,221	100.00%	3,549,880	100.00%
PROFIT AND LOSS ACCOUNT						
Sales	10,107,874	100.00%	9,081,310	100.00%	9,022,515	100.00%
Cost of goods sold	8,530,087	84.39%	7,427,824	81.79%	7,387,468	81.88%
Gross profit	1,577,787	15.61%	1,653,486	18.21%	1,635,047	18.12%
Distribution cost	75,286	0.74%	67,145	0.74%	65,152	0.72%
Administrative expenses	91,560	0.91%	85,845	0.95%	80,043	0.89%
	1,410,941	13.96%	1,500,496	16.52%	1,489,852	16.51%
Other operating income	399,487	3.95%	558,858	6.15%	564,660	6.26%
Other operating expenses	124,753	1.23%	141,888	1.56%	141,571	1.57%
	1,685,675	16.68%	1,917,466	21.11%	1,912,941	21.20%
Finance cost	2,734	0.03%	3,012	0.03%	2,761	0.03%
Profit before taxation	1,682,941	16.65%	1,914,454	21.08%	1,910,180	21.17%
Taxation	569,685	5.64%	647,044	7.13%	680,862	7.55%
Profit after taxation	1,113,256	11.01%	1,267,410	13.96%	1,229,318	13.63%

STATEMENT OF VALUE ADDITION

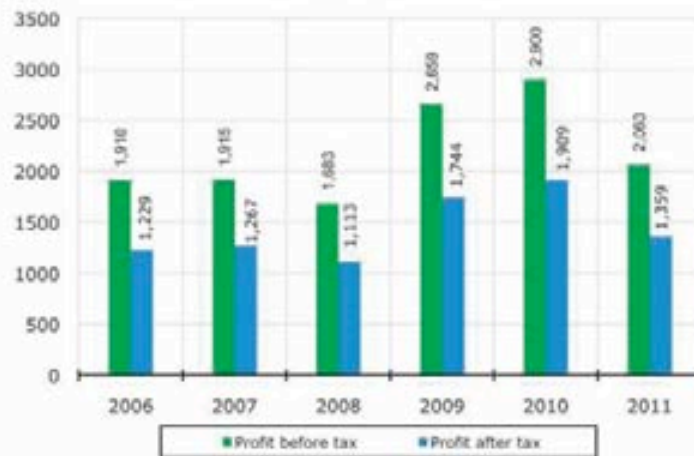
	2011	2010	2009	2008	2007	2006
	← Rupees '000 →					
Sales	10,113,572	14,936,034	15,764,825	10,107,874	9,081,310	9,022,515
Cost of sales & overheads	(8,090,669)	(11,841,288)	(12,978,440)	(8,398,222)	(7,310,616)	(7,291,458)
Other income	560,447	381,640	411,070	399,487	558,858	564,660
Value addition during the year	2,583,350	3,476,386	3,197,455	2,109,139	2,329,552	2,295,717
To employees as remuneration	333,264	329,533	312,949	274,280	245,156	227,049
To government as tax	703,795	991,241	915,299	569,685	647,044	680,862
WPPF	110,778	155,753	142,795	90,407	102,817	102,588
WWF	42,096	59,186	54,262	34,346	39,071	38,983
To shareholders as dividends	858,728	858,728	858,728	751,387	751,387	751,387
Retained as :						
Depreciation	34,537	31,801	28,614	27,165	28,054	16,917
Equity	500,152	1,050,144	884,808	361,869	516,023	477,931
	534,689	1,081,945	913,422	389,034	544,077	494,848
	2,583,350	3,476,386	3,197,455	2,109,139	2,329,552	2,295,717



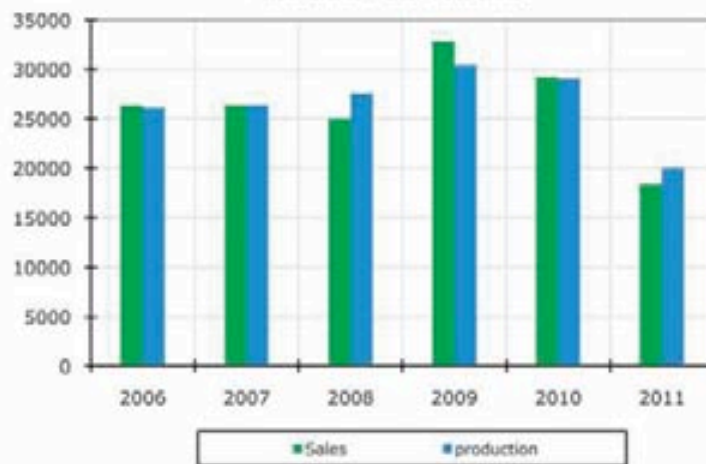
DIRECT CASH FLOW

	2011	2010	2009	2008	2007	2006
	← Rupees '000 →					
Cash receipts from customers	10,495,614	14,687,678	14,363,706	9,418,326	8,083,359	8,705,973
Cash paid to suppliers / service providers and employees	(10,108,962)	(12,691,907)	(11,936,219)	(9,208,318)	(7,554,460)	(7,525,355)
Workers Funds	(158,079)	(220,949)	(176,800)	(230,654)	(139,978)	(120,032)
Other operating income	24,289	77,342	14,324	15,257	14,636	7,171
Income tax paid	(893,909)	(793,855)	(1,328,754)	(700,906)	(535,497)	(828,337)
Sales tax refund / (payment)	50,862	477,728	(706,711)	(566,922)	76,236	122,327
Finance costs paid	(2,135)	(1,324)	(2,154)	(2,734)	(3,012)	(2,761)
Loans, deposits and deferred benefits	(48,864)	16,049	7,279	(9,166)	(478)	6,557
	<u>(641,184)</u>	<u>1,550,762</u>	<u>234,671</u>	<u>(1,285,117)</u>	<u>(59,194)</u>	<u>365,543</u>
Additions to fixed assets-net	(37,547)	(144,180)	(43,496)	(14,945)	(19,296)	(107,897)
Purchase of investments-net	378,960	(1,150,839)	346,938	609,575	(475,000)	229,007
Return on bank deposits/ investments	199,762	298,473	384,971	406,903	545,076	388,927
	<u>541,175</u>	<u>(996,546)</u>	<u>688,413</u>	<u>1,001,533</u>	<u>50,780</u>	<u>510,037</u>
Dividend paid	(535,675)	(963,901)	(749,602)	(751,970)	(749,156)	(750,766)
Net (decrease)/increase in cash and cash equivalents	<u>(635,684)</u>	<u>(409,685)</u>	<u>173,482</u>	<u>(1,035,554)</u>	<u>(757,570)</u>	<u>124,814</u>
Cash and cash equivalents at the beginning of the year	3,112,794	3,522,479	3,348,997	4,384,551	5,142,121	5,017,307
Cash and cash equivalents at the end of the year	<u>2,477,110</u>	<u>3,112,794</u>	<u>3,522,479</u>	<u>3,348,997</u>	<u>4,384,551</u>	<u>5,142,121</u>

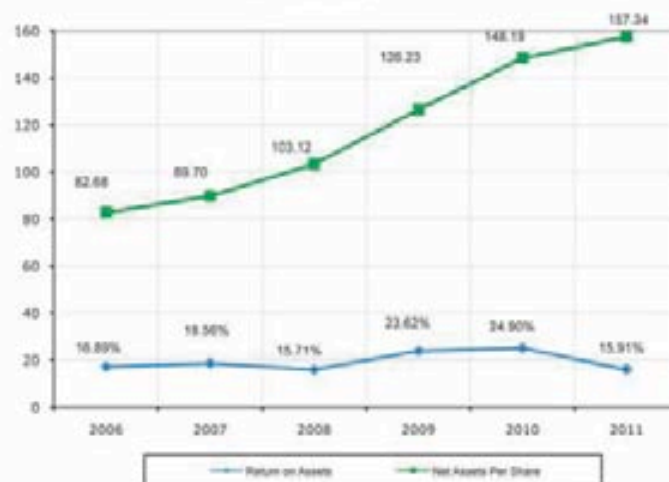
Profit before tax / Profit after tax
(Rs.m)



Sales and Production units



Net Assets Per Share (Rs) /
Return on Assets- (%)







CHAIRMAN'S REVIEW

The year 2011 had started with so much promise. As optimism grew about a strong 2011, the first quarter turned into a record-setting quarter—the biggest haul since the inception of the company earning a profit-before-tax of Rs. 927.81 million. But by the end of March 2011, growth had been replaced by fear of an eminent collapse of the market, following the sudden imposition of 17% General Sales Tax on tractors on March 15th through a Presidential Ordinance, reduced to 16% from July 1, 2011. The market went chaotic. It tumbled. The tractor industry was suddenly paused, ruining the tempo of activities, resulting in a long stretch of plant closure - worse than what the company witnessed during the 2010 floods.

GOVERNMENT OF PAKISTAN
 MINISTRY OF FINANCE, ECONOMIC AFFAIRS,
 STATISTICS AND REVENUE
 (REVENUE DIVISION)

Islamabad, the 2nd February, 2012.

(NOTIFICATION)
 (SALES TAX)

S.R.O. 79(i)/2012.- In exercise of the powers conferred by clause (b) of sub-section (2) of section 3 of the Sales Tax Act, 1990, the Federal Government is pleased to direct that sales tax shall be charged on goods mentioned in column (2) of the Table below, subject to the conditions and restrictions specified in column (3) thereof, namely:-

S. No.	Description	Conditions and restrictions
(1)	(2)	(3)
1.	Agricultural tractors falling under PCT heading 8701.9020	(i) Import and supply thereof; and (ii) Sales tax shall be charged at reduced rates wherever applicable during the period indicated below:- Upto 31.12.2012 5% On and from 01.01.2013 to 31.12.2013 10% On and from 01.01.2014 16%

[G. No. 2/106-STB/2005]

(Muhammad Aqil Usman)
 Additional Secretary

When reality finally caught up with the government in January 2012, the government at last decided to reduce the sales tax to 5%

Imposition of Sales Tax on all agricultural inputs was seen as a whole scale policy reversal as if antipathy had developed towards the agriculture sector which accounted for 25% of the GDP and employed around 60% of the labour work force. This also defied conventional logic - for Pakistan being an agrarian economy could not, and should not, inflict such self-destruction to its economy through regulatory upheaval.

While the company faced a topsy-turvy treacherous market with the farmers protesting against the imposition of sales tax, the government at various levels kept assuring that there will be no sales tax on farmers who own less than 12.5 acres of land - which farmers constitute around 86% of the growers. This uncertain wait for removal of sales tax resulted in a continual slow-motion pace of bookings throughout the three quarters of 2011. Throughout the year tractor sales depended on the resolution of the chaotic issue of the sales tax. Several months were spent on a quixotic pursuit with the government to resolve the issue. When reality finally caught up with the government in January 2012, and the government at last decided to reduce the sales tax to 5%, to be increased gradually to 16% in three years, the company had already suffered a bad year of 2011 closing.

OVERVIEW OF PERFORMANCE

Following the imposition of sales tax in March 2011, there was a virtual closure of the plant. Throughout the year production depended on a sensible resolution of the issue. The uncertainty that persisted was unsettling. Mired at low levels of throughput, the company had to therefore painfully dial down its expectations of a boom year, without being too optimistic.

Nevertheless even in such profit-hostile environment where market quivered and stumbled, revenue drivers did not derail the company.

A fortress balance sheet, 2.48 billion of cash reserves, available liquidity, no debts, and with a tested operational prowess, the profit for the year 2011 was still actually quite healthy. Amidst all the market turmoil, the company sold



Banks asked to expedite agri loans

Makers halt tractor production

Sharp decline in tractor sales

18,344 tractors during the year 2011, compared with 29,164 sold in the year 2010 and earned a pre-tax profit of Rs. 2.1 billion, compared with Rs. 2.9 billion recorded in the year 2010. Rs. 703.8 million was charged as corporate tax thus leaving a net profit of Rs. 1.4 billion.

Though closure of the plant was not a pleasant image to contemplate, expectations lived on just as the company lived on to the expectations of its shareholders to maintain the high payback - which the company is known for. An interim cash dividend of 200% was announced by the company in December 2011. No longer burdened by the string of bad news of 2011, and the sales tax reduced to 5% for the year 2012, the Board of Directors, given the trajectory of the company's successes, is now pleased to recommend a further cash dividend of 200%. Cash dividend for the year 2011 will thus total 400% - that is a payment of Rs. 858.7 million. Rs. 500.2 million will be retained by the company. The market capitalization of the company as of this reporting is around Rs. 8.28 billion.

Backed by sound administrative and financial controls as well as adherence to all norms of good corporate governance, the company has been rated as "Strong" in a Global Survey of the world's fifty largest tractors manufacturing companies of the world, conducted recently by PLIMSOLL of UK.

"Key Operating and Financial Data", the "Horizontal and Vertical Analysis of Financial Statement" highlighted in the Annual Report testify to the strength of the company.

These financial statements duly recommended by the Audit Committee of the Board are being authorized by the Board within 45 days of the closure of the year. AGM will be held on March 27, 2012. Dividend will be distributed before the stipulated time. Payment to non-resident shareholders will be intimated to the State Bank of Pakistan for early repatriation.

The Financial Statements of the company are being placed on the company's website at www.alghazitractors.com.

The company is registered with the CDC and has appointed FAMCO Associates (Pvt) Limited as its Registrar who can be reached at Ground Floor, State Life Building 1-A, I.I. Chundrigar Road, Karachi.

The shareholders are also welcome to seek any information that they may require by contacting the Company Secretary at the Head Office - Telephone Number 021-35660881-5

Details of shareholding have been given in this report.

Policies and procedures and other details of the company as well as the board are defined in the Company's Memorandum and Articles of Association which is readily available with the Company secretary and the Corporate Affairs Section.

ERN REGION
Agriculture facing govt's indifference,

Indecision on GST hurts tractors sale

By Nasir Jamal

LAHORE, Jan 5: The committee set up by Hashim Qureshi, the Economic Coordination Commission, to study the impact of GST on the tractor industry...

Tractors sale plummets after GST imposition

SALMAN ABUHU

LAHORE - Pakistan Association of Automotive Parts Accessories Manufacturers (PAAM) Chairman Mubashir...

has also written to the Prime Minister regarding the closure of the tractor industry due to 16 percent GST implementation.

The situation is as follows:

4000 unsold tractors are standing with the tractor dealers across the country.

3000 sold tractors are parked at the dealers.


erating in the country. This vendor industry supports over 300,000 employees and pro-

vides livelihoods to over 1000 dependent families.

of 16 per cent to allow impo-

ment has it...

THE ECONOMY



Indeed Pakistan's economy is exposed to double negative: the impact of the erosion of the value of the rupee against the falling dollar and a massive fall in the purchasing power of local currency during the last few years.

Blow to the tractor industry with the imposition of 16% sales tax came amidst a downturn of the whole economy of the country which seemed stuck in the doldrums. 2011 was described by observers as the worst year for trade and industry. As economic skies over the country continued to darken, there was acute shortages of gas and electricity with long spells of power shut downs. Repeated increases in the prices of POL and other inputs kept the economy hostage throughout the year 2011. The Annual Report of the State Bank of Pakistan stated that "institutional weaknesses at all tiers of the government are directly responsible for poor economic growth in the country". The report stated that "domestic issues are more decisive and chronic", which include "the collapse of fiscal institutions, acute energy shortage, urban violence and lawlessness, poor physical infrastructure and institutional fragility". The World Bank's Annual Report "Global Economic Prospects 2012" also makes sobering reading. The World Bank has observed that the weak growth in Pakistan was tied to the

"worsening security situation, greater political uncertainty and weak policy implementation".

The report says that the government has to pay attention to the fact that it has a rapidly growing population to feed, and since the country has faced unconscionably low growth, it has experienced a rise in inflation which has taken prices to levels previously unheard of.

The IMF in its report issued on Feb 6, 2012 has warned Pakistan that its economy was 'highly vulnerable' and urged it to brace it self for further increase in consumer prices & widespread unemployment.

Indeed Pakistan's economy is exposed to double negative: the impact of the erosion of the value of the rupee against the falling dollar and a massive fall in the purchasing power of local currency during the last few years. Energy crisis, high mark-up rate, huge banking spread, 100% hike in power and gas and their acute shortages have been causing a melt down.

2011: a worst year for trade, industry

SALMAN ABUHHU

given to Rental Power Projects graph would have been mark

Pak economy highly vulnerable, says IMF

Warns country over slow growth, high deficit | SBP policies feeding inflation



FLOODS

Floods battered the economy in 2010 and then again in 2011. Floods in 2011 damaged 80% of the cash crop and the vital infrastructure in southern Pakistan. The massive back-to-back floods in 2010 and 2011 should be a cause of alarm, for these signal a shift in the monsoonal zone of Pakistan, which may result into more floods. According to reports, glaciers in the Himalayas are retreating thus leading to heavy discharge of water and debris. There is need for a continuous focus on flood preparedness as against reaction to the post-flood crisis of seeking donations.

Floods that pose a heavy risk to agriculture seems to have slipped on the priority list of the government. The federal government abdicated the agriculture sector to the provinces with the passage of the 18th Amendment of the Constitution, when the provinces were seemingly not yet ready to plan and execute their own agricultural priorities.

Simultaneously Pakistan seems to have rushed headlong into granting the Most Favoured Nation (MFN) status to India.

MFN STATUS TO INDIA

While the economic rationale of bilateral as well as regional trade is well recognized, there is need to look beyond the bilateral prism. Bilateral trade has to be on equal terms and with a level playing field. A comparative analysis of the agricultural sectors of the two countries reveals the huge differential between the two sides due to asymmetry of subsidies extended to the farmers and the unequal availability of water resources. Pakistan is far behind India when it comes to supporting the farmers by way of comparative prices of fertilizers, availability of modern agricultural machinery, energy resources for tube wells and the massive allocation of budgetary support to the agricultural sector.

As per statistics "India provides around Rs. 855 billion subsidy to its farmers to reduce the production costs, whereas Pakistan hardly spends Rs. 8 billion". India's agricultural production cost are around "two to three times lower than Pakistan due to subsidies". Augmented by subsidies and incentives the Indian farmer is thus well positioned to take advantage of the MFN status and strike a blow to Pakistan's' struggling farmers.

"India provides around Rs. 855 billion subsidy to its farmers to reduce the production costs, whereas Pakistan hardly spends Rs. 8 billion".

MFN status to India

Auto industry ill-prepared

OUR STAFF REPORTER

istrative mishandling, via re- Pakistan. Therefore the gov-
strictions and surveillance of

MFN status to ruin agriculture, industry alike

Pakistan has been continuously facing a downtrend in agriculture growth mainly due to poor management and ineffective policies. To improve the agricultural growth all issues from farm management to disbursement of loans, mechanization, and availability of quality inputs are required. Pakistan has to move from subsistence to commercial and scalable agriculture to increase the scale

and profitability of farming so as to spur meaningful participation in the economy. Pakistan needs to create a modern farming industry and allow the new international interest in its farmland through corporate farming.

Pakistan needs a national agricultural infrastructure to goad farmers to increase their production.

CREDIT FOR TRACTORS

It is a global fact that credit is an important tool for achieving higher production of crops. Its timely availability is crucial to the farmer who depends on credit. According to latest observations by the State Bank of Pakistan farm credit dole-outs are highly skewed.

It is rather sad that the ZTBL - the Zarai Taraqati Bank Limited - the premier bank for agricultural loaning had virtually created a drought with its long standing embargo on provision of credit for tractors. Since April 2010, ZTBL starved the farmers of credit for purchase of tractors for no cogent reasons. The Economic Coordination Committee of the cabinet took note of this harsh embargo and directed the bank to commence loaning for tractors. It is hoped that the new management at ZTBL will end the tractor specific embargo and adopt farmer friendly procedures and will not hesitate to disburse loans to small farmers.



NEW INITIATIVES

With expectations that the government will recognize Agriculture as a real imperative and will develop an enabling environment to help farmers, the company has decided to crank up its business model by harnessing new initiatives. The company has developed a four wheel drive tractor, which is now available for double traction. The company is looking for opportunities to launch farm machines and implements for mechanized farming - which trend is inevitable.

While in the domestic market the company will have to compete with the informal producer who does not usually pay taxes, the company will explore export markets which hold a promise. Agriculture has undergone tremendous development in the world with modern technology. Pakistan is still stuck to the traditional methods resulting in low yields and wastage of farm-production. The company aims at following a proactive approach with the growers to introduce quality implements.

Following the availability of funds from the US Aid Programme the HEIS projects - the High Efficiency Irrigation System - which had been placed on hold are taking shape. Though the procedures are still rather cumbersome and the systems being requisitioned are rather basic, the company has started getting orders and is in the process of installing the systems for customers who repose a lot of confidence on the company's competence.

The company has signed agreements with renowned principals who are adept at the latest technology for these systems. Pakistan needs to leap frog and benefit from such knowledge and perspective available with the company on Smart Farming, machinery and farm energy, crop cultivation with applications as diverse as controlled - traffic farming, use of EGNOS and Galileo for precision farming, use of N-sensors, etc. The company offers value-added agriculture and wants to increase its role of social media in agriculture.







FUTURE PROSPECTS

Good or bad, the year 2011 is gone. Embracing the good from yesterday, the company will move forward today and tomorrow and cast off the rest. It was perhaps fiscally reckless to impose such high sales tax and so suddenly. It was fiscally prudent to lower the sales tax to 5%. This has created a hope where the market will move forward with some modicum of stability. Markets will get resilient once ZTBL will commence liberal loaning for tractors as directed by the Economic Coordination Committee of the cabinet.

The year 2011 hit by a string of bad news and extreme volatility of the market was a year of dead-wrong predictions. If one were to roll the dice on what the market will be like in 2012, then despite a market defined by

unpredictability and the government conjuring up early elections, the company is poised for better results with optimistic profits expectations. No longer burdened by the string of bad news of the year 2011, the company's turnaround will remain on track following its trajectory of success.





The Top Companies Awards of the Karachi Stock Exchange for the year 2008 and 2009 were received by the company at an auspicious ceremony held at the President House. The awards were presented by Mr. Asif Ali Zardari, the President of Pakistan.

ACCOLADES



The Institution of Engineers, Pakistan, the premier national organization, was pleased to confer on AGTL the prestigious IEP National Excellence Award on the occasion of the Engineer's Day.

At the global level AGTL received the International Quality Summit Award in the Platinum category by Business Initiative Directors.





AGTL received the Corporate Excellence Certificate from the Management Association of Pakistan.

AGTL's Annual Report 2010 was awarded by the Joint Committee of ICAP/CMAP at the Best Corporate Reports Award ceremony.



ACTIACID conferred on AGTL their International award "Golden Eagle for Prestige and Quality - Europe 2010".

The National Council of Culture and Arts presented the Best Calendar Award to AGTL's 2011 Wall Calendar.

The European Society for Quality Research (ESQR) conferred on AGTL the European Award for Best Practices, 2011 as a "symbol of commitment to quality and excellence".

Following the receipt of the Golden Award for Quality and Business Prestige, OMAC - Otherways Management Association Club Paris - conferred on AGTL the prestigious Diamond Eye Award for Quality and Excellence.

BOARD OF DIRECTORS

On completion of statutory term of three years, the election of directors were held on December 1, 2011 and new directors assumed offices from December 7, 2011.

During the year Mr. M. A. Qaiyum took retirement and Mr. Franco Fusignani resigned from the office of directors. The Board would like to place on record its appreciation on the valuable contribution made by the outgoing directors. The Board also welcomes Mr. Kashif Lawal and Mr. Mario Gasparri and hopes that the company will benefit from their varied experience in their respective fields.

ACKNOWLEDGEMENTS

AGTL acknowledges with thanks the support of the Ministry of Industries, Ministry of Finance, the FBR, the Engineering Development Board for correcting the misstep and reducing the sales tax on tractors. In this crisis mode that exposed the tractor industry to significant vulnerability, PAAPAM our supply chain associates were in the forefront to break the deadlock which efforts are acknowledged by the company. We are grateful to our Dealers who stood steadfast despite a long spell of business closure.

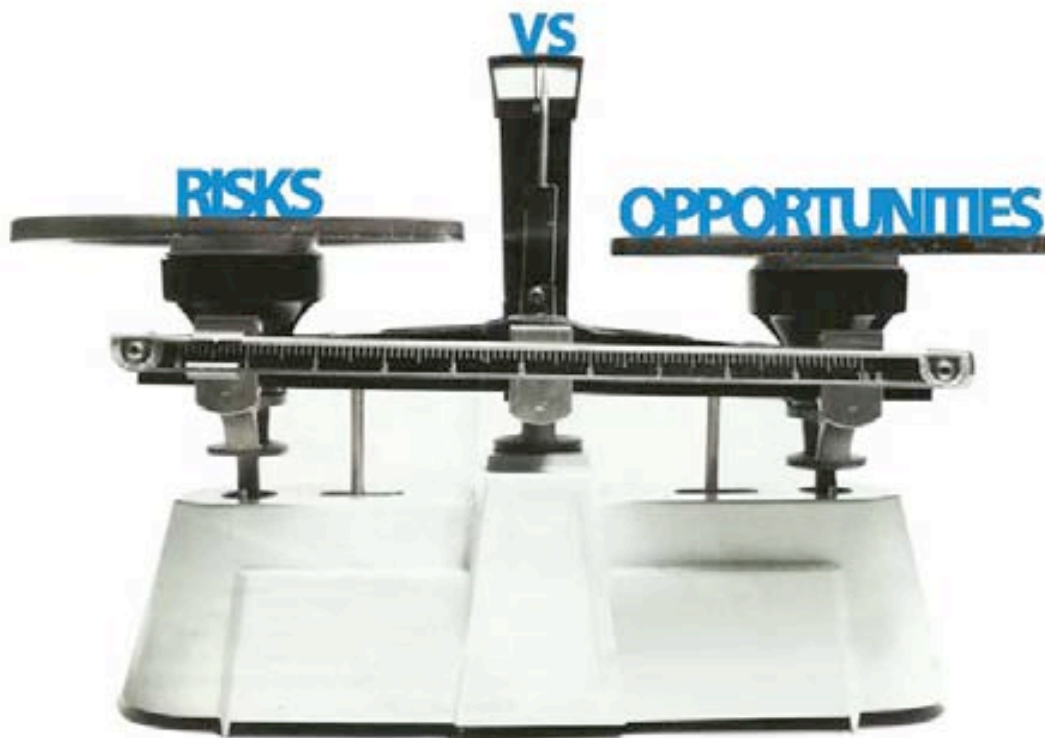
AGTL is thankful to its principals - CNH - for their continued support.

AGTL's global recognition owes its successes to its team of many talents - the officers and the workers who leave no opportunity to shine and devote themselves whole heartedly to the prosperity of the company.

Karachi
February 14, 2012



CHARLES LEONARD HUNT
(CHAIRMAN)



RISKS AND OPPORTUNITIES - 2012

RISKS

- o Challenges being faced by the economy, current account deficit, power outages, paramount political and geo-strategic issues.
- o Sharp increases in costs of inputs; withdrawal of subsidies especially on electricity, gas etc.
- o Inconsistent government policies.
- o The massive back-to-back floods in 2010 and 2011 are a cause of alarm, for these signal a shift in the monsoonal zone of Pakistan, which may result into more floods.
- o MFN status to India - adverse impact on agriculture and auto sector.

OPPORTUNITIES

- o Smart irrigation solutions through Drip Irrigation systems which had been suspended in the previous years have been revived.
- o Incentive schemes for tractors are likely to be re-launched.
- o The Economic Coordination Committee of the cabinet has directed ZTBL to recommence loaning for tractors which was almost on a hold since April 2010.
- o New initiatives to manufacture and market Farm Machines and Equipment.

CORPORATE SOCIAL RESPONSIBILITY

- o If anything, Al-Ghazi Tractors Ltd, with its plant located in Dera Ghazi Khan is a perfect example of Corporate Social Responsibility. The plant, the staff town, and the allied hub of activities that gravitate around AGTL have transformed the social fabric of the entire region. What began by pitching our tents in the parch desert has contributed to SUSTAINED ECONOMIC DEVELOPMENT of the entire community and the society at large. Employing over a thousand staff, with adjacent staff town full of amenities, school, hospitals, fair price shops, the plant with a capacity to produce 30,000 tractors per annum in a single shift is a vibrant business centre which has created thousands of jobs by way of transportation activities, workshops, vendor shops and a host of other developments. The company has directly contributed to human values and the quality of life of the whole region.
- o By way of supporting the community, the company offers merit scholarships to students of the Agricultural University Faisalabad and to its campus in Dera Ghazi Khan close to the plant. As part of corporate social responsibility and with a view to interacting with educational institutions, AGTL has appointed a batch of graduates of TEVTA - Technical Education and Vocational Technical Authority for its assembly operations in the plant. Operating under the Punjab government, these graduates of TEVTA, mostly with diplomas in mechanical and electric fields have been selected from D.G.Khan and Rajanpur campus of TEVTA. AGTL and TEVTA are working on a programme to not only induct more graduates but also utilize the joint facilities of TEVTA and AGTL plant for customized training on operational activities.
- o The company has to its credit a balance sheet of integrity with strict compliance with local, federal and international laws. The company contributes immensely to the government's exchequer by way of corporate taxes and other levies.
- o The company runs a local content of 90%+ with a long list of supply chain associates.
- o The company is committed to working for the betterment of the Environment, Health and Safety.
- o The company adheres to the policy of equal opportunity employment and offers almost unmatched benefits to its workers. AGTL workers are happy workers with almost no turn over.
- o The company has a strong brand position and a credible corporate image which appeals to investors, financial analysts and stake holders.
- o AGTL is the founding member of the UN "Global Compact" initiated when it was launched in December 2005.

CSR Defined

"The commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development"

- * Philanthropy is not CSR
- * CSR is not a photo opportunity
- * CSR does not have to be "Me Too"
- * CSR entails no competition
- * CSR is an investment, not a cost
- * CSR must be built into the Business Plan
- * CSR must be sustainable

CSR Drivers

- * Stricter compliance with local, state, federal, and international laws
- * Attention to social problems like healthcare and pollution
- * Corporate contribution to human values and the quality of life
- * Equal employment opportunities
- * Higher benefits to employees, such as child care and elderly care

AGTL HEAD OFFICE BUILDING

The Ground Breaking ceremony of AGTL Head Office building in Karachi was performed by Mr. Charles Leonard Hunt, Chairman. CEO, Mr. Parvez Ali and Board Director, Mr. Nasir Mahmood were also present at the ceremony.





AGTL HEAD OFFICE BUILDING

Construction is to begin shortly with completion date of December 2012.

DIRECTORS' REPORT



The Directors of Al-Ghazi Tractors Limited are pleased to present their report together with the company's audited financial statements for the year ended December 31, 2011.

Operating Results	2011	2010
	Rupees '000	
Sales	10,113,572	14,936,034
Gross Profit	1,872,956	2,948,515
Profit for the year before taxation	2,062,675	2,900,113
Taxation	703,795	991,241
Profit after tax	1,358,880	1,908,872

The decrease in profit is mainly due to lower sales volume as 18,344 tractors were sold as compared to 29,164 tractors sold the last year.

Holding Company

Al Futtalm Industries Co. LLC. Incorporated in UAE is the holding company of Al-Ghazi Tractors Limited, being the holder of 50.02% shares of the company.

Corporate Governance

The company has complied with all material requirements of the Code of Corporate Governance issued by the Stock Exchange. Accordingly, the Directors are pleased to confirm the following:

- The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The company has fully complied with the Listing Regulations of the Karachi and Lahore Stock Exchanges.

Appropriations

The financial results for the year under review are as follows:

	2011	2010
	Rupees '000	
Profit before tax	2,062,675	2,900,113
Taxation	703,795	991,241
Profit after tax	1,358,880	1,908,872
Unappropriated profit b/f	5,148,039	4,205,237
Profit available for appropriation	6,506,919	6,114,109
Appropriations:		
Final dividend paid for the year 2010:		
Rs 12.5 per share (2009: Rs 15 per share)	536,706	644,047
Interim dividends paid for the year 2011:		
Rs 10 per share (2010: Rs 7.5 per share)	429,364	322,023
Unappropriated profit c/f	5,540,849	5,148,039

For the year ended December 31, 2011, the Board in its meeting held on February 14, 2012, has proposed a final cash dividend of Rs. 10 per share amounting to Rs. 429.36 million.

Earnings per share

The Basic Earnings per share were Rs. 31.65 in 2011 compared to Rs. 44.46 in 2010.

Statement of value of Investments of retirement funds

	Rupees	Year ended
Gratuity fund	93,000,000	June 30, 2010
Provident fund	140,356,541	June 30, 2010

Key operating and financial data

The key audited operating and financial results for the last six years have been included in this Annual Report.

Meetings of the Board of Directors

Six meetings of the Board of Directors were held during the year. Details of attendance by each director are shown in this Annual Report.

Pattern of Shareholding

The pattern of shareholding have been included in this Annual Report.

The Directors, Chief Financial Officer, the Company Secretary and their spouses and minor children have not traded in company's shares during the year.

External Auditors

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The directors endorse recommendations of the Audit Committee for the re-appointment of Messrs. A.F. Ferguson & Co. as the auditors for the financial year 2012.

Financial Statements on Website

The financial results of the year 2011 would be placed on the company's website and can be viewed on www.alghazitractors.com

On behalf of the Board



Parvez Ali
Chief Executive

Karachi
Dated: February 14, 2012



CORPORATE GOVERNANCE

ANNUAL REPORT **2011**



CORPORATE GOVERNANCE

The Board and management of Al-Ghazi Tractors Limited recognize that well-defined corporate governance processes are vital in enhancing corporate accountability and are committed to ensuring high standards of corporate governance to preserve and maximize shareholder value.

For the company's efforts towards excellent financial reporting and extensive disclosures beyond the minimum regulatory

requirements, we were awarded the Best Annual Report Award by the Joint Committee of ICAP and ICMA.

This report sets out the company's corporate governance processes and activities for the financial year. The company continually reviews and refines its processes in light of the best practice, consistent with the needs and the circumstances of the company.

BOARD OF DIRECTORS

The Board is responsible to shareholders for overseeing the management of the business in the interest of the company. The Board relies on the integrity and due diligence of its senior management and its external advisors and auditors to oversee the company's overall performance objectives, key organizational initiatives, financial plans and annual budget, major investments, financial performance reviews, risk management and corporate governance practices.





In addition to its statutory responsibilities, the Board performs the following responsibilities:

- o Formulates mission statement which would serve as a guide in organizational planning, decision making and strategic planning.
- o Reviewing, approving and monitoring the company's strategic plans and objectives.
- o Overseeing the conduct of the company's business so that it is effectively managed in the long term interest of shareholders.
- o Selecting, evaluating and compensating the Chief Executive Officer (CEO) and planning for CEO's succession.
- o Monitoring the company's accounting and financial reporting practices and reviewing the company's financial and other controls.
- o Overseeing the company's compliance with applicable laws and regulations.
- o Overseeing the processes that are in place to safeguard the company's assets and mitigating risks.
- o To set up committees from among the Board members for specific purposes and approving a written charter for the governance of those committees.
- o Approve investment plans and capital expenditure.
- o Approve annual and quarterly accounts for transmission to shareholders and arrange for shareholders meetings.

The current Board comprises of eight directors, six non-executive (including the Chairman) and two executive. Given that the majority of the Board is comprised of non-executive directors who are independent of management and independent in terms of character and judgment, objectivity on issues deliberated is assured.

The board members comprise business leaders, professionals with financial, audit, accounting and legal backgrounds and engineers. Best efforts have been made to ensure that, in addition to contributing their valuable expertise and insight to Board deliberations, each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. Profiles of the directors can be found on page 18.

To assist the Board in discharging its duties and to keep abreast of the company's operational and financial performance, key issues, challenges and opportunities, company's management furnishes adequate management and operational reports as well as financial statements to the Board on a regular basis. The Board and Board Committee papers are sent to the directors at least seven days before each meeting so that they may better understand the matters prior to the meeting. Financial highlights / statements and key developments are presented on a quarterly basis at Board meetings. The Company Secretary, in consultation with the Chairman and CEO, assists the Board with the preparation of meeting agendas. She administers, attends and prepares minutes of proceedings, ensuring good information flow within the Board and its Committees. She also assists the Board on the compliance of the company with the Memorandum and Articles of Association and regulations, including requirements of the Companies Ordinance, 1984, Securities and Exchange Commission and the Listing Regulations of the Karachi and Lahore Stock Exchanges. The Board has ready and independent access to the CEO, senior management, the Company Secretary and internal and external auditors at all times. The Board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information is available before important decisions are made.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the CEO are not related to each other. The roles of Chairman and CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman, who is non-executive, leads and ensures effective and comprehensive board discussion on matters brought to the Board including strategic issues as well as business planning. The Board monitors the translation of the board's decisions into action. The CEO is responsible for carrying out the policies of the Board of Directors on a day-to-day basis. The CEO, therefore, functions as the main artery between the Board and the various levels of the organisation.

Duties of the Chairman are:

- o To lead and oversee the Board of Directors.
- o To facilitate an open flow of information between management and the Board, thus to involve the Board in the process of effective decision making for the company.
- o To lead a critical evaluation of company's management practices and adherence to the company's strategic plan and objectives.
- o In accordance with Company Law and as and when required chair the meetings of the Board, its Committees, and meetings of the shareholders in accordance with their terms of reference.
- o To establish, in consultation with the CEO, an agenda for each meeting of the Board.
- o To seek compliance of the management to implement the decisions of the Board.
- o To work closely with the CEO and provide support and guidance for the management on major issues.
- o To promote the highest standards of corporate governance.
- o To ensure that the company has an effective and clear communication with its shareholders.
- o To ensure that new directors receive appropriate induction into the company.

Responsibilities of the CEO

- o To align the entire company to the Vision, Mission and Strategy evolved by the Board, such that every one will focus his efforts to the success of the company.
- o To build a corporate culture and be a role model for the entire organisation.
- o To set performance standards for the company and promote those standards with confidence.

- o To manage the day-to-day operations of the company's business, strategic planning, budgeting, financial reporting and risk management.
- o To build good relationship between and among the employees of the company, the government, the supply chain associates, the dealers and other stakeholders of the company.
- o To provide strategic leadership to the organisation to ensure its future growth through unexpected as well as foreseen threats, opportunities and to keep the company in focus with competition, markets, products and growth technology.
- o To set standards required to maintain a competitive advantage in the industry and implement these standards into the output of the company.
- o To build a talented team (hire talent and fire non-performers) and to lead the team to working together in a common direction thus to steer the company to company's strategy and vision through direction and effective communication.
- o To set budgets, to fund projects which support the strategy and ramp down projects which lose money. To manage the company's capital judiciously and carefully control the company's expenditures.
- o To provide leadership and develop policies and procedures of the company to ensure compliance of these procedures and policies.
- o To develop human resource of the company, the company's staffing needs of the future, training, compensation packages and to create a corporate culture of high standards and good value.
- o To build effective PR for the company.

EVALUATION OF PERFORMANCE OF THE BOARD OF DIRECTORS

The Board endeavours to benchmark its performance with Best Practices. As a matter of policy, the Board undertakes review and evaluation of its own performance and a review of its relations with the management. Board ensures ample Board discussion and advise from the independent director, who is also a consultant. Board assesses the contribution it is making and specifically reviews areas in which better contribution could be made. In evaluating its performance the Board addresses the following responsibilities:

- o **Ensuring participation in strategic planning process and decision making.**
- o **Overseeing the company's financial performance and allocation of funds.**
- o **Overseeing of management and Board selection and succession.**
- o **Overseeing Corporate Social Responsibility.**
- o **Ensuring compliance with law, establishment of standards of corporate conduct.**

PERFORMANCE REVIEW OF CHIEF EXECUTIVE OFFICER

The performance of the Chief Executive Officer (CEO) is formally appraised by the Board. CEO's performance is evaluated on the performance of business, accomplishment of objectives with particular reference to profit, goals and corporate success. Performances of key reports to CEO are also placed before the Chairman.

RE-ELECTION OF DIRECTORS DURING 2011

The Extra-ordinary General Meeting for the election of Director was held on Dec 01, 2011.

BOARD MEMEBERS

Director	Position held on the Board	Date of first appointment	Date of re-election as director	Nature of appointment
Mr. Charles Leonard Hunt	Chairman	Aug 4, 2009	Dec 7, 2011	Non-executive
Mr. Parvez Ali	CEO	Jan 20, 1992	Dec 7, 2011	Executive
Mr. Nasir Mahmood	Director	Feb 21, 2005	Dec 7, 2011	Non-executive
Mr. Kunwar Idris	Director	Dec 9, 1993	Dec 7, 2011	Non-executive
Mr. Mario Gasparri	Director	May 12, 2011	Dec 7, 2011	Non-executive
Mr. M.A. Qaiyum	Director	May 14, 1998 (Retired on Dec 6, 2011)	Dec 7, 2008	Executive
Mr. Kashif Lawal	Director	Dec 7, 2011	Dec 7, 2011	Executive
Mr. Hadjas Youssef	Director	Oct 8, 2007	Dec 7, 2011	Non-executive
Mr. Pietro Cianci Venturi	Director	Sep 28, 2009	Dec 7, 2011	Non-executive
Mr. Franco Fusignani	Director	July 16, 2007 (resigned on May 10, 2011)	Dec 7, 2008	Non-executive
Mrs. Giovanna Barbieri*	Director	Jan 30, 2012	-	Non-executive

*Appointed instead of Mr. Pietro Cianci Venturi, subsequent to the year end.

Directors' Attendance at Board and Committee Meetings in 2011

Board Member	Board Meeting	Audit Committee Meeting	Human Resource and Remuneration Committee Meeting	Enterprise Risk Management Committee Meeting
No. of Meetings held in 2011	6	4	1	1
Mr. Charles Leonard Hunt ¹	5/6	3/4	1/1	-
Mr. Parvez Ali ²	6/6	-	-	-
Mr. Nasir Mahmood	6/6	4/4	-	1/1
Mr. Kunwar Idris	6/6	3/4	1/1	1/1
Mr. Mario Gasparri ³	1/3	-	-	-
Mr. M.A. Qaiyum ⁴	5/6	4/4	-	-
Mr. Kashif Lawai ⁵	-	-	-	-
Mr. Hadjas Youssef	6/6	4/4	1/1	1/1
Mr. Pietro Cianci Venturi ²	3/6	-	-	-
Mr. Franco Fusignani ⁶	3/3	-	-	-

¹ Mr. Hunt remained the Chairman of the Audit Committee and Human Resource and Remuneration Committee during 2011. He was replaced by Mr. Nasir Mahmood and Mr. Mario Gasparri respectively from Dec 7, 2011.

² Mr. Parvez Ali and Mr. Pietro Cianci Venturi were appointed as members of the Human Resource and Remuneration Committee on Dec 7, 2011.

³ Mr. Mario Gasparri was appointed as non-executive director on May 12, 2011 and was appointed as the Chairman of the Human Resource and Remuneration Committee on Dec 7, 2011.

⁴ Mr. Qaiyum retired as an executive director on Dec 6, 2011.

⁵ Mr. Lawai was elected in the EOGM for the term beginning on Dec 7, 2011.

⁶ Mr. Fusignani resigned as non-executive director on May 10, 2011.

BOARD COMMITTEES

AUDIT COMMITTEE

Committee composition

The Audit Committee comprises of three non-executive directors. The Committee is chaired by a non-executive director.

Members of the Audit Committee are;

Mr. Nasir Mahmood - Chairman

Mr. Kunwar Idris

Mr. Hadjas Youssef

The Board Secretary functions as the Secretary to the Audit Committee.

Meetings

The Audit Committee met four times during the year. Attendance by the Committee members is given in the table on page 68. The CEO also attended these meetings by invitation.

Terms of Reference

The Audit Committee of the company reviews financial statements, business plans and internal contracts. The Committee also reviews audit reports issued by the Chief Internal Auditor and ensures management compliance to audit observations.

The salient features of the terms of reference of the committee are:

1. The Audit Committee will review and discuss with management and the external auditor the annual and quarterly financial statements including the company's disclosures on operating and financial review in the company's annual and half yearly reports as required by law.
2. The Audit Committee will review and approve the scope of the external auditors'.
3. The Audit Committee will be apprised by the external auditors of the nature and adequacy of the company's internal controls and internal audit activities and any special audit steps adopted in light of material control deficiencies.



4. Following issuance of external auditors' management letters regarding the annual / half yearly examinations and management's reply thereto, meet with external auditors to review and discuss their findings and recommendations.
5. Discuss with external auditors and management, the accounting principles, policies and reporting practices, underlying the financial statements which are the subject of the external accountants' certification, including a review of: (a) all critical accounting policies and practices to be used; (b) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted difference; and (c) recent and prospective opinions of any relevant accounting standards and their impact on the company's financial statements.
6. Oversee the activities of the internal audit department.
7. Periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the internal audit department's work.
8. Review with the external auditors' litigation, taxation matters and any other legal or regulatory matters that could have a material impact on the company's financial statements.
9. Monitor compliance with the company's corporate policies.
10. Review and approve the related party transactions policy of the company and review and approve related party transactions in accordance with the policy to assure that the principles of arm's length and fair dealing are consistently and correctly applied.
11. To discuss risk assessment and risk management guidelines and policies and the company's significant risk exposures (whether financial, operating or otherwise), as well as the steps management has taken to monitor and control these exposures.
12. Establish and maintain procedures for: (a) the receipt, retention and treatment of complaints received by

the company regarding accounting, internal accounting controls or auditing matters; and (b) the submission by employees of the company of concerns regarding questionable accounting or auditing matters.

13. Review with management and the external auditor any material correspondence with regulators or government agencies and any published reports which raise issues regarding the company's financial statements or accounting policies.

ENTERPRISE RISK MANAGEMENT COMMITTEE

Composition

The Board Risk Management Committee comprises of three non-executive directors.

Mr. Kunwar Idris - Chairman
Mr. Hadjas Youssef
Mr. Nasir Mahmood

Meetings

The Committee met once during the year.

Attendance at the meeting is given in the table on page 68.

The discussion and conclusions reached at the meeting are recorded in minutes and circulated to the Board of Directors for information and advice.

Terms of Reference

1. Consider the overall risk management framework for the company and review its effectiveness in meeting sound corporate governance principles, and keep the Board informed of all significant risks of the company.
2. Review findings / observations of Management Risk Management Committee.
3. Discuss with management major credit, market, liquidity and operational risk exposures and the steps management has taken to monitor and control such exposures.

4. To determine the company's risk strategy, the types and amounts of acceptable risk and risk-return tradeoffs.
5. To report to the Board on any material changes to the risk profile of the company.
6. Review the effectiveness of the system for monitoring compliance with laws and regulations affecting the company and the results of management's investigation and follow-up of any instances of non-compliance.
7. The Committee is authorized to seek any information it requires from any employee of the company.
8. The Committee is authorized to take independent professional advice as it considers necessary.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Human Resource and Remuneration Committee comprises three non-executive directors and the CEO. Following directors serve on the Committee

Mr. Mario Gasparri (Mr. Hadjas Youssef in absence of Mr. Gasparri) - Chairman
 Mr. Parvez Ali
 Mr. Kunwar Idris
 Mr. Pietro Cianci Venturi (Mrs Giovanna Barbieri - subsequent to the year end)

Meetings

The Committee met once during the year. Attendance at the meeting is given in the table on page 68.

Terms of Reference

1. Discharge the Board's responsibilities relating to compensation of executive officers and governance matters.

2. Review and assess adequacy of the Charter of the Human Resource and Remuneration Committee.
3. Assess annually the Board's performance and the performance of the committees of the Board.
4. Review, assess and make recommendations to the Board regarding corporate governance guidelines including director responsibilities, directors access to management, director orientation and continuing education and annual performance of the Board and committees.
5. Approve goals relevant to Chief Executive Officer's compensation.
6. Evaluate the Chief Executive Officer's performance in light of the goals of the company.
7. Establish base salary ranges and general levels of other compensation components, such as perquisites and bonus, ex-gratia or incentive awards of the personnel of the company.
8. Review the succession plans for the top executives of the company.
9. Periodically examine the compensation structure of the company to determine that the company is rewarding its executives and other personnel in a manner consistent with sound industrial practices.
10. Review, assess and make recommendations to the Board with respect to the code of ethics and conduct of the company.
11. Establish and review the process for communications by the shareholders of the Board.
12. That the Human Resource and Remuneration Committee shall report to the Board.



INTERNAL AUDIT

The internal audit function is performed by the Chief Internal Auditor (CIA), who is a Chartered Accountant by profession. CIA reports directly to the Audit Committee Chairman on audit matters and to the CEO on administrative matters.

CIA adopts a risk-based methodology in defining its internal audit plan, which is reviewed and approved by the Audit Committee. The internal audits performed are aimed at ensuring that the company maintains a sound system of internal controls. CIA assists the Board and management in discharge of their corporate governance responsibilities as well as in improving and promoting effective and efficient business processes within the company.

The Board has been kept informed of the Audit Committee's review of internal audit reports and the management controls in place and is satisfied with the adequacy of the company's internal controls.



MANAGEMENT COMMITTEES

The Board has formed the following Management Committees headed by the CEO with key management officials and the Chairman of the Collective Bargaining Agent - the CBA

- **Business Strategy Committee**
- **Remunerations Committee**
- **Succession Planning - Steering Committee**
- **The Employee & Process Safety Committee**
- **Environmental Committee**
- **Risk Management Committee**
- **Information and Technology Committee**

RISK MANAGEMENT

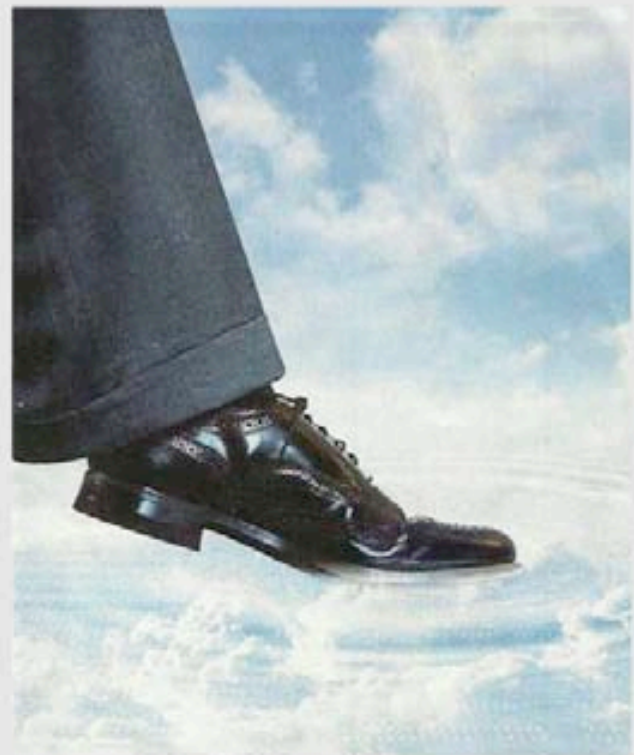
Al-Ghazi Tractors Limited believes that effective risk management is critical to achieving the company's strategic objectives and corporate governance goals.

The Enterprise Risk Management Committee at Board level provides the leadership and direction that is instrumental to building robust risk management processes within the company and strengthening them over time.

The Enterprise Risk Management Committee is assisted by the Risk Management Committee of the management. This committee reports to the CEO and is responsible for implementing the risk management policy.

The company's risk management policy is a discipline with which the company identifies, assesses, controls and monitors risk from the following key areas:

- o *Strategic*
- o *Operational*
- o *Financial*
- o *Reputational*
- o *Legal and Regulatory*
- o *Acts of God or Terrorism*



Risk Area	Inherent Risk	Description
Operational risk	<ul style="list-style-type: none"> o Supply Chain o Customers o Technology o Human resource 	<p>Operational risk, which is inherent in all business activities, is the risk of potential financial loss / or business instability arising from failures in internal controls, operational processes or systems that support them.</p> <p>It is recognized that operational risk can never be entirely eliminated and that the cost of minimizing it may outweigh the potential benefits. Accordingly, the company manages operational risk by focusing on risk management and incident management. The company has put in place operating manuals, delegation of authority and regular reporting framework. This allows for early identification of areas of potential exposure which can be addressed immediately. Independent checks on the internal controls and risk management process are undertaken by the Internal Audit department to ensure their effectiveness and adequacy.</p> <p>The company places great emphasis on establishing comprehensive human resource policies for recruitment, compensation and development of staff. This ensures that the company's human resource assets are nurtured and retained. The Board's Human Resource and Remuneration Committee has oversight of company's remuneration policies and oversees development and succession plans for key management positions.</p>
Financial Risk	<ul style="list-style-type: none"> o Credit o Foreign Exchange o Interest Rate o Liquidity 	<p>The company's activities expose it to a variety of financial risks.</p> <p>For details refer page 81.</p>
Legal and Regulatory Risk	<ul style="list-style-type: none"> o Compliance and legal risk 	<p>The company's operations are subject to regulation and future changes in regulation that may adversely affect results, particularly in the areas of corporate law, competition law and environmental law. The responsibility of compliance with applicable laws and regulations lies with the departmental heads and the Company Secretary.</p>
Acts of God or Terrorism	<ul style="list-style-type: none"> o Business Interruption 	<p>The company recognizes that quick recovery and resumption of business operations after a disruption are critical to minimizing financial, operational and reputation impact.</p> <p>The company has in place a comprehensive insurance programme aimed at mitigating losses that might arise from such risks.</p>

INVESTOR RELATIONS

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with accurate, coherent and balanced account of the company's performance. To do this, multiple communication platforms are utilized including shareholders meetings, annual reports and investor relations section of the company's website.

Annual and Quarterly Reports

Annual and quarterly financial statements of the company are available at the company's website www.alghazitractors.com or printed copies can be obtained by writing to the Company Secretary.

Shareholders Return

Share Prices performance can be analysed as below:

Closing price	: Rs 192.84
Average price	: Rs 211.45
Lowest price	: Rs 158.00 on Nov 29, 2011
Highest price	: Rs 244.95 on Jan 14, 2011

Shareholding Information

The issues Share Capital of the company is Rs 214.68 million. With a base price of Rs 5/- per share, the total number of shares of the company is 42,936,445.

There are 1,636 shareholders of the Company which are listed as follows:

1. Al-Futtaim Industries Company Dubai, UAE	21,476,078 shares	= 50.02%
2. CNH Global N.V, Viale Delle Nazioni, Italy	18,535,096 shares	= 43.17%
3. Joint Stock Companies	125,087 shares	= 0.29%
4. Public sector companies and corporations	866,982 shares	= 2.02%
5. Individual and others	1,933,202 shares	= 4.50%
TOTAL	42,936,445 shares	= 100%

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not trade in the shares of the company. For detailed pattern of shareholding refer to page 77.

Share Registrar

Share transfers and all other investor related matters are attended to and processed by our Registrar FAMCO Associates (Pvt) Limited.

FAMCO Associates (Pvt) Limited
Ground Floor, State Life Building 1-A
I.I. Chundrigar Road
Karachi - 74000
Tel: 92 21 32422344, 32427012
Fax: 92 21 32428310
Timings: 8:30 am to 1:00 pm & 2:00 pm to 3:30 pm

Stock Exchange Listing

Al-Ghazi Tractors Limited is listed on Karachi and Lahore Stock Exchanges. The symbol code for dealing in shares of the company is AGTL.

Financial Calendar

The company follows the period of January 1 to December 31 as the financial year.

For the financial year 2012, financial results will be announced as per the following tentative schedule:

1st quarter ending March 31, 2012

Third week of April 2012

2nd quarter ending June 30, 2012

Second week of August 2012

3rd quarter ending September 30, 2012

Third week of October 2012

Year ending December 31, 2012

Second week of February 2013

Pattern of Shareholding

As At December 31, 2011

Number of Shareholders	Size of Shareholding Rs. 5 each		Total Shares Held
	From	To	
643	1	100 Shares	22,471
446	101	500 Shares	120,455
177	501	1000 Shares	133,157
278	1001	5000 Shares	554,268
49	5001	10000 Shares	358,275
8	10001	15000 Shares	97,533
9	15001	20000 Shares	155,363
3	20001	25000 Shares	67,500
1	25001	30000 Shares	26,958
2	30001	35000 Shares	62,224
3	35001	40000 Shares	112,302
1	40001	45000 Shares	40,105
2	45001	50000 Shares	98,100
2	50001	55000 Shares	105,842
2	55001	60000 Shares	114,513
1	60001	65000 Shares	82,100
1	65001	70000 Shares	67,656
1	70001	75000 Shares	73,860
1	75001	80000 Shares	79,707
1	80001	85000 Shares	81,676
1	85001	90000 Shares	87,828
1	100001	105000 Shares	102,000
1	300001	305000 Shares	301,378
1	18535001	18540000 Shares	18,535,096
1	21475001	21480000 Shares	21,476,078
1,636			42,936,445

Categories of Shareholders

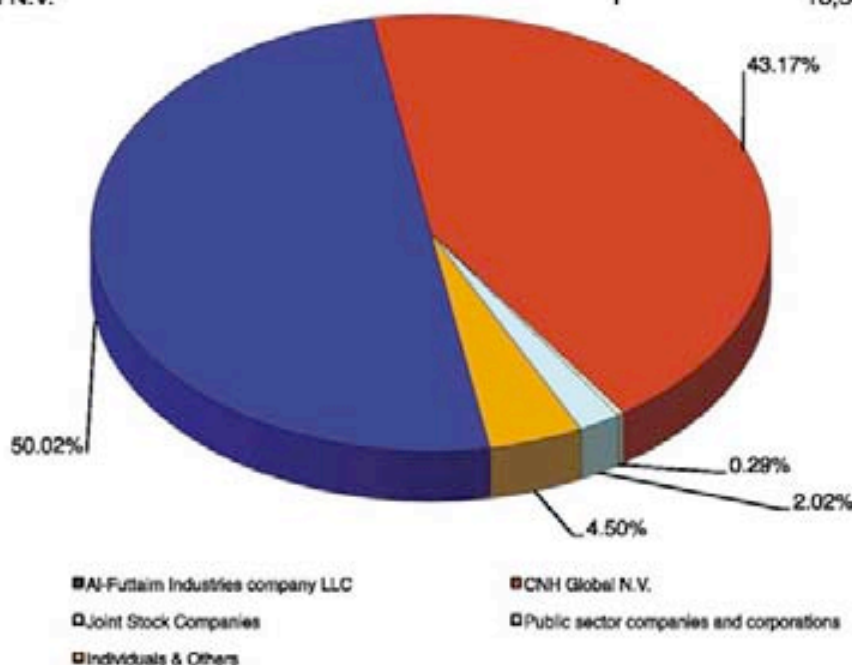
Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	647	392,440	0.91%
2-	Joint Stock Companies	1	587	0.00%
3-	Financial Institutions	2	2,198	0.01%
4-	Associated Companies	2	40,011,174	93.19%
5-	Foreign Investors	4	14,671	0.03%
6-	Charitable Trusts	1	154	0.00%
7-	Central Depository Company (b)	979	2,515,241	5.86%
		1,636	42,936,445	100.00%

(b) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2011

Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	928	1,526,091	3.55%
2-	Investment Companies	1	1,000	0.00%
3-	Insurance Companies	5	441,864	1.03%
4-	Joint Stock Companies	20	124,520	0.29%
5-	Financial Institutions	5	172,467	0.40%
6-	Modaraba Companies	3	23,995	0.06%
7-	Mutual Fund	9	186,055	0.43%
8-	Others	8	39,249	0.09%
		979	2,515,241	5.86%

Shareholding information

Categories of Shareholders	No. of Shareholders	No. of Shares Held
Associated companies:		
Al-Futtaim Industries company LLC	1	21,476,078
CNH Global N.V.	1	18,535,096
Directors, CEO and their spouses and minor children:		
Mr. Parvez Ali - CEO	1	275
Joint Stock Companies :	21	125,087
Public sector companies and corporations:		
Financial Institutions	7	174,665
Insurance Companies	5	441,864
Investment Companies	1	1,000
Modaraba Companies	3	23,995
Mutual Fund	9	186,055
Charitable Trusts	1	154
Others	8	39,249
Individuals & Others		
Local	1574	1,918,256
Foreign	4	14,671
Shareholders holding 10% or more voting interest:		
Al-Futtaim Industries company LLC	1	21,476,078
CNH Global N.V.	1	18,535,096



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al-Ghazi Tractors Limited to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiiia) of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2011.



Chartered Accountants
Karachi

Dated: February 24, 2012

Statement of Compliance with the Code of Corporate Governance

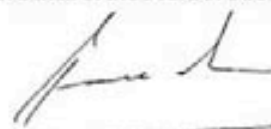
For the year ended December 31, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of non-executive directors on its Board of Directors. The Board comprises of eight directors and includes six non-executive directors who work with independence.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancy in the Board of Directors occurred on May 10, 2011 which was duly filled.
5. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the company.
6. The Board has developed a vision and mission statement, overall strategy and significant policies of the company. A complete record of particulars of significant corporate policies alongwith the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the meetings, along with agenda and working papers, were circulated seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board had previously arranged an orientation course of the Code of Corporate Governance for its directors to apprise them of their role and responsibilities.
10. The Board approved appointment of new CFO, including his remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom including the Chairman are non-executive directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors



Karachi
Dated: February 14, 2012

Parvez Ali
Chief Executive Officer



FINANCIAL STATEMENTS

ANNUAL REPORT **2011**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2011 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 accounts 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 accounts 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, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Chartered Accountants
Karachi

Dated: February 24, 2012

Name of Engagement Partner: Ali Muhammad Mesia

BALANCE SHEET

AS AT DECEMBER 31, 2011

	Note	2011 Rupees in thousand	2010
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	373,295	368,671
Long-term investment	4	74,000	40,000
Long-term loans	5	32,106	495
Long-term deposits		342	367
		<u>479,743</u>	<u>409,533</u>
CURRENT ASSETS			
Stores and spares	6	19,025	9,749
Stock-in-trade	7	2,731,395	1,073,122
Trade debts	8	14,339	264,063
Loans and advances	9	47,249	22,109
Short-term deposits and prepayments	10	4,602	11,476
Accrued mark-up	11	214,003	54,884
Other receivables	12	5,866	57,967
Taxation		532,814	339,456
Refunds due from the Government - Sales tax and Special excise duty	13	928,675	979,537
Investments	14	1,084,449	1,331,464
Cash and bank balances	15	2,477,110	3,112,794
		<u>8,059,527</u>	<u>7,256,621</u>
TOTAL ASSETS		<u>8,539,270</u>	<u>7,666,154</u>
SHARE CAPITAL AND RESERVES			
Share capital	16	214,682	214,682
Reserves	17	6,540,849	6,148,039
		<u>6,755,531</u>	<u>6,362,721</u>
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		25,393	24,405
Deferred taxation	18	40,983	37,739
		<u>66,376</u>	<u>62,144</u>
CURRENT LIABILITIES			
Trade and other payables	19	1,717,363	1,241,289
TOTAL LIABILITIES		<u>1,783,739</u>	<u>1,303,433</u>
COMMITMENTS			
	20		
TOTAL EQUITY AND LIABILITIES		<u>8,539,270</u>	<u>7,666,154</u>

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive



Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
Rupees in thousand			
Sales	22	10,113,572	14,936,034
Cost of goods sold	23	(8,240,616)	(11,987,519)
Gross profit		1,872,956	2,948,515
Distribution cost	24	(82,474)	(92,605)
Administrative expenses	25	(133,245)	(121,174)
		1,657,237	2,734,736
Other operating income	26	560,447	381,640
Other operating expenses	27	(152,874)	(214,939)
		2,064,810	2,901,437
Finance cost	28	(2,135)	(1,324)
Profit before taxation		2,062,675	2,900,113
Taxation	29	(703,795)	(991,241)
Profit after taxation		1,358,880	1,908,872
Other comprehensive income		-	-
Total comprehensive income		1,358,880	1,908,872
Earnings per share	30	Rs 31.65	Rs 44.46

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive



Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
Rupees in thousand			
CASH FLOW FROM OPERATIONS			
Cash generated from operations	31	283,323	2,339,720
Income tax paid		(893,909)	(793,855)
Decrease in long-term deposits		25	-
Increase in deferred staff benefits - compensated absences		988	2,534
Net cash (used in) / from operating activities		(609,573)	1,548,399
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(39,397)	(148,797)
Proceeds from disposal of fixed assets		1,850	4,617
Purchase of investments		(1,400,000)	(1,300,000)
Proceeds from disposal of investments		1,778,960	149,161
Return received on bank deposits		197,336	283,386
Return received on Certificate of Investment		2,426	15,087
(Increase) / Decrease in long-term loans		(31,611)	2,363
Net cash from / (used in) investing activities		509,564	(994,183)
CASH FLOW FROM FINANCING ACTIVITY			
Dividend paid		(535,675)	(963,901)
Net decrease in cash and cash equivalents		(635,684)	(409,685)
Cash and cash equivalents at the beginning of the year		3,112,794	3,522,479
Cash and cash equivalents at the end of the year	15	2,477,110	3,112,794

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Share capital	General reserve	Unappropriated profit	Total
	← Rupees in thousand →			
Balance at January 1, 2010	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)
Total comprehensive income for the year	-	-	1,908,872	1,908,872
Balance at December 31, 2010	214,682	1,000,000	5,148,039	6,362,721
Final dividend @ Rs 12.50 per share for the year ended December 31, 2010	-	-	(536,706)	(536,706)
Interim dividend @ Rs 10 per share for the year ended December 31, 2011	-	-	(429,364)	(429,364)
Total comprehensive income for the year	-	-	1,358,880	1,358,880
Balance at December 31, 2011	214,682	1,000,000	5,540,849	6,755,531

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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 are provision for taxation and provision for staff retirement benefit.

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) New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or did not have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

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

Following amendments to existing standards and interpretation have been published that are mandatory for accounting periods beginning on the dates mentioned below:

IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after 1 July 2012. It entails the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is however, not expected to have a material impact on the company's financial statements.

c) Interpretations to published approved accounting standards that are not yet effective and are not considered relevant

Standards, amendments to existing approved accounting standards and new interpretations have been published that are mandatory for future years. However, these are not expected to affect materially the financial statements of the company for the accounting periods beginning on the dates prescribed therein.

2.2 Overall valuation policy

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

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 and spares

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.

Contributions to the gratuity scheme are based on actuarial recommendations. The latest actuarial valuations of the scheme was carried out as at December 31, 2011 using the Projected Unit Credit Method.

Cummulative net unrecognised actuarial gains and losses at the beginning of the year which exceed 10% of the greater of the present value of the obligations and the fair value of respective fund's assets are amortised over the average remaining working life of the employee.

(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

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

Any gains and losses on derecognition of financial assets and liabilities are taken to income currently.

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 prevailing at 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	2011	2010
		Rupees in thousand	
3. FIXED ASSETS			
3.1 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.2	373,166	360,293
Capital work-in-progress - civil work		129	8,378
Intangible assets	3.3	-	-
		<u>373,295</u>	<u>368,671</u>

3.2 Operating assets

	Land		Building		Plant and machinery	Furniture and fixtures	Office equipment	Computer hardware	Vehicles	Factory equipment and tools	Total
	Freehold	Lease hold	on freehold land	on lease hold land							
← Rupees in thousand →											
Net carrying value basis											
Year ended December 31, 2011											
Opening net book value	3,854	80,818	128,634	6,246	101,471	1,906	760	709	22,177	13,518	360,293
Additions	-	80	16,203	-	19,574	773	-	577	7,267	3,172	47,646
Deletions											
Cost	-	-	-	-	-	(710)	-	-	(3,847)	-	(4,557)
Accumulated depreciation	-	-	-	-	-	474	-	-	3,847	-	4,321
	-	-	-	-	-	(236)	-	-	-	-	(236)
Depreciation/ amortisation charge	-	(825)	(4,265)	(245)	(15,826)	(738)	(114)	(543)	(9,358)	(2,623)	(34,537)
Closing net book value	<u>3,854</u>	<u>80,873</u>	<u>140,772</u>	<u>6,001</u>	<u>105,219</u>	<u>1,705</u>	<u>646</u>	<u>743</u>	<u>20,086</u>	<u>14,067</u>	<u>373,166</u>
Gross carrying value basis											
At December 31, 2011											
Cost	3,854	81,598	194,275	9,778	225,264	8,583	3,702	14,865	59,545	47,689	649,153
Accumulated depreciation / amortisation	-	(1,525)	(53,503)	(3,777)	(120,045)	(6,878)	(3,056)	(14,122)	(39,459)	(33,622)	(275,987)
Net book value	<u>3,854</u>	<u>80,073</u>	<u>140,772</u>	<u>6,001</u>	<u>105,219</u>	<u>1,705</u>	<u>646</u>	<u>743</u>	<u>20,086</u>	<u>14,067</u>	<u>373,166</u>
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											
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	<u>3,854</u>	<u>80,818</u>	<u>128,634</u>	<u>6,246</u>	<u>101,471</u>	<u>1,906</u>	<u>760</u>	<u>709</u>	<u>22,177</u>	<u>13,518</u>	<u>360,293</u>
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	<u>3,854</u>	<u>80,818</u>	<u>128,834</u>	<u>6,246</u>	<u>101,471</u>	<u>1,906</u>	<u>760</u>	<u>709</u>	<u>22,177</u>	<u>13,518</u>	<u>360,293</u>

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 in thousand →					
Furniture and fixtures	205	47	158	158	Company Policy	Mr. Mohammad Ali Qalyum - Former Executive Director
Aggregate of assets disposed of having book value less than Rs 50,000 each:						
Furniture and fixtures	505	427	78	79		
Vehicles	3,847	3,847	-	1,613		
	<u>4,557</u>	<u>4,321</u>	<u>236</u>	<u>1,850</u>		

Note 2011 2010
Rupees in thousand

3.3 INTANGIBLE ASSETS

Computer software - cost	6,234	6,234
Accumulated amortisation	<u>(6,234)</u>	<u>(6,234)</u>
Net book value	<u>-</u>	<u>-</u>

4. LONG-TERM INVESTMENT

Held to maturity-Certificate of Investment (COI)	4.1	77,600	100,000
Current maturity of investment	14	<u>(3,600)</u>	<u>(60,000)</u>
		<u>74,000</u>	<u>40,000</u>

- 4.1** This represents the company's investment in a COI of a leasing company whose term matured in January 2009 and being rolled over since then. During the second half of the year the leasing company paid monthly instalments of various amounts which were lower than the agreed instalment and also had not paid any interest since August 2011 due to financial difficulties. The amount of interest not paid as of December 31, 2011 aggregates to Rs 3.7 million. However, monthly instalments of Rs 300,000 have been received from October 2011 till January 2012. Further, the leasing company has conveyed to the company that it will pay Rs 300,000 each month upto June 30, 2012 and thereafter the payments are expected to be increased. Negotiations with the leasing company are underway for early recovery of principal and interest and the management is hopeful that the amount will eventually be recovered in full.

	Note	2011 Rupees in thousand	2010
5. LONG-TERM LOANS			
Loans to employees		555	495
Dealer car loans		31,551	-
		<u>32,106</u>	<u>495</u>
6. STORES AND SPARES			
Stores		12,301	8,066
Spares		6,724	1,683
		<u>19,025</u>	<u>9,749</u>
7. STOCK-IN-TRADE			
Raw materials and components – Including in transit Rs 57.27 million (2010: Rs 154.87 million)	} 7.1	1,988,410	1,036,672
Finished goods – tractors		739,583	34,496
Trading stock – spare parts and implements		3,402	1,954
		<u>2,731,395</u>	<u>1,073,122</u>

7.1 The above includes raw materials and components of Rs 5.24 million (2010: Rs 14.89 million) and finished goods of Rs 142.54 million (2010: Nil) held by third parties.

	Note	2011	2010
Rupees in thousand			
8. TRADE DEBTS – considered good			
Secured		1,451	236,827
Unsecured		12,888	27,236
		<u>14,339</u>	<u>264,063</u>

8.1 The age analysis of trade debts is as follows:

Not yet due		2,103	-
1 to 6 months		12,236	264,063
		<u>14,339</u>	<u>264,063</u>

9. LOANS AND ADVANCES – considered good

Loans to employees	9.1	1,192	1,201
Dealer car loans	9.2	12,213	2,158
Advances to suppliers for goods and services		33,844	18,750
		<u>47,249</u>	<u>22,109</u>

9.1 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.

9.2 This represents current portion of loans given by the company to finance the purchase of cars by dealers. The amount is repayable in 48 monthly instalments by July 2015 carrying interest at the rate of 14% per annum and are secured by joint registration of cars in the name of dealers and the company.

	Note	2011	2010
Rupees in thousand			
10. SHORT-TERM DEPOSITS AND PREPAYMENTS			
Security deposits		3,655	4,535
Prepayments		947	6,941
		<u>4,602</u>	<u>11,476</u>
11. ACCRUED MARK-UP			
Mark-up accrued on			
- Deposit accounts with banks		214,003	54,540
- Certificate of Investment		-	344
		<u>214,003</u>	<u>54,884</u>
12. OTHER RECEIVABLES			
Due from Al-Futtaim Industries Company LLC			
- holding company	12.1	16	29
Due from employees Gratuity Fund	32.2	169	-
Due from Workers' Profits Participation Fund	12.2	4,223	14,247
Insurance claim receivable		-	39,000
Others		1,458	4,691
		<u>5,866</u>	<u>57,967</u>

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

	Note	2011	2010
Rupees in thousand			
12.2 Workers' Profits Participation Fund			
At the beginning of the year		14,247	7,204
Allocation for the year		(110,778)	(155,753)
		<u>(96,531)</u>	<u>(148,549)</u>
Less: Amount paid during the year		100,754	162,796
		<u>4,223</u>	<u>14,247</u>

	Note	2011	2010
		Rupees in thousand	
13. REFUNDS DUE FROM THE GOVERNMENT			
Sales tax		634,533	762,091
Special excise duty		294,142	217,446
		<u>928,675</u>	<u>979,537</u>
14. INVESTMENTS			
Held to maturity - Certificate of Investment	4	3,600	60,000
Investments at fair value through profit and loss account	14.1	1,080,849	1,271,464
		<u>1,084,449</u>	<u>1,331,464</u>
14.1	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	2011	2010
		Rupees in thousand	
15. CASH AND BANK BALANCES			
With banks on			
- Current accounts		100,432	813,408
- Deposit accounts	15.1 & 15.2	2,376,493	2,270,368
Demand drafts in hand		-	28,746
Cash in hand		185	272
		<u>2,477,110</u>	<u>3,112,794</u>
15.1	At December 31, 2011 the mark-up rates on PLS savings and term deposit accounts range from 5% to 13.2% per annum (2010: 5% to 13% per annum). The term deposits will mature in 2012.		
15.2	Term deposits amounting to Rs 100 million (2010: Rs 227 million) and cash amounting to Rs 23 million (2010: Nil) have been held under lien by banks as a security against guarantees issued on behalf of the company.		

		2011	2010
		Rupees in thousand	
16.	SHARE CAPITAL		
16.1	Authorised Share Capital		
	60,000,000 ordinary shares of Rs. 5 each	<u>300,000</u>	<u>300,000</u>
16.2	Issued, subscribed and paid up capital		
	Ordinary shares of Rs 5 each		
	2011	2010	
	4,500,000	4,500,000	Shares allotted for consideration paid in cash
			22,500
	38,436,445	38,436,445	Shares allotted as bonus shares
			192,182
	<u>42,936,445</u>	<u>42,936,445</u>	<u>214,682</u>
			<u>214,682</u>
16.3	As at December 31, 2010 and 2011 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.		
17.	RESERVES		
	Revenue reserve - General	1,000,000	1,000,000
	Unappropriated profit	5,540,849	5,148,039
		<u>6,540,849</u>	<u>6,148,039</u>
18.	DEFERRED TAXATION		
	Credit / (Debit) balance arising on account of		
	- accelerated tax depreciation allowances	49,870	46,281
	- deferred staff benefits - compensated absences	(8,887)	(8,542)
		<u>40,983</u>	<u>37,739</u>

	Note	2011	2010
Rupees in thousand			
19. TRADE AND OTHER PAYABLES			
Creditors		795,817	813,688
Accrued liabilities		124,617	130,393
Customers' and dealers' advances		253,100	120,782
Dividend Payable	19.1	448,792	18,397
Deposits		27,589	23,065
Taxes deducted at source		1,212	10,636
Workers' Welfare Fund		43,957	59,186
Royalty payable to CNH Global N.V. - associated company		17,874	59,870
Due to Employees Gratuity Fund	32.2	-	423
Others		4,405	4,849
		<u>1,717,363</u>	<u>1,241,289</u>

19.1 This includes unclaimed dividend amounting to Rs 19.42 million (2010: Rs 17.5 million).

20. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2011 amounted to Rs 1.54 million (2010: Rs 7.64 million).

21. UNFUNDED BANKING FACILITIES

The facilities for opening letters of credit and guarantees as at December 31, 2011 amounted to Rs 2.4 billion (2010: Rs 2.33 billion) of which unutilised balance at year end amounted to Rs 2.18 billion (2010: Rs 1.74 billion).

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.

SALES	2011			2010		
	Tractors	Trading goods	Total	Tractors	Trading goods	Total
Rupees in thousand						
Local sales	11,251,880	53,795	11,305,675	14,967,667	166,449	15,134,116
Export Sales	76,674	-	76,674	-	-	-
	<u>11,328,554</u>	<u>53,795</u>	<u>11,382,349</u>	<u>14,967,667</u>	<u>166,449</u>	<u>15,134,116</u>
Less: Commission and discounts	(147,290)	(1,383)	(148,673)	(175,401)	(1,733)	(177,134)
Sales Tax	(1,112,675)	(7,429)	(1,120,104)	-	(20,948)	(20,948)
	<u>(1,259,965)</u>	<u>(8,812)</u>	<u>(1,268,777)</u>	<u>(175,401)</u>	<u>(22,681)</u>	<u>(198,082)</u>
	<u>10,068,589</u>	<u>44,983</u>	<u>10,113,572</u>	<u>14,792,266</u>	<u>143,768</u>	<u>14,936,034</u>

23. COST OF GOODS SOLD	2011	2010
	Rupees in thousand	
Manufactured goods		
Raw materials and components consumed	8,349,894	11,220,970
Salaries, wages and benefits	177,199	187,119
Charge for defined benefit plan	882	862
Charge for defined contribution plan	2,363	2,272
Stores and supplies	177,521	190,753
Royalty and technical fee	97,936	143,985
Insurance	4,004	1,199
Depreciation	25,732	23,574
Fuel, power and electricity	30,735	33,693
Repairs and maintenance	29,686	23,334
Travelling, vehicle running and entertainment	4,969	3,413
Rent, rates and taxes	2,355	2,091
Communication	730	364
Printing and stationery	2,219	2,069
Others	2,361	2,087
Cost of goods manufactured	8,908,586	11,837,785
Opening stock of finished goods	34,496	83,332
Closing stock of finished goods	(739,583)	(34,496)
	8,203,499	11,886,621
Trading goods		
Opening stock	1,954	2,507
Purchases	38,565	100,345
	40,519	102,852
Closing stock	(3,402)	(1,954)
	37,117	100,898
	8,240,616	11,987,519

	Note	2011	2010
		Rupees in thousand	
24. DISTRIBUTION COST			
Salaries, wages and benefits		50,784	48,983
Charge for defined benefit plan		328	383
Charge for defined contribution plan		1,049	1,016
Insurance		87	28
Depreciation / amortisation		4,705	4,126
Fuel, power and electricity		1,218	1,222
Travelling, vehicle running and entertainment		6,347	7,327
Repairs and maintenance		710	319
Rent, rates and taxes		582	517
Communication		912	1,061
Advertisement and promotion		2,701	1,006
After sales expense		10,036	18,404
Dealers' convention		-	4,000
Freight charges		792	1,190
Legal and professional charges		67	67
Printing and stationery		1,556	2,257
Others		600	699
		<u>82,474</u>	<u>92,605</u>
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		97,773	86,072
Charge for defined benefit plan		625	727
Charge for defined contribution plan		2,261	2,099
Insurance		49	21
Depreciation		4,100	4,101
Travelling, vehicle running and entertainment		5,471	7,973
Repairs and maintenance		410	366
Rent, rates and taxes		8,075	7,433
Communication		6,160	6,413
Auditors' remuneration	25.1	1,813	1,891
Legal and professional charges		3,425	2,043
Printing and stationery		3,048	1,997
Others		35	38
		<u>133,245</u>	<u>121,174</u>

	2011	2010
	Rupees in thousand	
25.1 Auditors' remuneration		
Audit fee	1,000	1,000
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	630	685
Out of pocket expenses	183	206
	1,813	1,891
26. OTHER OPERATING INCOME		
Income from financial assets		
Return on deposit accounts	356,799	215,640
Return on COI	11,800	9,436
Revaluation gain on investments at fair value through profit and loss account	59,202	71,464
Gain on disposal of investments at fair value through profit and loss account	106,743	4,161
Others	1,510	487
	536,054	301,188
Income from other assets		
Scrap sales	13,357	16,712
Profit on disposal of fixed assets	1,614	4,053
Insurance claim against assets destroyed by fire	-	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	4,793	5,100
Others	4,629	1,738
	24,393	80,452
	560,447	381,640

 Note
26.1

	2011	2010
	Rupees in thousand	
27. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	110,778	155,753
Workers' Welfare Fund	42,096	59,186
	<u>152,874</u>	<u>214,939</u>
28. FINANCE COST		
Bank charges and commission	<u>2,135</u>	<u>1,324</u>
29. TAXATION		
Current		
- for the year	657,551	983,529
- prior year	43,000	1,433
Deferred	3,244	6,279
	<u>703,795</u>	<u>991,241</u>
29.1 Relationship between tax expense and accounting profit:		
Accounting profit before tax	<u>2,062,675</u>	<u>2,900,113</u>
Tax at applicable rate of 35%	721,936	1,015,040
Effect of final tax on exports	(5,331)	-
Effect of income at reduced rate	(57,686)	(26,053)
Effect of permanent differences	1,876	821
Effect of prior year	43,000	1,433
	<u>703,795</u>	<u>991,241</u>
30. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>1,358,880</u>	<u>1,908,872</u>
Number of ordinary shares outstanding (in thousand) at the end of the year	<u>42,936</u>	<u>42,936</u>
Earnings per share	<u>Rs 31.65</u>	<u>Rs 44.46</u>

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2010 and 2011 which would have any effect on the earnings per share if the option to convert exercised.

	2011	2010
	Rupees in thousand	
31. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,062,675	2,900,113
Add / (less): Adjustment for non-cash charges and other items		
Depreciation / amortisation	34,537	31,801
Profit on disposal of fixed assets	(1,614)	(4,053)
Net book value of fixed assets destroyed by fire	-	456
Gain on disposal of investments at fair value through profit and loss account	(106,743)	(4,161)
Revaluation gain on investments at fair value through profit and loss account	(59,202)	(71,464)
Return on bank deposits	(356,799)	(215,640)
Return on COI	(11,800)	(9,436)
	<u>1,561,054</u>	<u>2,627,616</u>
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	(9,276)	1,942
Stock-in-trade	(1,658,273)	180,560
Trade debts	249,724	(243,771)
Loans and advances	(25,140)	9,903
Short-term deposits and prepayments	6,874	1,249
Other receivables	52,101	(47,206)
Refunds due from the Government	50,862	477,728
	<u>(1,333,128)</u>	<u>380,405</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	55,397	(668,301)
	<u>(1,277,731)</u>	<u>(287,896)</u>
	<u>283,323</u>	<u>2,339,720</u>

32. STAFF RETIREMENT BENEFIT

32.1 The disclosures made in notes 32.2 to 32.12 are based on the information included in the actuarial valuation as of December 31, 2011.

	Note	2011	2010
		Rupees in thousand	
32.2 Movement in asset			
Balance as at January 1		423	(389)
Charge for the year	32.6	1,835	1,973
Employer contributions		(2,427)	(1,161)
Balance as at December 31		<u>(169)</u>	<u>423</u>
32.3 Movement in the defined benefit obligation			
Obligation as at January 1		97,981	86,027
Service cost		4,452	4,740
Interest cost		13,020	11,885
Actuarial gains		(3,489)	(2,397)
Benefits paid		(9,970)	(2,274)
Obligation as at December 31		<u>101,994</u>	<u>97,981</u>
32.4 Movement in the fair value of plan assets			
Fair value as at January 1		111,810	100,519
Expected return on plan assets		15,125	14,073
Actuarial losses		(952)	(1,669)
Employer contributions		2,427	1,161
Benefits paid		(9,970)	(2,274)
Fair value as at December 31		<u>118,440</u>	<u>111,810</u>
32.5 Balance sheet reconciliation as at December 31			
Present value of obligation		101,994	97,981
Fair value of plan assets		(118,440)	(111,810)
Unrecognised actuarial gains		16,277	14,252
		<u>(169)</u>	<u>423</u>
32.6 Charge for the year			
Service cost		4,452	4,740
Interest cost		13,020	11,885
Expected return on plan assets		(15,125)	(14,073)
Actuarial gains recognised during the year		(512)	(579)
		<u>1,835</u>	<u>1,973</u>
32.7 Actual return on plan assets		<u>14,173</u>	<u>12,404</u>

	2011	2010
32.8 Key actuarial assumptions used are as follows:		
Expected rate of return on investments	12.5%	14%
Expected rate of increase in salaries		
- Management staff	10.5%	12%
- Non-management staff	10.5%	12%
Discount factor used	12.5%	14%
Retirement age (years)	60	60

32.9 Comparison of actuarial estimates and experience adjustments for live years:

	2011	2010	2009	2008	2007
	← Rupees in thousand →				
Comparison for five years:					
As at December 31					
Present value of defined benefit obligation	101,994	97,981	86,027	76,065	73,774
Fair value of plan assets	(118,440)	(111,810)	(100,519)	(95,194)	(85,499)
Surplus	<u>(16,446)</u>	<u>(13,829)</u>	<u>(14,492)</u>	<u>(19,129)</u>	<u>(11,725)</u>
Experience adjustments					
Actuarial gain on obligation	(3,489)	(2,397)	(118)	(6,072)	(287)
Actuarial (loss) / gain on plan assets	(952)	(1,669)	(3,753)	1,944	(873)
	<u>(4,441)</u>	<u>(4,066)</u>	<u>(3,871)</u>	<u>(4,128)</u>	<u>(1,160)</u>

32.10 Composition of plan assets:	2011		2010	
	Rupees in thousand	%	Rupees in thousand	%
Term Deposits	113,356	95.71	99,694	89.16
Others (include bank balance)	5,084	4.29	12,116	10.84
	<u>118,440</u>	<u>100.00</u>	<u>111,810</u>	<u>100.00</u>

32.11 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.

32.12 As per actuarial advice, the company is expected to contribute Rs 2,055 million towards gratuity fund in 2012 (2011:Rs 2 million).

33. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2011	2010
		Rupees in thousand	
i. Holding company:	Dividend paid	268,451	483,212
ii. Other related parties:	Dividend paid	231,689	417,040
	Royalty paid	109,511	116,619
	Recovery of expenses	-	80
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	5,673	5,387
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	2,427	1,161
iii. Key management personnel:	Salaries and other employee benefits	111,037	100,671
	Retirement benefits	3,386	3,235

The outstanding balances of related parties as at December 31, 2011 are included in trade and other payables and other receivables respectively.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	← Rupees in thousand →					
Managerial remuneration	9,000	8,400	3,778	3,561	13,821	12,244
Bonus and ex-gratia	20,250	18,900	8,006	8,012	28,252	25,683
House Rent	4,050	3,780	1,700	1,602	6,219	5,509
Utilities	900	840	378	356	1,382	1,224
Retirement benefits	1,163	1,128	466	483	1,757	1,624
Medical expenses	8	-	121	64	969	953
Leave passage	2,150	1,785	492	756	2,930	2,672
Other expenses	3,175	663	341	497	3,115	3,170
	<u>40,696</u>	<u>35,496</u>	<u>15,282</u>	<u>15,331</u>	<u>58,445</u>	<u>53,079</u>
Number of persons	1	1	2	1	10	10

The Chief Executive, Directors 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 549 thousand (2010: Rs 538 thousand).

35. 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 in thousand →							
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances	12,213	32,106	44,319	1,192	-	1,192	45,511
Deposits	-	-	-	3,655	342	3,997	3,997
Trade debts	-	-	-	14,339	-	14,339	14,339
Accrued mark-up	-	-	-	214,003	-	214,003	214,003
Other receivables	-	-	-	1,643	-	1,643	1,643
Cash and bank balances	2,376,493	-	2,376,493	100,617	-	100,617	2,477,110
Investments							
- Held to maturity at amortised cost	3,600	74,000	77,600	-	-	-	77,600
- At fair value through profit and loss	-	-	-	1,080,849	-	1,080,849	1,080,849
2011	2,392,306	106,106	2,498,412	1,416,298	342	1,416,640	3,915,052
2010	2,332,526	40,000	2,372,526	2,482,293	662	2,483,155	4,855,681
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	1,419,094	-	1,419,094	1,419,094
2011	-	-	-	1,419,094	-	1,419,094	1,419,094
2010	-	-	-	1,050,685	-	1,050,685	1,050,685
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure							1,536
Letters of credit and guarantee							223,050
2011							224,586
2010							596,515

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 counterparties failed to perform as contracted. Out of the total financial assets of Rs. 3.915 billion (2010: Rs. 4.856 billion) the financial assets exposed to the credit risk amount to Rs. 3.915 billion (2010: Rs. 4.855 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 Taraqati 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, 2011 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, 2011 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, 2011 amounted to Rs 52.75 million (2010: Rs 36.94 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 13% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs 6.86 million (2010: Rs 3.69 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, 2011, the company's interest bearing financial assets amounted to Rs 2.50 billion (2010: Rs 2.37 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 24.35 million (2010: Rs 20.03 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.

36. 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.

	2011	2010
37. PLANT CAPACITY AND PRODUCTION		
Plant capacity (single shift) - units	<u>30,000</u>	<u>30,000</u>
Actual production - units	<u>19,936</u>	<u>29,020</u>





MANAGEMENT DISCUSSIONS

ANNUAL REPORT **2011**

THE PLANT

Since January 1984, the AGTL plant at Dera Ghazi Khan with its fully integrated assembly line laid out on a conveyor system feeder lines for engine, hydraulic lift control, sheet metal parts and transmission assembly has been manufacturing quality tractors. It is a state of the art unit which has a capacity to produce more than 30,000 units per annum in a single shift. The plant operates on high efficiency with negligible waste. From receipt of material at the plant up to the production of tractors and distribution all operations are systemized on Baan ERP.

Quality Assurance and Quality Improvement system exists at every level. AGTL was the first automobile company in Pakistan to qualify ISO-9002. We have now achieved the ISO-9000:2000 registration valid up to January 2013. With a view to obviating any constraints on operation, the technology in the plant is continually upgraded and refurbished.

AGTL has successfully developed the FOUR (4) wheel drive Tractor, which is now under exhaustive field tests and commercial production will be launched soon.

With a view to diversifying the business AGTL is venturing into the production of Farm Machinery and Equipment.

implements such as Cultivator, Rotavator, and Disc Harrow are to go into production at AGTL Sheet Metal Shop in Dera Ghazi Khan. In addition AGTL has plans to launch generators in the year 2012.

Environment, Health and Safety standards are being followed conforming to laws, with complete infrastructure of staff town, school, hospital, power generation, water purification and recycling plant.

AGTL staff town adjacent to the factory with housing facilities for staff has well maintained amenities of clubs, playgrounds, parks, utility stores and generators for the well being of the families.



MARKETING

With its head office in Lahore, the Marketing Department at AGTL has established regional offices in Multan, Islamabad and Sukkur to cover all of the provinces. A distribution centre at Dera Ghazi Khan adjacent to the AGTL plant serves as the hub of centralized delivery of tractors.

The year 2011 has been a rather tough year for tractor sales. While ZIBL, the premier bank for providing credit for agricultural development, suspended its loaning in 2010, imposition of sales tax on tractors jeopardized the sales of tractors. The farmers were hard pressed to pay the increased levy and almost stopped purchasing tractors.

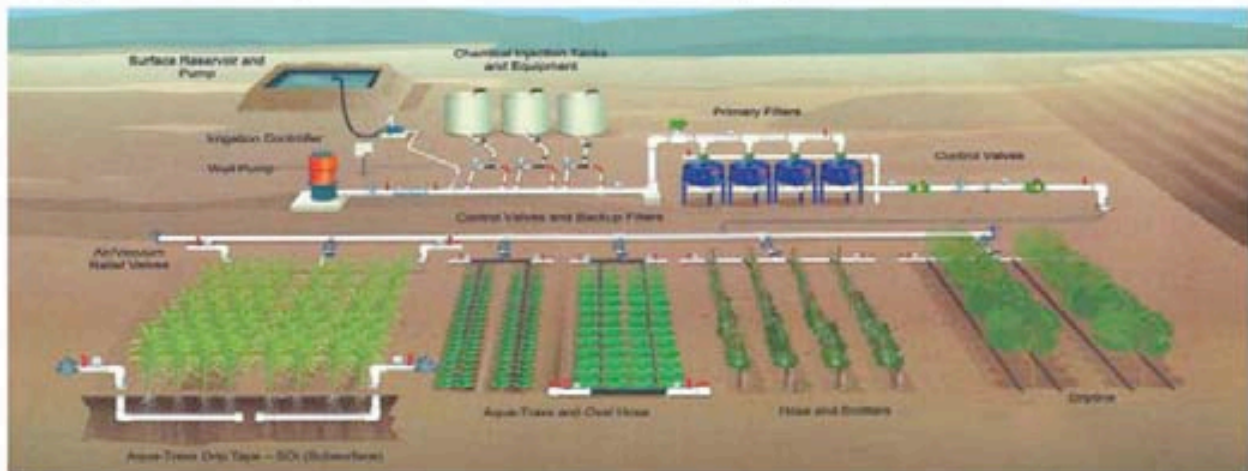
The year 2011 focused on after-sales-service which function was reinvigorated with emphasis on speedy attention to customer's requirements. Mobile services vans were added in all regions and free service programmes were conducted at the grass root level in all regions.

Training programmes were conducted for mechanics of the workshops as well as for the tractor operators on use and maintenance of the machines.

The project of the High Efficiency Irrigation System which was facing procedural and financial delays from the government was finally launched. The department has accelerated its activities on these projects and has successfully obtained orders for installation of the system.

With a view to diversifying the range of products, agricultural implements have been developed and are being offered along with the tractors. The potential of exports of these implements is under active pursuit.

The year 2012 looks promising for business activities of the company and the Marketing Department will be in the forefront to play its pivotal role in maximizing the business of the company.



MATERIALS MANAGEMENT DEPARTMENT

The prime focus of Materials Management Department in AGTL is to strengthen the MISSION of the company: To be the lowest cost producer of highest quality tractors.

Objective of the Material Management Department are: To procure components conforming to the quality specifications from the most reliable and cost effective resources for timely delivery and adequate requirements for smooth operations of production line.

Foremost focus in Material Management Department is on driving down the costs of material which is the major constituent of the cost of sales.

Principal activities of the department are:

- o Maintaining and updating the technical and technological records of the products.
- o Development of components to achieve local content conforming to the specifications of the principals and hence saving foreign exchange.
- o Development of alternate resources to strengthen supply chain.
- o Quality control and Quality Assurance on component suppliers.
- o Effective supply chain management using BAAN-ERP systems.
- o Management of contracts and supply orders.
- o Cost control and cost analysis.
- o Inventory management.

Material Management Department operates from Head Office in Karachi with its offices in Lahore, where vendor base gravitates, and Maitan for swift liaison with its supply chain associates.

With 300 supply chain associates spread all over Pakistan supplying 1300+ components, the company has achieved the following local content as of December 2011:

Model 480-S, 55 hp	=	88.3956%
Model Ghazi, 65 hp	=	86.3718%
Model 640, 75 hp	=	84.4209%
Model 640-S, 85 hp	=	83.5028%
Model 55-56, 55 hp	=	83.1499%
Model 60-56, 65 hp	=	71.4395%

With such high yield of import substitution, the foreign exchange saving in the year 2011 was Rs 6.1 billion.

The development of CNH model 70-56 4x4 version is in progress; scheduled to be launched in 2012.

Second half of the year remained stand still as the result of imposition of General Sales Tax by the government, resulting in accumulation of very high inventory particularly of CKD where lead time is high.

Soaring raw material prices in the local as well as international market and increasing trends in costs of energy in the country are the challenges experienced in recent years. Material Management Department, in spite of all these hurdles, is effortlessly working on bringing the costs of materials down by alternate sourcing and providing economic volumes to its supply chain associates.

The success of indigenization is the result of technical expertise contributed by highly qualified engineers and technicians working industriously in the Materials Management Department in AGTL.



"Of all the things we have built,
the most admired is our teamwork.

HUMAN RESOURCES

AGTL being the choice employer in the tractor manufacturing industry takes delight in the quality of its human capital terming them "A TEAM OF MANY TALENTS". Keeping in view the requirements of professional human capital, the qualifications and traits necessary to carry out operations, AGTL has tailored its human resource strategy to ensure the right fit for the right job.

Aware of human resources trends, the company provides its employees with competitive salary packages and perquisites based on merit. We are an equal opportunity employer.



Corporate Social Responsibility

AGTL has a hands-on training programme to provide fresh graduates, from TEVTA and other institutes to show their caliber during their training period, and being employed if found up to the mark and if a vacancy exists. Similarly AGTL offers scholarships to students of University of Agriculture, Faisalabad and DGK, facilitating them to advance their academic credentials. Thus, playing a small role in Corporate Social Responsibility.



Training is also imparted to the country wide dealer network, tractor mechanics of workshops and customer care centres.

Training & Development

Training & Development has contributed to the never depleting knowledge of human capital. Training needs are not only recorded on the ACRs but are also reviewed from time to time. Keeping in mind that about 90% of our workforce consists of technical staff, AGTL had built its own full fledged Training Centre at DGK in the year 1994. At this training center training aids and equipment are augmented by sophisticated devices for simulation which help operators.

Policy and Procedures

Policy and Procedures at AGTL are transparent and apply to all alike. A Code of Ethics is signed by every employee at the beginning of each year, adhering to ethical business practices.

Among other policies, we have in place an attractive Provident Fund Scheme, a funded Gratuity Scheme and encashment of leave policy.

Industrial Relations

Harmonious relationship exists between the management and the CBA. Recreational activities e.g. musical, and sports functions are a sight to see at the DGK Plant.

Weekly meetings are held between the management and CBA to resolve day to day issues on a priority basis. AGTL believes in Happy Workers.



Workforce Mix

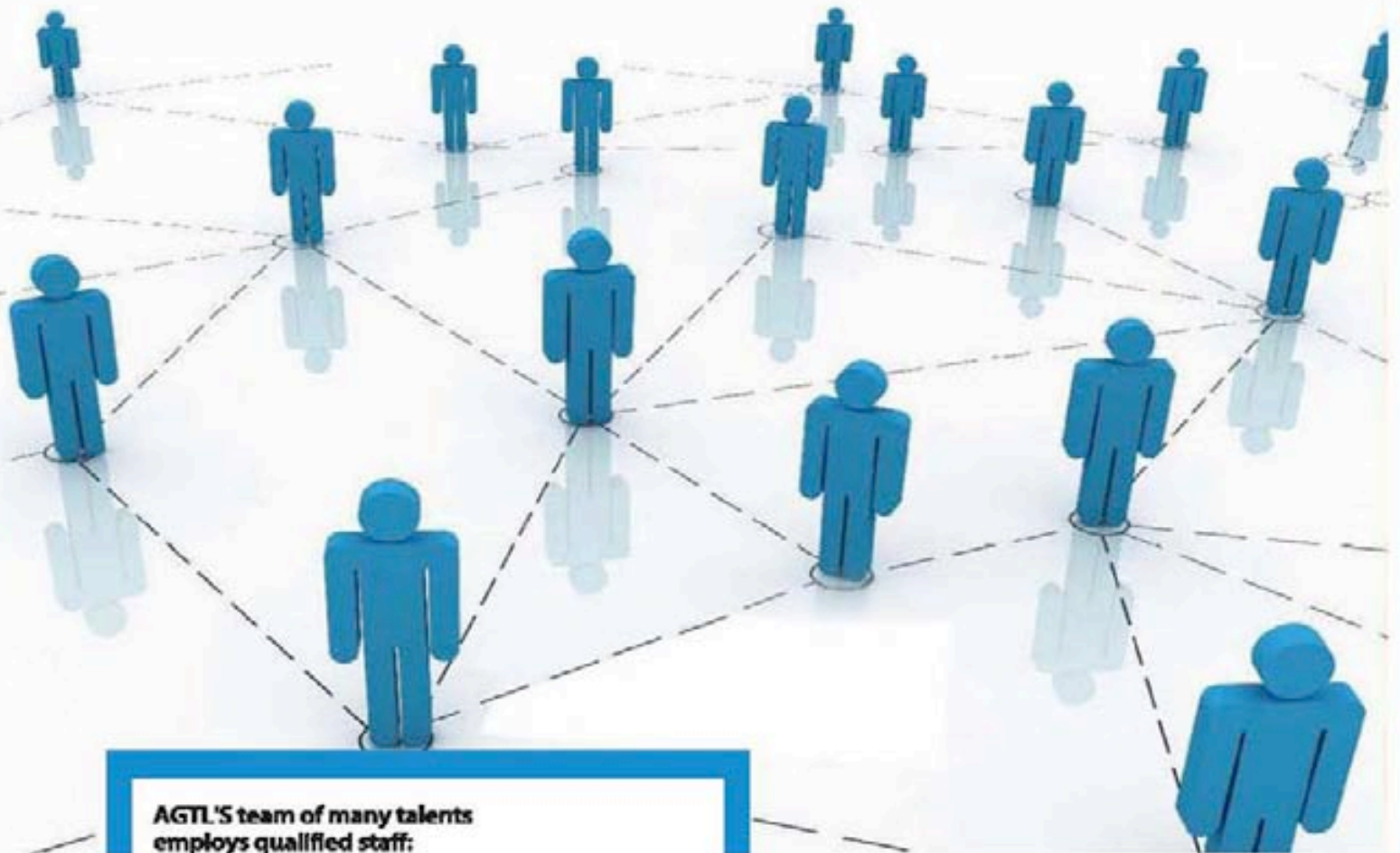
Workforce mix is based on the matrix "Effective individuals make a difference; effective teams make a business". Every individual employed is made part of a team, promoting business culture, ethics and displaying strong teamwork. Our workforce consists of the following mix as at December 31, 2011:

DEPARTMENT	MANAGERS	EXECUTIVES*	WORKERS	TOTAL
Marketing	25	14	21	60
Materials Management/Purchase	16	6	5	27
Human Resources and Admin	8	11	27	46
Production	28	24	150	202
Finance / Corporate Affairs	25	6	3	34
MIS	6	0	0	6
Internal Audit	2	0	0	2
Total	110	61	206	377

* Executives are disclosed on the basis of designation and not on the basis of the definition given in the Companies Ordinance, 1984.

AGTL Team of many talents employs qualified staff

AS OF DECEMBER 31, 2011

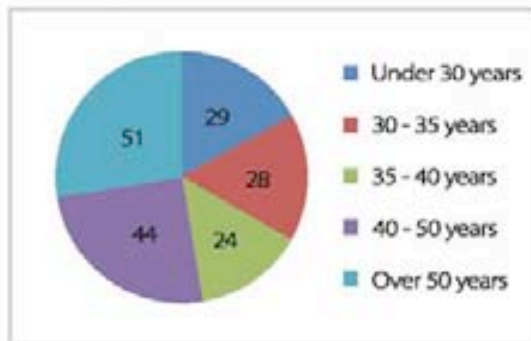


Masters Degree Holders	= 59
Professional Degree Holders	= 36
Bachelor Degree Holders	= 57
Others	= 225

SERVICE AND AGE ANALYSIS

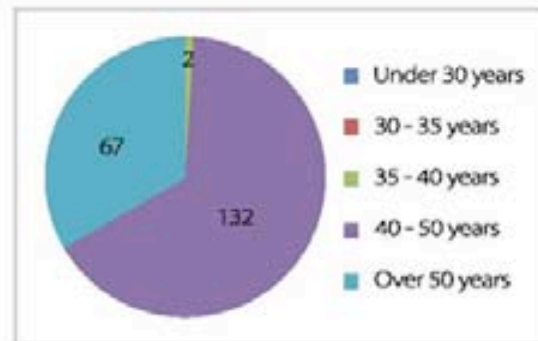
AGE ANALYSIS OF MANAGERS

Age Category	Count
Under 30 years	29
30 - 35 years	28
35 - 40 years	24
40 - 50 years	44
Over 50 years	51



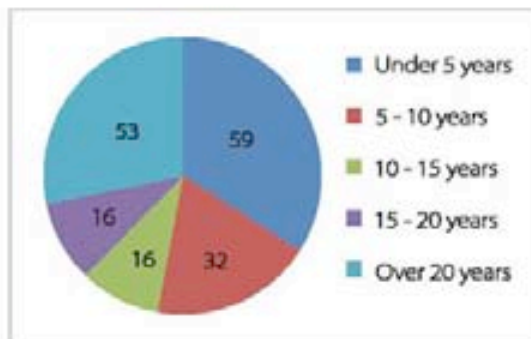
AGE ANALYSIS OF WORKERS

Age Category	Count
Under 30 years	0
30 - 35 years	0
35 - 40 years	2
40 - 50 years	132
Over 50 years	67



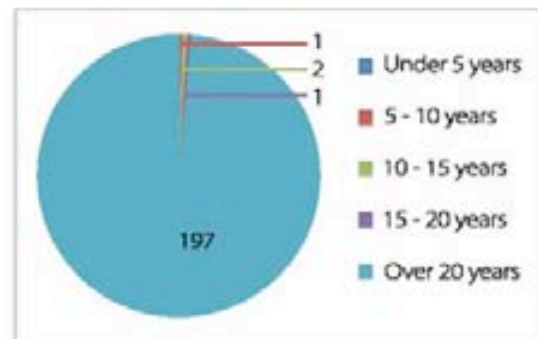
SERVICE ANALYSIS OF MANAGERS

Service Category	Count
Under 5 years	59
5 - 10 years	32
10 - 15 years	16
15 - 20 years	16
Over 20 years	53

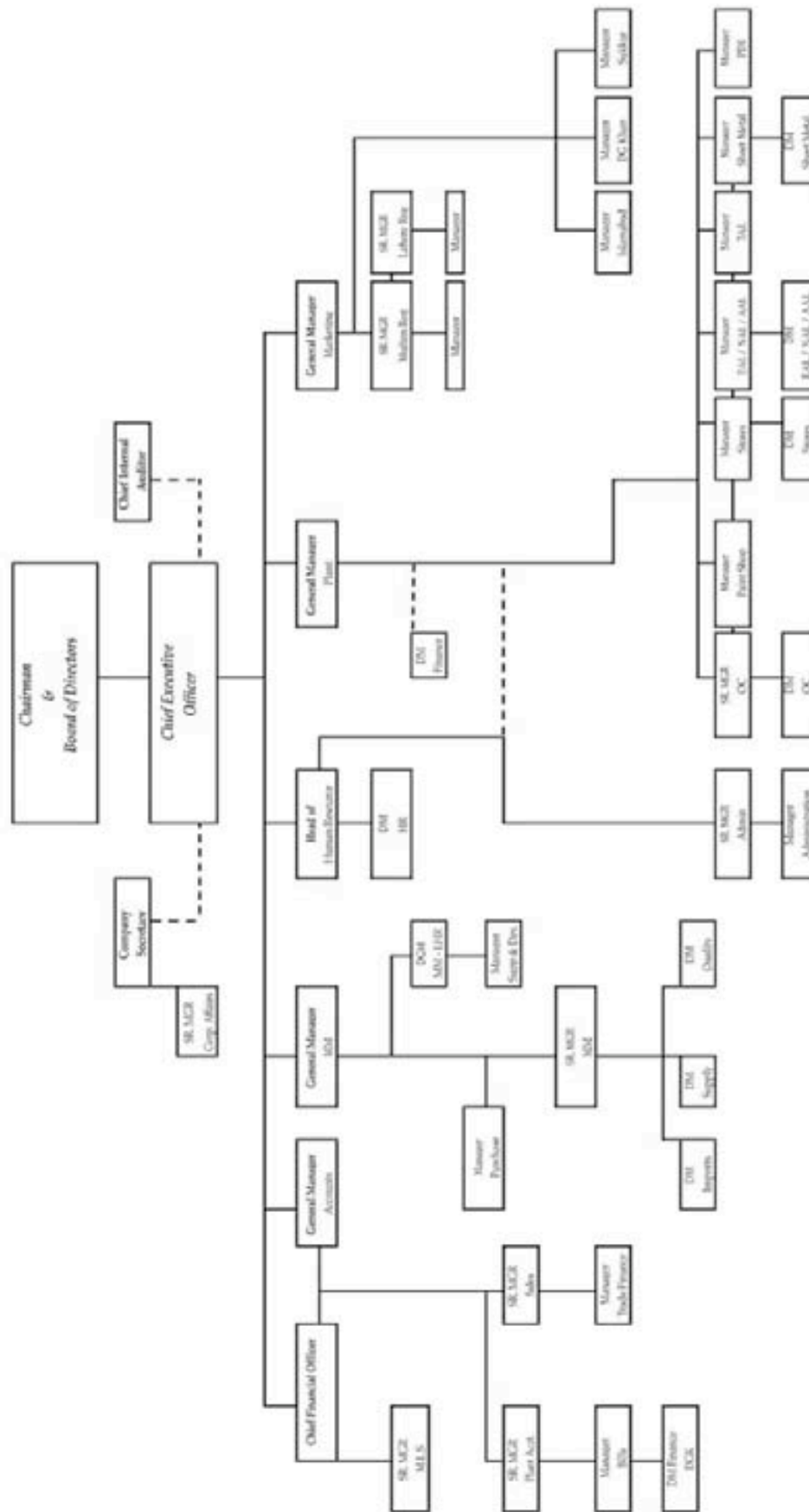


SERVICE ANALYSIS OF WORKERS

Service Category	Count
Under 5 years	0
5 - 10 years	1
10 - 15 years	2
15 - 20 years	1
Over 20 years	197



ORGANOGRAM



Management Information System Function

Management information System (MIS) helps Al-Ghazi Tractors realize maximum benefit from investment in personnel, equipment, and business processes. It supplies management with facts, supports the overall decision-making process, and manages the information system so that the needs of managers, staff, and customers are best served.

Additionally, MIS provides service and support including hardware repairs, software support, training, networking (LAN / WAN design, implementation and support), hardware and software installation, research and development, daily, weekly, and monthly maintenance such as backups, server auditing, and system usage checks, etc.

The company places heavy reliance on its Enterprise Resource Planning System (BaaN) which is implemented at all major locations of the company. The system is fully integrated incorporating Sales and Distribution, Material Requirement Planning (MRP), Material Management, Manufacturing, Inventory and Finance. New applications relating to Payroll, Warranty Stock / Claims, and Non Component Purchases have been developed in house. The hardware in use at AGTL includes: IBM RISC Servers, CISCO Routers, 3COM and CISCO Switches and IBM/HP Printers.

Al-Ghazi Tractors also has its website www.alghazitractors.com to facilitate business and business partners by providing detailed information about organizations vision, mission, management, products, financial reports, operations, human resources, and marketing.



The company gives high importance to disaster recovery and a DRP is in place, which ensures minimum downtime, in case of a major disaster. Application and data back-ups are maintained at different sites to ensure maximum security. Back-up hardware is also available in case of failure of the main server.

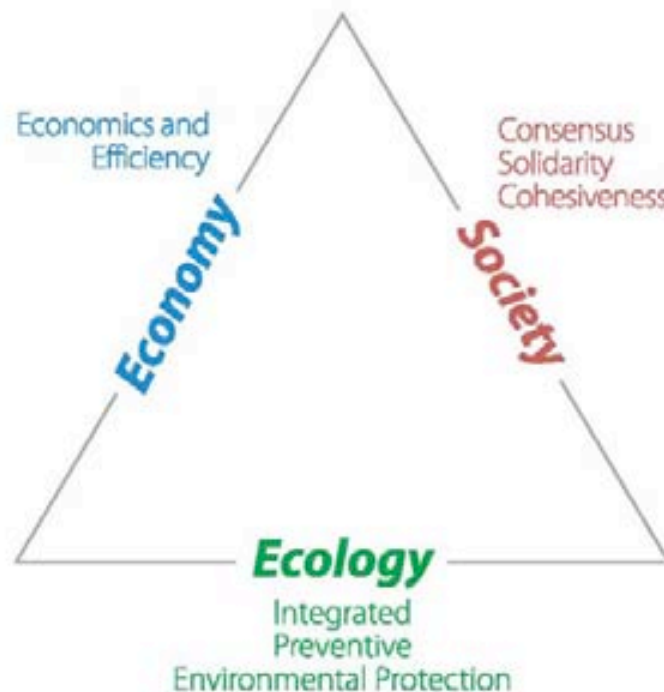
In order to safeguard data integrity, the Board has approved a detailed policy on IT Security. The objective is to ensure that highest level of security is provided to the system. Access controls are rigidly monitored based on job descriptions. Regular training on I.T. security is given to the employees to create awareness and enhance the importance of I.T. Security.

Software/Hardware firewalls have been installed to block unwanted traffic and hacking.

ENVIRONMENTAL RESPONSIBILITY

AGTL integrates environmental responsibility into corporate decision making. It is also a part of our agreement with CBA. The Board has created an Environmental Committee of the management whose reports are placed before the Board for perusal. The plant and staff town of the company at Dera Ghazi Khan are an oasis in the desert. By way of environmental responsibility, our policy guidelines are as follows:

- o **Management and workers promote pollution control and prevention through collective bargaining agreement.**
- o **With good housekeeping we apply practical, low cost steps to improve storage and handling of materials, lighting and work station design thus reducing waste through damage or lost goods and less risk to health and safety of workers.**
- o **We protect our workers against air and noise pollution by providing personal protection equipment.**
- o **We eliminate work force hazards such as poor working ventilation, indoor pollution, poor lighting, etc.**
- o **We have discarded the use of all lead based paints.**
- o **We provide clean water to workers and to their homes by installing UV filters on water outlets.**
- o **Our staff town conforms to safe, sound and sanitary standards.**
- o **We sell waste products like wood and scrap metal that other industries recycle as raw materials.**
- o **We have set up a water recycling plant to treat sewerage.**
- o **We boast of heavy investment in horticulture which has stopped the march of the desert.**



HEALTH AND SAFETY

The Board has formed a management's Health and Safety Committee which works to ensure health, safety and security of all its employees as well as the society.

From production of products which can be used "safely" by the customers, Health and Safety policy covers an action plan for occupational safety, occupational illness, conforming to labour laws for physical and psychological health of employees, friendly working hours, provision of comprehensive insurance to all, hospital facilities at the plant, ambulance services, provision of clean water through filtration plant, recreation facilities at the staff town, fire fighting, demarcation of emergency exits and twenty four hours security for the plant and residents of the staff town.

- o Fire fighting, bomb disposal, first aid, Emergency Quick Response drills are undertaken as routine.
- o There is also stress on spiritual health with a well maintained mosque and facilities of performing Haj and Umra through the CBA Agreement.
- o A health and safety manual has been drawn up for counseling.



GLOBAL COMPACT

AGTL was the founding member of the UN "Global Compact" Initiative when it was launched in December 2005.

The company adheres to all the principles of the Global Compact with reference to Human Rights, Labour, Environment and Ethical Practices.

The Global Compact asks companies to embrace, support and enact, with their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.



Human rights

Principle 1

Business should support and respect the protection of internationally proclaimed human rights; and

Principle 2

make sure that they are not complicit in human right abuses.

Labour

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

the elimination of all forms of forced and compulsory labour;

Principle 5

the effective abolition of child labour; and

Principle 6

the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technology.

Anti-corruption

Principle 10

Business should work against corruption in all its forms, including extortion and bribery.

Principles of the QC100 Total Quality Management Model



Commitment of **AL-GHAZITRACTORS LTD.** to Quality

Our company accepts quality as a factor of development to become more competitive.

Al-Ghazitractors Ltd., is committed to publicizing this Quality Culture with employees, suppliers, clients and the community, supported by the QC100 Total Quality Management Model, the principles of which are the following:

- 1** Quality is a consequence of valuing customer satisfaction and obtaining positive business results.
- 2** Meet the quality levels established in the company in accordance with the QC100 Points of Quality.
- 3** Encourage participation and teamwork for decision making.
- 4** Satisfy the needs of our clients and meet their expectations.
- 5** Provide human resources, both technical and economic, to achieve continuous improvement and respect for the environment.
- 6** Manage human resources in our company to achieve the maximum potential.
- 7** Make employees aware of the importance of concentration on the most profitable areas of activity, to achieve the best business results.

The achievement of these seven principles by Al-Ghazitractors Ltd. will foster improvement for clients, employees, suppliers and all of the other persons who make up the company.

London, November 29, 2010

General Manager
Al-Ghazitractors Ltd.

AL - GHAZI TRACTORS LIMITED

FORM OF PROXY

I / WE _____
of _____
a member(s) of Al-Ghazi Tractors Limited and holding _____
ordinary shares, as per Register Folio _____
hereby appoint _____
of _____
or failing him _____
of _____
to vote for me/us and on my/our behalf at the Annual General Meeting of the
Company to be held on March 27, 2012 at 15:30 hrs. and at any adjournment
thereof.

As witness my/our hand(s) this ____ day of _____ 2012.

Five
Rupee
Revenue
Stamp

Signature of
Member(s)

Important:

1. A member entitled to attend a General Meeting entitled to appoint a proxy to attend and vote instead of him. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.
2. The instrument appointing a proxy should be signed by the member or by his attorney duly authorized in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.
3. The proxies shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

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AFFIX
CORRECT
POSTAGE

The Company Secretary
Al-Ghazi Tractors Limited
11th Floor, N.I.C.L. Building
Abbasi Shaheed Road
Karachi. 74400

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REGIONAL OFFICE

Marketing Centre, Lahore

10 Km, Sheikhpura Road,
Tel: 042-3791226, 37924677
Fax: 042-37912257, 37911059

Marketing Regional Office, Multan

20 Industrial Estates,
Tel: 061-6514057-9
Fax: 061-6514241

Marketing Regional Office, Sukkur

House No. F-10/6/7,
Opp: DIG House Barage Colony,
Sukkur
Tel: 071-5805220

Marketing Regional Office, Islamabad

Flat No. 7, 2nd Floor, Plaza City Arcade I-8, Markaz,
Islamabad
Tel: 051-4862524-25, Fax: 051-4862523

New
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QUALITY MANAGEMENT-BRAND STRENGTH

AL-GHAZI TRACTORS LTD