



ENERGY EFFICIENT
GENERATORS



FARM MACHINES
& EQUIPMENT



SMART IRRIGATION
SOLUTIONS



TRACTORS

Sustainable
Agriculture

*Annual Report
2013*



AL FUTTAIM



AGTL



NEWHOLLAND

QUALITY MANAGEMENT-BRAND STRENGTH

AL-GHAZI TRACTORS LTD

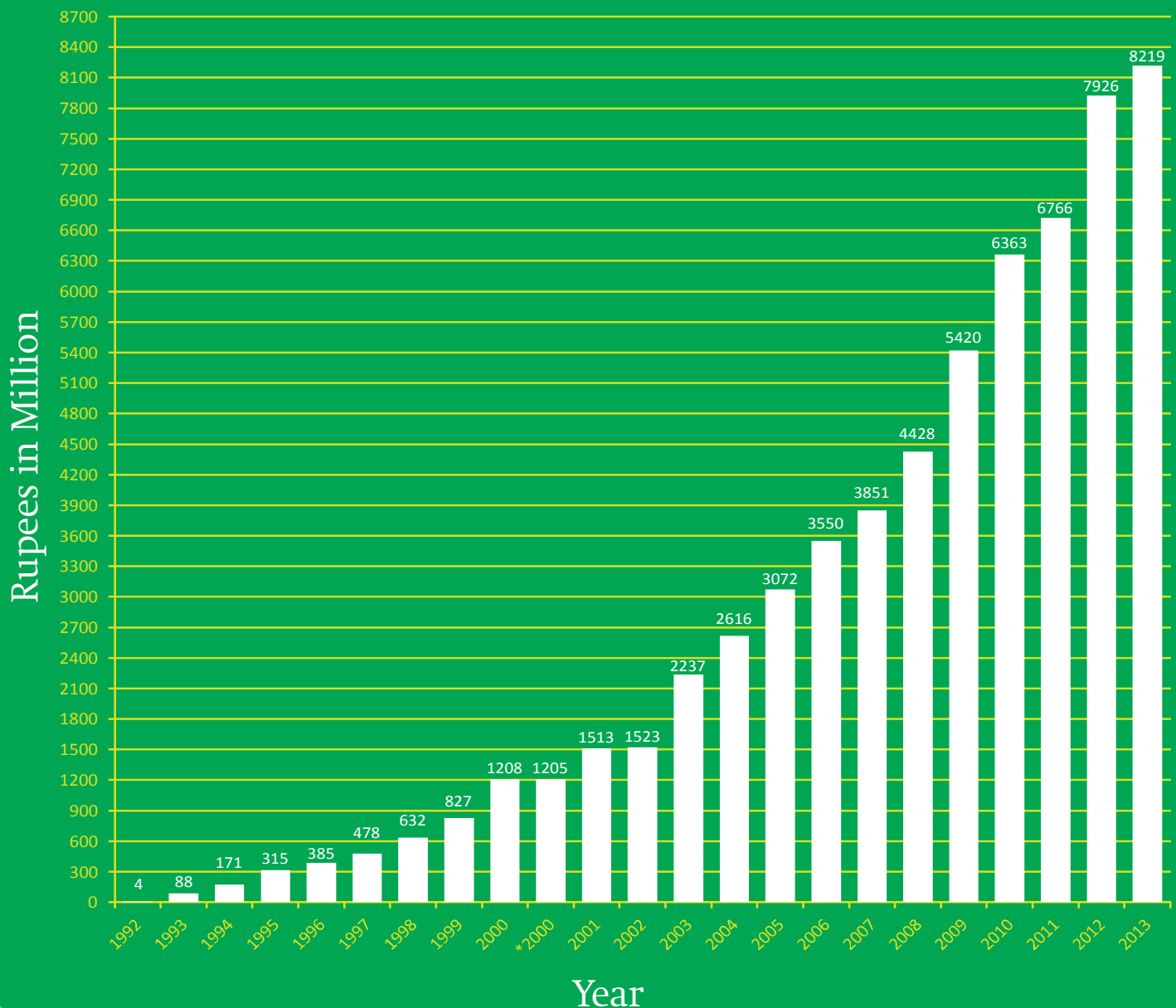
ALLAH BE PRAISED



SEPTEMBER 5, 1983 ----- SEPTEMBER 5, 2013

30 YEARS OF GRATITUDE

SHARE HOLDERS EQUITY

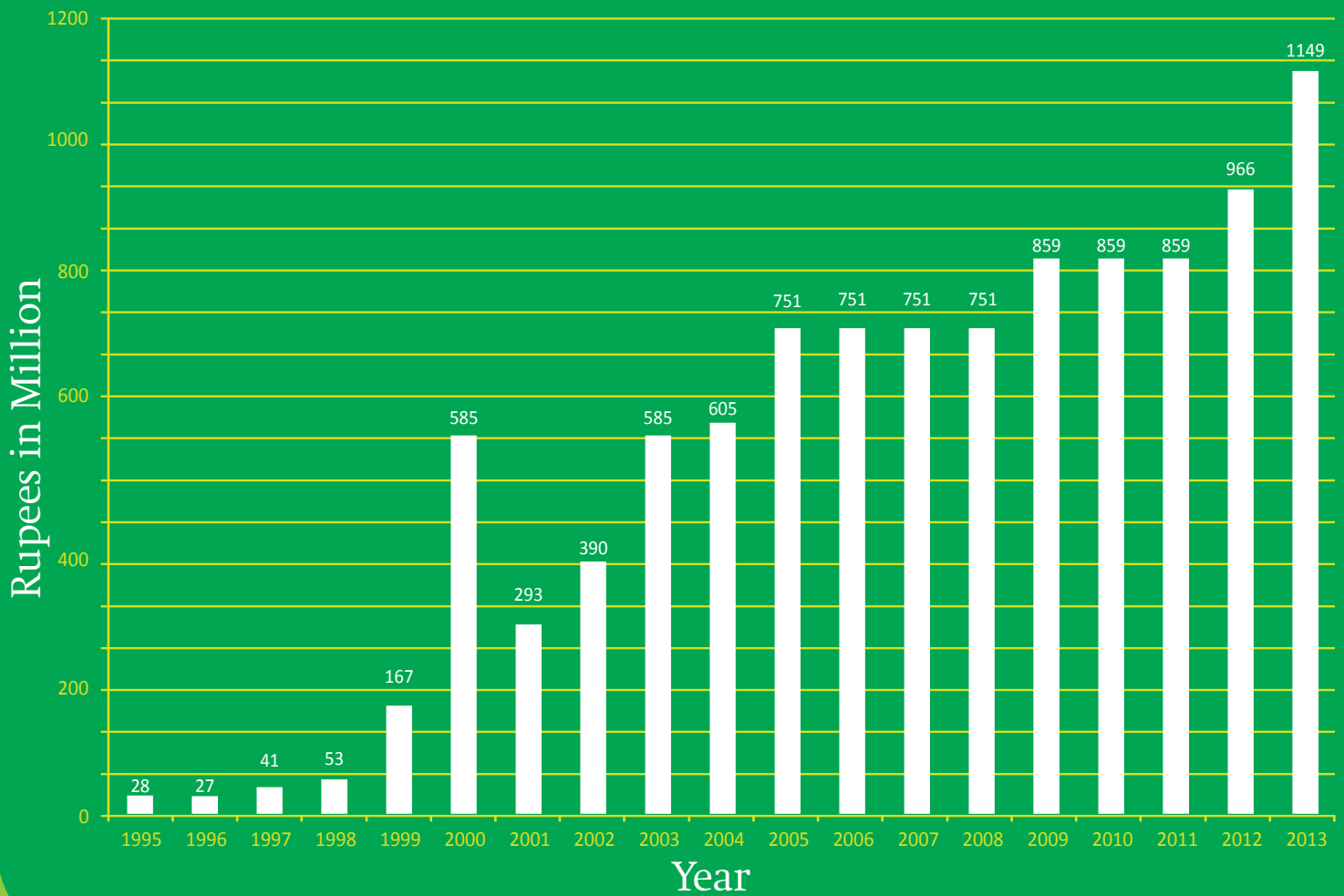


In the year 1991-92, when the Company was privatized and bought over by Al-Futtaim, the net equity of the Company hits as low as Rs. 4 million. Subsequently, pursuing a sound policy of creating a strong foundation for the growth of company, the management has been investing the profit it earns every year into the business. The net equity has thus increased from Rs. 4 million to Rs. 8.22 billion.

" Well managed industrial companies do not, as a rule distribute to the shareholders the whole of their earned profits. In good years, if not in all years, they retain a part of their profits and put them back in the business. "

Keynes

Dividend - Our Real Growth Story



To the share holders
we give returns
which are
almost
un matched
in Pakistan's
corporate
world.

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Corporate Vision

To Make AGTL a Symbol of Success.



Mission

- 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.
- 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 Value/ 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:

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



corruption and refrain from participation in any corrupt business practices.

- The Company should maintain good relations with stakeholders including contractors, suppliers and other business activities.
- The Company should aspire for stability and continuous improvement within the operating environment.
- The Company should provide protection of environment.
- The Company should promote community efforts as good corporate citizens.
- The Company should ensure consistency with labour laws, standards, ensure health and safety of workers and their rights.
- 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

Marketing Centres

Lahore
Multan
Islamabad
Sukkur

Bankers

Askari Bank Limited
Habib Bank Limited
Meezan Bank Limited
Faysal Bank Limited
Standard Chartered Bank (Pakistan) Limited
Bank Al-Habib Limited

Share Registrar

FAMCO Associates (Private) Limited
8-F, Next To Hotel Faran, Nursery
Block 6, P.E.C.H.S,
Shahrah-e-Faisal, Karachi
Tel: 92 21 34380101-5
Fax: 92 21 34380106

Auditors

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Tax Advisors

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants
Karachi

Legal Advisors

Saiduddin & Co.
Karachi

Profile

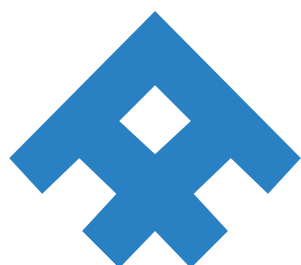
Date of Incorporation	June 26, 1983
Date of Commencement of Operation	September 1, 1983
Date of Take Over by Al-Futtaim	December 8, 1991

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 single shift
Total Land Area	90 Acres
Employees	373

Offices

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



Al-Futtaim

we plan for the long term
and always add value.

-Omar 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.



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

CNH Industrial, a new Group created from the merger of Fiat Industrial and CNH Global, is a solid, major industrial enterprise; a global leader in capital goods, uniting CNH's agricultural and construction equipment operations with Iveco trucks, commercial and specialty vehicles and FPT Industrial's broad portfolio of powertrain applications.

From tractors and combines, excavators, wheel loaders, trucks, buses, firefighting and civil protection vehicles to powertrain solutions for on and off road and marine, the Group designs, produces and sells 'machines for work'. Across its 11 brands, 64 manufacturing plants, 49 research and development centers, a workforce of more than 68,000 people and some 6,000 dealers, CNH Industrial is present in 190 countries giving it a unique competitive position.

The Group has the flexibility to pursue the most advantageous strategic options and capitalize on opportunities for growth and consolidation consistent with our ambitions for it to become a leader in the sector.

CNH Industrial N.V. stock is listed on the New York Stock Exchange and on the MTA exchange in Italy.

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



Board of Directors & Board Committees

Board Of Directors

Mr. Charles Leonard Hunt	Non-Executive Chairman
Mr. Parvez Ali	Chief Executive Officer and Managing Director
Mr. Nasir Mahmood	Non-Executive Director
Mr. Majd-ul-Ahsan Syed	Non-Executive Director
Mr. Kashif Lawai	Chief Financial Officer and Director
Ms. Giovanna Barbieri	Non-Executive Director
Mr. Stefano Pampalone	Non-Executive Director
Mr. Damiano Cretarola	Non-Executive Director

Company Secretary

Ms. Sobika Zubair

Board Committees

Audit Committee

Mr. Nasir Mahmood	Chairman, Non-Executive Director
Mr. Majd-ul-Ahsan Syed	Member, Non-Executive Director
Mr. Damiano Cretarola	Member, Non-Executive Director

Human Resource And Remuneration Committee

Mr. Charles Leonard Hunt	Chairman, Non-Executive Director
Mr. Nasir Mahmood	Member, Non-Executive Director
Ms. Giovanna Barbieri	Member, Non-Executive Director

Profile of the Board Directors



MR. CHARLES LEONARD HUNT

Non-executive Chairman
Appointed August 4, 2009
Chairman, Human Resource and Remuneration Committee

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.

Mr. Charles Leonard Hunt serves as the non-executive Chairman of the Board. He also heads the Board's Human Resource and Remuneration Committee. As Chairman, Mr. Hunt is responsible for leading the Board, setting its agenda and ensuring its effectiveness in all aspects of its role.



MR. PARVEZ ALI

CEO and Managing Director
Appointed January 20, 1992

Appointed CEO and Managing Director of the Company in January 1992, Mr. Parvez Ali has been with AGTL from the date of its inception in 1983.

Mr. Ali was the founder member of Pakistan Tractor Manufacturers' Association and Pakistan Automobile Manufacturers' Association. Being an avid writer, over a thousand of Mr. Ali's articles and columns have been published in major newspapers, magazines and technical journals.

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. NASIR MAHMOOD

Non-executive Director
Appointed February 21, 2005
Chairman, Audit Committee

Mr. Nasir Mahmood, a non-executive director heads the Audit Committee of the Board and is also a member of the Human Resource and Remuneration 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. MAJD-UL-AHSAN SYED

Non-executive Director
Appointed October 21, 2013

Mr. Majd-ul-Ahsan Syed is a non-executive director and serves on the Board's Audit Committee.

Mr. Majd possesses 19 years of diverse work experience in the fields of Management and Human Resources. In addition to various professional qualifications Mr. Majd has done his MBA from US. He has worked in various leading private and multinational companies.

Mr. Majd has been associated with Al-Futtaim Group since 2008 and currently working as acting Director Human Resources for Automotive business.



MR. KASHIF LAWAI

Executive Director and CFO
Appointed Dec 07, 2011

Mr. Kashif Lawai joined the Company in 2011 as Chief Financial Officer and Director on the Board.

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. STEFANO PAMPALONE

Non-executive Director
Appointed August 15, 2012

Mr. Pampalone now the CEO of CNH International, joined CNH more than a decade ago and held a variety of positions in sales, after sales, business development and commercial services, acquiring extensive experience in emerging and high growth markets. From 2012, he has been appointed to lead CNH International Region's agricultural operations for India, Pakistan, Africa, Central Asia, the Middle East, Ukraine and Moldova.

Mr. Pampalone holds a degree in Mechanical Engineering and a Masters Degree in Business Administration.

Other engagements:

CNHI International SA, Switzerland – CEO
New Holland Fiat (India) Private Limited, India - Director
Case New Holland Construction Equipment (India) Private Limited, India – Director
New Holland HFT Japan Inc., Japan - Director



MS. GIOVANNA BARBIERI

Non-executive Director
Appointed January 30, 2012

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

Ms. 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
CNH-KAMAZ Commercial BV, Russia – Director
CNH-KAMAZ Industrial BV, Russia – Director
CNH (China) Management Co. Ltd, China – Director



MR. DAMIANO CRETAROLA

Non-executive Director
Appointed August 15, 2012

Mr. Damiano Cretarola is a non-executive director. He is also a member of the Audit Committee.

He joined the Fiat Group in Lugano, Switzerland in 2004, first working with Fiat Group International SA as Head of Administration and Control Department, then serving in the Finance Department of CNH International SA, the subsidiary of CNH.

In June 2008 he assumed responsibility as a Chief Accounting Officer and in 2010 he was appointed Chief Financial Officer of Asia Pacific Region of CNHI International.

Mr. Damiano Cretarola holds a degree in Business Economics from the University of Fribourg, Switzerland, and a Federal Diploma as Certified Public Accountant from the “Akademie für Wirtschaftsprüfung” of Zurich.

Other engagements:

CNHI International SA, Switzerland - Director
 CNH Australia PTY Limited, Australia – Director
 CNH Services Thailand Limited, Thailand – Director
 New Holland HFT Japan Inc., Japan - Director
 Case New Holland Machinery Trading (Shanghai) Co., Limited, China – Director
 CNH (China) Management Co. Ltd, China - Director
 Case New Holland Machinery (Harbin) Limited, China – Director
 Shanghai New Holland Agricultural Machinery Corp, Ltd, China - Director
 New Holland Fiat (India) Pvt Ltd, India – Director
 CNH International Industrial Operations B.V, Netherlands – Director
 CNH Industrial Commercial Operations B.V, Netherlands – Director
 Iveco Otomotiv Ticaret A.s, Turkey – Director
 Iveco Arac Sanayi Ve Ticaret A.S, Turkey - Director

Key Management



MR. PARVEZ ALI

CEO and Managing Director

Appointed CEO and Managing Director of the Company in January 1992, Mr. Parvez Ali has been with AGTL from the date of its inception in 1983.

Mr. Ali was the founder member of Pakistan Tractor Manufacturers' Association and Pakistan Automobile Manufacturers' Association. Being an avid writer, over a thousand of Mr. Ali's articles and columns have been published in major newspapers, magazines and technical journals.

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. Kashif Lawai joined the Company in 2011 as Chief Financial Officer and Director on the Board.

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.



MS. SOBIKA ZUBAIR

Company Secretary

Ms. Sobika Zubair, the Company Secretary, is accountable to the Board for the effectiveness of corporate governance processes, compliance with laws and regulations, ensuring adherence to Board policies and procedures and coordinating with Board committees.

Prior to joining AGTL in 2009, she was associated with PWC Bahrain. She is a Chartered Accountant and Certified Internal Auditor by profession and is also a Certified Director from PICG.



MR. NADEEM AHMAD

General Manager Marketing

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



COL (R) SHAHID MAHMOOD

General Manager Plant

Col (R) Syed Shahid Mahmood is a Mechanical Engineer by profession. He is the latest member to join the Al-Ghazi family. He is responsible for manufacturing operations at the plant in Dera Ghazi Khan.

Col Shahid brings with him rich experience in production planning and management, technical evaluation and indigenous development of spare parts, inspections and human resource development gained in over 28 years of service with the Army.



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. He has been associated with the Company since 2008.



MR. ILYAS DADI

Senior Manager MIS

Mr. Dadi joined the company in 2005. He has a vast experience in the field of Information technology and managing IT departments both internationally and locally. He was associated with Softronic Systems, Canada before joining AGTL.

He did his post graduation in Computer Science, followed by Masters in Finance.

Notice of Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting of Al-Ghazi Tractors Limited will be held on Tuesday, March 25, 2014 at 16:00 hrs. at Hotel Ramada Plaza, Karachi to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Financial Statements, the Directors' Report and the Auditors' Report for the year ended December 31, 2013.
2. To declare the final cash dividend, the directors have recommended a dividend of 300% i.e. Rs. 15 per share in addition to interim dividend already paid @ 200% making a total dividend of 500% i.e. Rs. 25 per share.
3. To appoint Auditors for the year ending December 31, 2014 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer them selves for reappointment.

Special Business

1. To increase the Authorized Share Capital of the Company from Rupees Three Hundred Million to Rupees Six Hundred Million as recommended by the Board of Directors in their meeting held on February 10, 2014; and if thought fit, pass the following special resolution with or without modification:

"RESOLVED THAT the Authorized Capital of the Company be and is hereby raised from Rs 300,000,000 (Rupees Three Hundred million) divided into 60,000,000 (Sixty Million) ordinary shares of Rs. 5 each to Rs. 600,000,000 (Rupees Six Hundred Million) divided into 120,000,000 (One Twenty Million) ordinary shares of Rs 5 each. Further resolved that clause 'V' of the

Memorandum and Article '5' of the Articles of Association of the Company be and are hereby amended to the aforesaid effect."

2. To approve the issue of bonus shares in the ratio of 35 ordinary shares for every 100 ordinary shares held by the member i.e 35% as declared and recommended by the Board of Directors, and if thought fit, pass the following special resolution with or without modifications:

"RESOLVED THAT a sum of Rs. 75,138,780 out of the profits of the Company available for appropriation as at December 31, 2013, be capitalized and applied to the issue of 15,027,756 ordinary shares of Rs. 5 each and allocated as fully paid up bonus shares to the Members whose name appear in the register of members at the close of business on March 17, 2014 in the proportion of 35 shares for every 100 shares held and that such new shares shall rank pari passu with the existing ordinary shares of the company but shall not be eligible for dividend in respect of the year ended December 31, 2013.

FURTHER RESOLVED THAT fractional entitlement of the members shall be consolidated into whole shares and sold in the stock market and the sale proceeds thereof shall be donated to a charitable institution."

By Order of the Board



SOBIKA ZUBAIR
COMPANY SECRETARY
Karachi, March 4, 2014

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 18, 2014, to March 25, 2014 (both days inclusive). Transfers received at our Share Registrar Office M/s FAMCO Associates (Pvt.) Ltd. situated at 8-F Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, at the close of business on March 17, 2014 will be treated in time for the purpose of entitlement 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.

Statement Under Section 160 (1) (B) Of The Companies Ordinance, 1984

1. Increase in Authorized Capital of the Company
The increase in Authorized Capital of the Company from Rs. 300,000,000 (Rupees Three Hundred Million) to Rs. 600,000,000 (Rupees Six Hundred Million) is proposed. The proposed increase was approved by the Board in its meeting held on February 10, 2014.
2. Issue of Bonus Shares
The directors are of the view that the Company's profitability, financial position and its reserves justify the capitalization of Rs. 75,138,780 (Rupees Seventy Five Million, One Hundred Thirty Eight Thousand, Seven Hundred and Eighty Only) for the issue of bonus shares in the ratio of 35 bonus shares for every 100 ordinary shares held. The directors, directly or indirectly, are not interested in this issue except to the extent of their shareholding in the Company.

Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules 1996, the Auditors have certified that the free reserves and surplus retained after the issue of the bonus shares will not be less than 25% of the increased capital.





Directors' Report

For the year ended December 31, 2013, the Board in its meeting held on February 10, 2014, has proposed a final cash dividend of Rs. 15 per share amounting to Rs. 644 million. The Directors also recommended 35% Bonus Shares in addition to cash dividend.

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, 2013.

Operating Results	2013	(Re-stated) 2012
	Rupees '000	
Sales	9,262,626	14,779,564
Gross Profit	2,069,369	2,791,227
Profit before taxation	2,023,294	2,872,795
Taxation	(651,804)	(957,164)
Profit after taxation	1,371,490	1,915,631
Other comprehensive income	(5,433)	(4,205)
Total comprehensive income	1,366,057	1,911,426

The decrease in profit is mainly due to lower sales volume as 14,071 tractors were sold as compared to 25,456 tractors sold the last year.

Holding Company

Al Futtaim 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 Exchanges. Accordingly, the Directors are pleased to confirm the following:

- a) The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) 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:

	2013	(Re-stated) 2012
	Rupees '000	
Profit before tax	2,023,294	2,872,795
Taxation	(651,804)	(957,164)
Profit after tax	1,371,490	1,915,631
Other comprehensive income	(5,433)	(4,205)
Total comprehensive income	1,366,057	1,911,426
Unappropriated profit b/f	6,711,631	5,551,592
Profit available for appropriation	8,077,688	7,463,018

Appropriations:

Final dividend paid for the year 2012: Rs. 15 per share (2011: Rs. 10 per share)	644,047	429,364
Interim dividend paid for the year 2013: Rs. 10 per share (2012: Rs. 7.5 per share)	429,364	322,023
Unappropriated profit c/f	7,004,277	6,711,631

For the year ended December 31, 2013, the Board in its meeting held on February 10, 2014, has proposed a final cash dividend of Rs.15 per share amounting to Rs. 644 million. The Directors also recommended 35% Bonus Shares in addition to cash dividend.

Earnings per share

The Basic Earnings per share were Rs. 31.94 in 2013 compared to Rs. 44.62 in 2012.

Statement of value of investments of retirement funds

	Rupees	Year ended
Gratuity fund	100,000,000	June 30, 2012
Provident fund	158,945,599	June 30, 2012

STOP PRESS

Al-Ghazi Tractors Limited has been named among the top 100 tax paying companies of Pakistan.



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

Four 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

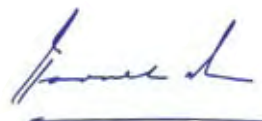
The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for re-appointment.

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 2014.

Financial Statements on Website

The financial results of the year 2013 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 Officer
Karachi
Dated: February 10, 2014



Financial Review & Highlights

Comments

on six years profit and loss analysis

Sales volume and revenue

Sales volume during 2008 and 2012 ranged from 18,344 units and 32,732 units. The volume for 2013 was 14,071 units generating revenue of Rs. 9.3 billion.

The tractor industry has been showing negative year on year trend largely due to an underperforming economy and curtailment of credit for tractors by various banks. While costs of all inputs for the farmer has increased manifold in the year 2013, increase of sales tax from 5% to 10% had burdened the farmer and reduced his purchasing power drastically.

Gross profit

Despite reduced sales volume as a consequence

of issues faced by the tractor industry, Gross Profit margin has improved from 15.61% in 2008 to 22.3 % in 2013 backed on lean management and effective control on input costs.

Other income

Other operating income stands at 4.3 % of revenue in 2013 as compared to 3.9 % in 2008. This represents income from investment in mutual fund, bank deposits and miscellaneous income.

Profit after taxation

Profit after taxation increased from Rs. 1.1 billion in 2008 to Rs. 1.9 billion in 2012. However, in 2013, it fell to Rs. 1.4 billion due to reasons explained above. Net profit % stands at 14.8%.

Comments

on six years balance sheet analysis

Equity and Reserves

Despite extra ordinary dividend payouts, equity and reserves have grown from Rs. 4.4 billion in 2008 to Rs. 8.2 billion in 2013. The increase is attributable to consistent performance of the Company.

Stock in trade

With effective inventory management, the Company has managed to reduce its inventory by 12.2% from 2008 to 2013.

Investments and cash and bank balances

Due to consistent profitability of the company, investments in mutual funds and cash and bank balances have increased significantly from Rs. 3.8

billion in 2008 to Rs. 5.7 billion in 2013.

Property, Plant and equipment

Property, plant and equipment has witnessed an increase mainly due to construction of the new Generator Assembly Line in DGK and the ongoing construction of Head Office building in Karachi.

Refunds due from the Government

Refunds due from the government increased significantly during the last six year. As at December 31, 2013, a staggering sum of Rs. 1.7 billion was outstanding on this account as receivable. The amount represents refunds against sales tax paid to vendors on their behalf and the difference between the rate of input tax @ 17% and output tax @ 10%.

Quarterly Analysis

Company's quarterly performance (in Rs '000)	Q1	Q2	Q3	Q4	Total
Sales volume in No.	2,252	4,916	1,714	5,189	14,071
Sales	1,507,561	3,244,172	1,080,606	3,430,287	9,262,626
Gross profit	322,169	782,242	210,693	754,265	2,069,369
Profit before tax	336,287	751,344	216,053	719,610	2,023,294
Profit after tax	228,181	511,303	152,676	479,330	1,371,490
Earnings per share (Rs.)	5.31	11.91	3.56	11.16	31.94

The first quarter of 2013 was rather sluggish mainly due to the increase in the rate of sales tax on tractors from 5% to 10%.

The spillover effect of an announcement by the former Deputy Prime Minister that sales tax of 10% imposed on tractors with effect from Jan 2013 will be withdrawn/reduced further stagnated the market.

The second quarter contributed 35% to the annual revenue largely banking on seasonal trend and launch of subsidized scheme by the Government of Sindh.

Decline in the third quarter was mainly due to depressed demand as per seasonal trend affecting the tractor market.

The last quarter witnessed an upturn in bookings and deliveries due to the announced increase in the rate of sales tax from Jan 2014. Sales of Rs. 3.4 billion contributed 37 % to the total revenue.

Despite the reduced sales revenue in the year 2013, the Company managed to earn pre-tax profit of over Rs. 2 billion and maintained its net profit% to sales at 14.8% - impressive by all standards.

Six Years at a Glance

OPERATING RESULTS

	2013	2012	2011	2010	2009	2008
Sales -units	14,071	25,456	18,344	29,164	32,732	24,985
Production -units	14,055	23,820	19,936	29,020	30,351	27,550

	Rupees '000					
Sales Revenue	9,262,626	14,779,564	10,113,572	14,936,034	15,764,825	10,107,874
Gross Profit	2,069,369	2,791,227	1,872,956	2,948,515	2,645,814	1,577,787
Depreciation	39,001	36,874	34,537	31,801	28,614	27,165
Operating Profit (before investment income)	1,644,844	2,359,658	1,528,131	2,599,412	2,264,449	1,301,455
Investment Income	378,450	513,137	534,544	300,701	394,385	381,486
Profit before Taxation	2,023,294	2,872,795	2,062,675	2,900,113	2,658,834	1,682,941
Taxation	651,804	957,164	703,795	991,241	915,299	569,685
Profit after Taxation	1,371,490	1,915,631	1,358,880	1,908,872	1,743,535	1,113,256
Earnings before Investment Income, Tax and Depreciation (EBITDA)	1,683,845	2,396,532	1,562,668	2,631,213	2,293,063	1,328,620
Manpower Cost - Direct	204,828	209,657	180,444	190,253	181,697	165,536
Manpower Cost - Indirect	196,481	165,435	152,820	139,280	131,252	108,744
Total Manpower Cost	401,309	375,092	333,264	329,533	312,949	274,280

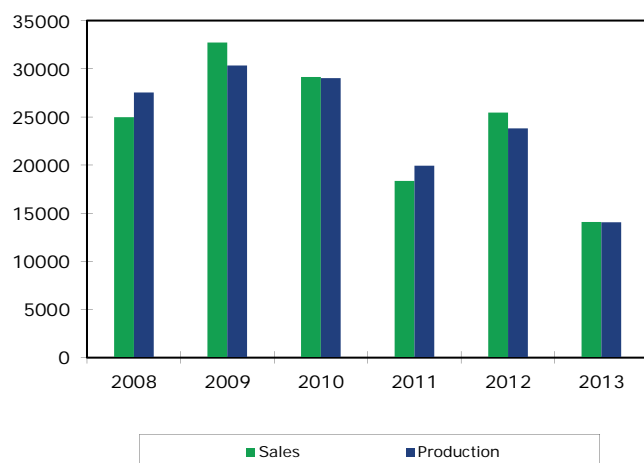
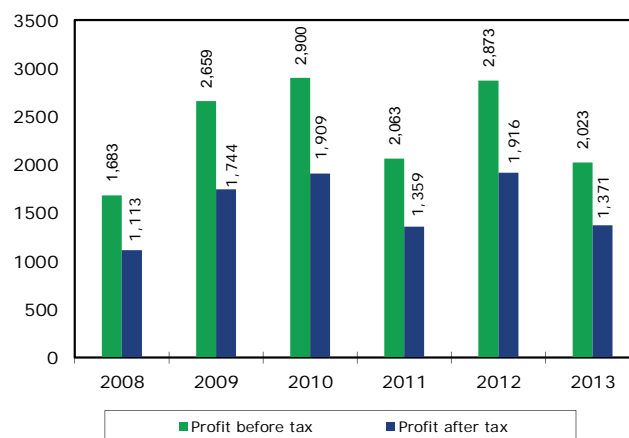
FINANCIAL POSITION

Fixed assets	404,433	373,481	373,295	368,671	252,695	235,452
Current Assets	9,367,867	9,019,772	8,075,804	7,256,621	7,124,751	6,840,054
Current Liabilities	1,537,894	1,474,583	1,717,363	1,241,289	1,907,421	2,611,710
Net Working Capital	7,829,973	7,545,189	6,358,441	6,015,332	5,217,330	4,228,344
Long-term investments	44,800	55,800	74,000	40,000	-	-
Other assets	9,333	21,228	32,448	862	3,225	10,504
	54,133	77,028	106,448	40,862	3,225	10,504
	8,288,539	7,995,698	6,838,184	6,424,865	5,473,250	4,474,300
Less: Other liabilities	69,580	69,385	71,910	62,144	53,331	46,528
Capital employed	8,218,959	7,926,313	6,766,274	6,362,721	5,419,919	4,427,772
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	7,004,277	6,711,631	5,551,592	5,148,039	4,205,237	3,213,090
Capital employed	8,218,959	7,926,313	6,766,274	6,362,721	5,419,919	4,427,772

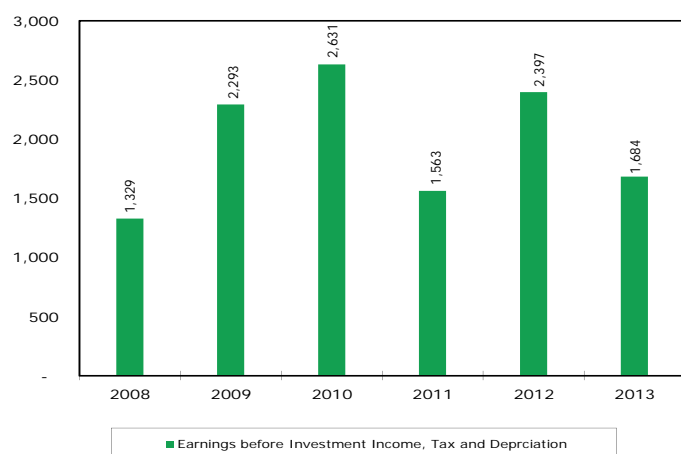
CASH FLOWS

Operating activities	1,175,686	2,121,542	(609,573)	1,548,399	227,392	(1,275,951)
Investing activities	522,032	31,665	(733,436)	(994,183)	695,692	992,367
Financial activities	(1,071,853)	(1,177,685)	(535,675)	(963,901)	(749,602)	(751,970)

Sales and Production units

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

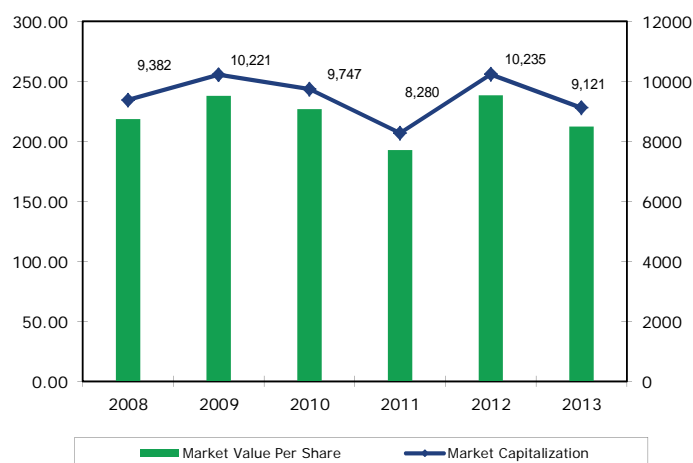
EBITDA (Rs. Million)



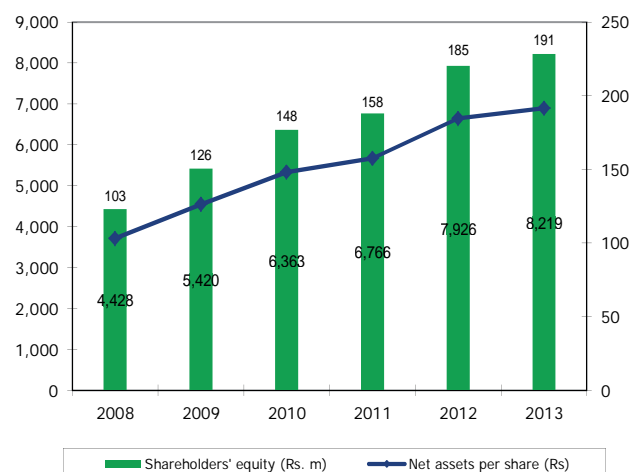
Six Years at a Glance

		2013	2012	2011	2010	2009	2008
		Rupees '000					
<u>OPERATING RATIOS</u>							
Gross profit to Sales	Percentage	22.34%	18.89%	18.52%	19.74%	16.78%	15.61%
Operating profit to Sales	Percentage	17.76%	15.97%	15.11%	17.40%	14.36%	12.88%
Pre-tax profit to Sales	Percentage	21.84%	19.44%	20.40%	19.42%	16.87%	16.65%
Post-tax profit to Sales	Percentage	14.81%	12.96%	13.44%	12.78%	11.06%	11.01%
EBITDA to Sales	Percentage	18.18%	16.22%	15.45%	17.62%	14.55%	13.14%
Return on Equity / Capital employed	Percentage	16.69%	24.17%	20.08%	30.00%	32.17%	25.14%
Working Capital % of sales	Percentage	8.60%	7.38%	19.47%	3.57%	-0.50%	10.73%
Direct Manpower cost % of sales	Percentage	2.21%	1.42%	1.78%	1.27%	1.15%	1.64%
Indirect Manpower cost % of sales	Percentage	2.12%	1.12%	1.51%	0.93%	0.83%	1.08%
Indirect cost % of sales	Percentage	4.84%	3.07%	3.64%	2.87%	2.51%	2.88%
<u>TURNOVER RATIOS</u>							
Fixed Assets Turnover	Times	22.90	39.57	27.09	40.51	62.39	42.93
Total Assets Turnover	Times	0.94	1.56	1.18	1.95	2.14	1.43
Inventory Turnover	Times	4.45	5.61	4.33	10.30	8.24	6.46
Inventory Turnover	Days	82	65	84	35	44	56
Debtors Turnover	Days	11	5	5	3	0	1
Credit Received	Days	49	25	36	33	36	26
Operating Cycle	Days	44	45	53	6	9	31
<u>LIQUIDITY RATIOS</u>							
Current Ratio	Times	6.09	6.12	4.70	5.85	3.74	2.62
Quick Ratio	Times	4.99	5.07	3.11	4.98	3.08	1.88
Operating cashflow % of sales	Percentage	12.69%	14.35%	-6.03%	10.37%	1.44%	-12.62%
<u>PERFORMANCE RATIOS FOR SHAREHOLDERS</u>							
Return on Assets	Percentage	13.96%	20.23%	15.88%	24.90%	23.62%	15.71%
Earning per share (Pre- Tax)	Rs.	47.12	66.91	48.04	67.54	61.92	39.20
Earning per share (Post- Tax)	Rs.	31.94	44.62	31.65	44.46	40.61	25.93
Net Assets per share	Rs.	191.42	184.61	157.59	148.19	126.23	103.12
Cash dividend	Rs. 000	1,073,410	966,069	858,728	858,728	858,728	751,387
%	Percentage	500%	450%	400%	400%	400%	350%
Bonus Dividend	Rs. 000	75,139	-	-	-	-	-
Dividend payout	Percentage	83.74%	50.43%	63.19%	44.99%	49.25%	67.49%
Dividend cover	Times	1.19	1.98	1.58	2.22	2.03	1.48
Price earning ratio	Times	6.65	5.34	6.09	5.11	5.86	8.43
Market price to break up value	Times	1.11	1.29	1.22	1.53	1.89	2.12
Earning Yield (%)	Percentage	15.04%	18.72%	16.41%	19.59%	17.06%	11.87%
Dividend yield	Percentage	11.77%	9.44%	10.37%	8.81%	8.40%	8.01%
Dividend ratio	Times	8.50	10.59	9.64	11.35	11.90	12.49
Market value per share - closing	Rs.	212.43	238.38	192.84	227.00	238.04	218.50
Share price - High	Rs.	246.70	255.00	244.95	264.00	268.75	298.70
Share price - Low	Rs.	193.89	169.89	158.00	194.25	113.56	210.00
Market capitalisation	Rs. Million	9,121	10,235	8,280	9,747	10,221	9,382

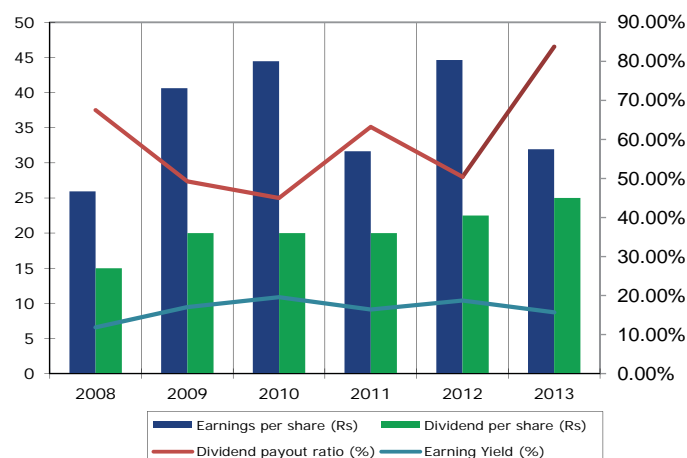
Market Value Per Share (Rs.) / Market Capitalization (Rs. Million)



Shareholders' equity (Rs. Million) / Net assets per share (Rs.)



Earnings and Distribution





Horizontal Analysis

	2013	2012	Rupees '000 2011	2010	2009	2008
BALANCE SHEET						
Fixed assets	404,433	373,481	373,295	368,671	252,695	235,452
Long-term investments	44,800	55,800	74,000	40,000	-	-
Long-term loans and deposits	9,333	21,228	32,448	862	3,225	10,504
Stock-in-trade	1,708,898	1,564,270	2,750,420	1,082,871	1,265,373	1,946,072
Trade debts	166,306	386,558	14,339	264,063	20,292	7,143
Loan and advances	73,393	75,894	47,249	22,109	32,012	37,393
Short-term deposits and prepayments	1,450	1,346	4,602	11,476	12,725	16,443
Accrued mark-up	3,525	192,312	214,003	54,884	128,281	164,045
Other receivables	11,457	13,734	22,143	57,967	10,761	9,838
Taxation	30,669	113,428	532,814	339,456	530,563	112,809
Refunds due from the Government	1,709,416	1,637,869	928,675	979,537	1,457,265	750,554
Investments	3,354,256	1,251,729	1,084,449	1,331,464	145,000	446,760
Cash and bank balances	2,308,497	3,782,632	2,477,110	3,112,794	3,522,479	3,348,997
Total assets	9,826,433	9,470,281	8,555,547	7,666,154	7,380,671	7,086,010
Current liabilities	1,537,894	1,474,583	1,717,363	1,241,289	1,907,421	2,611,710
Non-current liabilities	69,580	69,385	71,910	62,144	53,331	46,528
Total liabilities	1,607,474	1,543,968	1,789,273	1,303,433	1,960,752	2,658,238
Capital employed	8,218,959	7,926,313	6,766,274	6,362,721	5,419,919	4,427,772
Share capital	214,682	214,682	214,682	214,682	214,682	214,682
Reserves	8,004,277	7,711,631	6,551,592	6,148,039	5,205,237	4,213,090
Capital employed	8,218,959	7,926,313	6,766,274	6,362,721	5,419,919	4,427,772
PROFIT AND LOSS ACCOUNT						
Sales	9,262,626	14,779,564	10,113,572	14,936,034	15,764,825	10,107,874
Cost of goods sold	7,193,257	11,988,337	8,240,616	11,987,519	13,119,011	8,530,087
Gross profit	2,069,369	2,791,227	1,872,956	2,948,515	2,645,814	1,577,787
Distribution cost	125,208	98,235	82,474	92,605	87,569	75,286
Administrative expenses	172,773	143,234	133,245	121,174	111,270	91,560
	1,771,388	2,549,758	1,657,237	2,734,736	2,446,975	1,410,941
Other income	402,283	537,742	560,447	381,640	411,070	399,487
Other operating expenses	149,981	212,980	152,874	214,939	197,057	124,753
	2,023,690	2,874,520	2,064,810	2,901,437	2,660,988	1,685,675
Finance cost	396	1,725	2,135	1,324	2,154	2,734
Profit before taxation	2,023,294	2,872,795	2,062,675	2,900,113	2,658,834	1,682,941
Taxation	651,804	957,164	703,795	991,241	915,299	569,685
Profit after taxation	1,371,490	1,915,631	1,358,880	1,908,872	1,743,535	1,113,256

Horizontal Analysis

	Increase / (decrease) from preceeding year in Rs 000					
	2013	2012	2011	2010	2009	2008
BALANCE SHEET						
Fixed assets	30,952	186	4,624	115,976	17,243	(9,476)
Long-term investments	(11,000)	(18,200)	34,000	40,000	-	-
Long-term loans and deposits	(11,895)	(11,220)	31,586	(2,363)	(7,279)	9,166
Stock-in-trade	144,628	(1,186,150)	1,667,549	(182,502)	(680,699)	1,226,897
Trade debts	(220,252)	372,219	(249,724)	243,771	13,149	(17,128)
Loan and advances	(2,501)	28,645	25,140	(9,903)	(5,381)	17,803
Short-term deposits and prepayments	104	(3,256)	(6,874)	(1,249)	(3,718)	15,250
Accrued mark-up	(188,787)	(21,691)	159,119	(73,397)	(35,764)	(62,952)
Other receivables	(2,277)	(8,409)	(35,824)	47,206	923	7,005
Taxation	(82,759)	(419,386)	193,358	(191,107)	417,754	112,809
Refunds due from the Government	71,547	709,194	(50,862)	(477,728)	706,711	566,922
Investments	2,102,527	167,280	(247,015)	1,186,464	(301,760)	(572,040)
Cash and bank balances	(1,474,135)	1,305,522	(635,684)	(409,685)	173,482	(1,035,554)
Total assets	356,152	914,734	889,393	285,483	294,661	258,702
Current liabilities	63,311	(242,780)	476,074	(666,132)	(704,289)	(326,514)
Non-current liabilities	195	(2,525)	9,766	8,813	6,803	8,665
Total liabilities	63,506	(245,305)	485,840	(657,319)	(697,486)	(317,849)
Capital employed	292,646	1,160,039	403,553	942,802	992,147	576,551
Share capital	-	-	-	-	-	-
Reserves	292,646	1,160,039	403,553	942,802	992,147	576,551
Capital employed	292,646	1,160,039	403,553	942,802	992,147	576,551
PROFIT AND LOSS ACCOUNT						
Sales	(5,516,938)	4,665,992	(4,822,462)	(828,791)	5,656,951	1,026,564
Cost of goods sold	(4,795,080)	3,747,721	(3,746,903)	(1,131,492)	4,588,924	1,102,263
Gross profit	(721,858)	918,271	(1,075,559)	302,701	1,068,027	(75,699)
Distribution cost	26,973	15,761	(10,131)	5,036	12,283	8,141
Administrative expenses	29,539	9,989	12,071	9,904	19,710	5,715
	(778,370)	892,521	(1,077,499)	287,761	1,036,034	(89,555)
Other income	(135,459)	(22,705)	178,807	(29,430)	11,583	(159,371)
Other operating expenses	(62,999)	60,106	(62,065)	17,882	72,304	(17,135)
	(850,830)	809,710	(836,627)	240,449	975,313	(231,791)
Finance cost	(1,329)	(410)	811	(830)	(580)	(278)
Profit before taxation	(849,501)	810,120	(837,438)	241,279	975,893	(231,513)
Taxation	(305,360)	253,369	(287,446)	75,942	345,614	(77,359)
Profit after taxation	(544,141)	556,751	(549,992)	165,337	630,279	(154,154)



Vertical Analysis

	2013 (Rupees 000)	2013 %	2012 (Rupees 000)	2012 %	2011 (Rupees 000)	2011 %
BALANCE SHEET						
Fixed assets	404,433	4.92%	373,481	4.71%	373,295	5.52%
Long-term investments	44,800	0.55%	55,800	0.70%	74,000	1.09%
Long-term loans and deposits	9,333	0.11%	21,228	0.27%	32,448	0.48%
Stock-in-trade	1,708,898	20.79%	1,564,270	19.74%	2,750,420	40.65%
Trade debts	166,306	2.02%	386,558	4.88%	14,339	0.21%
Loans and advances	73,393	0.89%	75,894	0.96%	47,249	0.70%
Short-term deposits and prepayments	1,450	0.02%	1,346	0.02%	4,602	0.07%
Accrued mark-up	3,525	0.04%	192,312	2.43%	214,003	3.16%
Other receivables	11,457	0.14%	13,734	0.17%	22,143	0.33%
Taxation	30,669	0.37%	113,428	1.43%	532,814	7.87%
Refunds due from the Government	1,709,416	20.80%	1,637,869	20.66%	928,675	13.73%
Investments	3,354,256	40.81%	1,251,729	15.79%	1,084,449	16.03%
Cash and bank balances	2,308,497	28.09%	3,782,632	47.72%	2,477,110	36.61%
Total assets	9,826,433	119.56%	9,470,281	119.48%	8,555,547	126.44%
Current liabilities	1,537,894	18.71%	1,474,583	18.60%	1,717,363	25.38%
Non-current liabilities	69,580	0.85%	69,385	0.88%	71,910	1.06%
Total liabilities	1,607,474	19.56%	1,543,968	19.48%	1,789,273	26.44%
Capital employed	8,218,959	100.00%	7,926,313	100.00%	6,766,274	100.00%
Share capital	214,682	2.61%	214,682	2.71%	214,682	3.17%
Reserves	8,004,277	97.39%	7,711,631	97.29%	6,551,592	96.83%
Capital employed	8,218,959	100.00%	7,926,313	100.00%	6,766,274	100.00%
PROFIT AND LOSS ACCOUNT						
Sales	9,262,626	100.00%	14,779,564	100.00%	10,113,572	100.00%
Cost of goods sold	7,193,257	77.66%	11,988,337	81.11%	8,240,616	81.48%
Gross profit	2,069,369	22.34%	2,791,227	18.89%	1,872,956	18.52%
Distribution cost	125,208	1.35%	98,235	0.66%	82,474	0.81%
Administrative expenses	172,773	1.87%	143,234	0.97%	133,245	1.32%
	1,771,388	19.12%	2,549,758	17.25%	1,657,237	16.39%
Other income	402,283	4.34%	537,742	3.64%	560,447	5.54%
Other operating expenses	149,981	1.62%	212,980	1.44%	152,874	1.51%
	2,023,690	21.85%	2,874,520	19.45%	2,064,810	20.42%
Finance cost	396	0.00%	1,725	0.01%	2,135	0.02%
Profit before taxation	2,023,294	21.84%	2,872,795	19.44%	2,062,675	20.40%
Taxation	651,804	7.04%	957,164	6.48%	703,795	6.96%
Profit after taxation	1,371,490	14.81%	1,915,631	12.96%	1,358,880	13.44%

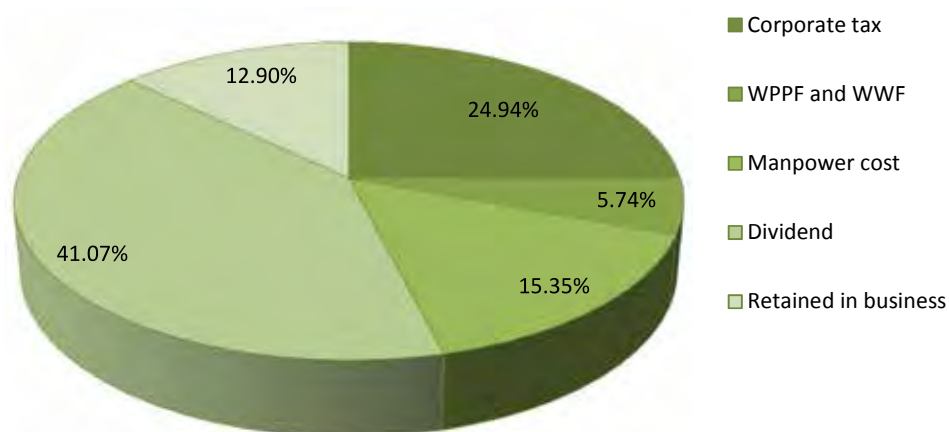


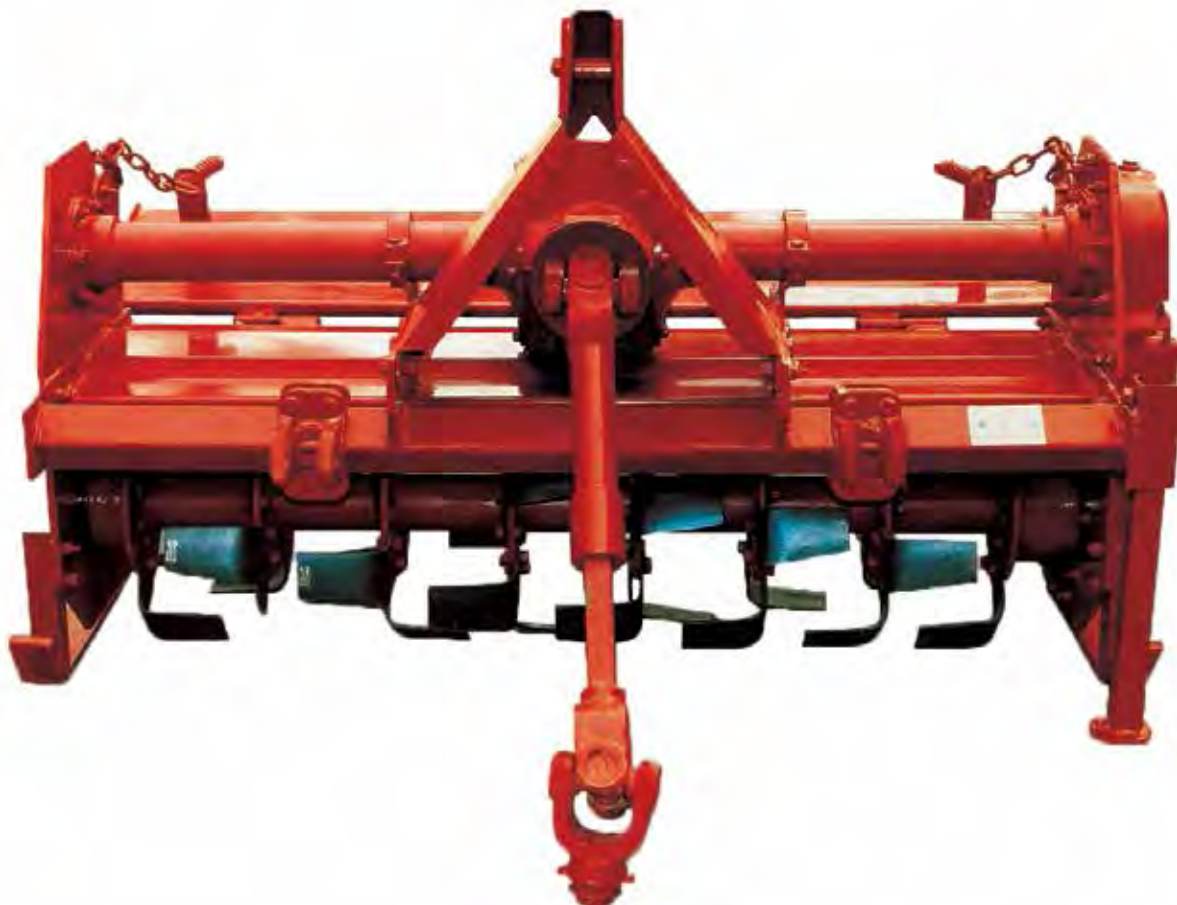
Vertical Analysis

	2010 (Rupees 000)	2010 %	2009 (Rupees 000)	2009 %	2008 (Rupees 000)	2008 %
BALANCE SHEET						
Fixed assets	368,671	5.79%	252,695	4.66%	235,452	5.32%
Long-term investments	40,000	0.63%	-	0.00%	-	0.00%
Long-term loans and deposits	862	0.01%	3,225	0.06%	10,504	0.24%
Stock-in-trade	1,082,871	17.02%	1,265,373	23.35%	1,946,072	43.95%
Trade debts	264,063	4.15%	20,292	0.37%	7,143	0.16%
Loans and advances	22,109	0.35%	32,012	0.59%	37,393	0.84%
Short-term deposits and prepayments	11,476	0.18%	12,725	0.23%	16,443	0.37%
Accrued mark-up	54,884	0.86%	128,281	2.37%	164,045	3.70%
Other receivables	57,967	0.91%	10,761	0.20%	9,838	0.22%
Taxation	339,456	5.34%	530,563	9.79%	112,809	2.55%
Refunds due from the Government	979,537	15.39%	1,457,265	26.89%	750,554	16.95%
Investments	1,331,464	20.93%	145,000	2.68%	446,760	10.09%
Cash and bank balances	3,112,794	48.92%	3,522,479	64.99%	3,348,997	75.64%
Total assets	7,666,154	120.49%	7,380,671	136.18%	7,086,010	160.04%
Current liabilities	1,241,289	19.51%	1,907,421	35.19%	2,611,710	58.98%
Non-current liabilities	62,144	0.98%	53,331	0.98%	46,528	1.05%
Total liabilities	1,303,433	20.49%	1,960,752	36.18%	2,658,238	60.04%
Capital employed	6,362,721	100.00%	5,419,919	100.00%	4,427,772	100.00%
Share capital	214,682	3.37%	214,682	3.96%	214,682	4.85%
Reserves	6,148,039	96.63%	5,205,237	96.04%	4,213,090	95.15%
Capital employed	6,362,721	100.00%	5,419,919	100.00%	4,427,772	100.00%
PROFIT AND LOSS ACCOUNT						
Sales	14,936,034	100.00%	15,764,825	100.00%	10,107,874	100.00%
Cost of goods sold	11,987,519	80.26%	13,119,011	83.22%	8,530,087	84.39%
Gross profit	2,948,515	19.74%	2,645,814	16.78%	1,577,787	15.61%
Distribution cost	92,605	0.62%	87,569	0.56%	75,286	0.74%
Administrative expenses	121,174	0.81%	111,270	0.71%	91,560	0.91%
	2,734,736	18.31%	2,446,975	15.52%	1,410,941	13.96%
Other income	381,640	2.56%	411,070	2.61%	399,487	3.95%
Other operating expenses	214,939	1.44%	197,057	1.25%	124,753	1.23%
	2,901,437	19.43%	2,660,988	16.88%	1,685,675	16.68%
Finance cost	1,324	0.01%	2,154	0.01%	2,734	0.03%
Profit before taxation	2,900,113	19.42%	2,658,834	16.87%	1,682,941	16.65%
Taxation	991,241	6.64%	915,299	5.81%	569,685	5.64%
Profit after taxation	1,908,872	12.78%	1,743,535	11.06%	1,113,256	11.01%

Statement of Value Addition

	2013	2012	2011	2010	2009	2008
	← Rupees '000 →					
Sales	9,262,626	14,779,564	10,113,572	14,936,034	15,764,825	10,107,874
Cost of sales & overheads	(7,051,324)	(11,819,565)	(8,090,669)	(11,841,288)	(12,978,440)	(8,398,222)
Other income	402,283	537,742	560,447	381,640	411,070	399,487
Value addition during the year	2,613,585	3,497,741	2,583,350	3,476,386	3,197,455	2,109,139
To employees as remuneration	401,309	375,092	333,264	329,533	312,949	274,280
To government as tax	651,804	957,164	703,795	991,241	915,299	569,685
WPPF	108,664	154,333	110,778	155,753	142,795	90,407
WWF	41,317	58,647	42,096	59,186	54,262	34,346
To shareholders as dividends	1,073,410	966,069	858,728	858,728	858,728	751,387
Retained as :						
Depreciation	39,001	36,874	34,537	31,801	28,614	27,165
Equity	298,080	949,562	500,152	1,050,144	884,808	361,869
	337,081	986,436	534,689	1,081,945	913,422	389,034
	2,613,585	3,497,741	2,583,350	3,476,386	3,197,455	2,109,139







Chairman's Review

Whether we describe the state of Pakistan's economy as a glass half full or a glass half empty, the year 2013 saw the Tractor industry of Pakistan plunge far more than expected. The year 2013 was thus a rather dismal period for the tractor industry.

While the tractor industry had been showing a negative year on year sale trend for the past three years, fall of sales in 2013 is a complex stew of multiple ingredients: High taxation, lack of policy direction on farm mechanization, curtailment of loaning by the banks, soaring inflation, devaluation of the rupee, unstable markets, spoiled further by the undisciplined politically motivated incentive schemes which benefit the investors mafia and distort the market, etc.

Tractor sales in 2013 have waxed and waned, with uncertainty weaved through the market chain of unanticipated consequences. With a barrage of appeals appearing in the newspapers for reduction

of sales tax, one has rarely seen it send such confusing signals. The result was a traumatic crisis in the market with potential buyers holding back the purchase of tractors.

Tractor industry is the true flagship of Pakistan's Engineering sector. It has always been called the mother industry which paved the way for indigenization in the country. With its 92% local content it gave Pakistan a manufacturing base. Letting manufacturing slip will lead to collapse of industriousness of the country. What is required are policies that truly understand the nature of the local industry and help in strengthening the industrial base instead of stifling it. This turmoil in the tractor industry endangers the billions invested in attaining the 92% local content. The market needs a robust recovery. The industry is overdue for at least a breather – if the government cannot provide a full-fledged swoon because of its own financial woes.

Pakistan's

Economy

The financial sector according to IMF is still vulnerable to deterioration in the overall macroeconomics environment. IMF has warned of more than a dozen serious risks to Pakistan's economy. Viewed as frumpy, weak governance structure adds to creating bumps along the road to economic growth.

The Company has shown strong financial performance through cost cuts and good corporate governance to operate at higher gross profits of 22.3%.

Good governance may not be easy to define, but it does include elements such as political stability, the absence of violence, corruption controls, a voice and accountability. Decision making ought to have a correlation to practical prudence.

Despite sleepy business malaise, which malaise has deepened a sense of moroseness in the tractor industry, the Company's financial results despite the contraction in production and sales spared the spectacle of gloom. Even though the 2013 trajectory was bumpy at best and the momentum was lost, the Company sold 14,071 tractor in the year 2013, compared with 25,456 sold in 2012.

Despite shrinking production operating at less than half the capacity with production costs fixed, the Company did not allow the operations to become unviable. To the contrary, the Company has shown strong financial performance through cost cuts and good corporate governance to operate at higher gross profits of 22.3%.

Consistent robust capital and liquidity profiles which reflect the Company's prudent and strategic approach to efficiency, the Company has earned a pre-tax profit of Rs. 2.02 billion compared with Rs. 2.87 billion in the year 2012.

With consistent strong financial results, the Company has been steadfast in the belief that its contribution to stake holders is of equal importance. This is made real through the Company's policy on distribution of its profits. 32.2% of the profit has been charged to the government (Rs. 652 million) as corporate tax. 7% of

Tractor industry sale plunges by 43 per cent

Farmer bodies demand increased supply of tractors

Manufacturers' concern at MFN status to India

Rupee lost 8pc vs dollar in 2013

Changes in auto policy 25 times in 5 years

What economic progress?

Speakers warn against food insecurity

Loadshedding caused Rs 6,000b loss: Kh Asif

The Board of Directors is now pleased to recommend a final cash dividend of 300%. The total dividend for the year 2013 will thus be 500% or a payout of Rs. 1,073 million. Moreover, bonus issue @ 35% i.e. 35 shares for every 100 ordinary shares has been announced.

the profit will also go to the government as Workers' Profit Participation Fund and Workers' Welfare Fund (Rs. 150 million).

The Company has thus earned a post-tax profit of Rs. 1.37 billion. An interim cash dividend of 200% (Rs. 429.36 million) was paid to the shareholders of the Company in August 2013.

The Board of Directors is now pleased to recommend a final cash dividend of 300%. The total dividend for the year 2013 will thus be 500% or a payout of

Rs. 1,073 million. Moreover, bonus issue @ 35% i.e. 35 shares for every 100 ordinary shares has been announced. The Authorized Capital is recommended to increase from Rs. 300 million to Rs. 600 million.

"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 25, 2014.

Dividend will be distributed before the stipulated time. Payment to non-resident shareholder 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 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S. Shahrah-e-Faisal, Karachi.

The shareholders are also welcome to seek any information that they may require by contacting the Company Secretary at the Head Office – Telephone Numbers 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 Article of Association which is readily available with the Company Secretary and the Corporate Affairs Section.

New Initiatives

Business Opportunities

While tractor will continue to be the alpha and omega of the Company's products, the Company is continuously making efforts to innovate its business model to tap the uncontested markets abroad for agricultural implements and generators. The Company has negotiated with success its first order for export of some agricultural machines.

The Company has been sketching out the strategy of export with earnestness and zeal. The Company aims to amp the experience to peddle more than just tractors. AGTL has tremendous consumer brand awareness created by its tractor business. Farm machines and sale of Generators with export to other countries will make the Company more credible. We have the skills. We are waiting for the moment. The shareholders can thus benefit from our ability to build an export business as part of synergy. Focus is more on export because in the local market, the Company has to compete with businesses who pay no taxes, and despite appeals,

these businesses with huge undocumented sales do not appear on the radar of the FBR.

It is rather queer that even government sponsored banks extend credit to farmers for purchases through these undocumented businesses operating in the open.



Smart Irrigation Solutions

Sustainable Agriculture

Pakistan is listed on the world's water-scarce countries. Per capita water availability in Pakistan continues to decrease. Pakistan is hit today with power outages lasting seventeen hours. It is hit today with gas shortages with households unable to cook their meals. Projections by the government itself are that in a decade or so, Pakistan will be hit by severe water crises. Yet there is indolence and a real effort to either eliminate or mitigate such a grave foreseen calamity are wanting.

Technological improvement in food production has defined large-scale human economic progress since 1700s. Poverty stricken countries need food technology. Optimal water supply for productive plants is a prerequisite for maximum yields. Growing demand for water calls for significant improvements in irrigation efficiency in order to conserve the diminishing water resources.

While government functionaries keep addressing seminars and conferences and talk of adopting modern techniques in irrigation, there is no real effort to lead in the pursuit of replacing the traditional operational procedures and irrigation methods with all the available modern techniques to attain sustainable agricultural productivity – even when the government admits the “country's overall irrigation efficiency was less than 40 percent” and that by the year 2025, water availability will reduce “by 50 percent”.

With a view to contributing its share in attaining sustainable agricultural productivity in Pakistan, the

Company had launched a project for Smart Irrigation Systems – an innovative concept that allows the farmers to plan and control site-specific and plant-specific irrigation. The system allows efficient use of water, nutrients, energy and labour in irrigation, coupled with fertilizing at the same time.

While the World Bank has generously donated as much as Rs. 13.7 billion which has been placed in the hands of the Punjab Government for High Efficiency Irrigation Systems for 120,000 acres, the project without assigning any blame is confronted with a whole raft of procedural delays and seems to be water logged. A negative narration on such a World Bank funded project ought to flip – for sustainable agriculture is vital to raise agricultural output and hence to alleviate poverty, enhance food security and generate employment.

The Company has been installing the Smart Irrigation Systems in the province of Punjab, albeit still at a slow pace. We are hopeful that these projects will gain momentum in the year 2014. We are also hopeful that from July 2014, the High Efficiency Irrigation Systems will also commence in the province of Sindh under the aegis of the World Bank.

While we are still bogged down in the procedural red tape despite all the World Bank funding made available the world has moved ahead to game – changing innovations in sustainable agriculture with high-tech sustainable agricultural technologies.



Sustainable Agriculture

Challenges In The Agricultural Sector

Pakistan faces two main structural challenges in agriculture: Lack of modern practices to enhance yields, and a lack of investment capital.

Time has now come for the agricultural community to promote community farming in Pakistan through clusters of cooperatives by farmers – this is perhaps the best solution for small farmers who could form cooperatives covering upto 500 acres.

Pakistan faces two main structural challenges in agriculture: Lack of modern practices to enhance yields, and a lack of investment capital.

The small farmer cannot afford the use of modern technology, balanced fertilizer, diversification to more paying crops and investment on land. The small farmer is also exposed to highly cartelized markets, merchants and suppliers of credit.

Cooperatives will empower them with greater bargaining power viz-a-viz the exploitative market forces, and give them access to rented tractors and agricultural machines. With self-help this could generate more smart-growth.



Corporate

Governance - CSR

The Company has always deemed to inspire to strive for the highest standards of conduct, professionalism and integrity and adherence to Corporate Governance, just as much as it is focused on other relevant social endeavours. The Board of Directors continues to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls. With distinct set of skills and capabilities, the Board ensures that the Company adheres to all of the Code of Corporate Governance.

The Board ensure the Company's sustainability performance across key areas of economic, environmental, social and governance. From production to supply chain management, the Board ensures commitment of the management to "best practices". Board leadership is both transparent and accountable.

Like a high performance board, the directors focus on developing the Company's purpose, vision and values; on guiding strategy; overseeing management; monitoring effectiveness in the Company's governance practices; ensuring appropriate controls and overseeing disclosures and other communications.

The Board Audit Committee, the Remunerations Committee and the various management committees reporting to the Board offer strong oversight on company's performance, on Human Resource Management policies including succession plans, and CSR.

While the Company is focused on relevant social endeavours such as providing scholarships to merit students of the Universities and playing an active

From production to supply chain management, the Board ensures commitment of the management to "best practices".

role in the social welfare of the community especially in Dera Ghazi Khan where the plant is located, the Company garnered various awards as a tribute to its performance. The President of Pakistan conferred on AGTL the coveted MAP Corporate Excellency Award evaluated on Company's overall performance on all aspects of the management.

AGTL's Annual Report 2012 was awarded by the Joint Committee of ICAP and ICMAP at the Best Corporate and Best Sustainability Report Award ceremony. The 2012 Annual Report has also been nominated for the SAFA Best Presented Annual Report Award under the category of SAARC Anniversary Award for Corporate Governance.

Corporate Social Responsibility

AGTL enjoys a stature in the community, which in turn is an important driver of our role as good corporate citizen. Engaged shareholders, customers, community, government and environmental make up a cohesive trellis on which the Company builds its CSR activities.

In an age of crooked bookkeeping and executive excess, AGTL stands out as a model of good

AGTL
is committed to
Energy Conservation;
Environmental
protection measures;
Consumer protection
measures;
Occupational safety
and health and
practices cordial
industrial relations.

corporate governance with a balance sheet of integrity. AGTL's commitments to the stake holders and the share holders are heavy; AGTL's commitment to its employees are reflected in our belief that AGTL workers are happy workers.

AGTL offers ample employment in the remoteness of Dera Ghazi Khan and our presence in that arduous place has transformed a whole society giving fillip to the whole region. The facilities that we provide to our employees have often been seen with envy.

AGTL is committed to Energy Conservation; Environmental protection measures; Consumer protection measures; Occupational safety and health and practices cordial industrial relations.

Board has formed specific committees of the Management on Environment, on Health and Safety, and the CBA participates as a member of the committee on industrial relation issues.

Consumers not only enjoy the benefit of a robust and sturdy product, but the after-sales-support offers sale service at the door step through a large network of dealers who dot the whole country.

AGTL's contribution to the Rural Development in Dera Ghazi Khan are well documented. AGTL provides not just scholarships to the University and Colleges and technical institution in Dera Ghazi Khan, but has been inducting graduates from these institutions as part of a defined programme drawn up in conjunction with these institutions.

The Board has been pleased to allocate a sum of Rs. five million for the year 2014 on CSR activities.

Global Compact

AGTL was the first signatory to the UN Global Compact initiatives when it was launched in Pakistan in 2005. The Company adheres to all of the Ten Principles of the UN Global Compact and every year reports its performance to the UN – placing details on the web.

At the invitation of the United Nations, AGTL participated at the UN Global Compact Leader's Summit 2013: Architects of a Better World. Chaired by UN Secretary General, the Summit unveiled a new global architecture for Corporate Sustainability, which

stresses on Sustainable Agriculture – a theme that AGTL has been pursuing in earnest for the past years with corporate commitment, with the belief it is the wave of the future.

There is commitment stating from the highest level of the Chairman to make AGTL a living Company for the simultaneous pursuit of economic prosperity, environmental quality, social equality – the triple bottom line with the resultant vector being the commercially engineered affordable technology that we offer.



The Company adheres to all of the Ten Principles of the UN Global Compact and every year reports its performance to the UN

Red Flags

Pakistan's biggest manufacturing base with 92% local is stalled – infact falling.

Component manufacturers have been forced to cut down on production as tractor manufacturers cranked out fewer tractors. Supply chains are equally vulnerable to an unpredictable production requirement of tractor manufacturers. We urge that our decision makers in the government bestir themselves before the mother industry collapses. Bad news in the tractor industry has lasted longer than it should have, creating acute economic crisis not just for manufacturers, supply chain associates but for the government itself, who would soon recognize that dragging the tractor industry to a slump will bite the huge revenue and taxes that this industry contributes to the coffers of the government – AGTL alone has been paying around a billion rupees per annum just as Corporate Tax not withstanding many other taxes and levies.

Demand – side economics in the tractor industry needs to find favour from the government with support to rural development and agri-mechanization; earnings of farmers from crops and above all credit flow for tractors by the banks especially Zarai Taraqati Bank which caters to agriculture. While there is the audible angst and agita on the 17% sales tax now imposed on tractors, AGTL has appealed to the Prime Minister of Pakistan and the Finance Minister in writing that of the Rs. 360 billion allocated by the State Bank of Pakistan for agricultural sector, just about 8 – 10% be diverted exclusively for tractor loans through the banks especially ZTBL, to give a lease of life to what was once a flourishing industry with investment of billions of rupees generating employment to thousands of workers.

The government itself has been releasing statistics which project a requirement of at least 70,000 tractors per annum.

This is what the industry was delivering until now. If arable acreage with a ratio of one tractor to fifty acres is to be taken, the country still needs a million tractors which will still be half of the international standards.

Fall in ZTBL loaning for tractors

Year	No. of tractors
2009	24,596
2010	13,321
2011	908
2012	7,296
2013	6,455

If arable acreage with a ratio of one tractor to fifty acres is to be taken, the country still needs a million tractors which will still be half of the international standards.

Thirty Years of AGTL

Stellar Success

By any measure, AGTL is a Company with stellar successes. After three decades of full-throttle ascent, sales have of late flattened and an organization that has never known any thing but maximum velocity is grappling with what it means to face limits.

We will continue to protect the optimism of the Company. Driven by a mission to get more performance out of less expenses, we will hopefully weather the gloomy turbulence. Core of our management style is product focused. AGTL's team of many talents, its struggling Supply Chain Associates, and the dedicated Dealer network are resilient.

As AGTL celebrates the thirty years of its founding,

we are grateful to all for contributing so much to AGTL's rollicking success story. Founded in 1983, AGTL built a manufacturing plant which is a hallmark of engineering dynamics in the remoteness of Dera Ghazi Khan, with the technical assistance of CNH – our principals.

AGTL achieved the mandatory 85% local content in just five years. AGTL was the first automobile company in Pakistan to acquire the ISO-9000 certification. AGTL was the first automobile company in Pakistan to go whole hog in implementing the ERP throughout the Company. AGTL has been receiving the Top Companies Award of the Karachi Stock Exchange since 1994. AGTL's Corporate Excellence has been recognized by the Management





As AGTL celebrates the thirty years of its founding, we are grateful to all for contributing so much to AGTL's rollicking success story.

Association of Pakistan, conferring on AGTL the Corporate Excellence Award since 1995. ICAP and ICMAP have been honouring the AGTL's Annual Report with an award every year since the award was instituted. National Council of Culture and Arts has been listing AGTL's calendar as Best Calendar of the year. AGTL has been awarded for its excellence in Human Resources and Industrial Relations by the Employers Federation of Pakistan. Besides, there is a list of International awards that decorate AGTL's hall of fame.

All this has been accomplished with the active support of our team of many talents, supply chain associates, the dealers, the support of our principals CNH and the benign and encouraging support of Al-Futtaim – our holding company. AGTL is indeed grateful to all for making AGTL a symbol of success. AGTL thus celebrates its thirty years as thirty years of Gratitude.

Board of Directors

During the year 2013, Mr. Kunwar Idris took retirement after serving and guiding the management for twenty long years. His invaluable contribution to AGTL as a Director and earlier as Chairman will always be remembered and recognized by the Company.

For and on behalf of the Board



Charles Leonard Hunt
Chairman

Karachi
February 10, 2014



Accolades

As usual, the Company continued to hold on to its track record of corporate excellence receiving accolades:



The South Asian Federation of Accountants conferred on AGTL the "SAARC Anniversary Award for Corporate Governance Disclosures" for AGTL's Annual Report for the year 2011.



His Excellency the President of Pakistan, Mr. Mamnoon Hussain, presented the Corporate Excellence Award of the Management Association of Pakistan for demonstrating the Best Corporate Performance. AGTL has been winning this coveted award since 1995.



AGTL's Annual Report for the year 2012 was awarded by the Joint Committee of ICAP and ICMAP at the Best Corporate and Best Sustainability Report Award ceremony.

Report of the Audit Committee

The Audit Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2013 and reports that:

- Four meetings were held during the year 2013 and presided by the Chairman.
- The Audit Committee reviewed and approved the quarterly and annual financial statements of the Company and recommended them for approval of the Board.
- Appropriate accounting policies have been consistently applied and all applicable accounting standards were followed in preparation of the financial statements for the year ended December 31, 2013, which present fairly the state of affairs, results of operations, profits, cash flows, and changes in equity of the Company.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting and compliance with regulations and applicable accounting standards.
- Accounting estimates are based on reasonable and prudent judgment.
- Proper, accurate and adequate accounting records have been maintained by the Company.
- The Company's system of internal control is sound in design and has been continually

evaluated for effectiveness and adequacy.

- The Audit Committee has reviewed and approved all related party transactions.
- No cases of complaints regarding accounting, internal accounting controls or audit matters, or whistle blowing were received by the Committee.
- Closed periods were duly determined and announced by the Company, precluding the Directors and executives (as defined by the Board to be an employee drawing a basic salary of Rs. 500,000 and above in a financial year) from dealing in the shares of the Company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price.

Internal Audit

- The Board has effectively implemented the internal control framework through the Chief Internal Auditor who is a qualified Chartered Accountant.
- The Internal Auditor reviews the risks and control processes. It carries out reviews in accordance with the internal audit plan approved by the Committee.
- The Committee reviews the findings and observation of the internal audit and provides appropriate guidance to the management.
- The Committee met with the internal audit in absence of the management.

External Audit

- The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignment of the Company's financial statements and the statement of compliance with the Code of

Corporate Governance for the year ended December 31, 2013 and shall retire on the conclusion of the 31st Annual General Meeting.

- The Audit Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in absence of the management.
- The external auditors have direct access to the Audit Committee and internal audit department, hereby ensuring the effectiveness, independence and objectivity of the audit process.
- The performance, cost and independence of the external auditors is reviewed annually by the Audit Committee. Being eligible for reappointment under the listing regulations, the Committee has recommended to the Board the reappointment A.F.Ferguson and Co., Chartered Accountants for the year 2014. A resolution to this effect is proposed at the forthcoming Annual General Meeting.



NASIR MAHMOOD
Chairman, Audit Committee
Date: February 10, 2014

Corporate Governance



The Board and Management believes that for the Company to achieve its vision of becoming a symbol of success, it is necessary for the Company to meet the highest standards of performance, transparency and governance across its operations.

The Board has established sound policies and procedures to achieve the highest standard of corporate governance. The Company Secretary ensures compliances with corporate governance rules and regulation in Pakistan.

Board of Directors

The Board is collectively responsible for the long-term success of the Company. Each director exercises his judgment to act in good faith and the best interest of the company for creation of value for shareholders.

The Board is responsible for:

- Overseeing the company's strategic direction and management of the company;
- Approving the annual capital and operating budget;
- Approving delegation of authority to management;
- Approving significant additions and disposals of fixed assets;
- Approving and monitoring of financial performance against strategic plans and budget;
- Approving code of conduct and to set the ethical value of the company;
- Selection, evaluation and succession planning of the CEO;
- Overseeing the integrity of the risk management processes and systems.



Delegation of authority

The Board delegates management of the Company's resources to the Company's management under the leadership of the CEO, to deliver the strategic direction and goals approved by the Board. This is formally documented in the company's delegation of authority.

Responsibilities delegated by the Board to the Management:

- The conduct and operations of the business on day to day basis;
- Implementing strategies;
- Operating under approved budgets and delegation of authority.

The Board has access to complete, adequate and timely information and resources. Board papers are sent to directors at least seven days before the meeting so that they have the relevant information for consideration and deliberation at the meeting.

The schedule of all board meetings and Annual General Meeting (AGM) for the next calendar year is planned in advance. Board meetings are scheduled on quarterly basis to review and approve the release of quarterly results. A board meeting is also held at the end of the financial year to discuss the annual

performance of the company and to discuss the way forward.

The Board has access to the CEO, members of management and the Company Secretary at all times. Where necessary, independent professional advice and consultation is made available to the directors to ensure that full information is available before important decisions are made by the Board. All issues are actively debated by the Board and are properly recorded.

The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations including the Memorandum and Articles of Association, Companies Ordinance, 1984, Securities and Exchange Commission and the Listing Regulations of the Karachi and Lahore Stock Exchanges are complied with.

The Company Secretary also assists the Chairman in ensuring proper information flow within the Board and its Committees as well as advising the Board on all governance matters. The Company Secretary attends all Board meetings and ensures that Board minutes are circulated within the stipulated time.

Board Member	Board Meeting	Audit Committee Meeting	Human Resource and Remuneration Committee Meeting
No. of Meetings held in 2013	4	4	1
Mr. Charles Leonard Hunt	1/4	NA	1/1
Mr. Parvez Ali	4/4	NA	NA
Mr. Nasir Mahmood	4/4	4/4	1/1
Mr. Kunwar Idris *	3/4	3/4	NA
Mr. Kashif Lawai	4/4	4/4	NA
Ms. Giovanna Barbieri	2/4	NA	-
Mr. Stefano Pampalone	3/4	NA	NA
Mr. Damiano Cretarola	-	-	NA
Mr. Majd-ul-Ahsan Syed *	-	1/4	NA

* Mr. Majd-ul-Ahsan Syed was appointed as non-executive director on October 21, 2013 in place of Mr. Kunwar Idris.

The Board is collectively responsible for the long-term success of the Company.

Board Composition

Chaired by a non-executive director Mr. Charles Leonard Hunt, the Board has eight directors of whom six are non-executive directors. Given that the majority of the Board comprises non-executive directors who are independent of management and independent in terms of character and judgment, objectivity on issues deliberated is assured. The requirement of independent director will become mandatory on the Company at the time of next Board elections in 2014.

In determining the composition of the Board, consideration is given to the optimal mix of background, skills and experience that will position the Board to guide the company. The current Board

members comprise business leaders, professionals with financial audit, accounting, legal and human resource backgrounds and engineers. The names and details of experience, qualifications and special responsibilities of each Director can be found on pages 17 of this Annual Report.

Appointment of new director and Board training

Pursuant to the resignation of Mr. Kunwar Idris, Mr. Majd-ul-Ahsan Syed was appointed on the Board and the Audit Committee of the Board. Mr. Majd's willingness was obtained prior to his appointment and all relevant rules and regulations regarding new appointment were complied with.

Subsequent to the year end, Mr. Majd was briefed about the Company's operations, policies and procedures as well as duties and obligations of directors. As part of training and professional development programme for the Board, the Company ensures that directors are briefed on changes to regulations, market conditions and accounting standards from time to time. This is done either through Board meetings, by circulation of information to directors or at specially convened sessions. Articles and reports relevant to the Company are also circulated to the directors for information.

Board Performance Evaluation

The Board believes that board performance is ultimately reflected in the long-term performance of the Company. An annual evaluation process has been implemented to evaluate the Board as a whole. To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the Board and its committees. The questionnaire addresses:

- The Board's contribution to strategy and policy;
- Board's process to monitor risks and

business performance;

- Board's composition and structure;
- Board's access to information;
- Interaction between the Board and the management;
- Performance of the Board committees

The questionnaire also includes the assessment of the Chairman of the Board including his ability to lead the Board meetings. He is also evaluated based on his ability to ensure that adequate and timely information is provided to the Board.

Performance Review of CEO

The performance of the CEO is appraised by the Human Resource and Remuneration Committee of the Board and discussed by the Board. CEO's performance is evaluated on the performance of business, accomplishments of objectives with particular reference to profit, goals and corporate success.

Managing conflict of interest

The Company in compliance with the Code of Corporate Governance annually circulates and obtains a signed copy of Code of Conduct applicable to all its employees and Directors. Directors are required to disclose, at the time of appointment and during their term, the directorships they hold in other corporate bodies.

As per the provisions of the Companies Ordinance, 1984, every director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company.

Closed periods are determined and announced by

the Company, precluding the Directors from dealing in the shares of the company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price. Also, all directors are required to disclose any transaction in the shares of the company immediately to the Company Secretary.

All trading in shares of the Company by the Directors or executives and all related party transactions are fully disclosed in the financial statements of the Company.

No conflict of interest or transactions in shares were reported by any of the Director during 2013.

Whistle blowing

The Company has adopted a whistle blowing culture to detect and deter wrongdoing in preparing and implementing accurate and complete financial reports and records as well as the internal controls essential to support its financial and accounting system and operations. Violation of matters referred to in the Code of Conduct signed by all the employees may also be reported.

The establishment of whistle blowing structure also augments the Company's ability to detect potential fraud, providing another level of comfort and assurance to the stakeholders.

The policy provides a mechanism for employees to report possible wrongdoings to the Company Secretary without fear of reprisal or discrimination. Every reported case is considered and investigated. The whole process is looked after by the Audit Committee.

Roles and Responsibilities of Chairman and Chief Executive Officer

To ensure an appropriate balance of power,

increased accountability and a greater capacity of the Board for independent decision making, the Company has a clear division of responsibilities at the top of the Company, with the non-executive Chairman and CEO having separate roles.

The Chairman leads the Board and is responsible for the management of the Board, facilitates effective contribution of non-executive directors, encourages constructive discussions and promotes high standards of corporate governance.

The CEO has executive responsibility over the business directions set by the Board. The CEO is accountable to the Board for the conduct and performance of the Company.

Duties of the Chairman are:

- To lead and oversee the Board of Directors.
- 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.
- To lead a critical evaluation of Company's management, practices and adherence to the Company's strategic plan and objectives.
- In accordance with company law and as and when required chair the meetings of the Board and meetings of the shareholders in accordance with their terms of reference.
- To establish, in consultation with the Company Secretary and the CEO, an agenda for each meeting of the Board.
- To seek compliance of the management to implement the decisions of the Board.

- To work closely with the CEO and provide support and guidance for the management on major issues.
- To promote the highest standards of corporate governance.
- To ensure that the Company has an effective and clear communication with its shareholders.
- To ensure that new directors receive appropriate induction into the Company.

Responsibilities of the CEO are:

- To align the entire Company to the Vision, Mission and Strategy evolved by the Board, such that everyone will focus his efforts to the success of the Company.
- To build a corporate culture and be a role model for the entire organisation.
- To set performance standards for the Company and promote those standards with confidence.
- To manage the day-to-day operations of the Company's business, strategic planning, budgeting, financial reporting and risk management.
- 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.
- 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.

- To set standards required to maintain a competitive advantage in the industry and implement these standards into the output of the Company.
- 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 its strategy and vision through direction and effective communication.
- 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.
- To provide leadership and develop policies and procedures of the Company to ensure compliance of these procedures and policies.
- 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.
- To build effective PR for the Company.



Board

Committees

The Board has established Board Committees to assist with the effective discharge of its duties.

All Board Committees are chaired by and comprise only of non-executive directors. Non committee members may attend the meeting by invitation. Each committee operates under a specific charter approved by the Board.

The Chairman of each committee provides a detailed report to the Board along with recommendations of the Committee.

Following are details of membership requirements of each committee as outlined in the listed regulations and the committee charter.

Board Committee	Membership requirement
Audit Committee	<ul style="list-style-type: none"> At least three non-executive directors. The Chairman of the Board is precluded from being the Chairman of the Committee At least one member of the Committee has relevant financial skills and experience.
Human Resource and Remuneration Committee	<ul style="list-style-type: none"> At least three members, majority of whom are non-executive.

Audit Committee

The primary objective of the Audit Committee is to assist the Board to fulfill its corporate governance and oversight responsibilities related to financial accounting practices, external financial reporting, financial risk management, internal controls and internal and external audit function.

The Audit Committee of AGTL consists of three non-executive directors and is chaired by Mr. Nasir Mahmood, who is a Fellow Member of the Institute of Chartered Accountants of England and Wales (ICAEW).

Members of the Audit Committee are;

Mr. Nasir Mahmood – Chairman
 Mr. Majd-ul-Ahsan Syed
 Mr. Damiano Cretarola
 The Board Secretary functions as the Secretary to the Audit Committee.

Meeting during the year 2012

The Audit Committee met four times during the year. Members attendance at the meetings is disclosed on page 64. The Committee also met with the external and internal auditors separately, without the presence of the management.

During the year, the Audit Committee reviewed the annual and quarterly financial statements of the Company before these were approved by the Board of Directors. The Committee also reviewed internal auditor's plans and findings to ensure they were sufficient to assess the adequacy and effectiveness of internal controls of the Company. Related party transactions were also approved by the Audit Committee. The Audit Committee also recommended the appointment of external auditors.

Terms of Reference

1. The Audit Committee will recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Company in addition to audit of its financial statements.
2. The Audit Committee will determine appropriate measures to safeguard the Company's assets;
3. The Audit Committee will review quarterly, half yearly and annual financial statements of the Company, prior to approval by the Board, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards;
 - Compliance with listing regulations and other statutory and regulatory requirement; and
 - Significant related party transactions.
4. Review of preliminary announcements of results prior to publication;
5. Facilitating the external audit and discussion with external auditors of major observations arising from the interim and final audits and any matter that the auditors may wish to highlight (in absence of management, where necessary);
6. Review of management letter issued by external auditors and management's response thereto;
7. Ensuring coordination between the internal and external auditors of the Company;
8. Review of scope and extent on internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
9. Consideration of major findings of internal investigation of activities characterized by fraud, corruption and abuse of power and management's response thereto;
10. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
11. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
12. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or any other external body;
13. Determination of compliance with relevant statutory requirement;
14. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
15. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource and Remuneration Committee

The Human Resource and Remuneration Committee consist of three non-executive directors. Chairman of the Committee, Mr. Charles Leonard Hunt is also the Chairman of the Board.

Following directors serve on the HR&R Committee:

Mr. Charles Leonard Hunt- Chairman
Mr. Nasir Mahmood
Ms. Giovanna Barbieri

The Company Secretary is the secretary of this Committee.

Meeting during the year 2012

The Committee met once during the year. Attendance at the meeting is given on page 64.

Terms of reference

1. Recommend human resource management policies to the Board;
2. Recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
3. Recommend to the Board the selection, evaluation, compensation (including retirement benefits) of CFO, Company Secretary and Head of Internal Audit;
4. Consideration and approval on the recommendations of CEO on such matters for key management positions who report directly to CEO; and
5. Assess annually the Board's performance and the performance of the Committees of the Board.



Management Committees

The Board has formulated various Management Committees comprising of the CEO and other senior members of the Company. These committees meet as per their charter and focus on policy statement, scope and policy guidelines established by the Board.

The discussions, recommendations and decisions taken by these committees are put up for perusal of the Board. These committees are as follows:

1. Business Strategy Committee

The committee reviews policies, strategies and performance of various business units of the Company. It identifies emerging issues and endeavours to ensure that resources are managed effectively.

2. Finance and Investment Committee

The committee reviews the investment strategies, financial performance, budget progress and pricing decisions.

3. Enterprise Risk Management Committee

Having established a sound system of internal controls to safeguard Company's assets and maximize shareholders' investment, the committee reviews and ensures continuity of smooth operations with respect to internal controls, risk analysis, business impact, insurance, preventive maintenance, supply chain management, technology, intelligence, credit risk, foreign

exchange risk, etc.

4. Human Resource and Remuneration Committee

The committee reviews the terms and conditions of employment of staff and ensures to have an effective proactive succession planning process. Detailed compliance and adherence to the CBA agreement is also ensured.

5. Information and Technology Committee

Because of criticality of IT to the success of the Company which operates on ERP, the committee's responsibility is to provide timely advice and direction on current and strategic IT issues, the future direction and leadership of IT.

6. The Employee and Process Safety Committee

The committee reviews policy development on a wide range of safety and health issues affecting employees and the Company including site security and employees health and safety concerns.

7. Environmental Committee

The committee focuses on a wide range of issues including hazardous waste, regulatory reforms, pollution prevention etc.

Internal Audit

The Company has its own in-house Internal Audit Department which is headed by a qualified Chartered Accountant. Internal Audit reports directly to the Chairman of the Audit Committee on audit matters and administratively to the CEO. Using risk based audit methodology Internal Audit plans its assignments every quarter, which is reviewed and approved by the Audit Committee.

The key role of the Internal Audit is to assist the Audit Committee to provide reasonable assurance that the Company is maintaining an adequate system of internal controls by periodic reviews of material controls and procedures. A comprehensive Internal Audit report is presented to the Audit Committee at each meeting for discussion.

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.

The Audit Committee ensures that the internal audit function has adequate resources and appropriate standing within the Company. On an ongoing basis, it assesses the effectiveness of the internal auditors, such as its scope of work and quality of audit reports.



**A. F. FERGUSON & CO.****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's 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 (x) 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 of 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, 2013.



Chartered Accountants
Karachi

Dated: February 12, 2014

Statement of Compliance

With the Code of Corporate Governance
For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good 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. The requirement of independent director shall take effect when the Board is reconstituted on the expiry of its current term. At present the Board includes:

Non-Executive Directors	Executive Directors
Mr. Charles Leonard Hunt	Mr. Parvez Ali
Mr. Nasir Mahmood	Mr. Kashif Lawai
Mr. Majd-ul-Ahsan Syed	
Ms. Giovanna Barbieri	
Mr. Damiano Cretarola	
Mr. Stefano Pampalone	

2. The directors have confirmed that none of them is serving as a director in more than seven 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 occurred in the Board and was filled in compliance with the Code of Corporate Governance.
5. The Company has prepared a "Code of Ethics" 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 policies along with 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 has 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 has approved appointment of CFO,

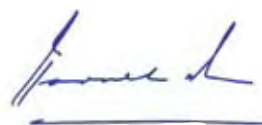
Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment at the time of their appointment.

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. The Board has set up the threshold for other employees for the purpose of disclosing trades in the shares of the Company.
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 formed an HR and Remuneration Committee. It comprises of three members, all of whom including the Chairman are non-executive directors.
18. The Board has set-up an effective internal audit function.
19. 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.

20. 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.
21. 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.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, executives and stock exchanges.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board of Directors



PARVEZ ALI
Chief Executive Officer

Dated: February 10, 2014
Karachi

Stakeholders

Engagement

Building and retaining the trust of the company's internal and external stakeholders is essential to Al-Ghazi's continued business success. Engagement

and dialogue are consequently an important component to understand their expectations, needs and concerns.



Stakeholder	Stakeholder's expectation	Tools and interaction channel
Public institutions: government, local authorities, regulatory bodies, non-governmental organizations	<ul style="list-style-type: none"> • Collaboration and access to information • Technical support on specific industry related issues 	<ul style="list-style-type: none"> • Periodic and adhoc meetings
Employees	<ul style="list-style-type: none"> • Clarity of organization and protection in periods of uncertainty • Clear and transparent reward system • Training and professional development • Stimulating and safe work environment • Information on company's strategy and results 	<ul style="list-style-type: none"> • Daily dialogue • Employee lunches / dinners • Discussions regarding appraisals and development path • Easy access to top management
Employees' families	<ul style="list-style-type: none"> • Indirect participation in corporate life 	<ul style="list-style-type: none"> • Participation in sports day events • Health care plans, fair price shop, community hall
Dealers and service network	<ul style="list-style-type: none"> • Complete and rapidly accessible product information • Business profitability • Quality and reliability of products / parts • Competitive prices • Extension of financial and non-financial assistance 	<ul style="list-style-type: none"> • Daily contacts and periodic meetings with the network • Individuals responsible for monitoring the network and ensuring fulfillment of contractual standards • Programs to support dealers including training, conferences and other incentives.
Prospective and existing customers	<ul style="list-style-type: none"> • Quality, reliability and safety of products • Competitive prices • Speed and efficiency of after sales service 	<ul style="list-style-type: none"> • Market research • Two-way communication through dealership and service centres
Suppliers	<ul style="list-style-type: none"> • Continuity of supply • Fulfillment of contractual obligation 	<ul style="list-style-type: none"> • Daily relationship through Materials Management Department
Shareholders	<ul style="list-style-type: none"> • Access to information • Transparent and responsible management • Value creation (return on investment, sustainability of business) 	<ul style="list-style-type: none"> • Shareholders meetings • Price sensitive communications and information • Daily dialog (email, telephones) • Investor relations section of the company's website



Risk Management

The Boards of Directors are responsible for overseeing the implementation of, and ensuring there are adequate policies and procedures in relation to the Company's risk management and internal

compliance and control system. These systems require management to be responsible for identifying and managing risk on day to day basis. The risks faced by the Company include strategic, financial and non-financial operational risks impacting areas as supply chain, production, reputation, environment, safety, business continuity and human resource. The Risk Management Committee looks into and addresses these risks. This Committee reports to the CEO and is responsible for implementing the risk management policy. Its deliberations are placed before the Board for perusal.

The following section reviews some of the key risks identified and the corresponding mitigating strategies that are in place.



Risks	Mitigating Actions
<p>The fiscal deficit of the country, political instability and the deteriorating law and order situation may adversely impact the performance of the Company.</p> <p>Loss or reduction in sales due to market conditions.</p>	<p>Agriculture is said to be the backbone of Pakistan's economy. The Company has been in business for thirty year now and has established itself as one of the leading tractor manufacturer in the country. The Company has 87 dealers across the country. The Company seeks to increase its customer base and has recently diversified in the manufacture and sale of implements, generators and installation of smart irrigation systems. Moreover, Company's products are exported to Afghanistan to reduce dependency on a single market.</p>
<p>Inability to source raw material and increase in prices may affect the profit margins.</p>	<p>Raw material sourcing and pricing are managed by constantly increasing the supply base to ensure uninterrupted procurement. Prices are approved by the price revision committee to control adverse price movements.</p>
<p>Weaknesses in the internal control framework could lead to loss of financial irregularities and unethical work practices</p>	<p>The Company has put in place manuals, delegation of authority and regular reporting framework to identify and monitor areas of potential exposure. Independent checks on internal controls and risk management process are undertaken by the Internal Audit department to ensure their effectiveness and adequacy.</p> <p>Several policies such as whistle blowing protection policy and financial authority limits are in place to mitigate the risk of fraud. During the year under review, there were no reported cases of fraud or corruption.</p>
<p>Exchange rate fluctuation could adversely impact the profitability of the Company.</p>	<p>The Company's product has 92% local components, thus reducing the dependency on imported material.</p>
<p>Credit risk if the counterparty fails to meet its contractual obligations.</p>	<p>Company's products are mainly sold against advance payment except for some institutional sales which credit is approved by the CEO.</p> <p>The capital structure of the Company is equity based with no financing through long or short term borrowing.</p>
<p>Safety risk</p>	<p>The Company continues to place paramount importance in promoting a safe and healthy work environment for its employees, workers and the community.</p> <p>The Employee Health and Safety Committee and the Environmental Committee ensures that the Company adheres to the highest health, safety and environmental standards.</p>
<p>Employee recruitment and retention risk</p>	<p>The Company believes in the importance of having the right people with the requisite qualification, skills and expertise to achieve its strategic business plans. The Company has in place comprehensive human resource policies and procedures for recruitment, compensation and staff development, management succession. Weekly meetings are held with CBA to resolve their issues and grievances. The Company is an equal opportunity employer.</p>
<p>Legal and Regulatory Risk</p>	<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, direct and indirect taxes, competition law and environmental law. The responsibility of compliance with applicable laws and regulations lies with the departmental heads and the Company Secretary.</p>
<p>Business Continuity Risk</p>	<p>The Company recognizes that quick recovery and resumption of business operations after a disruption are critical to minimizing financial operational and reputational impact. To mitigate these risks, the Company has in place a Business Continuity Plan, which complements its ERP framework. Moreover, the Company uses insurance as a means to transfer risks. The Company insures its risks based on an approach that seeks to balance the cost benefits with its risk appetite.</p>

SWOT

Analysis

STRENGTHS

- The Company has established itself as one of the leading tractor manufacturers in the country. Our most enduring competitive edge is the quality of our tractors. AGTL has over the years supplied over 500,000 tractors. Almost all are farm worthy and kept mobile through AGTL's dealer network providing after sales support. We are the lowest cost producer of a quality product.
- The Company has a strong financial base with no debts and no bank borrowings.
- The Company has a strong dealer network in every nook and cranny of the country.
- The Company now has diversified its business into High Efficiency Irrigation System, Generators and manufacturing of agricultural machines with potential to export.

WEAKNESSES

- Reduced loaning from the banks and inconsistent policies.

OPPORTUNITIES

- Pakistan needs around one million tractors more if the ratio of one tractor-to-50 acres is to be attained - the international standard is one tractor-to-25

acres and even lesser in the first world countries. The opportunities therefore are galore. It is the government that needs to lead in the pursuit of prioritizing Pakistan's agrarian economy.

- Launch of new products like four wheel drive tractor and generators.
- Installation of smart irrigation solutions through Drip Irrigation systems has accelerated during the year and is expected to increase in the years to come.

THREATS

- Challenges being faced by the economy, current account deficit, power outages, paramount political and geo-strategic issues.
- Sharp increases in costs of inputs; withdrawal of subsidies especially on electricity, gas etc.
- Inconsistent government policies.
- MFN status to India – adverse impact on agriculture and auto sector.

Corporate Sustainability

Corporate Social Responsibility

AGTL has built Corporate Social Responsibility into its Mission Statement. It is part of the value system of the Company. CSR, we believe, is in essence the creation of a mutually beneficial relationship between the Company and its shareholders which we believe results in not only benefitting the stakeholders, but also increases profitability and shareholder value.

AGTL, 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. Offering ample employment opportunities, the Company has built a staff town adjacent to the manufacturing plant full of amenities such as hospital, fair price shop, sports club etc. The plant with a capacity to produce 30,000 tractors per annum in a single shift is a vibrant business center 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.

As part of CSR and with a view to interacting with educational institutions, AGTL has appointed

graduates of TEVTA for its assembly operations in the plant. 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.

AGTL has allocated a sum of Rs Five Million for its CSR activities for the year 2014.

Energy Conservation and Environmental Protection Measures

Our operations are focused on ensuring that adequate resources are allocated to maintain environmental quality where we operate.

Energy saving methods proposed for the year 2014 includes: replacement of tube lights with energy efficient lights, installation of solar water heater for hot water application, installation of flow meters on burners to regulate fuel consumption and installation of VFD inverter on motors in paint shop to save electricity consumption.

Energy Efficient Lighting

No maximize the use of sunlight, AGTL has installed of energy efficient sun roof tops in the plant. This has drastically reduced the consumption of electricity with savings in energy cost.

A conscious effort is made by all the employees to conserve energy at all our offices and plant by



switching off unused air-conditioners and electrical equipment.

Automatic Burners

Burners in paint shops and tractor body line have been automated to ensure temperature control. The Company has converted six manual burners to automatic burners and six burners from HSD fuel to LDO fuel. This has resulted in fuel savings, thus reducing environmental impact and improving financial efficiency.

Water Purification

AGTL has constructed a re-cycling plant for water being purchased from the canal for use in the staff town and the factory. Water being supplied is purified before it reaches the homes and the factory.



UV filters have been installed at all places for drinking to prevent the spread of water borne diseases.

Tree Plantation

AGTL has built an oasis in the desert at Dera Ghazi Khan.

Over 3000 trees which have been planted over the years guard the plant and the staff town which is spread over 90 acres. All employees and visiting dignitaries are encouraged to plant a tree.

Paperless Environment

Efforts are being made to promote paperless environment with the maximum use of digital storage and communication methods. Employees are also encouraged to reduce print jobs.

Waste Management

At AGTL, we believe in turning waste in to a resource. This helps us devise an overall environmental strategy so as to achieve sustainable goals without sacrificing financial objectives.

- Under an agreement with suppliers, components rejected on line are returned. These include defective castings, forgings, sheet metals, wires, metal scraps, paper board cartons, wood, plastic parts, PVC parts, etc. These are all materials which are recycled and reprocessed into new materials. These materials are collected separately from general waste using dedicated places in the factory.
- Oils refuse from testing of all engines are also sold and recycled for use as furnace oil.
- Well-designed septic tanks have been built in the factory to take care of the water that is used for washing the components and in the paint shops. These pre-treat the waste water before it enters the disposal areas where natural processes are expected to take care of the final treatment. Solids settle to the bottom of the tanks and form a layer

of sludge which is removed once it gets filled – in several years. The sludge is auctioned.

Sustainable Agriculture

AGTL has launched new initiatives in Farm Mechanization and Water Conservation projects. With acute water shortages in the country, the government has accorded priority to mechanization of farming and on projects on water conservation. The



company thus offers “Smart Irrigation Solutions” for water conservation including Rain Guns, Sprinkler, Bubble System, Drip Irrigation system and Center Pivot System.

Labour / Management Relations

The management and labour of AGTL enjoy cordial relations. Weekly meetings are held with CBA to discuss and resolve all issues.

Community Investment, Development of Local Talent and investment in Education

At AGTL, we understand the importance of supporting local communities in meaningful ways:

- We educate the farmer and his future generations on techniques of Farm Management with marketing programmes which have been specially designed to minimize overhead cost and to



increase returns. Such programmes are held with intermittence throughout the country at the grass root level.

- Tractor festivals, free service programmes are held throughout the year to improve efficiency of resource utilization.
- Merit scholarships are offered to students of the University of Agriculture, Faisalabad and its campus in Dera Ghazi Khan. Scholarships are also offered to the technical college of Dera Ghazi Khan for development of local talent.

Contribution to National Exchequer

AGTL has contributed Rs. 802 million towards the national exchequer on account of government levies and taxes.

Business Ethics and Anti-Corruption Measures

The company actively participates in the fight against all forms of corruption, fully complying with principles of fairness, transparency and integrity. To ensure that highest standards are met, anti-corruption statement has been included in the code of ethics signed by all the directors and employees of the company. A whistle blowing policy is also in place to detect and deter wrongdoings.

HEALTH AND SAFETY

AGTL accepts no compromise in the field of health protection with regards to the safety of its employees in the workplace. No AGTL employee shall put other employees in a position of unnecessary risk that may cause damage to their health or their physical well-being. The company is committed to and recognizes that good health, safety and environment is critical to the success of the company.

From production of products which can be safely used 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 water filtration plant, recreation facilities at the staff town, firefighting, demarcation of emergency exits and twenty four hours security for the plant and residents of the staff town.

During the year, a number of firefighting, first aid and other health and safety drills including dengue awareness programmes were carried out.



Management Discussions

Plant Operations

The real hub of operational activity in AGTL is its magnificent plant at Dera Ghazi Khan – a hallmark of engineering dynamics. In technical collaboration with CNH – Case New Holland – the largest manufacturer of agricultural tractors in the world, AGTL draws from the huge pool of information and technology available with the principals at a global level. Technology of production functions is therefore continuously updated.

Operating with company focus on lean management and eliminating all activities which don't add value, the plant's mission is to ensure production of highest quality tractors in conformance with New Holland specifications. With disciplined focus on all quality management systems, we are committed to remaining on par with best international practices, quality standards, performance requirements, and product specifications of CNH and to achieve evolution through continual improvement for ultimate customer satisfaction.



The plant with its fully integrated assembly line laid out on a conveyor system feeder lines for engines, hydraulic lift control, sheet metal parts and transmission assembly has been manufacturing quality tractors since 1984. It is the state of the art unit which has a capacity to produce 30,000 tractors per annum in a single shift. The plant operates on high efficiency with negligible waste. From receipt of materials at the plant to the





production of tractors and distribution, all operations are systemized on Baan ERP.

AGTL was the first automobile company in Pakistan to qualify for ISO-9002. Documentation is a pre-requisite for this certification. We have now achieved the ISO registration valid till 2016. The Generator Assembly Line now set up can produce around 2,000 generators a year in a single shift. An impressive assembly line based on commercial engineering has also been set up in UAE to assemble generators under the name and style of GENCOR. The project will assemble generators with subassemblies supplied by AGTL.



AGTL continues to develop more and more implements to its newly set-up Farm Equipment Project. Focus is on export of these implements as a huge market exists in Africa and elsewhere.

AGTL is also offering smart irrigation solution for water conservation projects including drip, sprinkler and center pivot system. The Company has signed collaboration agreements with international companies of repute to provide Smart Irrigation Solutions. The core objective of AGTL's High



Efficiency Irrigation Systems is not limited to introduce drip irrigation as water saving tool but a wider range of achievement at farm level like improvement of yield and quality of produce, higher crop intensity, production of high value crops for export, and extension of irrigated area in difficult lands in order to generate increased farmer income as well as new employment opportunities in the agricultural sector.

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

Materials Management

The main focus of activities of the Material Management Department is to procure quality material without wasting the financial resources of the Company. The department operates from the Head Office in Karachi with its office in Lahore for swift liaison with supply chain associates.

The principle activities of the Department are:

- Maintaining and updating the technical and technological records of the products;
- Development of components to achieve local

content conforming to specification of the principals, and hence save foreign exchange;

- Development of alternate sources to strengthen supply chain
- Quality control and quality assurance on component suppliers
- Effective supply chain management using BaaN –ERP systems
- Management of contracts and supply orders



- Cost control and cost analysis
- Inventory management

With 300+ supply chain associates spread all over Pakistan supplying 1300+ components, the Company has achieved the following local contents as of December 2013:

Model 480-S, 55 hp:	83.3956%
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%
Model 70-56, 85 hp:	64.4090%

With such high yield of import substitution, the foreign exchange saving in the year 2013 was Rs. 5.3 billion. During 2013, the Department successfully received approval of local content for production and sale of 4 wheel drive tractor. New vendors were raised with success.

The Department with its technical expertise contributed by highly qualified engineers and technicians who are also adept in supply chain management operating on ERP, have given fillip to the whole process of indigenization in the country.

Marketing

AGTL Marketing is based on the hypothesis that we “Create Customers for life”. We promote agricultural mechanization in the country by providing a range of New Holland tractors that create value by achieving leadership in quality, customer satisfaction and sustainable business generation in challenging and competitive environment.

Operating from Lahore, the marketing department operates from the following four locations.

1. Marketing Center, Lahore: 10 KM, Sheikhpura Road, Tel: 042-37912226, 37924676-7

2. Marketing Regional Office, Multan, 20 Industrial Estates, Tel: 061-6514057-9
3. Marketing Regional Office, Sukkur, House No. 8/A, Hamdard Housing Society, Airport Road, Tel: 071-5633920, 5002852
4. Marketing Regional Office, Islamabad, Flat No. 7, 2nd Floor, City Arcade, Sector I – 8, Markaz. Tel 051-4862524-25

A delivery center established adjacent to the manufacturing plant at Dera Ghazi Khan with its fully computerized operation running on BAAN ERP, is the hub of the major activity of delivery of tractors to customers.



The Company has dotted the whole country with authorized dealers and continues to add new mechanical workshop in their territories for providing 3S facilities at door step to the customers.

Spread in every nook and cranny of the country, the Company has 87 main and 36 spare part dealers. The Company has also established dealerships in Afghanistan.

Company has special focus on after sale services and provides services all over Pakistan with

extensive network of authorized workshops.

Free service programs, tractor maintenance and operating trainings are held at workshop level to provide door step services which enhance farmer's confidence and create brand loyalty. During 2013, 125 free service programs were held, almost 4,848 tractors were brought to these programs

The Company has now focused on sales of newly introduced version of NH – 70-56 (85HP-4WD) tractor. This will not only grow the business but would also benefit Pakistan's agriculture.



Human Resources

Human Resources is just what it says: “Resources for Humans”. Its main objective is to meet the HR needs of AGTL and the needs of the people employed by AGTL. In short, it is the hub of the organization serving as a liaison between all concerned departments.

Mobility And Rotation

During 2013, there has been a significant amount of movement of staff between duty stations and from one position to another. This mobility has resulted from the systematic approach to reassigning staff in some regions as part of our strategy of job rotation.

Succession Planning

Succession Management is a proactive approach to managing talent as it involves identification of high potentials for anticipated future needs and the tailored development of these people so that there is a talent pool or leadership pipeline available to meet AGTL's demands as they arise.

Equal Employment Opportunity

AGTL is committed to providing equal employment opportunity in compliance with applicable laws. While employing the first thing we see is: can the person do the job. Which means his/her technical and technological skills, initiatives, competence, communication skills and ability to fit in our culture and





work as a team member.

We are an equal opportunity employer.

Corporate Social Responsibility

AGTL is committed to Corporate Social Responsibility. Our community initiatives span key areas of education, healthcare, environment conservation and employability. Sustainability of the organization focuses on creating value in the long term, monitoring economic, social, environmental and intangible performances.

Besides offering scholarships to students of University of Agriculture, Faisalabad both for its Faisalabad and D.G. Khan campus, AGTL, in a recent initiative taken by the Government of Punjab, would be providing internships to deserving candidates.

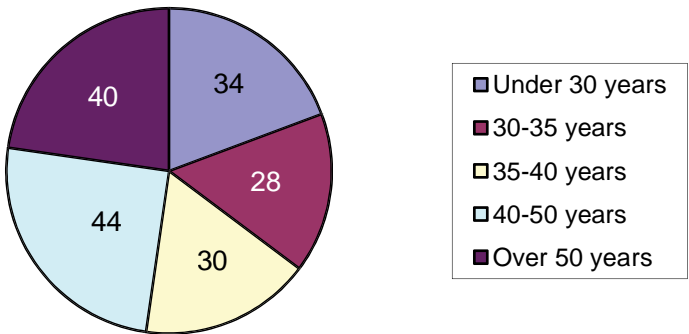
Health And Safety

Health and safety is not only framed as written down policy but is practiced at the plant. Fire drills are carried out as and when required. External trainers are also invited to the plant to impart training.

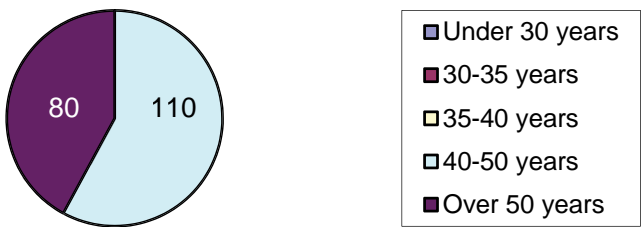
Industrial Relations

At AGTL we have close relations with the Management and CBA. This gets stronger as we make them feel valuable to the organization by giving them benefits, thus creating a healthy work environment. This motivates the employees to do their work better and increase productivity.

AGTL workers are happy workers.

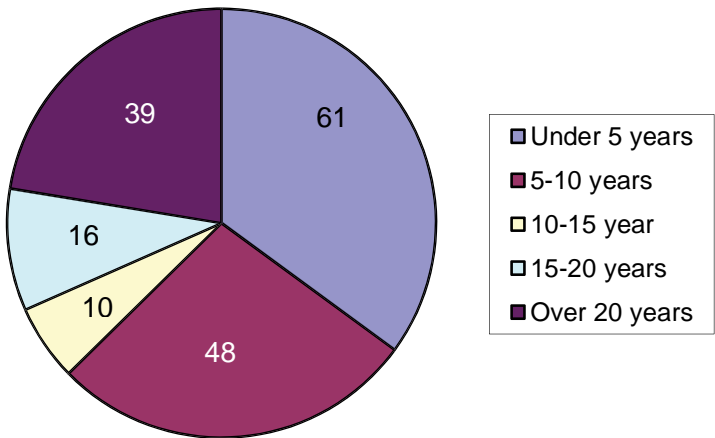


Age Analysis of Manager

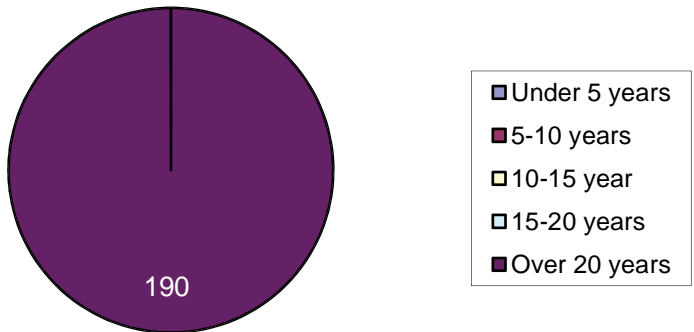


Age Analysis of Workers

Services Analysis of Manager

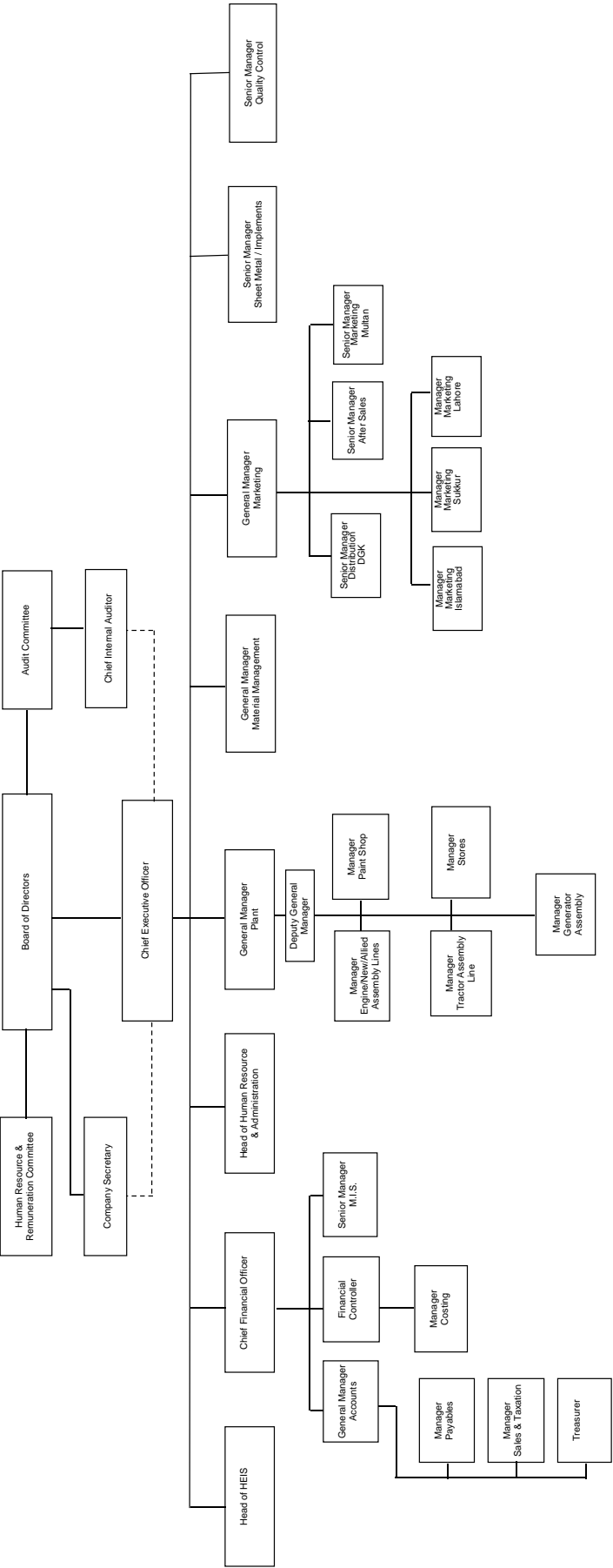


Services Analysis of Workers



Organogram

for Annual Report 2013



MIS

Every aspect of management relies heavily on information to thrive. Companies use information to set strategies and accomplish business objectives.

AGTL is no exception and gives high importance to MIS. It is the lifeblood of the business and ensures that there are systems and infrastructures built to meet the demands of business and individuals.

AGTL places heavy reliance on its Enterprise Resource Planning System (BaaN), which is fully integrated incorporating Sales and Distribution, Material Requirement Planning (MRP), Material Management, Manufacturing, Inventory and Finance. In house developed applications for payroll, warranty stock / claims, and non-component purchases have been added to the system. This application is implemented across AGTL and a high speed communication infrastructure is in place.

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 organization's Vision, Mission, Management, Products, Financial Reports, Operations and Human Resources

The Company gives high importance to Disaster recovery and a Disaster Recovery Plan is in place, which ensures minimum down- time, in case of a major disaster. Most importantly, MIS also holds the function of backing up vital data guaranteeing that a business isn't at risk of losing vital information. 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, a detailed policy on IT Security is in place. 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 also been installed to block unwanted traffic and hacking.



Investor Relations

At AGTL we are committed to ensuring that shareholders and investors have easy access to clear, reliable and meaningful information on the company in order to make informed investment decisions. In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of company's performance.

To do this, multiple communication platforms are utilized including annual general meetings with shareholders and the investor relations section on our website.

Share Information

Listing:	Karachi and Lahore Stock Exchange
Symbol:	AGTL
Number of shares:	42,936,445
Face Value:	Rs. 5 per share
Share Capital:	Rs. 214.68 million
Market capitalization:	Rs. 9,120.78 million
Closing share price:	Rs. 212.43 per share
Share Price High:	Rs. 246.7 per share on January 8, 2013
Share price Low:	Rs. 193.89 per share on June 26, 2013

Annual General Meeting

The Annual General Meeting of the Company will be held at Hotel Ramada Plaza on Tuesday 25, 2014 at 16:00 hrs.

Dividend Payments during the year

Interim dividend for the year 2013 was paid in August 2013 @ Rs 10 per share i.e. 200%.

The 2013 final dividend will be paid by April 25, 2014 to shareholders registered in the books of the Company at the close of business on March 17, 2014. The Board of Directors have recommended final dividend @ Rs. 15 per share and bonus issue @ 35%.

Company Website

A wide range of information for investors is available on the company website, www.alghazitractors.com, including company profile, annual and quarterly reports, news announcements and information on free float shares.

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

8-F, Next to Hotel Faran, Nursery
Block 6, P.E.C.H.S
Shahrah-e-Faisal, Karachi
Tel: 92 21 32420755, 32427012, 32426597
Fax: 92 21 2475604

Timings: 8:30 am to 1:00 pm & 2:00 pm to 3:30 pm

Shareholder's Calendar

2013 annual financial results	February 10, 2014
2013 Annual General Meeting	March 25, 2014
Book closure dates for 2013 final dividend	March 18, 2014 to March 25, 2014
Payment of final dividend	April 25, 2014
2014 first quarterly report	April 22, 2014
2014 second quarterly report	July 29, 2014
2014 third quarterly report	October 22, 2014
2014 annual financial results	February 10, 2015

Dates are subject to change.



Pattern of Shareholding

Number of Shareholders	From	Size of Shareholding Rs. 5 each	To	Total Shares Held
641	1	100	Shares	22,945
431	101	500	Shares	121,257
182	501	1,000	Shares	140,746
273	1,001	5,000	Shares	566,499
45	5,001	10,000	Shares	327,123
13	10,001	15,000	Shares	166,657
10	15,001	20,000	Shares	174,067
4	20,001	25,000	Shares	91,200
1	25,001	30,000	Shares	30,000
3	30,001	35,000	Shares	94,224
2	35,001	40,000	Shares	75,500
1	40,001	45,000	Shares	40,984
1	45,001	50,000	Shares	50,000
1	50,001	55,000	Shares	52,042
1	55,001	60,000	Shares	56,507
1	65,001	70,000	Shares	67,656
1	75,001	80,000	Shares	78,310
1	80,001	85,000	Shares	81,676
1	100,001	105,000	Shares	105,000
1	130,001	135,000	Shares	134,600
1	145,001	150,000	Shares	146,900
1	300,001	305,000	Shares	301,378
1	18,535,001	18,540,000	Shares	18,535,096
1	21,475,001	21,480,000	Shares	21,476,078
1,618				42,936,445

Categories of Shareholders

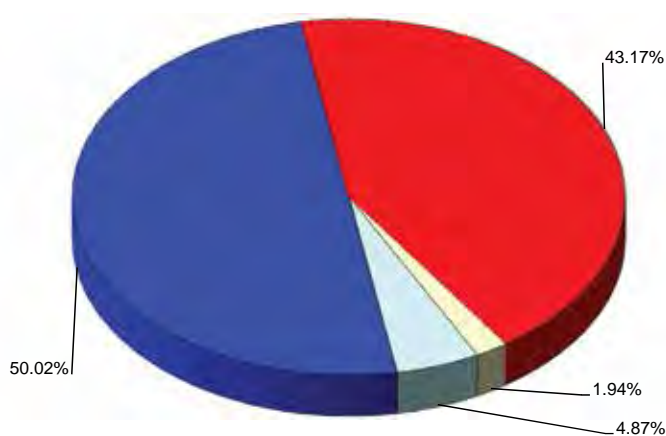
Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	615	369,076	0.86%
2-	Financial Institutions	2	2,198	0.01%
3-	Associated Companies	2	40,011,174	93.19%
4-	Others	6	15,392	0.04%
5-	Central Depository Company (b)	993	2,538,605	5.91%
		1,618	42,936,445	100.00%

(b) Categories of Account holders and Sub-Account holders
as per Central Depository Company of Pakistan
as at December 31, 2013

Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	954	1,725,078	4.02%
2-	Investment Companies	1	1,000	0.00%
3-	Insurance Companies	6	469,764	1.09%
4-	Joint Stock Companies	21	105,325	0.25%
5-	Financial Institutions	3	189,589	0.44%
6-	Modaraba Companies	1	500	0.00%
7-	Mutual Fund	3	18,900	0.04%
8-	Others	4	28,449	0.07%
		993	2,538,605	5.91%

Pattern of Shareholding

Categories of Shareholders	No. of Shareholders	No. of Shares Held
Directors, CEO and their spouses and minor children:		
Mr. Parvez Ali - CEO	1	275
Associated companies:		
Al-Futtaim Industries company LLC	1	21,476,078
CNH Global N.V.	1	18,535,096
Executives	8	2,062
Banks, Development Financial Institution, Non Banking Financial Institution	4	4,903
Insurance Companies	6	469,764
Modaraba Companies	1	500
Mutual Fund:		
CDC- Trustee First Capital Mutual Fund	1	5,400
MCBFSL- Trustee UIRSF-Equity Sub Fund	1	5,500
MCBFSL- Trustee URSF-Equity Sub Fund	1	8,000
Others	33	337,050
Individuals & Others		
Local	1560	2,091,817
Foreign	-	-
Shareholders holding 10% or more voting interest:		
Al-Futtaim Industries company LLC	1	21,476,078
CNH Global N.V.	1	18,535,096



■ Al-Futtaim Industries company LLC ■ CNH Global N.V. ■ Banks, Insurance Companies, Mobarda Companies, Mutual Fund and Others ■ Individuals & Others



Financial Statements

**A. F. FERGUSON & CO.****AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, 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 include 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 except for the change as stated in note 3 with which we concur;
 - (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, statement of comprehensive income, 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, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.


Chartered Accountants
Karachi

Dated: February 19, 2014

Engagement Partner: Syed Fahim ul Hasan

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazi-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nou, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320



AL-GHAZI TRACTORS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note	2013	(Re-stated) 2012	(Re-stated) January 1, 2012
		Rupees in thousand		
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	4	404,433	373,481	373,295
Long-term investment	5	44,800	55,800	74,000
Long-term loans	6	7,544	19,439	32,106
Long-term deposits		1,789	1,789	342
		<u>458,566</u>	<u>450,509</u>	<u>479,743</u>
CURRENT ASSETS				
Stores and spares	7	15,649	21,119	19,025
Stock-in-trade	8	1,693,249	1,543,151	2,731,395
Trade debts	9	166,306	386,558	14,339
Loans and advances	10	73,393	75,894	47,249
Short-term deposits and prepayments	11	1,450	1,346	4,602
Accrued mark-up	12	3,525	192,312	214,003
Other receivables	13	11,457	13,734	22,143
Taxation		30,669	113,428	532,814
Refunds due from the Government	14	1,709,416	1,637,869	928,675
Investments	15	3,354,256	1,251,729	1,084,449
Cash and bank balances	16	2,308,497	3,782,632	2,477,110
		<u>9,367,867</u>	<u>9,019,772</u>	<u>8,075,804</u>
TOTAL ASSETS		<u><u>9,826,433</u></u>	<u><u>9,470,281</u></u>	<u><u>8,555,547</u></u>
SHARE CAPITAL AND RESERVES				
Share capital	17	214,682	214,682	214,682
Reserves	18	8,004,277	7,711,631	6,551,592
		<u>8,218,959</u>	<u>7,926,313</u>	<u>6,766,274</u>
NON-CURRENT LIABILITIES				
Deferred staff benefits - compensated absences		31,656	28,132	25,393
Staff retirement benefit	34	1,177	-	-
Deferred taxation	19	36,747	41,253	46,517
		<u>69,580</u>	<u>69,385</u>	<u>71,910</u>
CURRENT LIABILITIES				
Trade and other payables	20	1,537,894	1,474,583	1,717,363
TOTAL LIABILITIES		<u>1,607,474</u>	<u>1,543,968</u>	<u>1,789,273</u>
COMMITMENTS				
	21			
TOTAL EQUITY AND LIABILITIES		<u><u>9,826,433</u></u>	<u><u>9,470,281</u></u>	<u><u>8,555,547</u></u>

Chairman

Chief Executive

The annexed notes 1 to 43 form an integral part of these financial statements.



AL-GHAZI TRACTORS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 Rupees in thousand	(Re-stated) 2012
Sales	23	9,262,626	14,779,564
Cost of goods sold	24	(7,193,257)	(11,988,337)
Gross profit		<u>2,069,369</u>	<u>2,791,227</u>
Distribution cost	25	(125,208)	(98,235)
Administrative expenses	26	(172,773)	(143,234)
		<u>1,771,388</u>	<u>2,549,758</u>
Other income	27	402,283	537,742
Other operating expenses	28	(149,981)	(212,980)
		<u>2,023,690</u>	<u>2,874,520</u>
Finance cost	29	(396)	(1,725)
Profit before taxation		<u>2,023,294</u>	<u>2,872,795</u>
Taxation	30	(651,804)	(957,164)
Profit after taxation		<u><u>1,371,490</u></u>	<u><u>1,915,631</u></u>
Earnings per share	31	<u><u>Rs 31.94</u></u>	<u><u>Rs 44.62</u></u>

Aff

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman

Chief Executive



AL-GHAZI TRACTORS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	(Re-stated) 2012
	Rupees in thousand	
Profit after taxation	1,371,490	1,915,631
Other comprehensive income:		
Items that will not be reclassified to Profit or Loss		
Remeasurements of post employment benefit obligations	(8,232)	(6,828)
Impact of deferred tax	2,799	2,623
	(5,433)	(4,205)
Items that may be subsequently reclassified to Profit or Loss	-	-
Total comprehensive income for the year	<u>1,366,057</u>	<u>1,911,426</u>

A/H

The annexed notes 1 to 43 form an integral part of these financial statements.

Chairman

Chief Executive

AL-GHAZI TRACTORS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 Rupees in thousand	2012
CASH FLOW FROM OPERATIONS			
Cash generated from operations	32	1,742,914	2,660,669
Income tax paid		(570,752)	(540,419)
Increase in long-term deposits		-	(1,447)
Increase in deferred staff benefits - compensated absences		3,524	2,739
Net cash from operating activities		1,175,686	2,121,542
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(71,518)	(37,429)
Proceeds from disposal of fixed assets		5,945	680
Purchase of investments		(2,014,427)	(2,300,000)
Proceeds from disposal of investments		75,425	2,282,554
Placement in term deposits - net		2,100,000	(330,000)
Return on bank deposits		414,712	403,193
Decrease in long-term loans		11,895	12,667
Net cash from investing activities		522,032	31,665
CASH FLOW FROM FINANCING ACTIVITY			
Dividend paid		(1,071,853)	(1,177,685)
Net increase in cash and cash equivalents		625,865	975,522
Cash and cash equivalents at beginning of the year		1,277,632	302,110
Cash and cash equivalents at end of the year	33	1,903,497	1,277,632

AG

The annexed notes 1 to 43 form an integral part of these financial statements.


 Chairman


 Chief Executive

AL-GHAZI TRACTORS LIMITED

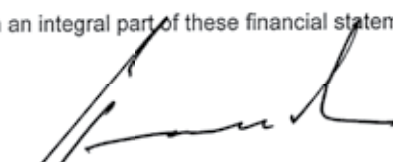
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2013

	Share capital	General reserve	Unappropriated profit	Total
	Rupees in thousand			
Balance at January 1, 2012 as previously reported	214,682	1,000,000	5,540,849	6,755,531
Effect of change in accounting policy with respect to accounting for recognition of actuarial losses on defined benefit plan - net of tax - note 3	-	-	10,743	10,743
Balance as at January 1, 2012 - restated	214,682	1,000,000	5,551,592	6,766,274
Final dividend @ Rs 10 per share for the year ended December 31, 2011	-	-	(429,364)	(429,364)
Interim dividend @ Rs 7.5 per share for the year ended December 31, 2012	-	-	(322,023)	(322,023)
Total comprehensive income for the year ended December 31, 2012				
Profit for the year ended December 31, 2012	-	-	1,915,631	1,915,631
Other comprehensive loss for the year ended December 31, 2012	-	-	(4,205)	(4,205)
	-	-	1,911,426	1,911,426
Balance as at January 1, 2013 - restated	214,682	1,000,000	6,711,631	7,926,313
Final dividend @ Rs 15 per share for the year ended December 31, 2012	-	-	(644,047)	(644,047)
Interim dividend @ Rs 10 per share for the year ended December 31, 2013	-	-	(429,364)	(429,364)
Total comprehensive income for the year ended December 31, 2013				
Profit for the year ended December 31, 2013	-	-	1,371,490	1,371,490
Other comprehensive loss for the year ended December 31, 2013	-	-	(5,433)	(5,433)
	-	-	1,366,057	1,366,057
Balance as at December 31, 2013	214,682	1,000,000	7,004,277	8,218,959

AK

The annexed notes 1 to 43 form an integral part of these financial statements.


Chairman


Chief Executive

AL-GHAZI TRACTORS LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013****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. These policies have been consistently applied to all the years presented, except as stated in note 3.

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.

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2.1.1 Changes in accounting standards, interpretations and pronouncements

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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2013 and are considered to be relevant to the company's operations.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The new amendment is not expected to materially affect the disclosures in the financial statements of the company.

IAS 19, 'Employee benefits' which was revised in June 2011 is applicable for the periods beginning on or after January 1, 2013. Consequent changes on the company's accounting policies are as follows: to recognise all actuarial gains and losses in other comprehensive income, immediately recognise past service costs as they occur and to replace 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). See note 3 for the impact on the financial statements.

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

There are no new standards, amendments to existing approved accounting standards and new interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the company.

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.

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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.

AGT

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.

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(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 valuation of the scheme was carried out as at December 31, 2013 using the Projected Unit Credit Method.

The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Past-service costs are recognised immediately in income.

(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.

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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.

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3. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (revised), the company's policy for Staff Retirement Benefits - Defined Benefit Plan stands amended as follows:

The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	December 31, 2012	January 1, 2012
	Rupees in thousand	
Impact on Balance Sheet		
Decrease in deferred liability	(633)	-
Increase in other receivables	7,930	16,277
(Decrease) / Increase in deferred tax liabilities	(2,623)	5,534
Increase in unappropriated profit	5,651	10,743
Impact on Statement of Changes in Equity		
Increase in unappropriated profit		
Cumulative effect from prior years	10,743	
Impact on total comprehensive income for the year	(5,092)	
Impact on Profit and Loss Account		
Increase in cost of sales	334	
Increase in distribution and selling expenses	124	
Increase in administrative expenses	429	
Impact on Other Comprehensive Income		
Items that will not be reclassified to Profit and Loss Account - net of tax	4,205	

The effect of change in accounting policy, due to adoption of IAS 19 (Revised), on 'earnings per share' is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

Aff



	Note	2013	2012
		Rupees in thousand	
4. FIXED ASSETS			
4.1 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.2	383,277	361,743
Capital work-in-progress - civil work		21,025	11,613
Intangible assets	4.3	131	125
		<u>404,433</u>	<u>373,481</u>

4.2 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, 2013											
Opening net book value	3,854	79,249	136,316	6,767	96,929	2,266	533	987	21,645	14,217	361,743
Additions	480	-	25,010	-	19,746	991	-	1,980	11,183	2,651	62,011
Deletions											
Cost	-	-	-	-	2,685	659	-	-	8,605	-	11,949
Accumulated depreciation	-	-	-	-	(2,685)	(488)	-	-	(7,211)	-	(10,384)
Depreciation / amortisation charge	-	(827)	(4,662)	(245)	(16,494)	(750)	(113)	(950)	(10,350)	(2,521)	(38,912)
Closing net book value	4,334	78,422	156,664	6,512	98,181	2,326	420	1,987	21,084	14,347	383,277
Gross carrying value basis											
At December 31, 2013											
Cost	4,334	81,599	219,286	9,778	251,070	8,931	3,703	17,713	69,506	53,298	719,218
Accumulated depreciation / amortisation	-	(3,177)	(62,622)	(4,266)	(162,889)	(6,605)	(3,283)	(15,726)	(48,422)	(38,951)	(335,941)
Net book value	4,334	78,422	156,664	5,512	98,181	2,326	420	1,987	21,084	14,347	383,277
Net carrying value basis											
Year ended December 31, 2012											
Opening net book value	3,854	80,073	140,772	6,001	105,219	1,705	646	743	20,086	14,067	373,166
Additions	-	-	-	-	8,745	1,447	-	897	11,725	2,959	25,773
Deletions											
Cost	-	-	-	-	-	1,433	-	-	4,686	-	6,119
Accumulated depreciation	-	-	-	-	-	(1,268)	-	-	(4,483)	-	(5,751)
Depreciation / amortisation charge	-	(824)	(4,456)	(244)	(17,035)	(731)	(113)	(653)	(9,963)	(2,809)	(36,828)
Closing net book value	3,854	79,249	136,316	5,757	96,929	2,256	533	987	21,645	14,217	361,743
Gross carrying value basis											
At December 31, 2012											
Cost	3,854	81,599	194,276	9,778	234,009	8,599	3,703	15,763	66,584	50,647	668,812
Accumulated depreciation / amortisation	-	(2,350)	(57,960)	(4,021)	(137,080)	(6,343)	(3,170)	(14,776)	(44,939)	(36,430)	(307,069)
Net book value	3,854	79,249	136,316	5,757	96,929	2,256	533	987	21,645	14,217	361,743

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4.2.1 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	161	Company Policy	Mr. Rao Muhammad Yourus - General Manager Plant
Vehicles	1,716	322	1,394	1,890	Insurance Claim	EFU General Insurance Limited
Aggregate of assets disposed of having book value less than Rs 50,000 each:						
Furniture and fixtures	454	441	13	13		
Vehicles	6,889	6,889	-	3,781		
Plant and machinery	2,685	2,685	-	-		
	<u>11,949</u>	<u>10,384</u>	<u>1,565</u>	<u>5,945</u>		

2013 2012
Rupees in thousand

4.3 INTANGIBLE ASSETS

Net Carrying value basis

Opening net book value	125	-
Additions	95	173
Amortisation	(89)	(48)
Closing net book value	<u>131</u>	<u>125</u>

Gross Carrying value basis

Cost	6,502	6,407
Accumulated amortisation	(6,371)	(6,282)
Net book value	<u>131</u>	<u>125</u>
Remaining useful life in years	<u>1.6</u>	<u>2.1</u>

5. LONG-TERM INVESTMENT

Held to maturity - Certificate of Investment (COI)	56,800	67,800
Current maturity of investment	(12,000)	(12,000)
	<u>44,800</u>	<u>55,800</u>

- 5.1 This represents investment in COI of Saudi Pak Leasing Company Limited (SPLCL) which matured in January 2009, however, encashment proceeds were not received due to liquidity problem of SPLCL. During the year the company has received Rs 11 million (2012: Rs 9.8 million) against the outstanding principal amount.

2013 2012
Rupees in thousand

6. LONG-TERM LOANS

Loans to employees	616	638
Dealer car loans	6,928	18,801
	<u>7,544</u>	<u>19,439</u>

AGF



	Note	2013	2012
		Rupees in thousand	
7. STORES AND SPARES			
Stores		8,259	14,637
Spares		7,390	6,482
		<u>15,649</u>	<u>21,119</u>
8. STOCK-IN-TRADE			
Raw materials and components – including in transit Rs 109.66 million (2012: Rs 102.59 million)	8.1	1,673,338	1,523,045
Finished goods – tractors		8,866	16,288
Trading stock – spare parts and implements		11,045	3,818
		<u>1,693,249</u>	<u>1,543,151</u>

- 8.1 The above includes raw materials and components of Rs 0.701 thousand (2012: Nil) held by third party (dealer).

	2013	2012
	Rupees in thousand	
9. TRADE DEBTS – considered good		
Secured	20,936	377,659
Unsecured	145,370	8,899
	<u>166,306</u>	<u>386,558</u>

- 9.1 The age analysis of trade debts is as follows:

Not yet due	7,711	216,241
1 to 6 months	139,345	170,317
6 to 9 months	19,250	-
<i>Aff</i>	<u>166,306</u>	<u>386,558</u>



	Note	2013 Rupees in thousand	2012 Rupees in thousand
10. LOANS AND ADVANCES – considered good			
Loans to employees	10.1	1,543	1,170
Dealer car loans	10.2	11,873	11,873
Advances to suppliers for goods and services		59,977	62,851
		<u>73,393</u>	<u>75,894</u>
10.1	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.		
10.2	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 installments 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	2013 Rupees in thousand	2012 Rupees in thousand
11. SHORT-TERM DEPOSITS AND PREPAYMENTS			
Security deposits		804	739
Prepayments		646	607
		<u>1,450</u>	<u>1,346</u>
12. ACCRUED MARK-UP			
Mark-up accrued on bank deposits		3,525	192,312
		<u>3,525</u>	<u>192,312</u>
13. OTHER RECEIVABLES			
Due from Employees Gratuity Fund		-	7,930
Due from Workers' Profits Participation Fund	13.1	11,336	5,667
Others		121	137
		<u>11,457</u>	<u>13,734</u>

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	Note	2013	2012	
		Rupees in thousand		
13.1 Workers' Profits Participation Fund				
At beginning of the year		5,667	4,223	
Allocation for the year		(108,664)	(154,333)	
		<u>(102,997)</u>	<u>(150,110)</u>	
Less: Amount paid during the year		114,333	155,777	
		<u>11,336</u>	<u>5,667</u>	
14. REFUNDS DUE FROM THE GOVERNMENT				
Sales tax		1,460,449	1,355,701	
Special excise duty		248,967	282,168	
		<u>1,709,416</u>	<u>1,637,869</u>	
15. INVESTMENTS				
Held to maturity - Certificate of Investment	5	12,000	12,000	
Investments at fair value through profit and loss account	15.1	3,342,256	1,239,729	
		<u>3,354,256</u>	<u>1,251,729</u>	
15.1 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. The details of investments are as follows:				
		2013	2012	
		Rupees in thousand		
	Units			
	2013	2012		
41,641,071	10,026,218	ABL Cash Fund	416,731	100,392
2,672,692	1,501,226	Askari Sovereign Cash Fund	269,406	150,917
568,125	526,440	First Habib Cash Fund	56,871	52,728
6,060,802	1,068,968	HBL Money Market Fund	612,688	108,189
3,713,046	1,077,497	MCB-Cash Management Optimizer	371,495	108,041
9,409,221	4,883,576	Meezan Cash Fund	471,308	244,862
2,032,592	-	Meezan Sovereign Fund	102,443	-
-	7,258,689	NAFA Government Securities Liquid Fund	-	72,975
61,571,424	10,010,369	NAFA Money Market Fund	616,442	100,442
4,208,510	2,999,232	UBL Islamic Sovereign Fund	424,872	301,183
		<u>3,342,256</u>	<u>1,239,729</u>	

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	Note	2013	2012
		Rupees in thousand	
16. CASH AND BANK BALANCES			
With banks on			
- Current accounts		91,784	327,013
- Deposit accounts	16.1	1,730,544	3,377,518
Cash in hand		234	208
Demand drafts in hand		485,935	77,893
		<u>2,308,497</u>	<u>3,782,632</u>

- 16.1** At December 31, 2013, the mark-up rates on PLS savings and term deposit accounts range from 6% to 10% per annum (2012: 6.5% to 11.90% per annum). The term deposits will mature in 2014.

		2013	2012
		Rupees in thousand	
17. SHARE CAPITAL			
17.1 Authorised Share Capital			
60,000,000 ordinary shares of Rs. 5 each		<u>300,000</u>	<u>300,000</u>
17.2 Issued, subscribed and paid up capital			
Ordinary shares of Rs 5 each			
	2013	2012	
4,500,000	4,500,000	Shares allotted for consideration paid in cash	22,500
			22,500
38,436,445	38,436,445	Shares allotted as bonus shares	192,182
			192,182
<u>42,936,445</u>	<u>42,936,445</u>	<u>214,682</u>	<u>214,682</u>

- 17.3** As at December 31, 2012 and 2013 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.

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		2013	2012
		Rupees in thousand	
18. RESERVES			
Revenue reserve - General		1,000,000	1,000,000
Unappropriated profit		7,004,277	6,711,631
		<u>8,004,277</u>	<u>7,711,631</u>
19. DEFERRED TAXATION			
Credit / (Debit) balance arising on account of			
- accelerated tax depreciation allowances		47,398	48,188
- deferred staff benefits - compensated absences		(10,763)	(9,846)
- staff retirement benefits		112	2,911
		<u>36,747</u>	<u>41,253</u>
			(Re-stated)
	Note	2013	2012
20. TRADE AND OTHER PAYABLES		Rupees in thousand	
Creditors		1,078,988	859,616
Accrued liabilities		198,395	320,621
Customers' and dealers' advances		58,841	98,277
Dividend payable	20.1	24,052	22,494
Deposits		35,032	28,382
Taxes deducted at source		10,988	5,938
Workers' Welfare Fund		49,598	64,262
Royalty payable to CNH Global N.V.		45,479	66,090
Others		36,521	8,903
		<u>1,537,894</u>	<u>1,474,583</u>
20.1	This includes unclaimed dividend amounting to Rs 22.71 million (2012: Rs 21.22 million).		
21. COMMITMENTS			
Commitments for capital expenditure outstanding as at December 31, 2013 amounted to Rs 10.24 million (2012: Rs 8.26 million).			
22. UNFUNDED BANKING FACILITIES			
The facilities for opening letters of credit and guarantees as at December 31, 2013 amounted to Rs 3.20 billion (2012: Rs 2.25 billion) of which unutilised balance at year end amounted to Rs 2.36 billion (2012: Rs 1.84 billion).			
The above arrangements are secured by way of pari-passu charge against hypothecation of company's stock-in-trade and book debts.			

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23. SALES

	2013			2012		
	Tractors	Trading goods	Total	Tractors	Trading goods	Total
	Rupees in thousand					
Local sales	10,221,545	77,939	10,299,484	15,632,652	70,581	15,703,233
Export sales	36,834	-	36,834	77,383	-	77,383
	10,258,379	77,939	10,336,318	15,710,035	70,581	15,780,616
Less: Commission and discounts	(135,642)	(1,336)	(136,978)	(235,177)	(1,117)	(236,294)
Sales Tax	(929,332)	(7,382)	(936,714)	(755,236)	(9,522)	(764,758)
	(1,064,974)	(8,718)	(1,073,692)	(990,413)	(10,639)	(1,001,052)
	9,193,405	69,221	9,262,626	14,719,622	59,942	14,779,564

24. COST OF GOODS SOLD

(Re-stated)
2013 2012
Rupees in thousand

Manufactured goods

Raw materials and components consumed	6,584,131	10,503,891
Salaries, wages and benefits	199,563	206,251
Charge for defined benefit plan	2,563	1,344
Charge for defined contribution plan	2,703	2,396
Stores and supplies	143,360	230,495
Royalty and technical fee	91,183	143,075
Insurance	2,540	2,483
Depreciation	29,035	27,513
Fuel, power and electricity	43,774	47,138
Repairs and maintenance	26,960	28,882
Travelling, vehicle running and entertainment	7,238	6,755
Rent, rates and taxes	2,951	2,528
Communication	873	861
Printing and stationery	2,767	2,135
Others	3,559	6,076
Cost of goods manufactured	7,143,200	11,211,823
Opening stock of finished goods	16,288	739,583
Closing stock of finished goods	(8,866)	(16,288)
	7,150,622	11,935,118

Trading goods

Opening stock	3,818	3,402
Purchases	49,862	53,635
	53,680	57,037
Closing stock	(11,045)	(3,818)
	42,635	53,219
	7,193,257	11,988,337

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	Note	2013	(Re-stated) 2012
		Rupees in thousand	
25. DISTRIBUTION COST			
Salaries, wages and benefits		64,802	55,673
Charge for defined benefit plan		1,096	501
Charge for defined contribution plan		1,385	1,191
Insurance		71	71
Depreciation / amortisation		5,138	4,942
Fuel, power and electricity		1,266	1,016
Travelling, vehicle running and entertainment		11,755	11,357
Repairs and maintenance		649	844
Rent, rates and taxes		1,146	611
Communication		1,365	1,112
Advertisement and promotion		1,290	4,749
After sales expense		8,978	12,815
Freight charges		23,860	1,479
Legal and professional charges		13	6
Printing and stationery		1,785	1,509
Others		609	359
		<u>125,208</u>	<u>98,235</u>
26. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		124,340	104,446
Charge for defined benefit plan		1,922	1,729
Charge for defined contribution plan		2,936	2,448
Insurance		32	32
Depreciation		4,828	4,419
Travelling, vehicle running and entertainment		11,737	6,848
Repairs and maintenance		715	262
Rent, rates and taxes		10,770	8,683
Communication		5,252	5,994
Auditors' remuneration	26.1	2,168	1,918
Legal and professional charges		4,124	2,669
Printing and stationery		3,499	3,456
Others		450	330
<i>AGT</i>		<u>172,773</u>	<u>143,234</u>



	2013	2012
	Rupees in thousand	
26.1 Auditors' remuneration		
Audit fee	1,200	1,100
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	730	630
Out of pocket expenses	238	188
	<u>2,168</u>	<u>1,918</u>
27. OTHER INCOME		
Income from financial assets		
Return on deposit accounts	225,925	381,502
Revaluation gain on investments at fair value through profit and loss account	149,975	104,916
Gain on disposal of investments at fair value through profit and loss account	2,550	26,719
Others	3,394	3,741
	<u>381,844</u>	<u>516,878</u>
Income from other assets		
Scrap sales	12,551	12,052
Profit on disposal of fixed assets	4,380	311
Discount received	265	8,122
Others	3,243	379
	<u>20,439</u>	<u>20,864</u>
	<u>402,283</u>	<u>537,742</u>
28. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	108,664	154,333
Workers' Welfare Fund	41,317	58,647
	<u>149,981</u>	<u>212,980</u>
<i>Aff</i>		



	2013	2012
	Rupees in thousand	
29. FINANCE COST		
Bank charges and commission	<u>396</u>	<u>1,725</u>
		(Re-stated)
	2013	2012
	Rupees in thousand	
30. TAXATION		
Current		
- for the year	640,000	959,805
- prior year	13,511	-
Deferred	(1,707)	(2,641)
	<u>651,804</u>	<u>957,164</u>
30.1 Relationship between tax expense and accounting profit:		
Accounting profit before tax	<u>2,023,294</u>	<u>2,872,795</u>
Tax at applicable rate of 34% (2012: 35%)	687,920	1,005,478
Effect of final tax on exports	(2,031)	(3,819)
Effect of income at reduced rate	(51,859)	(46,033)
Others	4,263	1,538
Effect of prior year	13,511	-
	<u>651,804</u>	<u>957,164</u>
		(Re-stated)
	2013	2012
	Rupees in thousand	
31. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>1,371,490</u>	<u>1,915,631</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 31.94</u>	<u>Rs 44.62</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, 2012 and 2013 which would have any effect on the earnings per share if the option to convert exercised.

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	2013	(Re-stated) 2012
	Rupees in thousand	
32. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,023,294	2,872,795
Add / (less): Adjustment for non-cash charges and other items		
Depreciation / amortisation	39,001	36,874
Profit on disposal of fixed assets	(4,380)	(311)
Gain on disposal of investments at fair value through profit and loss account	(2,550)	(26,719)
Revaluation gain on investments at fair value through profit and loss account	(149,975)	(104,916)
Return on bank deposits	(225,925)	(381,501)
	<u>1,679,465</u>	<u>2,396,222</u>
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	5,470	(2,094)
Stock-in-trade	(150,098)	1,188,244
Trade debts	220,252	(372,219)
Loans and advances	2,501	(28,645)
Short-term deposits and prepayments	(104)	3,256
Other receivables	2,277	1,581
Refunds due from the Government	(71,547)	(709,194)
	<u>8,751</u>	<u>80,929</u>
Increase in current liabilities		
Trade and other payables	54,698	183,518
	<u>63,449</u>	<u>264,447</u>
	<u>1,742,914</u>	<u>2,660,669</u>
33. CASH AND CASH EQUIVALENTS		
Cash in hand	234	208
At banks in		
- Current accounts	91,784	327,013
- Deposit accounts	1,325,544	872,518
	<u>1,417,328</u>	<u>1,199,531</u>
Demand Drafts in hand	485,935	77,893
	<u>1,903,497</u>	<u>1,277,632</u>

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**34. STAFF RETIREMENT BENEFIT**

34.1 As stated in note 2.12 (i) 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. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuations of the scheme was carried out as at December 31, 2013.

34.2 Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882; the Companies Ordinance, 1984; Income Tax Rules, 2002 and the Rules under the trust deeds. Responsibility for governance of the Plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The company appoints the trustees and all trustees are employees of the company.

34.3 The latest actuarial valuation of the Plan as at December 31, 2013 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

		(Re-stated)
	2013	2012
	Rupees in thousand	
34.4	Balance sheet reconciliation as at	
	December 31	
	Present value of defined benefit obligation	138,269
	Fair value of plan assets	(137,092)
		<u>1,177</u>
34.5	Movement in the defined benefit obligation	
	Obligation as at January 1	117,097
	Current service cost	5,516
	Interest expense	13,156
	Remeasurement on obligation	7,893
	Benefits paid	(5,393)
	Obligation as at December 31	<u>138,269</u>
34.6	Movement in the fair value of plan assets	
	Fair value as at January 1	125,026
	Interest income	13,092
	Remeasurement on plan assets	(339)
	Employer contributions	4,706
	Benefits paid	(5,393)
	Fair value as at December 31	<u>137,092</u>
34.7	Expense recognised in profit and loss account	
	Current service cost	5,516
	Interest expense / (income)	64
		<u>5,580</u>
	<i>Aff</i>	<u>3,574</u>



		(Re-stated)	
		2013	2012
		Rupees in thousand	
34.8	Remeasurement recognised in other comprehensive income		
	Experience losses	(7,893)	(3,627)
	Remeasurement of fair value of plan assets	(339)	(3,202)
	Remeasurements	<u>(8,232)</u>	<u>(6,829)</u>
34.9	Net recognised liability / (asset)		
	Balance as at January 1	(7,929)	(16,446)
	Expense for the year	5,580	3,574
	Employer contributions	(4,706)	(1,886)
	Remeasurement recognised in other comprehensive income	8,232	6,829
	Balance as at December 31	<u>1,177</u>	<u>(7,929)</u>
34.10	Composition of plan assets:	2013	2012
		Rupees in thousand	%
			Rupees in thousand
			%
	Term Deposits	125,908	91.84
	Others (include bank balance)	11,184	8.16
		<u>137,092</u>	<u>100.00</u>
			<u>118,235</u>
			<u>94.57</u>
			<u>5.43</u>
			<u>100.00</u>
34.11	Actuarial assumptions	2013	2012
	Expected rate of increase in salaries		
	- Management staff	10.5%	9.5%
	- Non-management staff	11.0%	9.5%
	Discount factor used	12.5%	11.5%
34.12	Pre-Retirement mortality was assumed to be SLIC (2001-05) for males and females, as the case may be, but rated up one year.		
34.13	The company ensures asset liability matching by investing in short-term deposits and does not use derivatives to manage its risk.		
34.14	The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy.		

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34.15 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees in thousand		
Discount rate at December 31	1%	133,858	143,654
Future salary increases	1%	144,935	132,221

If longevity increases by 1 year, the resultant decrease in obligation is insignificant.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

34.16 Historical information

	2013	2012	2011	2010	2009
	Rupees in thousand				
As at December 31					
Present value of defined benefit obligation	138,269	117,097	101,994	97,981	86,027
Fair value of plan assets	(137,092)	(125,026)	(118,440)	(111,810)	(100,519)
Surplus	<u>1,177</u>	<u>(7,929)</u>	<u>(16,446)</u>	<u>(13,829)</u>	<u>(14,492)</u>
Experience adjustments					
Gain / (loss) on obligation	(7,893)	(3,627)	3,489	2,387	118
(Loss) / gain on plan assets	(339)	(3,202)	(952)	(1,669)	(3,753)
	<u>(8,232)</u>	<u>(6,829)</u>	<u>2,537</u>	<u>718</u>	<u>(3,635)</u>

34.17 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.

34.18 As per actuarial advice, the company is expected to contribute Rs 6.05 million towards gratuity fund in 2014 (2013: Rs 4.074 million).

34.19 The weighted average duration of non-management employees is 7.3 years and of management employees is 3.3 years.

34.20 Expected maturity analysis of undiscounted retirement benefit plan.

At December 31, 2013	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	Over 10 years	Total
	Rupees in thousand					
Retirement benefit plan	57,641	5,268	44,079	68,457	181,230	356,675

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35. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2013 Rupees in thousand	2012 Rupees in thousand
i. Holding company:	Dividend paid	536,902	590,592
ii. Other related parties:	Dividend paid	463,377	509,715
	Royalty paid	111,794	73,666
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	7,024	6,035
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	4,706	2,687
iii. Key management personnel:	Salaries and other employee benefits	139,340	120,249
	Retirement benefits	5,376	3,629

The outstanding balances of related parties as at December 31, 2013 are included in trade and other payables and other receivables respectively.

36. 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		Director		Executives	
	2013	2012	2013	2012	2013	2012
	Rupees in thousand					
Managerial remuneration	18,456	14,856	2,671	2,323	20,164	15,142
Bonus and ex-gratia	35,100	27,000	6,010	5,226	28,394	30,311
House Rent	7,020	5,400	1,202	1,045	8,150	6,481
Utilities	1,560	1,200	267	232	1,811	1,440
Retirement benefits	2,246	1,488	400	307	2,730	1,834
Leave passage	3,160	2,788	399	494	1,993	3,023
Other expenses	-	60	48	134	934	1,538
	<u>67,542</u>	<u>52,792</u>	<u>10,997</u>	<u>9,761</u>	<u>64,176</u>	<u>59,769</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>11</u>	<u>9</u>

The Chief Executive, Director and Executives are also provided with company maintained cars and are entitled to medical benefits and club subscription in accordance with their entitlements.

In addition to above, fee and benefits to one non-executive director paid during the year amounted to Rs 406 thousand (2012: Rs 539 thousand).

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37. 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	11,873	6,928	18,801	1,543	616	2,159	20,960
Deposits	-	-	-	804	1,789	2,593	2,593
Trade debts	-	-	-	166,306	-	166,306	166,306
Accrued mark-up	-	-	-	3,525	-	3,525	3,525
Other receivables	-	-	-	121	-	121	121
Cash and bank balances	1,730,544	-	1,730,544	577,953	-	577,953	2,308,497
Investments							
- Held to maturity at amortised cost	12,000	44,800	56,800	-	-	-	56,800
- At fair value through profit and loss	-	-	-	3,342,256	-	3,342,256	3,342,256
2013	1,754,417	51,728	1,806,145	4,092,508	2,405	4,094,913	5,901,058
2012	3,401,391	75,239	3,476,630	2,231,426	1,789	2,233,215	5,709,845
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	1,418,467	-	1,418,467	1,418,467
2013	-	-	-	1,418,467	-	1,418,467	1,418,467
2012	-	-	-	1,306,106	-	1,306,106	1,306,106
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure							10,241
Letters of credit and guarantee							839,215
2013							849,456
2012							422,094

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. 5.901 billion (2012: Rs. 5.710 billion) the financial assets exposed to the credit risk amount to Rs. 5.415 billion (2012: Rs. 5.632 billion) which mainly comprise of balances with banks and Mutual Funds of Asset Management Companies (AMCs).

The company places surplus funds with various reputed banks and AMCs having minimum credit ratings of A-1 and AM-2 respectively as assigned by credit rating agencies. The company monitors its exposure to a single bank or AMC and their respective ratings on continuous basis.

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The company's products are mainly sold against cash or demand drafts issued by Zarai Taraqiati Bank Limited (ZTBL) and certain other commercial banks. Hence, the company believes that it is not exposed to credit risk against tractor sales. As of December 31, 2013 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, 2013 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 were Nil (2012: Rs 219.39 million) as at December 31, 2013.

As the company has no foreign currency assets or liabilities as at December 31, 2013, no sensitivity analysis is presented.

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, 2013, the company's interest bearing financial assets amounted to Rs 5.148 billion (2012: Rs 4.716 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 49.32 million (2012: Rs 41.48 million).

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(v) Fair values of the financial instruments

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

38. 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.

	2013	2012
39. PLANT CAPACITY AND PRODUCTION		
Plant capacity (single shift) - units	<u>30,000</u>	<u>30,000</u>
Actual production - units	<u>14,055</u>	<u>23,820</u>

Actual production of tractors varies in line with the market demand.

40. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on latest un-audited financial statements of the Fund:

	2013	2012
	Rupees in thousand	
Size of the fund - Total assets	<u>219,029</u>	<u>206,102</u>
Percentage of investments made	<u>98.7%</u>	<u>98.6%</u>
Fair value of investments	<u>216,094</u>	<u>203,167</u>

The cost of above investments amounted to Rs 186 million (2012: Rs 174 million).

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The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Percentage		Rupees in thousand	
Term finance certificate	28.8%	28.8%	62,278	58,415
Term deposit receipts	71.2%	66.6%	153,816	135,349
Unit trust scheme- Mutual Fund	-	4.6%	-	9,403
			<u>216,094</u>	<u>203,167</u>

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013	2012
41. NUMBER OF EMPLOYEES		
Number of employees at 31 December	<u>373</u>	<u>370</u>
Average number of employees during the year	<u>374</u>	<u>372</u>

42. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on February 10, 2014 have proposed a final cash dividend of Rs 15 per share amounting to Rs 644.05 million (2012: Rs 15 per share amounting to Rs 644.05 million) and proposed a transfer of Rs 75.14 million from "unappropriated profit" to "reserve for issuance of bonus shares" (2012: Rs Nil) for issuance of 35 bonus shares for every 100 shares held (2012: Nil) subject to approval of the company in the forthcoming annual general meeting.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 10, 2014 by the Board of Directors.

AGT



Chairman



Chief Executive



Glossary

AGM	Annual General Meeting
AGTL	Al-Ghazi Tractors Limited
BoD	Board of Directors
CBA	Collective Bargaining Agent
CCG	Code of Corporate Governance
CDC	Central Depository Company
CEO	Chief Executive Officer
CFO	Chief Financial officer
CIA	Chief Internal Auditor
CNH	Case New Holland
CSR	Corporate Social Responsibility
DGK	Dera Ghazi Khan
EBIT	Earnings before Interest and Taxation
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortization
EPS	Earnings per Share
ERP	Enterprise Resource Planning
FBR	Federal Board of Revenue
GST	General Sales Tax
HEIS	High Efficiency Irrigation System
Hp	Horsepower
HR	Human Resources
HR & R	Human Resource and Remuneration
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISO	International Organization for Standardization
IT	Information Technology
KSE	Karachi Stock Exchange
LSE	Lahore Stock Exchange
MAP	Management Association of Pakistan
MFN	Most Favoured Nation
MIS	Management Information System
PICG	Pakistan Institute of Corporate Governance
SAFA	South Asian Federation of Accountants
SECP	Securities and Exchange Commission of Pakistan
TEVTA	Technical Education and Vocational Training Authority
WPPF	Workers' Profit Participation Fund
WWF	Workers Welfare Fund
ZTBL	Zarai Taraqiati Bank Limited

Regional Offices

Marketing Centre, Lahore

10 Km, Sheikhpura Road,
Tel: 042-37912226, 37924676-7

Marketing Regional Office, Multan

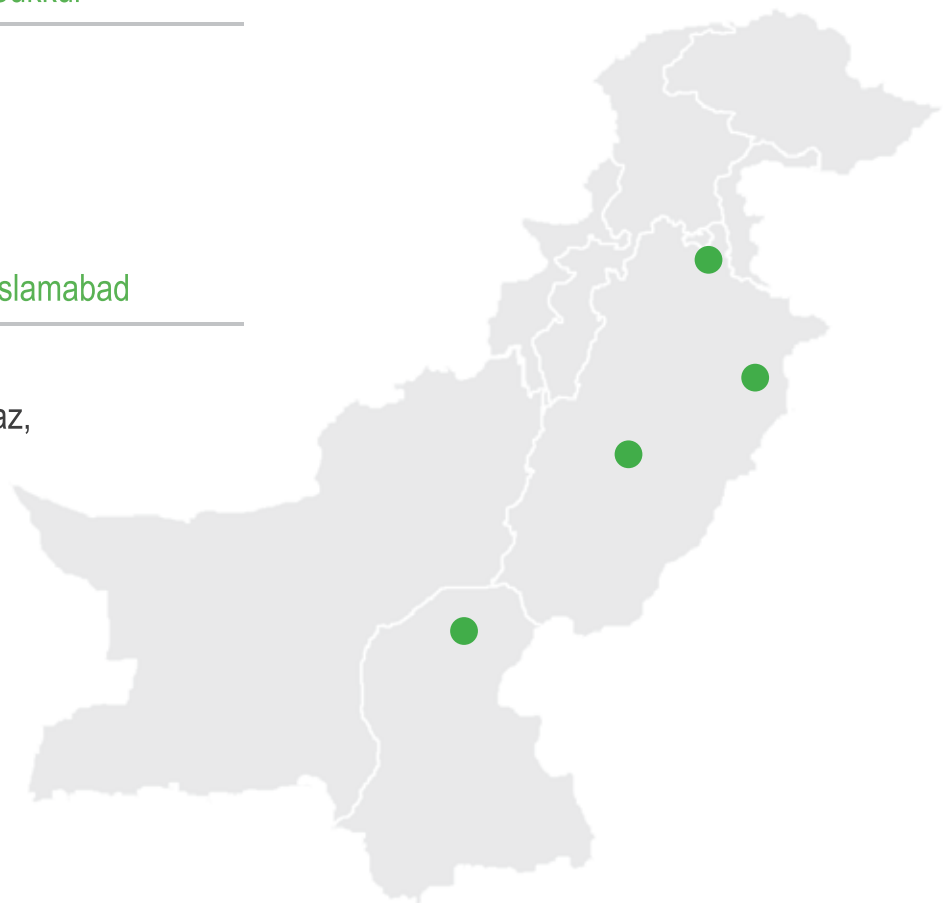
20 Industrial Estates,
Tel: 061-6514057-9

Marketing Regional Office, Sukkur

House No. 8/A,
Hamdard Housing Society,
Airport Road,
Tel: 071-5633920, 5002852

Marketing Regional Office, Islamabad

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



Investor

Feedback Form

To request information or submit a comment / query to the Company, please complete the following and return this page to-

Company Secretary
Al Ghazi Tractors Limited,
11th Floor NICL Building,
Abbasi Shaheed Road,
Karachi.

Email: sobika.zubair@alghazitractors.com

Name : _____

Permanent Mailing Address : _____

Contact Numbers (Tel) : _____

(Fax) : _____

Email : _____

Name of Company : _____

(If Applicable)

Designation : _____

(If Applicable)

Company Address : _____

(If Applicable)



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 25, 2014 at 16:00 hrs. and at any adjournment
 thereof.

As witness my/our hand this _____ day of _____ 2014.

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.





OFFSET DISC HARROW



CULTIVATOR (TINE TILLER)



ROTAVATOR



FRONT - END LOADER

FARM MACHINES & EQUIPMENT



TRACTOR MOUNTED
ARTICULATED
AERIAL PLATFORM



TRACTOR MOUNTED BACKHOE



ROAD SWEEPER



FORK LIFTER



HYDRAULIC TIPPING
TROLLEY



30
years
SYMBOL OF SUCCESS
(1983-2013)

INVEST IN AGRICULTURE



AL-GHAZI TRACTORS LTD