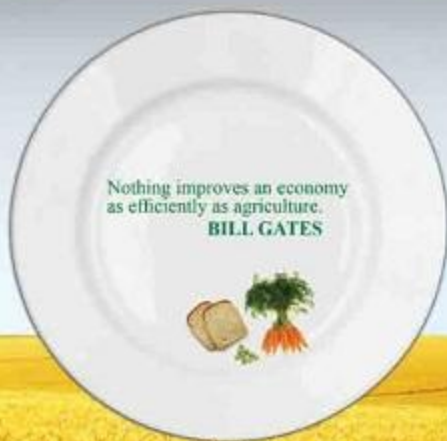


Annual Report
2014

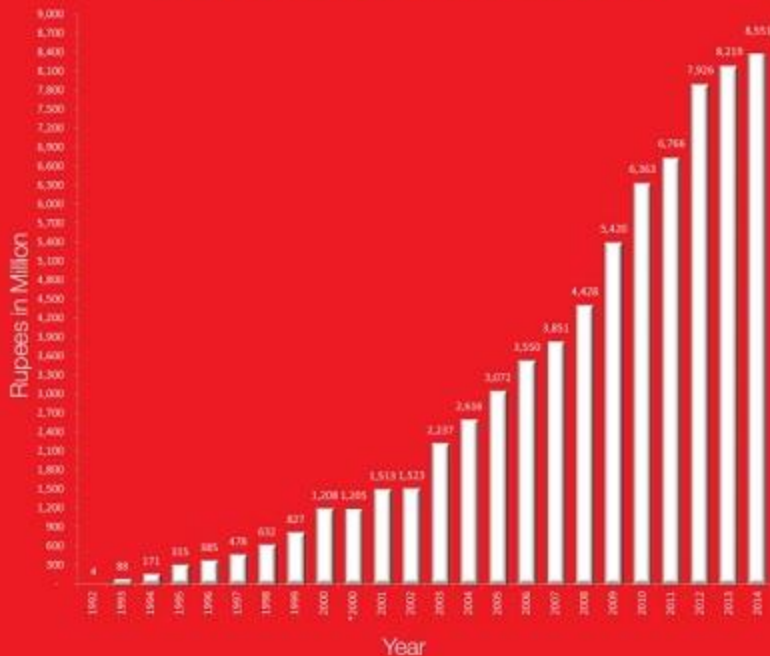
As ye SOW...

Agriculture sector hungers for attention



Nothing improves an economy
as efficiently as agriculture.
BILL GATES

SHARE HOLDERS EQUITY



Soaring Success



Dividends

our real growth story

For the year 2014, the Company has declared total cash dividend of 500% i.e. Rs.25 / Share translating into record high payout of Rs. 1.4 Billion.



Contents

Company Information	4	Corporate Governance	72
Company Profile	6	Report of the Audit Committee	79
Corporate Vision	12	Report of the Human Resource and	
Mission	14	Remuneration Committee	81
Corporate Focus	16	Review Report on Code of	
Strategic Planning	17	Corporate Governance	82
Core Values / Ethical Principles	18	Statement of Compliance with the	
Board of Directors & Board Committees	20	Code of Corporate Governance	83
Profile of the Board Directors	21	Corporate Sustainability	86
Directors' Report	25	Notice of Annual General Meeting	96
Awards & Accolades	28	Investor Relations	96
Chairman's Review	30	Financial Statements	102
Global Compact	47	AGTL Products	135
Quality Assurance	52	Glossary	143
Human Resource Management (HRM)	54	Investor Feedback Form	145
Financial Analysis	56	Proxy Form	147





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

Company 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 for temporary production
February, 1984

Main Manufacturing Plant
April, 1985

New Engine Assembly Line
April, 1992

Sheet Metal Plant for stamping and
agricultural implements
July, 2006

New Engine Testing facility
March, 2011

Assembly Line for Generators
April, 2013

Production Capacity
30,000 tractors per annum in single shift

Total Land Area
90 Acres





At AGTL, the process of indigenization had a fourth dimension - TIME. We achieved the mandatory local content of 85% in just six years. With 300+ supply chain associates, import substitution runs into several billions of rupees every year.



 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.

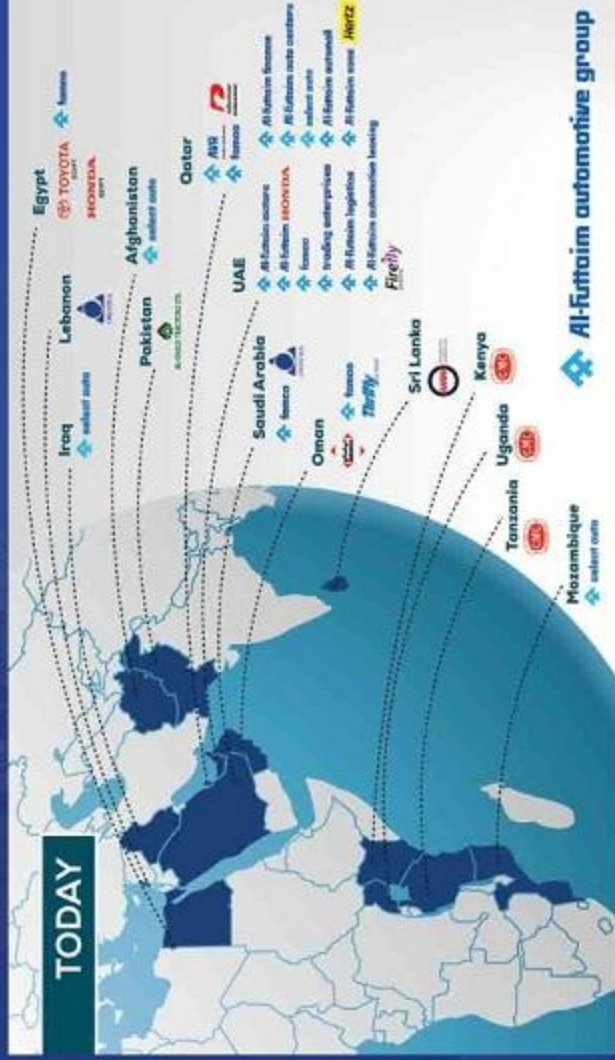
Al-Futtaim operates through more than 65 companies across sectors as diverse as commerce, industry and services, and employs in excess of 20,000 people across the UAE, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, Egypt, Pakistan, Sri Lanka, Syria, Singapore and Europe. Entrepreneurship and rigorous customer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



TODAY



Al-Futtaim automotive group



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 centres, 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. 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.



MARKET CAPITALIZATION



MARKET CAPITALIZATION

On November 24, 2014, AGTL's 5 rupee share reached a record high and was traded at Rs. 464.24 on the Karachi Stock Exchange - that is a market capitalization of 93 times - thus giving Al-Ghazi a total market value of almost 26.9 billion. Without any doubt AGTL is currently one of the top stocks of the automobile industry in Pakistan.



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 filip to mechanization of farming in the country.

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.

Strategic Planning





Core Values / Ethical Principles

Al-Ghazi Tractors Limited is a public limited company with 93.19% foreign shareholding. The Company with its superior performance is recognized by all stakeholders as economically rewarding to all parties, acknowledged as being ethically, socially and environmentally responsible, welcomed by the communities, businesses, 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.





Board of Directors & Board Committees

Board of Directors

Mr. Charles Leonard Hunt
Mr. Parvez Ali
Mr. M. Ali Qasim
Mr. Majd-ul-Ahsan Syed
Mr. Khashif Lawal
Ms. Giovanna Barbieri
Mr. Michele Lombardi
Mr. Damiano Cretarola

Non-Executive Chairman
Chief Executive Officer and Managing Director
Independent Non-Executive Director
Non-Executive Director
Chief Financial Officer and Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Company Secretary

Ms. Sobika Zubair

Board Committees

Audit Committee

Mr. M. Ali Qasim
Mr. Majd-ul-Ahsan Syed
Mr. Damiano Cretarola

Chairman, Independent Non-Executive Director
Member, Non-Executive Director
Member, Non-Executive Director

Human Resource and Remuneration Committee

Mr. Charles Leonard Hunt
Mr. Majd-ul-Ahsan Syed
Ms. Giovanna Barbieri

Chairman, Non-Executive Director
Member, Non-Executive Director
Member, Non-Executive Director



Profile of the Board Directors

MR. CHARLES LEONARD HUNT

Non-Executive Chairman

Mr. Charles Leonard Hunt was appointed on the Board in 2009.



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.

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. PARVEZ ALI

CEO and Managing Director



Mr. Parvez Ali has been associated with AGTL since its inception in 1983. He was appointed CEO and Managing Director of the Company in January 1992.

Mr. Parvez Ali holds a Masters degree in Engineering Administration from the George Washington University in Washington DC. He is also a Certified Director from Pakistan Institute of Corporate Governance (PIOG).

MR. M. ALI QAIYUM
Independent Non-Executive Director


Mr. M. Ali Qaiyum was appointed as an Independent Director on December 05, 2014 and chairs the Audit Committee of the Board.

He is a Fellow Member of the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Pakistan.

With over 30 years of financial experience, he has worked in areas such as auditing, treasury, mergers and acquisitions, risk management, strategy, financial planning and forecasting, implementation of ERPs and financial reporting. He has worked in these areas in Pakistan, UAE, Oman and UK.

MR. MAJD-UL-AHSAN SYED
Non-Executive Director


Mr. Majd-ul-Ahsan Syed was appointed as a Non-Executive Director in 2013. He also serves on the Board's Audit Committee and Human Resource and Remuneration 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. He has been associated with Al-Futtaim Group since 2008.

MR. KASHIF LAWAI
Executive Director and CFO


Mr. Kashif Lawai was appointed as Chief Financial Officer and Director on the Board in 2011. He had earlier served as Chief Internal Auditor of the Company.

Mr. Lawai started his professional career in 1996 from A.F. Ferguson & Co, a member firm of the PwC network. His experience includes serving Pakistan Refinery Limited as Company Secretary & Financial Controller.

He is a Fellow Member of Institute of Chartered Accountant of Pakistan and holds a Masters degree in Economics. He is a Certified Director from Pakistan Institute of Corporate Governance (PCG).

MS. GIOVANNA BARBIERI

Non-Executive Director

Ms. Giovanna Barbieri was appointed as a Non-Executive Director in 2012. She is also 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. MICHELE LOMBARDI

Non-Executive Director



Mr. Michele Lombardi was appointed on the Board of AGTL on December 06, 2014.

He holds a degree in Electrical Engineering and Computer Science and also holds a degree in Economics from the Massachusetts Institute of Technology, USA.

He joined CNH/Fiat Group more than a decade ago and has held various senior positions in Commercial, Business Development and Industrial operations. He is currently working as Regional MD SEA, Pakistan and Japan.

MR. DAMIANO CRETAROLA
Non-Executive Director

Mr. Damiano Cretarola was appointed on the Board in 2012 as 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 of CNH International SA and in 2010 he was appointed Chief Financial Officer of Asia Pacific Region of CNH 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:

Fiat Switzerland SA, Switzerland – Vice Chairman
 CNH 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.Ş., Turkey – Director
 Iveco Arac Sanayi Ve Ticaret A.Ş., Turkey – Director



Directors' Report

The Directors of Al-Ghazi Tractors Limited are pleased to present their report together with the Company's

audited financial statements for the year ended December 31, 2014.

Operating Results	2014	2013
	Rupees '000	
Sales	8,780,685	9,262,626
Gross Profit	2,268,143	2,069,369
Profit for the year before taxation	2,251,937	2,023,294
Taxation	(677,193)	(651,804)
Profit after tax	1,574,744	1,371,490
Other comprehensive income	(18,519)	(5,433)
Total comprehensive income	1,556,225	1,366,057

Despite a decrease in sales revenue, the Company witnessed increase in its profit due to lean management and effective cost controls.

Holding Company

Al Futaim 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:

- 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:

For the year ended December 31, 2014, the Board in its meeting held on February 12, 2015, has proposed a final cash dividend of Rs. 15 per share amounting to Rs. 869.46 million.

	2014	2013
	Rupees '000	
Profit before tax	2,251,937	2,023,294
Taxation	(877,193)	(651,804)
Profit after tax	1,574,744	1,371,490
Other comprehensive income	(18,519)	(5,433)
Total comprehensive income	1,556,225	1,366,057
Unappropriated profit b/f	7,004,277	6,711,631
Profit available for appropriation	8,560,502	8,077,688

Appropriation:

Final dividend paid for the year 2013: Rs. 15 per share (2012: Rs. 15 per share)	644,047	644,047
Interim dividend paid for the year 2014: Rs. 10 per share (2013: Rs 10 per share)	579,842	429,364
Issue of bonus shares @ 35%	75,139	-
Unappropriated profit c/f	7,261,674	7,004,277

Earnings per share

The Basic Earnings per share were Rs. 27.17 in 2014 compared to Rs. 23.66 in 2013.

Statement of value of investments of retirement funds

	Rupees	Year ended
Gratuity fund	120,000,000	June 30, 2013
Provident fund	189,765,206	June 30, 2013

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

Five 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 2015.

Financial Statements on Website

The financial results of the year 2014 would be placed on the Company's website and can be viewed on www.alghazratractors.com

On behalf of the Board

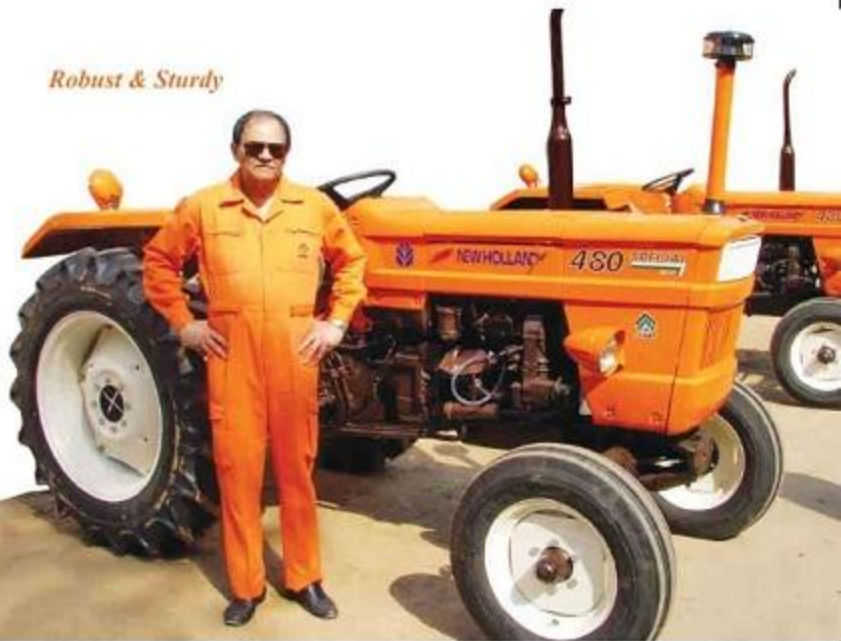


Parvez Ali

Chief Executive Officer
Karachi

Dated: February 12, 2015

Robust & Sturdy



Awards & Accolades



His Excellency the President of Pakistan, Mr. Mamnoon Hussain, presents the Corporate Excellence Award of the Management Association of Pakistan to Mr. Parvez Ali, CEO, for demonstrating the Best Corporate Performance.

AGTL has been winning this coveted award since 1996.

Awards & Accolades



AGTL's Annual Report for the year 2013, was once again awarded at the ICAP / ICMA "Best Corporate and Sustainability Report Awards 2013" held in Karachi.

AGTL has been receiving the coveted award continuously for several years.



CHAIRMAN'S REVIEW

2014 has been a year of tumult. Problems kept racking up. From viral political agitations to floods; from sundry other unforeseen challenges to the ultimate disrupter of the issues of support prices of crops, the Company has continued to struggle and wend its way through tough market environment.

With scant loaning from the banks, and with strapped low income farmer, the tractor industry has been suffering from anemic sales. It is hard to overstate the significance of agriculture in a country which is primarily agrarian, but some nascent signals indicate that the agriculture sector continues to slip under the watch of the government. While there has hardly been a policy statement from the government that would reflect the sector being given a priority, an enabling environment with policy initiatives also seems wanting. This will ultimately result in food scarcity and adversely hit the farming sector which is still the largest sector of the economy contributing 21% - that is around 5,000 billion rupees - to the GDP of Pakistan, and employing around 53% of the labour force. Continued neglect of the most important sector of the economy would be a black eye for the country.

With the IMF still warning the government of "significant risks" and "possible revenue shortfall" facing the fragile recovery, the agriculture sector hungers for government's attention for national food security.

FINANCIAL REVIEW

AGTL has a top-flight track record in corporate management as well as wealth management. Though the Company has

under-performed because of external business environment beyond the reasonable control of the management, and it does not claim bragging results, it has generated robust profitability with a GP% of 25.83%.

With the optics of the situation and the rather less certain terrain of business, the Company delivered 12,416 tractors in the year 2014, compared with 14,071 sold in the year 2013, a contraction of 11.8%. Despite a revenue decline, with prudent playbook of management, the gross profit increased. The Company thus earned a pre-tax profit of Rs. 2.25 billion, compared with Rs. 2.02 billion earned in 2013, an increase of 11%. The impact of tough microeconomic environment, has pummeled the usual earnings of the Company because of reduced sales - which is like a crisis to be endured.

But beyond this year's balance sheet which is not as sterling as the Company is used to reporting and the financial results are not as eye-popping as they should be, AGTL's strong governance, visionary Board, internal controls, dynamic workforce and its corporate vision have kept things happy on other fronts. AGTL's cash hoard is Rs. 5.9 billion, in cash, cash equivalents, and investments.

And the Company's bullet proof Five Rupee stock hit an all-time high of Rs. 464.24 on November 24, 2014 which in terms of market capitalization gave AGTL a value of Rs. 26.9 billion - testifying to the fundamental strength of the Company.

Living up to its reputation of always doing

well for the shareholders, the Company had paid a cash dividend of 200% in November 2014. The Board of Directors is now pleased to announce a further cash dividend of 300%. The total dividend for the financial year 2014 will thus be 500% that is a payout of Rs. 1.4 billion. Dividends thus tell our real story.

DEPRESSED COMMODITY PRICES STRAPPED LOW INCOME FARMER

Farmers are making emotional decisions burning crops. But farmers have lost money on all the major crops. Farmers are forced to sell their produce at low prices in the absence of a policy to support them. Farmers complain, and rightly, that the prices at which they are forced to sell their commodities don't even cover the input costs. Around 96% of the farmers in the country own less than 25 acres of land and do not produce tradable surplus. While input costs are continuing to rise because of increased taxes and withdrawal of subsidies from fertilizers and the power sector, the pre-acre yield is low, spoiled further by post-harvest losses, the mafia of the middlemen and market dynamics.

Prices offered by the government do not even cover the inflation. Wheat prices were fixed by the government in 2012 and the current prices offered will become operational in May 2015, when official



procurement will start.

The cane economy is also trapped in low price cycle. Most small and medium sized farmers are being forced to sell their crops at throwaway prices because they cannot keep their crops in the field un-harvested.

Fall in rice rates causes rift among stakeholders

By M.B. Kalhoro

Sugar Mill owners had ganged up together to shut down their mills with no crushing, resulting in protests by the growers – ultimately the issue going to the Supreme Court of Pakistan where the case of fixing

Farmers' body urges govt to buy rice at support price to rescue growers

price has been highlighted as "exploitative, unreasonable and economically unviable and unsustainable lopsided regulation of the sugar sector".

Farmers have been protesting in different parts of the country and even threatened to besiege mills. There, it seems, is no rationale on how the prices are fixed by the government. This issue needs to be settled to the benefit of the growers.

Caught between falling income and rising costs of inputs because of taxation and the muscle of the vested interest, agriculture economy can tell heavily on

CJ dissociates himself from sugar cane price case

By Staff Reporter

Ahmedabad: Chief Justice of India (CJI) has dissociated himself from the government's decision to fix the price of sugarcane.

The CJI said that the government has the right to fix the price of sugarcane, but he did not say whether the government's decision was correct or not.

The CJI said that the government has the right to fix the price of sugarcane, but he did not say whether the government's decision was correct or not.

Pakistan's overall economy in the years ahead. Without stabilizing falling prices, waiver of taxes, the farmer is to respond by decreasing acreage under the crop – hence a contraction of production.

While the farmers already have their backs arched low because of withdrawal of subsidies and heavy taxation, they are

"India is expected to provide 1.24 trillion rupees (\$20.11b) in food subsidies for the fiscal year 2015/16, according to the budget proposal presented by Finance Minister Arun Jaitley."

Producers



AHMEDABAD: A farmer works in his sugarcane field. India is expected to provide 1.24 trillion rupees (\$20.11b) in food subsidies for the fiscal year 2015/16, according to the budget proposal presented by Finance Minister Arun Jaitley Saturday. -Reuters

also agitating against the government's decision to allow duty free import of 137 items of agricultural products through the Wagha border from India, which gives an agricultural subsidy of over Rs. 100 billion to its agricultural produce. The Pakistani farmer is thus unable to compete with the glut created by Indian produce crossing the border at lower prices.

The government needs to take a holistic approach and decide whether to use the crop dynamics as a revenue-generating source to earn a paltry 14 billion as



General Sales Tax or weigh in the social impact of food security for the nation, and employment of labour. Most countries subsidize the sector while Pakistan taxes it. Instead of taxing the inputs, the government ought to tax the product.

SKewed AGRICULTURAL CREDIT

With the Zarai Taraqati Bank – ZTBL – in the red, owing Rs. 93.2 billion to the State Bank of Pakistan, there is a need for corrective steps to disburse agricultural credit with prudence. The State Bank of Pakistan has set a target of disbursing Rs. 500 billion agricultural credit during this fiscal year. While the share of bank's credit to agriculture is just about 5.7% of the total advances, its outreach is limited to only around 2.15 million borrowers as against the 8.3 million farm households in the country. The financial institutions cater to only 30% of the national agricultural loan requirement. The other 70% comes from very exploitative sources carrying compound interest rates with demands to keep the crop as collateral.

Besides, agricultural credit disbursement

Pakistan faced with food insecurity threats

is rather uneven. It is tilted in favour of farm "production" with little lending for "development" – that is loans for purchase of tractors, and farm equipment. Such loaning between the fiscal year 2011 to 2014 was a meager Rs. 10.7 billion that is 3.33% of the total agricultural loans. This low lending for development impedes farm mechanization – hence reduced per-acre yields of crops.

NEED FOR MECHANISATION

There is a need to develop a national perspective on farm mechanization to help in sustaining farm output growth and profitability to the farmer. Even the Annual Economic Survey published by



the government has scant information on mechanization. While subsidized tractor schemes of the recent years have indeed added tractors to the fields, the area cultivated by farmer owned tractors is still less than 10% of the total 6.6 million hectares.

The subsidized tractor schemes, like many other schemes, now also smack of serious corruption where tractors on which the government gives huge subsidies end up with extortionists. The

recently launched Sindh Tractor Scheme was by itself a scam which ought to be probed, where the tax payer's money paid as subsidy ended up in shady corridors. This does not help the bonafide farmer in whose name the schemes are launched.

Most small farmers still cultivate their land with traditional oxen-driven ploughs. Without developing a comprehensive

well-integrated policy, farm mechanization will continue to be neglected with low per acre yields, pre and post-harvest losses, etc. Most locally produced farm machines manufactured by street vendors are poor in quality, with a short life and uneconomical.

The Company had launched the production of farm equipment and machines developed to market requirements but competing with unorganized manufacturers who pay no taxes, the Company's sales remain low.

There is a need to gear up agricultural mechanization drive, the share of development loans for tractors and agricultural implements needs to be increased, taxation policies on legitimate sale of quality implements need to be reviewed, and there is a need to give recognition to progressive farmers.

THE FLOODS

In the last five monsoon seasons, Pakistan has seen five floods beginning

"If you care about the poorest, you care about agriculture."



BBK Ghouse

with the Super floods of 2010. Every year since 2010 has brought a massive flood devastating thousands of acres of productive lands, habitat and infrastructure. With floods concentrating their fury in Southern Punjab where the AGLT plant is located and which are prime areas of



sales for the company, the Company has continued to suffer losses of production and sales.

Though flood losses since 1947 have been estimated at over \$44 billion, these losses do not seem to register on the political Richter scale. While the country is water-starved, the governments are not willing to come up with a well-calibrated strategy to minimize economic losses and to set the pace and direction for conserving and storing this surplus flow of water. As much as 40 million acre foot of water flows



into the sea every year and while passing through destroys standing crops, villages and infrastructure. This is an egregious waste of available water which could be harnessed for use.

There is also a need to focus on post-flood

farm credit for those farmers whose crops as well as livestock were washed away. In the year 2010, the State Bank of Pakistan had launched a subsidized refinancing scheme for revival of agricultural activities in flood affected areas. Farmer today is paying 15-16% interest as bank mark-up – this needs to be redressed and the scheme revived to rehabilitate the farmers.

WATER CONSERVATION

Pakistan is one of the most water stressed countries in the world, not far from being classified as "water scarce" with less than 1,000 cubic meters per person per year,



says a report of the Asian Development Outlook. The report says that water demand exceeds supply, which has caused maximum withdrawal from reservoirs. The report says that Pakistan's storage capacity is limited to a 30 days supply, well below the recommended 1,000 days for countries with a similar climate.

The farmers are using 5 MAF underground water every year and the water level is decreasing to a record low. With little being done to construct big reservoirs and dams and to embark on water conservancy, the situation is rather grim.



Food and water are interlinked. Despite being called an agrarian country, our food security has been deteriorating since 2003; in 2014 Pakistan stood at 77th position among 107 nations (72 percentile) on Food Security Index. According to the World Bank's Poverty Head Count Analysis 2014,

Country rapidly moving towards water crisis

the situation is even more precarious. It puts the country's population living below the poverty line at 60.19%, of which 21.4% fall under the category of "extreme poverty with incomes of less than \$1.25 a day".

The twin crisis that agriculture suffers in Pakistan today is scarcity of water and lackluster yields. Pakistan can double and even triple the yield of its produce by using the much needed technology of mechanized farming, and water conservation through Smart Irrigation Solutions.

The World Bank had generously provided financial support in the year 2012-2011 to the government for water conservation projects including Rs. 14 billion for HEIS, on

which there is a subsidy.

Committed as we are to sustainable agriculture and as part of corporate social responsibility, the Company responded by entering into collaboration agreements with international companies to launch Smart

governance processes are vital in enhancing corporate accountability. We are thus committed to ensuring high standards of corporate governance to preserve and maintain shareholder value. Promoting high standards of corporate governance, the Company conforms to all of the Codes of

RULERS SHOULD FEAR THE DAY OF FARMERS UPRISING

BRIGADE LEADERS
SARAFULLAH

are of the view that the poor farmers and laborers were paying more and more taxes only for the sake of the rich landlords, who were not doing anything to improve the condition of the poor.

land owned mostly by the rich, the rich landlords were not doing anything to improve the condition of the poor farmers and laborers, who were not doing anything to improve the condition of the poor.

wanted to see the day when the farmers would rise up and the rich landlords would be forced to share the land with the poor farmers and laborers.

Irrigation Solutions and to put its footprints in HEIS market. Our High Efficiency Irrigation Systems are in the evangelizing stages of showing farmers the benefits of using this technology. Model farms are being set up for demonstration purposes in various regions.

The Company is steadily and prudently expanding its reach and has secured orders for installing the projects on around 1000 acres. We have set the table for expanding the business with a projection to set up the systems on 2,000 acres in 2015.

There is a need from the government to lead in the pursuit of accomplishing this much needed technical acumen by putting the project on fast track by eliminating the long processes and procedures of approvals.

To date the progress is rather slow and very little has been consumed from the funding provided by the World Bank.

CORPORATE GOVERNANCE

The Board and management of Al-Ghazi recognize that well defined corporate

Corporate Governance promulgated by the SECP.

To ensure compliance, an Independent Director – Mr. Mohammad Ali Qaiyum – has been inducted to the Board. A Chartered Accountant from England and Wales, and with vast experience in his fields with specific focus on the auto sector, Mr. Mohammad Ali Qaiyum, as Independent Director, will also chair the Audit Committee of the Board. The Board also endeavours to benchmark its performance with Best Practices including the Board evaluation of its own performance by the Directors of the Board.

The Company's corporate governance continues to get recognition. The Company received the ultimate accolade in corporate performance – the Corporate Excellence Award of the Management Association of Pakistan. The criteria for the award included financial assessment; corporate governance; strategic planning; leadership; customer and market focus; human resource focus; operations management; information management and social responsibility. The award was conferred

by the President of Pakistan. Company's Annual Report for the year 2013 also received the ICAP / ICMAP award of the Best Presented Accounts.

FUTURE OUTLOOK

While the Company continues to struggle harboring hopes that the external obstacle decelerating the business will end, the Company is fueled by the confidence that with its fundamental strengths, the quality of its devoted workforce, the supply systems, and with its nationwide distribution network and customer care centres, the Company will see a revving up of tractor sales to keep the production line running at full tilt.

AGTL is a manufacturing structure that has converted a bucolic area of Dera Ghazi Khan into an industrial house. AGTL will keep a steady hand on the tiller and take the Company ahead.

ACKNOWLEDGEMENT

Consequent upon completing the three year term, Mr. Stefano Pampalone and Mr. Nasir Mahmood retired from the Board. Board acknowledges with thanks their invaluable

contribution to overseeing the business of the Company. We wish them well in their future endeavours.

While Mr. Charles Leonard Hunt, Mr. Parvez Ali, Mr. Kashif Lawai, Mr. Majd-ul-Ahsan Syed, Ms. Giovanna Barbieri, Mr. Damiano Cretarola were re-elected directors for a fresh three year term, Mr. Mohammad Ali Qaiyum and Mr. Michele Lombardi were also elected as new Directors on the Board. AGTL welcomes Mr. Mohammad Ali Qaiyum and Mr. Michele Lombardi to the Board and looks forward to their professional expertise in guiding the Board.

Board elected Mr. Charles Leonard Hunt as its Chairman.

For and on behalf of the Board



Charles Leonard Hunt
Chairman
Karachi - February 12, 2015

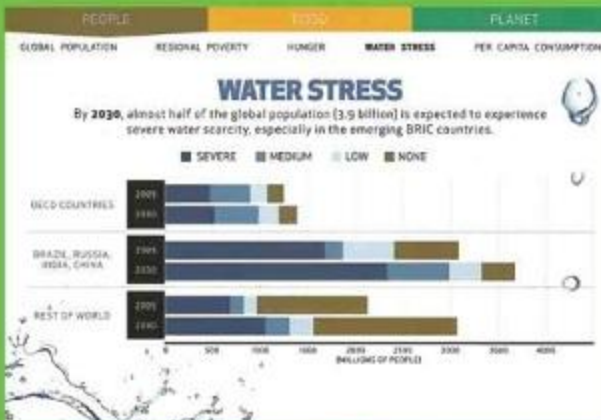
"It's been proven that of all the interventions to reduce poverty, improving agricultural productivity is the best. All the other different economic activity - yes it trickles down. But nothing as efficiently as in agriculture."

Bill Gates





Share the interactive version of this infographic at: www.berrington.org/Post2015



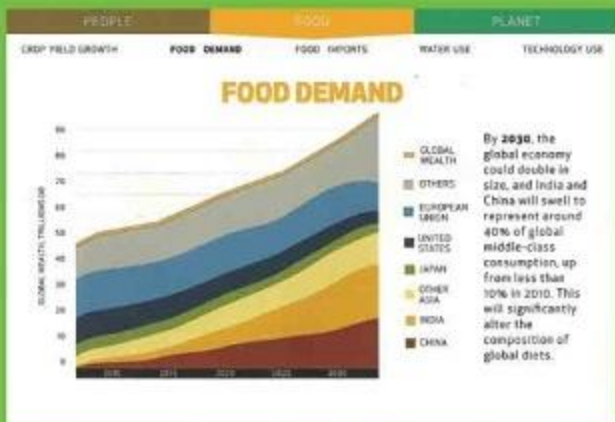
Share the interactive version of this infographic at: www.berrington.org/Post2015



Share the interactive version of this infographic at: www.farmagritr.org/Post2015



Share the interactive version of this infographic at: www.farmagritr.org/Post2015



Share the interactive version of this infographic at: www.famaglobal.org/Post2015



Share the interactive version of this infographic at: www.famaglobal.org/Post2015

A close-up photograph of a wooden spoon filled with long-grain white rice. The spoon is positioned diagonally, with the handle extending towards the bottom left. The rice grains are piled high in the spoon and spill out onto a larger, textured surface of rice that fills the background. The lighting is warm, highlighting the individual grains and the natural texture of the wood.

As ye
SOW...

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
Government and regulatory bodies	<ul style="list-style-type: none"> Compliance with laws and regulations Collaboration and access to information Technical support on specific industry related issues 	<ul style="list-style-type: none"> Periodic and adhoc reporting
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 Inhouse magazine Easy access to top management Adherence to labour laws
Employees' families / Community Development	<ul style="list-style-type: none"> Indirect participation in corporate life 	<ul style="list-style-type: none"> Staff town with family and bachelor accommodation Transport facility Vaccination / health awareness campaigns Participation in sports day events Health care plans, Utility Stores Corporation 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. Tractor festivals After Sale Service programme
Existing and prospective customers	<ul style="list-style-type: none"> Quality, reliability and safety of products Competitive prices Speed and efficiency of after sales services 	<ul style="list-style-type: none"> Market research Three-way communication through dealership, service centres and mechanical workshops
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 Annual / Quarterly reports Price sensitive communications and information Daily dialog (email, telephones) Investor relations section of the Company's website www.alghazitractors.com

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 400,000+ 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-fifty acres is to be attained - the international standard is one tractor-to-twenty five 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 generator.
- 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.

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
The fiscal deficit of the country, political instability and the deteriorating law and order situation may adversely impact the performance of the Company.	Agriculture is said to be the backbone of Pakistan's economy. The Company has been in business for over thirty years now and has established itself as one of the leading tractor manufacturers in the country. The Company has 81 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.
Loss or reduction in sales due to market conditions.	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.
Inability to source raw material and increase in prices may affect the profit margins.	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. 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.
Weaknesses in the internal control framework could lead to loss of financial regularities and unethical work practices	Exchange rate fluctuation could adversely impact the profitability of the Company.
Exchange rate fluctuation could adversely impact the profitability of the Company.	The Company's product has around 92% local components, thus reducing the dependency on imported material.

Credit risk if the counterparty fails to meet its contractual obligations.

Company's products are sold mainly against advance payment except for some institutional sales which credit is approved by the CEO.

The capital structure of the Company is equity based with no financing through long or short term borrowing.

Safety risk

The Company continues to place paramount importance in promoting a safe and healthy work environment for its employees, workers and the community.

The Employee Health and Safety Committee and the Environmental Committee ensures that the Company adheres to the highest health, safety and environmental standards.

Employee recruitment and retention risk

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.

Legal and Regulatory Risk

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.

Business Continuity Risk

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.



The Global Compact

"We ask employers to promote voluntarily within their own business activities the following principles"

Human rights

1. Support and respect the protection of internationally proclaimed human rights.
2. Ensure that they are not complicit in human rights abuses.

Labour

3. Uphold freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labour.
5. The effective abolition of child labour.
6. Eliminate discrimination in respect of employment and occupation.

Environment

7. Support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.



Global Compact

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

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

Management Objectives and Strategies

Despite a challenging environment during 2014, the Company managed to generate profits to the tune of billions of rupees with record high GP% and NP%.

With strong presence in the rural areas, AGTL is a house hold name in the farming community. The Company has now focused on diversification with the introduction of farm machines and equipment, High Efficiency Irrigation Systems and quality generators.

The Company's primary objective is to enhance shareholders' value. We strive to achieve our objective with excellence in corporate governance and human resource practices. Utmost priority is given to the quality of our products. Robust and sturdy, the Company's products of 55, 65, 75 and 85 hp, carry a local content of around 92%. With effective cost controls and efficient energy management, the Company has reduced variable costs – adding to the overall profitability.

The Company's financial and non-financial performance is a reflection of achievement of management's objectives. There is no material change in the management strategies and objectives from the previous year.

Liquidity and Capital Structure

The Company has a solid financial base with no debt, no bank borrowing and adequate liquid investments. The capital structure consists of ordinary shares of Rs 5 face value. The Company believes that there is no inadequacy in capital structure.

Significant Changes in Financial Position

There were no significant changes in the financial position of the Company.

Non-Financial Performance

The quality of tractors, customer satisfaction, employee retention and development and ethical business conduct are the Company's key non-financial performance indicators. The management keeps a close vigil on all these areas and strives to continually improve its performance indicators.

Segmental Review of Business Performance

The financial statements of the Company have been prepared on the basis of a single reportable segment. New business initiatives and trading goods represent 1.2% of the total revenue. The Company has dealerships in two countries; Pakistan and Afghanistan. All assets of the Company are located in Pakistan.

Critical Performance Indicators

Following are some of the critical performance indicators against stated objectives of the Company;

- Quality product at the lowest price;
- Efficiency and effectiveness of each production process;
- Creating value for the shareholders;
- Employee retention and satisfaction;
- Compliance with laws and regulations;
- Consistent corporate achievements and excellence;
- Development of local community.

The Company believes that these indicators will continue to be relevant in the future as well.

Business Continuity / Disaster Recovery Plan

The Company places paramount importance on business continuity / disaster recovery. A Risk Management policy has been approved by the Board and a Risk Management Committee has been formed which reviews and reports the various areas of risk and business continuity to the Board. Moreover, the following measures are in place to ensure smooth restoration of key operations:

- Application and data back-ups are maintained at different sites to ensure maximum security. In case of failure of primary server, the back-up server with the same configuration is also available.
- Comprehensive fire prevention system has been put in place through mechanical installations as well as frequent fire drills.
- Adequate insurance arrangements have been made to mitigate business risks.
- Preventive maintenance programme coupled with training is carried out intermittently to minimize business disruptions.
- 24 hours security at the plant and staff town has been provided.

Safety of Records

The Company places emphasis on safety and storage of its financial and other records. AGTL was the first automobile company in Pakistan to introduce a high profile ERP solution, BaaN, to put the IT process in full circle. Commissioned in January 2002, this complete ERP thus inter-links all processes and supports Company's wider strategic objectives. Access to electronic data is ensured through the use of login and passwords. The Company ensures that all data is retained for at least six years to meet legal and operational requirements. No loss or breach of confidential data was reported during 2014.

Share Price Sensitivity Analysis

Following are the factors which might affect the share price of the Company:

Government decisions

Government decisions on crop prices, taxes, subsidized tractor schemes etc. are important drivers of the Company's share prices. Decisions favourable to the Company have led to increase in share price, whilst decisions to the contrary have negatively impacted share price.

Weather patterns

Raging floods and inadequate rainfall affects the financial performance of the tractor industry, thus affecting the share price.

PPlant operations

Stability of plant operations is of paramount importance. Stable plant operations allow for higher production and add to the profitability of the Company which can positively affect the share price.

Variation in material costs

Being a manufacturing concern, material cost comprises of a significant portion of variable cost. Any increase in material costs impacts the gross profit and results in reduced profits. This may adversely affect the share price.

Interest rates

The Company holds a significant amount of investments in mutual funds and bank deposits. A decrease in interest rate decreases the investment income and decreases profitability. Conversely, an increase in interest rate increases profitability and may result in higher share price.

Law and order

Political uncertainty makes business skittish and jeopardizes economic and business activity. Production suffers because of supply chain issues arising out of law and order problems

Information Technology Governance

Information Management and Information Technology is built into AGTL's strategy. IT system plays an important role in supporting AGTL's current operations and its new initiatives. Our ERP system continues to integrate all function across the Company, facilitating greater efficiency and effectiveness of all processes and controls.

ERP *solution*-BaaN

The Company had commissioned BaaN, a global provider of enterprise business solutions to over 15,000 customer sites worldwide to implement ERP at AGTL.

The project went live on January 1, 2002, with the entire business cycle viz Sales and Marketing, Planning and Purchase, Stores and Inventory, Manufacturing, Quality, Maintenance, and Finance, executed as enterprise-wide integrated business system.

A portrait of Bill Gates, smiling and wearing glasses, a dark suit, a light blue shirt, and a patterned tie. He is positioned on the left side of the image.

Baan and Microsoft have made substantive progress...Working together to make our product very very complimentary and creating what I guess is the best example of what we call DIGITAL NERVOUS SYSTEM.

- BILL GATES



Quality Assurance

With disciplined focus on all quality management systems, AGTL is committed to remain at par with best international practices, quality standards, performance requirements, and product specifications of CNH. Quality is monitored at every level of production.

- Testing at roller test rigs;
- Bump testing; and
- Running test on PDI.

Some of the modern quality control methods adopted by the Company are as follows:

- Ultimate Tensile Strength Test on UTS testing machine;
- Material Hardness test on Hardness testing machine;
- Destructive test of various components to confirm material;
- Engine testing on electronic test rigs;
- Function test on test benches;



Fast Track to ISO



With quality being the Company's most enduring competitive edge. AGTL was the first automobile company in the country to earn the ISO-9002 certification in 1998.



This major advancement to tuning up the production activities through ISO-9000 has put in place a system of sound quality activities and cross functional integrated process through out the Company.

Every year the Company is audited for upkeep of its activities. Documentation is a pre-requisite for this certification. ISO certification is now valid up to 2016.



Human Resource Management (HRM)

AGTL recognizes that motivated and professional employees are an essential factor for maintaining competitiveness and for creation of shareholder value and customer satisfaction.

The Company is committed to providing equal opportunities to all its employees, both on the job and in their career advancement. All aspect of employment, such as recruitment, training, compensation, promotion and transfer are free from any form of discrimination.

Performance appraisal is one of the important components of HRM. The performance management system at AGTL continues to be an essential tool to provide regular feedback to align employee performance with business strategy.

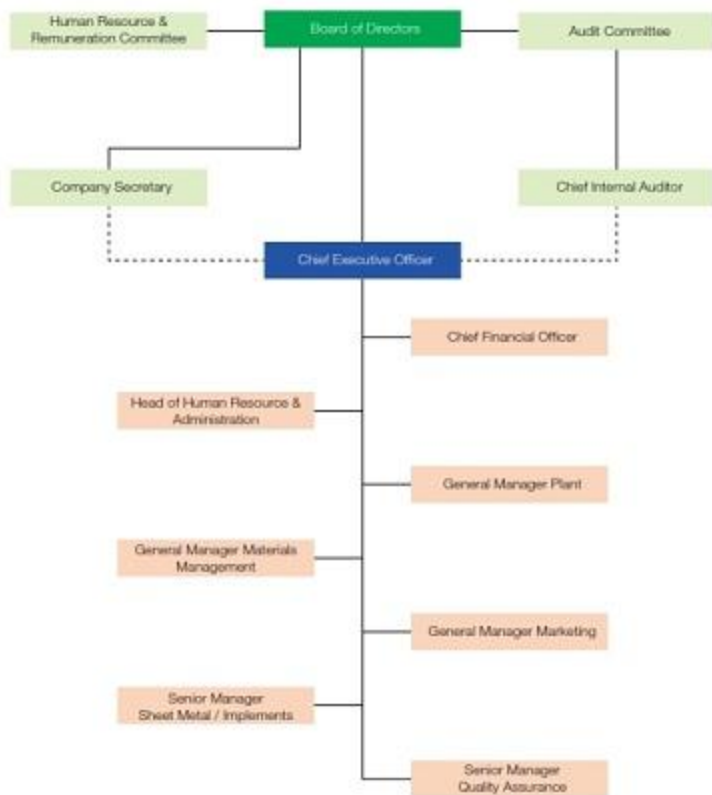
Harassment

AGTL has a harassment policy in place and is in compliance with the Protection Against Harassment of Women at Workplace, Act 2010. No instances of harassment were reported during the year 2014.

Succession Planning

Succession Planning is a proactive approach to managing talent as it involves identification of high potential employees 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. AGTL has formulated a comprehensive succession plan for all key positions. Succession Planning is formally addressed by the Board of Directors.

Organization Chart

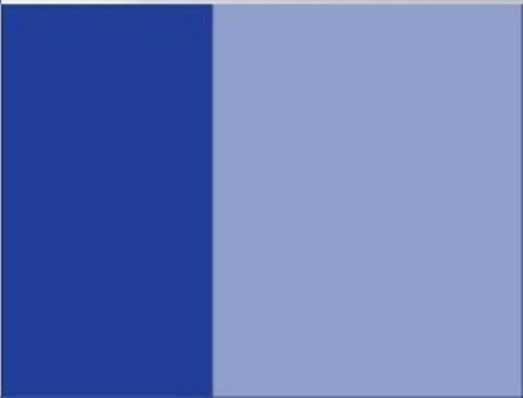


Legends

- Functional Reporting
- Administrative Reporting



FINANCIAL ANALYSIS



Key Operating And Financial Data

	2014	2013	2012	2011	2010	2009
Quantitative Data						
Units:						
Sales	12,416	14,071	23,436	18,344	28,104	32,732
Production	13,014	14,033	23,820	19,936	29,020	30,351
Profitability						
	Rupees '000					
Sales revenue	8,780,685	9,262,626	14,779,564	10,113,372	14,936,034	15,794,825
Gross profit	2,368,143	2,009,369	2,791,227	1,872,956	2,948,313	2,645,814
Investment income	435,143	378,450	513,137	534,544	300,701	394,385
Profit before taxation	2,251,937	2,823,294	2,872,795	2,062,675	2,900,113	2,658,834
Taxation	677,193	651,804	957,194	703,795	991,241	915,299
Profit after taxation	1,574,744	1,371,490	1,915,631	1,258,880	1,908,872	1,743,535
Earnings before investment income, tax and depreciation (EBITDA)	1,859,004	1,683,845	2,396,532	1,562,668	2,631,213	2,293,063
Financial position						
Fixed assets	400,751	404,433	373,481	373,295	368,671	252,895
Long term investments	42,800	44,800	55,800	74,000	40,000	-
Other non-current assets	2,131	9,333	21,228	32,448	862	3,725
	445,682	458,566	450,509	479,743	409,533	256,620
Current assets	9,477,010	9,367,867	9,019,772	8,075,804	7,256,621	7,124,751
Current liabilities	1,349,292	1,537,894	1,474,583	1,717,303	1,241,289	1,907,421
Net working capital	8,127,718	7,829,973	7,545,189	6,358,441	6,015,332	5,217,330
Less: Non-current liabilities	87,905	69,580	69,385	71,910	62,144	53,331
Capital employed	8,551,495	8,218,959	7,926,313	6,796,274	6,362,721	5,419,919
Represented by:						
Share capital	269,821	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	7,281,674	7,004,277	6,711,631	5,581,592	5,148,039	4,205,237
	8,551,495	8,218,959	7,926,313	6,796,274	6,362,721	5,419,919
CASH FLOWS						
Operating activities	1,078,632	1,175,088	2,121,542	(609,573)	1,548,399	227,392
Investing activities	(342,605)	522,032	31,605	(733,436)	(994,183)	695,692
Financial activities	(1,219,754)	(1,071,853)	(1,177,685)	(535,675)	(963,961)	(749,602)

Performance Analysis

Six Years analysis of Profit and Loss

Sales Revenue and Gross Profit

The tractor industry has been showing negative year on year revenue trend due to underperforming economy and curtailment of credit for tractors by banking sector.

The revenue during the year 2014 was mainly affected due to increase in sales tax rate during first half of the year. The federal budget for the fiscal year 2014-2015 had finally reduced the sales tax from 16% to 10%, though the farmers' community wanted it brought back to zero.

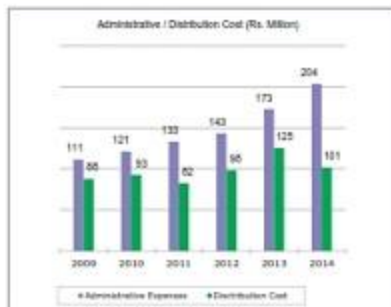
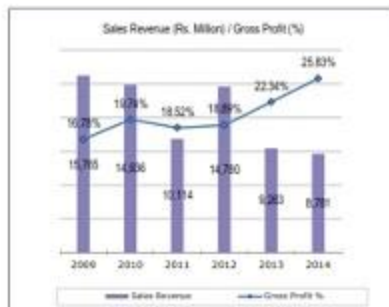
For AGTL, doing a bigger damage were the devastating floods surging and raging in Southern Punjab where the AGTL plant is located. Further, the sudden withdrawal

of subsidies on the crop – wheat, paddy, cotton, and sugar cane in the month of December also jolted the momentum of sales.

Despite reduced revenue, the Company managed to increase its GP%. This positive performance is attributable to lean management, operational efficiencies, better sales mix and controls on input cost. The GP% improved from 16.78% in 2009 to 25.83% in 2014.

Distribution and Administrative Expenses

The Company keeps a tight control on its overheads. The distribution cost has increased by 3% Cumulative Annual Growth Rate (CAGR) since 2009 whereas administrative expenses have increased by 13% CAGR, in line with inflationary trend.



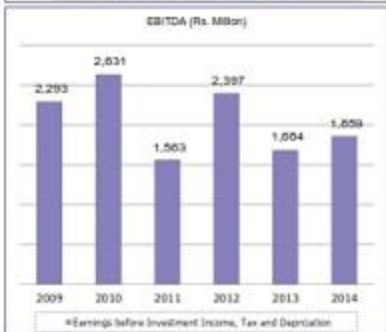
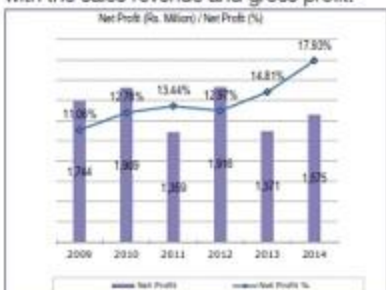
Performance Analysis

Other Income

Other income mainly represents income from investments in mutual funds and bank deposits. It stands at 5.2% of revenue in 2014 as compared to 2.6% in 2009.

Profitability

The Company's profitability varies in line with the sales revenue and gross profit.

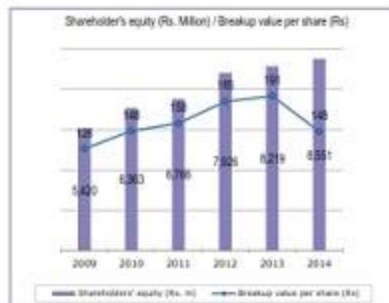


The profit after tax stood at Rs. 1.6 billion in 2014 increase of 15% compared to the previous year. The NP% has increased from 11.06% in 2009 to 17.93% in 2014.

Six Years analysis of Financial Position

Equity and Reserves

Despite extra ordinary dividend payouts, equity and reserves have increased from Rs 5.4 billion in 2009 to a record high of Rs 8.5 billion. The increase is attributable to consistent performance of the Company. Moreover, share capital increased by 35% in the year 2014 due to issue of bonus shares.



Property, Plant and Equipment

Property, plant and equipment witnessed increase over the years due to expansion

Performance Analysis

and replacement of manufacturing facilities, construction of Generator Assemble Line in DGK and the ongoing construction of Head Office building in Karachi.

Stock in trade

The Company makes all efforts to maintain raw material and components inventory at safety stock levels to minimize production disruptions due to supply chain issues of auto sector. Higher inventory as at December 2014 includes a substantial portion of finished goods which was mainly due to reduced sales during the month of December as explained above.

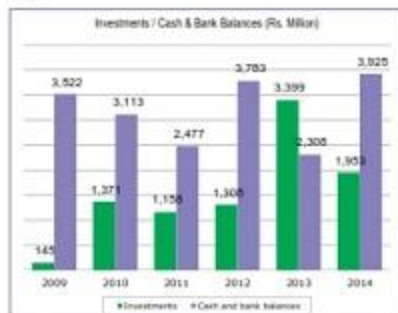
Refunds due from the Government

This represents sales tax refunds arising due to difference in the rate of input tax of 17% and the output tax of 10%. The Company rigorously followed FBR for release of pending refund claims which resulted in notable decline in the balance at the year end.

Investments, cash and bank balances

Investments, cash and bank balances are a witness to the consistent profitability of the Company. The Company maintains funds in term deposit receipts with Banks and invests in open ended mutual funds. Cash and investment reserves as at 2014 was Rs. 5.9 billion as compared to Rs. 3.7 billion in 2009, translating into CAGR of 10%. This

significant increase is despite the dividend payout of Rs 5 billion since 2009.



Analysis Of Financial Ratios

	2014	2013	2012	2011	2010	2009
Profitability Ratios						
Gross profit ratio	25.83%	22.34%	18.89%	18.52%	19.74%	16.78%
Pre-tax profit ratio	25.65%	21.84%	19.44%	20.40%	19.42%	16.87%
Net profit to Sales	17.93%	14.81%	12.96%	13.44%	12.78%	11.06%
EBITDA margin to sales	21.17%	18.18%	16.22%	15.45%	17.62%	14.55%
Operating Leverage ratio	-2.00	0.80	1.16	1.26	-2.81	1.30
Return on Equity / Capital employed	18.41%	16.69%	24.17%	20.08%	30.00%	32.17%
Liquidity Ratios						
Current Ratio	7.02	6.09	6.12	4.70	5.85	3.74
Quick Ratio	5.42	4.99	5.07	3.11	4.98	3.08
Cash to current liabilities	2.91	1.50	2.57	1.44	2.51	1.85
Cash flow from operations to sales	12.28%	12.69%	14.35%	-6.03%	10.37%	1.44%
Activity / Turnover Ratios						
Inventory turnover ratio	3.38	4.45	5.61	4.33	10.30	8.24
Debtors turnover ratio	98	34	74	73	105	1.149
Creditors turnover ratio	6	7	14	10	11	10
Fixed assets turnover ratio	18.81	22.90	39.57	27.09	40.51	62.39
Total assets turnover ratio	0.88	0.94	1.56	1.18	1.95	2.14
Operating Cycle						
No. of days in inventory	108	82	65	84	35	44
No. of days in receivables	4	11	5	5	3	0
No. of days in payables	58	49	25	36	33	36
Operating Cycle	54	44	45	53	6	9
Investment / Market ratios						
Pre-Tax Earning per share (Basic and diluted) - Rs	38.85	47.12	66.91	48.04	67.54	61.92
Post-Tax Earning per share (Basic and diluted) - Rs	27.17	31.94	44.62	31.65	44.46	43.61
Price earnings ratio	13.51	6.65	5.34	6.09	5.11	5.86
Dividend yield ratio	6.81%	11.77%	9.44%	10.37%	8.81%	8.40%
Dividend ratio	14.68	8.50	10.59	9.84	11.35	11.90
Dividend payout ratio	92%	83.74%	50.43%	63.19%	44.99%	49.25%
Dividend cover	1.09	1.19	1.98	1.58	2.22	2.03
Dividend per share						
- Cash	25.00	25.00	22.50	20.00	20.00	20.00
- Bonus	-	35%	-	-	-	0.00
Dividend payout - Rs '000	1,449,105	1,073,410	966,069	858,728	858,728	858,728
Cash dividend - %	500%	500%	450%	450%	400%	400%
Bonus Dividend - Rs' 000	-	75,139	-	-	-	-
Market value per share - Rs						
- Closing	367.02	212.43	238.38	192.84	227.00	238.04
- High	464.24	246.70	255.00	244.95	264.00	268.75
- Low	195.00	193.89	169.89	158.00	194.25	113.56
Market capitalisation - Rs Million	21,275	9,121	10,235	8,280	9,747	10,221
Breakup value per share - Rs	147.53	191.42	184.61	157.59	148.19	126.23

Six Years Analysis of Cash flow

The Company monitors its cash inflows and outflows on a daily basis. Cash management and investment strategies are then planned to maximize returns. The Company has generated Rs. 5.3 billion from operations since December 2009.

Cash used in investing activities represent cash usage on account of fixed capital expenditure and investments.

Cash outflow from financing activities has increased over the years due to increase in dividend payments. Rs. 1.2 billion was paid as dividend in the year 2014 as compared to Rs 0.7 billion in 2009. AGTL is a debt free Company.

Six Years Analysis of Ratios

Profitability Ratios

The Company's sound business performance is depicted through favorable profitability ratios over the years. The decrease in return on equity since 2009 is mainly due to increase in reserves as a result of profit accumulation.

Liquidity and Turnover Ratios

The Company being cash rich, has reported favourable liquidity ratios.

Increase in operating cycle is mainly due to higher inventory balance at the year end as explained above.

Market Ratios

Due to decrease in net profit and increase in share capital, EPS has reduced since 2009. However, backed on its financial strength, business indicators and rich dividend payouts, the five rupee share of the Company hit an all-time high of Rs 464.24 in November 2014. Market capitalization doubled from Rs 10 billion in 2009 to Rs 26 billion in 2014. AGTL has continuously maintained a dividend yield beyond the market norms in order to compensate its shareholders handsomely.

Six Years Horizontal Analysis

	2014	2013	2012	2011	2010	2009
BALANCE SHEET	← Rupees '000 →					
Fixed assets	466,751	404,433	373,481	373,205	368,671	252,695
Long-term investment	42,800	44,800	55,800	74,000	40,000	-
Long-term loans and deposits	2,131	9,333	21,228	32,448	862	3,225
Stores and spares	35,962	15,649	21,119	19,025	9,749	11,891
Stock in-trade	2,160,349	1,693,249	1,543,151	2,731,395	1,073,122	1,253,682
Trade debts	13,796	166,306	386,558	14,339	264,063	20,292
Loans and advances	78,796	73,393	75,894	47,249	22,109	32,012
Short-term deposits and prepayments	32,219	1,450	1,346	4,602	11,476	12,725
Accrued mark-up	33,986	3,525	192,312	214,003	54,884	128,281
Other receivables	6,149	11,457	13,734	22,143	57,967	10,761
Taxation	-	30,669	113,428	532,814	339,456	530,563
Refunds due from the Government	1,281,074	1,709,416	1,637,869	928,675	979,537	1,457,265
Investments	1,909,970	3,354,256	1,251,729	1,084,449	1,331,464	145,000
Cash and bank balances	3,924,769	2,308,497	3,782,632	2,477,110	3,112,794	3,522,479
Total assets	9,988,692	9,826,433	9,470,281	8,555,547	7,666,154	7,380,671
Current liabilities	1,349,292	1,537,894	1,474,583	1,717,363	1,241,289	1,907,421
Non-current liabilities	87,905	49,580	69,185	71,910	62,144	51,311
Total liabilities	1,437,197	1,607,474	1,543,968	1,789,273	1,303,433	1,960,752
Capital employed	8,551,495	8,218,959	7,926,313	6,766,274	6,362,721	5,419,919
Share capital	289,821	214,682	214,682	214,682	214,682	214,682
Reserves	8,261,674	8,004,277	7,711,631	6,551,592	6,148,039	5,205,237
Capital employed	8,551,495	8,218,959	7,926,313	6,766,274	6,362,721	5,419,919
PROFIT AND LOSS ACCOUNT						
Sales	8,780,685	9,262,626	14,779,564	10,113,572	14,936,034	15,764,825
Cost of goods sold	6,512,542	7,193,237	11,988,337	8,240,616	11,987,519	13,119,011
Gross profit	2,268,143	2,069,389	2,791,227	1,872,956	2,948,515	2,645,814
Distribution cost	101,463	125,208	98,235	82,474	92,605	87,369
Administrative expenses	203,668	172,773	143,234	133,245	121,174	111,270
	1,961,012	1,771,388	2,549,758	1,657,237	2,734,736	2,446,975
Other income	457,194	402,283	537,742	560,447	381,640	411,070
Other operating expenses	166,900	149,881	212,980	152,874	214,939	197,057
	2,251,306	2,023,690	2,874,520	2,064,810	2,901,437	2,660,988
Finance cost	1,369	396	1,725	2,135	1,324	2,154
Profit before taxation	2,251,937	2,023,294	2,872,795	2,062,675	2,900,113	2,658,834
Taxation	677,193	651,804	957,164	703,795	991,241	915,299
Profit after taxation	1,574,744	1,371,490	1,915,631	1,358,880	1,908,872	1,743,535

Six Years Horizontal Analysis

	2014	2013	2012	2011	2010	2009
BALANCE SHEET	← Increase / (decrease) from preceeding year in Rs 000 →					
Fixed assets	62,318	30,952	186	4,624	115,976	17,243
Long-term investment	(2,000)	(11,000)	(18,200)	34,000	40,000	-
Long-term loans and deposits	(7,202)	(11,895)	(11,220)	31,595	(2,363)	(7,279)
Stores and spares	20,313	(5,470)	2,094	9,276	(1,942)	(2,982)
Stock-in-trade	467,100	150,098	(1,188,244)	1,658,273	(180,560)	(677,717)
Trade debts	(152,510)	(220,252)	372,219	(249,724)	243,771	13,149
Loans and advances	5,403	(2,501)	28,645	25,140	(9,903)	(5,381)
Short-term deposits and prepayments	30,769	104	(3,258)	(6,874)	(1,249)	(3,718)
Accrued mark-up	30,461	(188,787)	(21,691)	159,119	(73,397)	(35,764)
Other receivables	(5,308)	(2,277)	(9,409)	(35,824)	47,206	923
Taxation	(30,669)	(82,759)	(419,386)	193,358	(191,197)	417,754
Refunds due from the Government	(428,142)	71,547	709,194	(50,862)	(477,728)	706,711
Investments	(1,444,286)	2,102,527	367,280	(247,015)	1,186,464	(301,760)
Cash and bank balances	1,616,212	(1,474,135)	1,305,522	(635,684)	(409,685)	173,482
Total assets	362,259	356,152	914,734	889,393	285,483	294,661
Current liabilities	(188,602)	63,311	(242,780)	476,074	(666,132)	(704,289)
Non-current liabilities	18,325	195	(2,521)	9,766	8,813	6,803
Total liabilities	(170,277)	63,506	(245,301)	485,840	(657,319)	(697,486)
Capital employed	332,536	292,646	1,160,039	403,553	942,802	992,147
Share capital	75,139	-	-	-	-	-
Reserves	257,397	292,646	1,160,039	403,553	942,802	992,147
Capital employed	332,536	292,646	1,160,039	403,553	942,802	992,147
PROFIT AND LOSS ACCOUNT						
Sales	(481,941)	(5,516,938)	4,665,992	(4,822,462)	(828,791)	5,656,951
Cost of goods sold	(880,715)	(4,795,080)	3,747,721	(3,746,905)	(1,131,492)	4,588,924
Gross profit	198,774	(721,858)	918,271	(1,075,559)	302,701	1,068,027
Distribution cost	(23,745)	26,973	15,761	(10,131)	5,036	12,283
Administrative expenses	30,855	29,539	9,989	12,071	9,964	19,710
	191,624	(776,370)	892,521	(1,077,699)	287,761	1,036,034
Other income	54,911	(135,459)	(22,705)	178,807	(29,430)	11,583
Other operating expenses	16,919	(62,999)	60,196	(62,065)	17,882	72,304
	229,616	(850,830)	809,710	(836,627)	240,449	975,313
Finance cost	973	(1,329)	(410)	811	(830)	(580)
Profit before taxation	228,643	(849,501)	810,120	(837,438)	241,279	975,893
Taxation	25,389	(305,360)	253,369	(287,446)	75,942	345,614
Profit after taxation	203,254	(544,141)	556,751	(549,992)	165,337	630,279

Six Years Vertical Analysis

	2014 (Rupees 000)	2014 %	2013 (Rupees 000)	2013 %	2012 (Rupees 000)	2012 %
BALANCE SHEET						
Fixed assets	466,751	5.46%	404,433	4.92%	373,481	4.71%
Long-term investment	42,800	0.50%	44,800	0.55%	55,800	0.70%
Long-term loans and deposits	2,131	0.03%	9,333	0.11%	21,228	0.27%
Stores and spares	35,962	0.42%	15,649	0.19%	21,119	0.27%
Stock-in-trade	2,160,349	25.26%	1,693,249	20.60%	1,543,151	19.47%
Trade debts	13,796	0.16%	166,306	2.02%	386,558	4.88%
Loans and advances	78,796	0.92%	73,393	0.89%	75,894	0.96%
Short-term deposits and prepayments	32,219	0.38%	1,450	0.02%	1,346	0.02%
Accrued mark-up	33,986	0.40%	3,525	0.04%	192,312	2.43%
Other receivables	6,149	0.07%	11,457	0.14%	13,734	0.17%
Taxation	-	0.00%	30,669	0.37%	113,428	1.43%
Refunds due from the Government	1,281,074	14.98%	1,709,416	20.80%	1,637,869	20.66%
Investments	1,909,970	22.33%	3,354,256	40.81%	1,251,729	15.79%
Cash and bank balances	3,924,709	45.90%	2,308,497	28.09%	3,782,632	47.72%
Total assets	9,988,692	116.81%	9,826,433	119.56%	9,470,281	119.48%
Current liabilities	1,349,292	15.70%	1,537,894	18.71%	1,474,583	18.60%
Non-current liabilities	87,905	1.03%	69,580	0.85%	69,385	0.88%
Total liabilities	1,437,197	16.81%	1,607,474	19.56%	1,543,968	19.48%
Capital employed	8,551,495	100.00%	8,218,959	100.00%	7,926,313	100.00%
Share capital	289,821	3.39%	214,682	2.61%	214,682	2.71%
Reserves	8,261,674	96.61%	8,004,277	97.39%	7,711,631	97.29%
Capital employed	8,551,495	100.00%	8,218,959	100.00%	7,926,313	100.00%
PROFIT AND LOSS ACCOUNT						
Sales	8,780,665	100.00%	9,262,626	100.00%	14,779,564	100.00%
Cost of goods sold	6,512,542	74.17%	7,193,257	77.66%	11,988,337	81.11%
Gross profit	2,268,143	25.83%	2,069,369	22.34%	2,791,227	18.89%
Distribution cost	101,463	1.15%	125,208	1.35%	98,235	0.66%
Administrative expenses	203,668	2.32%	172,773	1.87%	143,234	0.97%
	1,963,012	22.36%	1,771,388	19.12%	2,549,758	17.25%
Other income	457,194	5.20%	402,283	4.34%	537,742	3.64%
Other operating expenses	166,900	1.90%	149,981	1.62%	212,980	1.44%
	2,253,306	25.66%	2,023,690	21.85%	2,874,520	19.45%
Finance cost	1,369	0.01%	396	0.00%	1,725	0.01%
Profit before taxation	2,251,937	25.65%	2,023,294	21.84%	2,872,795	19.44%
Taxation	677,193	7.72%	651,804	7.04%	957,164	6.88%
Profit after taxation	1,574,744	17.93%	1,371,490	14.81%	1,915,631	12.96%

Six Years Vertical Analysis

	2011 (Rupees 000)	2011 %	2010 (Rupees 000)	2010 %	2009 (Rupees 000)	2009 %
BALANCE SHEET						
Fixed assets	373,295	5.52%	369,671	5.79%	252,695	4.66%
Long-term investment	74,000	1.09%	40,000	0.63%	-	0.00%
Long-term loans and deposits	32,448	0.48%	862	0.01%	3,225	0.06%
Stores and spares	19,025	0.28%	9,749	0.15%	11,691	0.22%
Stock-in-trade	2,731,395	40.37%	1,073,122	16.87%	1,253,682	23.13%
Trade debts	14,339	0.21%	264,063	4.15%	20,292	0.37%
Loans and advances	47,249	0.70%	22,109	0.35%	32,012	0.59%
Short-term deposits and prepayments	4,602	0.07%	11,476	0.18%	12,725	0.23%
Accrued mark-up	214,003	3.16%	54,884	0.86%	128,281	2.37%
Other receivables	22,143	0.33%	57,967	0.91%	10,761	0.20%
Taxation	532,814	7.87%	339,456	5.34%	530,563	9.79%
Refunds due from the Government	928,675	13.73%	979,537	15.39%	1,457,265	26.89%
Investments	1,084,449	16.03%	1,331,464	20.93%	145,000	2.68%
Cash and bank balances	2,477,110	36.61%	3,112,794	48.92%	3,522,479	64.99%
Total assets	8,555,547	126.44%	7,666,154	120.49%	7,380,671	136.18%
Current liabilities	1,717,363	25.38%	1,241,289	19.51%	1,907,421	35.19%
Non-current liabilities	75,910	1.06%	62,144	0.98%	53,331	0.98%
Total liabilities	1,793,273	26.44%	1,303,433	20.49%	1,960,752	36.18%
Capital employed	6,766,274	100.00%	6,362,721	100.00%	5,419,919	100.00%
Share capital	214,682	3.17%	214,682	3.37%	214,682	3.98%
Reserves	6,551,592	96.83%	6,148,039	96.63%	5,205,237	96.04%
Capital employed	6,766,274	100.00%	6,362,721	100.00%	5,419,919	100.00%
PROFIT AND LOSS ACCOUNT						
Sales	10,113,572	100.00%	14,936,034	100.00%	15,764,825	100.00%
Cost of goods sold	8,240,616	81.48%	11,987,519	80.26%	13,119,011	83.22%
Gross profit	1,872,956	18.52%	2,948,515	19.74%	2,645,814	16.78%
Distribution cost	82,474	0.81%	92,605	0.62%	87,569	0.56%
Administrative expenses	123,245	1.32%	121,174	0.81%	111,270	0.71%
	1,657,237	16.39%	2,734,796	18.31%	2,446,975	15.52%
Other income	560,447	5.54%	381,640	2.56%	411,070	2.61%
Other operating expenses	152,874	1.51%	214,959	1.44%	197,057	1.25%
	2,064,810	20.42%	2,901,437	19.43%	2,660,988	16.88%
Finance cost	2,135	0.02%	1,324	0.01%	2,154	0.01%
Profit before taxation	2,062,675	20.40%	2,900,113	19.42%	2,658,834	16.87%
Taxation	703,795	6.96%	901,261	6.64%	915,209	5.81%
Profit after taxation	1,358,880	13.44%	1,998,852	12.78%	1,743,535	11.06%

Quarterly Analysis

Company's quarterly performance	Q1	Q2	Q3	Q4	Total
Rs'000					
Sales	1,251,187	2,063,525	2,271,313	3,194,660	8,780,685
Gross profit	313,235	558,570	599,601	796,737	2,268,143
Other Income	103,438	101,103	112,565	140,088	457,194
Profit before tax	317,397	538,538	590,974	805,028	2,251,937
Profit after tax	234,824	381,126	395,808	562,986	1,574,744
Gross Profit %	25.04	27.07	26.40	24.94	25.83
Net Profit %	18.77	18.47	17.43	17.62	17.93

Sales

Sales during the first and second quarter were affected due to the tumult caused by the issue of sales tax on tractors. The ding-dong state was finally settled when the government announced the scaling down of GST from 16% to 10% for the fiscal year 2014-2015.

Despite political disturbance and the floods in the country, the Company managed to increase its revenue in the third quarter.

The last quarter witnessed an upturn in sales as per the seasonal trend contributing 36% of the total revenue.

Gross Profit and Net Profit

The Company's profitability, gross and net, showed a notable growth during the last quarter i.e. 36% of total profit. In addition to cost controlling measures, appreciation in Pak Rupee against US Dollar also contributed for the same.



Dupont Analysis

Year	Return on Equity (ROE)	Financial Leverage (Total Assets / Owners' Equity)	Asset Turnover (Sales / Total Assets)	Profit Margin (Profit after tax / Sales)
	A*B*C	C	B	A
2014	18.41%	1.168	0.879	17.93%
2013	16.69%	1.196	0.943	14.81%
2012	24.17%	1.195	1.561	12.96%
2011	20.08%	1.264	1.182	13.44%
2010	30.00%	1.205	1.948	12.78%
2009	32.17%	1.362	2.136	11.06%

As illustrated above, operational efficiency of the company as measured in terms of profit margins have increased since 2009 backed on lean management and effective cost controls.

The asset use efficiency measured in terms of asset turnover has decreased since 2012 due to reduction in sales revenue on account of market uncertainty and increase in the rate of sales tax on tractors.

AGTL is a debt free Company. Change in financial leverage is due to increase in equity on account of profits retained in the business.

Direct Cash Flow Statement

CASH FLOW FROM OPERATING ACTIVITIES

2014 2013
Rupees '000

Cash receipts from customers	8,910,364	9,443,442
Cash paid to suppliers / service providers and employees	(7,438,665)	(7,480,121)
Workers Funds	(156,985)	(170,314)
Other operating income	-	-
Income tax paid	(674,444)	(570,752)
Sales tax refund / (payment)	428,342	(71,547)
Retirement benefits	29,202	3,524
Loans, deposits and other operating income - net	(19,182)	21,454
	<u>1,078,632</u>	<u>1,175,686</u>

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure	(104,872)	(71,518)
Proceeds from disposal of fixed assets	4,036	5,945
Purchase of investments	(248,000)	(2,014,427)
Proceeds from disposal of investments	1,900,159	75,425
(Placement in) / encashment of term deposits - net	(2,100,000)	2,100,000
Return on bank deposits	198,809	414,712
Decrease in long-term loans	7,202	11,895
	<u>(342,666)</u>	<u>522,032</u>

CASHFLOW FROM FINANCING ACTIVITIES

Dividend paid	(1,219,754)	(1,071,853)
---------------	-------------	-------------

Net (decrease) / increase in cash and cash equivalents	<u>(483,788)</u>	<u>625,865</u>
---	------------------	----------------

Cash and cash equivalents at beginning of the year	1,903,497	1,277,632
--	-----------	-----------

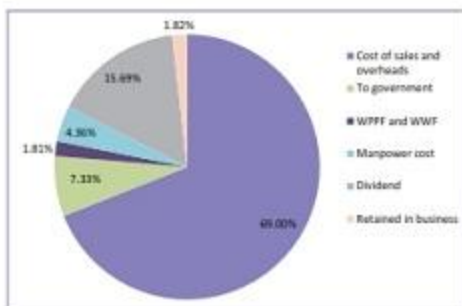
Cash and cash equivalents at end of the year	<u>1,419,709</u>	<u>1,903,497</u>
---	------------------	------------------

Statement of Value Addition

	2014		2013	
	Rs '000	%	Rs '000	%
Wealth Generated				
Sales	8,780,685	95%	9,262,626	96%
Other income	457,194	5%	402,283	4%
	<u>9,237,879</u>	<u>100%</u>	<u>9,664,909</u>	<u>100%</u>

Distribution of Wealth

Cost of sales & overheads (excluding remuneration)	6,373,824	69%	7,051,324	73%
To employees as remuneration	403,008	4%	401,309	4%
To government as tax	677,193	7%	651,804	7%
WPPF and WWF	166,900	2%	149,981	2%
To shareholders as dividend	1,449,105	16%	1,073,410	11%
Retained within the business	167,849	2%	337,081	3%
	<u>9,237,879</u>	<u>100%</u>	<u>9,664,909</u>	<u>100%</u>





Corporate Governance

The Board of Directors of Al-Ghazi Tractors Limited (AGTL) believes that sound corporate governance policies and practices provide an essential foundation to assist the Board in fulfilling its responsibilities. These guidelines and policies are regularly reviewed and improved where necessary to reinforce our corporate governance framework and to maintain its relevancy and currency. We also believe that it is important that our stakeholders know our governance policies and practices. Accordingly, we have set out our corporate governance policies in this section of the annual report.

In pursuit of the highest standards of governance, AGTL has embraced all of the Corporate Governance Reforms promulgated by its regulators. AGTL's corporate governance framework adheres to the guidelines of the Revised Code of Corporate Governance 2012.

Board of Directors

The Board is the apex body responsible and accountable for the long term success of the Company.

In addition to its statutory duties, the Board provides entrepreneurial leadership, sets strategic objectives, establishes and maintains a framework of prudent risk management and control, sets the Company's values and ethical standards and considers sustainability issues.

The Board has delegated some of its functions to its Committees. These Committees report to the Board and matters deliberated by the Committee are approved by the Board.

The Board has delegated management of the Company's resources to the Company's management under the leadership of the Chief Executive Officer (CEO). Clear definitions of authority limits, responsibilities and accountabilities are set to ensure efficient use of resources and to expedite decision making.

Board Composition

The Extra-Ordinary General Meeting (EOGM) for election of directors was held on December 06, 2014. As provided in the Company's Articles of Association, eight



directors were elected unopposed. The Directors believe in having members who can exercise judgement independently, in good faith and in the best interest of the Company. Hence, out of the

eight Directors, only the CEO, Mr. Parvez Ali and the CFO, Mr. Kashif Lawal are Executive Directors. To reinforce this believe, the Board is chaired by a Non-Executive Chairman, Mr. Charles Leonard Hunt.

Directors	Board Appointment	Board Committees	
		Audit Committee	Human Resource and Remuneration Committee
Charles Leonard Hunt (Chairman)	Non-Executive	Chairman	Chairman
Parvez Ali (CEO)	Executive		
M. Ali, Qasim (a)	Independent Non-Executive		
Kashif Lawal	Executive		
Majid-ul-Ahsan Syed (b)	Non-Executive	Member	Member
Giovanna Barbieri	Non-Executive	Member	Member
Michele Lombardi (c)	Non-Executive		
Damiano Creterola	Non-Executive		

(a) Appointed Board member and Chairman of the Audit Committee on Dec 06, 2014.

(b) Appointed HR&R Member on Dec 06, 2014.

(c) Appointed Board member on Dec 06, 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 of business leaders, professionals with financial audit, accounting, legal and human resource backgrounds and engineers. The Directors' academic and professional qualifications are shown on pages 21 to 24 of this Annual Report.

Board Effectiveness

The Board has access to complete, adequate and timely information and resources. A formal agenda is prepared for all Board meetings by the Company Secretary in consultation with the CEO / Chairman. The agenda and supporting documents are circulated to all directors at least seven days before the meeting.

The Board meets on a quarterly basis to review and approve the release of quarterly results. Ad-hoc

meetings may be convened as necessary to consider other specific matters. In addition to having meeting, decisions of the Board and its Committees may also be obtained via circular resolution. Schedule of all Board meetings and Annual General Meeting (AGM) for the next calendar year is planned in advance.

The Board has access to the CEO, members of the management and the Company Secretary at all times. The Company Secretary provides support to the Board and ensures that Board procedures and applicable rules and regulations are followed. 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 meetings and ensures that minutes are circulated within the stipulated time.

The attendance of directors is as follows:

Directors	Board Meetings		Audit Committee Meetings		Human Resource and Remunerations Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Charles Leonard Hunt (Chairman)	5	2			2	2
Parvez Ali (CEO)	5	5				
M. Ali, Galiyum	1	1				
Kashif Lawai	5	5				
Majid-ul-Ahsan Syed	5	5	4	4		
Giovanna Barbieri	5	2				
Michele Lombardi	1	-				
Damiano Cretarola	5	1	4	-		
Nasir Mahmood *	4	4	4	4	1	1
Stefano Pampaloni *	4	2				

* Did not seek re-election.

All Board meetings were held in Pakistan.

Board Training

As part of the Company's continuing education for all directors, the Company Secretary circulates to the Board, articles, reports and press releases relevant to the Company's business to keep all directors updated on industry issues and trends. Changes in regulations are also informed to the Board. The external auditors routinely update the Audit Committee

on new and revised financial reporting standards relevant to the Company.

As required by the Securities and Exchange Commission of Pakistan (SECP), which mandates Board members to required certification, the CEO, Mr. Parvez Ali and CFO, Mr. Kashif Lawai are Certified Directors from Pakistan Institute of Corporate Governance (PICG). The Company Secretary is also a Certified Director from PICG.

Role of Chairman and Chief Executive Officer

The role of Non-Executive Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and a greater capacity of the Board for independent decision making.

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 Evaluation

There is a formal process for appraisal of Board performance as a whole. Annual appraisals are carried out through a structured questionnaire addressing the following:

- Board's composition and structure;
- Board's access to information;
- Board's responsibility and performance;
- Board's interaction with management and key stakeholders;
- 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.

The evaluation and feedback are consolidated and presented to the Board, through the Human Resource and Remuneration Committee, for discussion on areas of strengths and weaknesses.

Performance Review of CEO

Board has an obligation to shareholders to ensure that the Company is led well. Evaluation of the CEO is therefore a continuous process and is formally taken up by the Board with reference to the "Responsibilities of the CEO" as formally approved by the Board.

At AGTL, the Board evaluated the CEO for his commitment to the Vision, Mission and Corporate Strategy which have kept the workforce motivated and committed to the Vision and Mission of the Company. The Board noted that the CEO promoted the corporate culture of ethics and accountability with effective decision making and development of human capital for the future aspiration of the Company. The CEO has a hands on approach to work and keeps the workforce energized commanding respect.

Rated among the Top Performing CEOs of Pakistan for the year 2014 witnessed handsome returns to the stakeholders. The Company's share value rose to an all time high of Rs 464.24 with a market capitalization of Rs. 26.9 billion. With its strong financial base, the year 2014 saw the Company declare its highest dividend. The Company was once again rated for its Corporate Performance winning the Corporate Excellence Award of the Management Association of Pakistan. The CEO promotes a better Board and oversees adherence to Corporate Governance.

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. Other directors may attend the meeting by invitation. Each committee operates under a written specific charter approved by the Board.

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

Management Committees

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

- Business Strategy Committee
- Finance and Investment Committee
- Enterprise Risk Management Committee
- Human Resource and Remuneration Committee
- Information and Technology Committee
- The Employee and Process Safety Committee
- Environmental Committee

The Board has approved charter for all these committees and discussions and decisions taken at these meetings are placed before the Board for perusal. These Committees met as per their charter.

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 was reported during 2014.

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 report case is considered and investigated. The whole process is looked after by the Audit Committee.

No cases of whistle blowing were reported in 2014.

The Company also has a policy on "Suggestion System", encouraging all employees to make suggestions. These are discussed and employees are often rewarded for their input.

Shareholder Rights and Responsibilities

The Company ensures that all shareholders are treated fairly and equitably. The Company is committed to ensuring that all shareholders have access to clear, reliable and meaningful information. The Company regularly communicates major developments in business operations to the stock exchanges, SECP, press releases, circulars to shareholders and placement of information on Company website. The Company also encourages shareholder participation at the general meetings of the shareholders.

All shareholders are invited to participate in the Company's general meeting in person or through proxy. The Chairman delivers a short presentation at each AGM to shareholders to update them on performance of the Company. Every matter requiring approval is proposed as a separate resolution. Shareholders present are given an opportunity to

clarify or direct questions on issues pertaining to the proposed resolution. The Board are in attendance to address these queries and obtain feedback from shareholders. External auditors are also present as required by law.

The Company's AGM was held on March 25, 2014. The following were approved by the shareholders:

- Financial statements for the year ended December 31, 2013;
- Declaration of final cash dividend @ Rs 15 per share;
- Appointment of M/s A.F. Ferguson & Co. as external auditors;
- Increase in the authorized share capital and
- Issue of bonus shares @ 35%.

The Extra Ordinary General Meeting (EOGM) for election of directors was held on December 06, 2014.

Investor relations policy and grievance programme

The Company is committed to maintain highest standards of corporate transparency and disclosure and believes that it should provide regular, effective and fair communication with its shareholders. An investor relation programme has been put in place to provide clear, timely and fair disclosure of information about the Company's business development and performance.

Shareholders are also welcome to seek any information that they may require by contacting the Company Secretary at the Head Office – Telephone Number 021-35600881-5. Information / complaints may also be sent in writing or through email. All efforts are made to provide the required information/ resolve their complaints on priority basis.

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.



Report of the Audit Committee

Composition

The Committee is appointed by the Board and at the year end comprised of three Non-Executive Directors:

Mr. M. Ali Qasim – Independent Non-Executive Chairman

Mr. Majid-ul-Ahsan Syed

Mr. Damiano Cretaroia

Mr. Nasir Mahmood who was previously the Chairman of the Audit committee did not seek re-appointment at the EOGM held on December 06, 2014.

The current Chairman of the Committee, Mr. M. Ali Qasim, an Independent Non-Executive Director is a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Chartered Accountants of England and Wales (ICAEW). The profile of members are given on pages 21 to 24.

The Board Secretary functions as the Secretary to the Committee.

Charter of the Committee

The terms of reference of the Committee are clearly defined in the Charter of the Committee, salient features of which are stated below:

- To recommend to the Board the appointment and removal of external auditors;
- To review quarterly, half-yearly and annual financial statements;
- To review the internal control systems and internal audit function;
- To monitor compliance of statutory requirements.

Meeting during 2014

The Audit Committee met four times during the year. The attendance of the members at these meetings is stated in the table on page 74 of the annual report. The Chief Financial Officer and the Chief Internal Auditor attended all meetings. The external auditor attends meetings when matters pertaining to their functions come up for consideration and attended two meetings

during the year.

Role of the Committee

The Audit Committee assists the Board to effectively carry out its supervisory oversight responsibilities on financial reporting and compliance, internal controls and risks, internal and external audit functions of the Company.

The Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2014 and reports that:

- The 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, 2014, 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, 2014 and shall retire on the conclusion of the 32nd 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 2015. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.



M. Ali Qasim
Chairman, Audit Committee
February 12, 2015



Report of the Human Resource and Remuneration Committee

Composition

The HR&R Committee appointed by and responsible to the Board comprises of three Non-Executive Directors:

Mr. Charles Leonard Hunt – Non-Executive Chairman

Mr. Majd-ul-Ahsen Syed

Mrs. Giovanna Barbieri

Mr. Nasir Mahmood, who was a member of the Committee did not seek re-appointment at the EOGM held on December 06, 2014.

The Board Secretary functions as the Secretary to the Committee.

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.

Meeting during 2014

The Committee met two times during the year. The attendance of the members at these meetings is stated in the table on page 74 of the annual report. The Chief Executive Officer attended the meeting by invitation.

Succession planning, remuneration policies, remuneration and benefits of key management and Board's performance evaluation were discussed during these meetings.



Charles Leonard Hunt
Chairman,
Human Resource and Remuneration Committee
February 12, 2015



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al-Ghazi Tractors Limited (the company) for the year ended December 31, 2014 to comply with the Code contained in regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code requires the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the company for the year ended December 31, 2014.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: March 10, 2015

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange, 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 independent non-executive directors. At present the Board includes:

Category	Names
Independent Director	Mr. M. Ali Qayum
Non-Executive Directors	Mr. Charles Leonard Hunt Mr. Majid-ul-Ahsan Syed Ms. Giovanna Barbieri Mr. Damiano Oretaria Mr. Michele Lombardi
Executive Directors	Mr. Parvez Ali Mr. Kashf Lwail

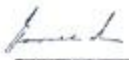
The independent director meets the criteria of independence under clause 5.19.1 (b) of the Rule Book of the Karachi Stock Exchange and under clause 1 (b) of regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange.

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 NBFI or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board.
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. Two directors have acquired certification under the Directors' Training Program. The training program for the remaining six directors is planned to be arranged till June 30, 2016.

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, of whom two are non-executive directors and the Chairman of the Committee is an independent director.
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 FAC 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.

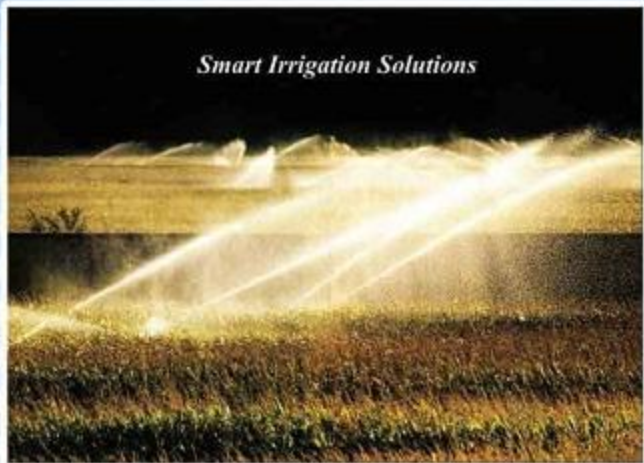
For and on behalf of the Board of Directors



PARVEZ ALI

Chief Executive Officer
Dated: February 12, 2015
Karachi

Smart Irrigation Solutions



Assembly Operations



Corporate Sustainability

Corporate Social Responsibility

AGTL's Corporate Social Responsibility (CSR) Framework establishes strategic and consistent approach for our investments. We focus on fostering environmental value as well as improving the living standards and quality of life of the communities we work with.

In line with the Mission of creating mutually beneficial relationships between the Company, stakeholders and the community, the Company has structured its CSR framework to achieve this objective, which covers the following aspects:

- Sound corporate activities
- Provision of valuable goods and services for society
- Respect for human beings
- Protection of environment
- Responsibility to society as a corporate citizen
- Transparent operating activities

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, a staff town has been built adjacent to the manufacturing plant full of amenities such as hospital, fair price shop, sports club etc. Utility Stores Corporation has now opened a store in the staff town for residents of the staff town.

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.

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. During 2014, 25 scholarships were offered.



Energy Conservation Measures

Considering the energy crisis being faced by the country and in an effort to reducing environmental impact, the Company has installed energy efficient roof tops in the plant, thus reducing the consumption of electricity with savings in energy cost. Further, burners in paint shops and tractor body line have been automated to ensure temperature control. The Company has also converted burners from HSD fuel to LDO fuel. This has resulted in fuel savings, thus reducing environmental impact and improving financial efficiency.

Other energy saving methods used includes replacement of tube lights with energy efficient lights and installation of flow meters on burners to regulate fuel consumption.

Environmental Protection Measures

AGTL is committed to transforming our operations towards reducing the environmental impact and protection of environment. Each year we add to the plantation at the AGTL Plant and staff town in DGK. In 2014, over 250 plants were planted adding to 3000+ trees which have been planted over the years. All employees and visiting dignitaries are encouraged to plant a tree.

Recognizing the importance of a paperless environment, efforts are made to maximize the use of digital storage and communication methods. Employees are also encouraged to reduce print jobs and to reuse paper.

In addition to the above, different methods are used to reduce waste. The principle is: Reduce, Re-use and Re-cycle.

- The assembly process at AGTL is such that no waste is produced through industrial metabolism.

- 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 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.

To align our environmental strategy with our products, the Company has improved the design of cylinder head and Fuel Injection Pumps used in its tractors to ensure fuel efficiency and minimize smoke.

Sustainable Agriculture

Recognizing that agricultural water is a non-renewal resource and that unsustainable irrigation system are resulting in undesirable burden on the agricultural economy, the Company offers "Smart Irrigation Solutions" for water conservation including Rain Guns, Sprinkler, Bubble System, Drip Irrigation system and Center Pivot System.

"The metrics here are pretty simple. About three quarters of the poor who live on these farms need greater productivity, and if they get that productivity we'll see the benefits in income, we'll see it in health, we'll see it in the percentage of their kids who are going off to school. These are incredibly measurable things." Bill Gates



The technology we offer will shift focus of attention from productivity per unit of land to productivity per unit of water – to get more from less.

**Where the Man
meets the Soil.**



Community Investment and Welfare Schemes

As a responsible corporate citizen, AGTL is committed to development and supporting the local community and local talent in what is otherwise a less developed area of DGK.

- The Company has a programme for induction of young diploma graduates from the DGK Polytechnique Institute. Special programmes are launched to customize learning and development.
- 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.
- The Company is proactive in providing internships to students of various institutions of the country as well as from other countries not only at the manufacturing plant in Dera Ghazi Khan but at all other locations.
- 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.



Consumer Protection Measures

AGTL's uncompromising commitment is to provide world-class tractors at the lowest price, to satisfy customers on consistent basis. The manufacturing plant is 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.



Our tractors are manufactured from non-hazardous material. We have discarded the use of all lead based paints. All manufacturing materials are procured from reputable suppliers and conform to our quality standards. All tractors are tested before delivery. Customer rights and privacy is important to AGTL. No complaints were received regarding breach of customer privacy. The Company offers two free after sales service for its tractors. Warranty period is one year or 1200 hours, whichever comes first.

Industrial Relations

The management and labour of AGTL enjoy cordial relations. Weekly meetings are held with Collective Bargaining Agent (CBA) to discuss and resolve all issues. AGTL is an equal opportunity employer.

Employment of Special Persons

AGTL utilizes the services of special persons for its production operations at DGK.

Health and Safety

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

'safely' by the customers, Health and Safety Policy covers an action plan for occupational safety.



occupational illness, conforming to labour laws for physical and psychological health of all employees, friendly working hours, provision of comprehensive insurance to all, ambulance service, dispensary service, provision of clean water through filtration plants, recreation facilities at the staff town, fire fighting, demarcation of emergency exits and twenty four hours security for the plant and residents of the staff town.

During 2014, civil defense training was organized, whereby senior civil defense officers delivered lecture on civil defence, health, safety, fire fighting and first aid.



A Dengue awareness programme has been launched. Employees were informed of the preventive measures against dengue virus and malaria fever. Pamphlets and charts have been displayed throughout the plant and staff town. Dengue spray was also arranged through Health Department DGK.

AGTL staff town is proud to be a polio free area. Like previous years, polio drops were administered to children in the staff town in 2014.

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. A whistle blowing policy is also in place to detect and deter wrongdoings. The Company also has a well documented harassment policy.

National Cause Donations and Contribution to National Exchequer

AGTL has contributed Rs. 844 million towards the national exchequer on account of government levies and taxes.

Rural Development Programme

The very purpose of setting up Al-Ghazi Tractors – a hub of manufacturing in Dera Ghazi Khan, was improvement in the economic and social conditions of

the rural population of the area. Al-Ghazi Tractors is thus a perfect example of launching rural diversification. Essentially a catalyst of the process of structural transformation, characterized by diversification of the economy away from agriculture, manufacturing activities of Al-Ghazi Tractors provide the basis for sustained and equitable economic growth of the area. This includes economic, social and human development.

Al-Ghazi Tractors has developed a whole scale industry that provides employment and employment generating activities, provides welfare services, marketing infrastructure and the impact of these activities has had a huge impact on transformation of the rural scene in the area. The benefits of the activities and developments at Al-Ghazi have trickled down to the rural masses.

Al-Ghazi has directly facilitated the process of siphoning surplus labour from agriculture to the manufacture sector and with its allied activities, Al-Ghazi provides gainful employment opportunities to the locals in fields as diverse as welding to painting to finance and to information technology.

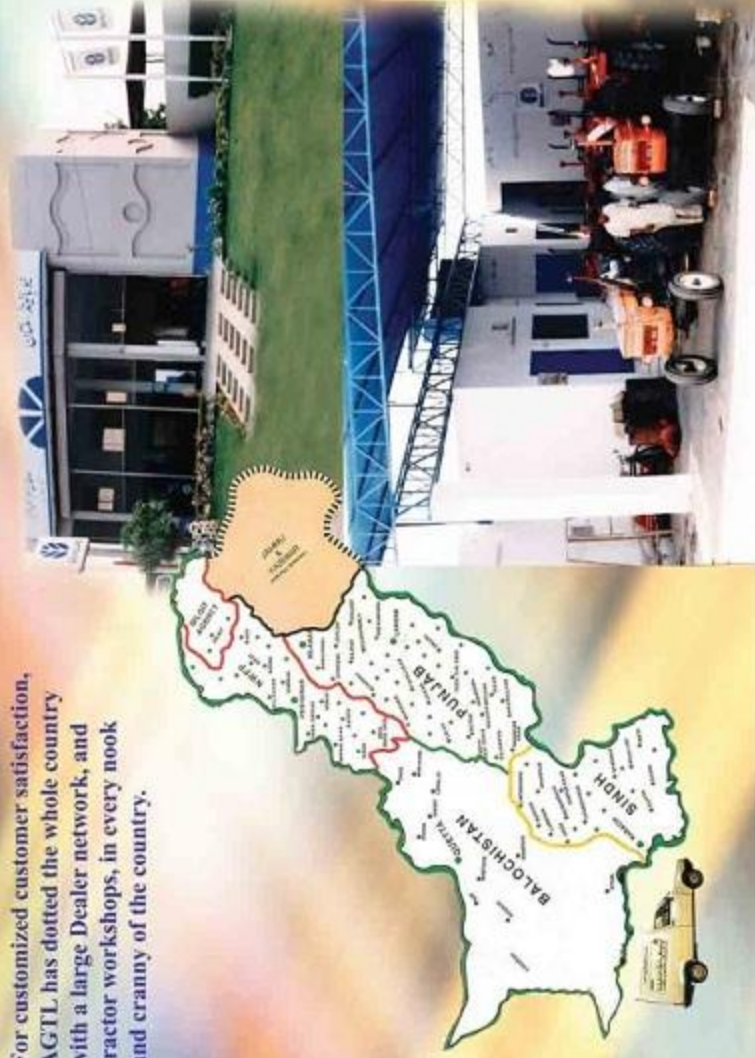
Al-Ghazi has paved the way for generation of new indigenous technologies such as the High Efficiency Irrigation Systems giving rise to further employment opportunities and production of wage goods. Besides testing rural development pattern, Al-Ghazi has concentrated on Human development with training and scholarships and development of infrastructure.

Al-Ghazi has contributed to building a self-reliant society with a scientific bent through a system that trains our manpower for specific requirements in technology, engineering, administration, management and marketing etc.

What was once a buccolic area is now an industrial hub, that has prevented the march of the desert with its investments in horticulture, and which with its expanding industrial throughput has contributed to employment at the doorstep of the area thus decelerating migration to urban centres.

A REPUTATION CARRIES RESPONSIBILITY

For customized customer satisfaction, AGTL has dotted the whole country with a large Dealer network, and tractor workshops, in every nook and cranny of the country.



A close-up photograph of a human hand holding a single, green wheat spike. The spike is oriented vertically, with its base at the bottom and its head at the top. The wheat grains are still green and unripe, arranged in a neat, overlapping pattern along the central rachis. Long, thin, golden-brown awns radiate outwards from the spike, creating a starburst effect. The background is a soft-focus field of similar wheat plants. In the bottom right corner, the text "As ye SOW..." is written in a white, serif font.

As ye
SOW...



As ye
SOW...



Notice of Annual General Meeting

Notice is hereby given that the 32nd Annual General Meeting of Al-Ghazi Tractors Limited will be held on Wednesday, April 22, 2015 at 15:00 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, 2014.
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, 2015 and to fix their remuneration. The retiring

Auditors M/s. A. F. Ferguson & Co. being eligible, offer them selves for reappointment.

By Order of the Board



SOBIA ZUBAIR
COMPANY SECRETARY
March 27, 2015
Karachi

NOTES:

1. The share transfer books of the Company will remain closed from April 15, 2015 to April 22, 2015 (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 April 14, 2015 will be treated in time for the purpose of entitlement of dividend to the transferees.
2. 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.
3. CDC shareholders 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, or in case of a foreigner, copy of Passport, are requested to send the same to the Share Registrar of the Company at the earliest.
6. The SECP has initiated e-dividend mechanism through its letter No: 8(4) SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend, shareholders are requested to provide details of their bank mandate specifying (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address.

7. The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the company. The tax rates are as under

- For filers of income tax returns: 10%
- For non-filers of income tax returns: 15%

In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder. In this regard shareholders are requested to provide shareholding proportions alongwith the CNIC Nos. of Principal shareholder and Joint shareholder(s) in respect of shares held by them to our Share Registrar in writing by April 14, 2015, or if no notification is received, each joint holder shall be assumed to have an equal number of shares.

To enable the Company to make tax deduction on the amount of cash dividend, shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL, otherwise tax on their dividend will be deducted @ 15% instead @10%. Corporate shareholders are requested to send a copy of their NTN to the Share Registrar or their participant in case of CDC accounts.





Investor Relations

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, AGTL aims to provide investors with accurate, reliable and meaningful information on the Company in order to make informed investment decisions. The investor relations page on the Company's website is the key source of information for the investment community. Apart from financial results, the website, www.alghazitractors.com, has other investor related information including Company profile, annual and quarterly reports, major announcements and information on the float shares.

Shareholding Information

The Company is listed on Karachi and Lahore Stock Exchanges. The share symbol is AGTL.

The share capital of the Company is Rs. 289.6 million. With a base price of Rs 5 per share, the total number of the shares is 57,964,201.

There are 2,063 shareholders which are listed as follows:

Al-Furqan Industries Company	28,992,706 shares = 50.02%
CNH Industrial N.V.	25,022,379 shares = 43.17%
Directors	1,421 shares = 0.002%
Companies and corporations	911,128 shares = 1.57%
Individual and others	3,036,568 shares = 5.24%
Total	57,964,201 shares = 100%

Dividend Policy

AGTL has a long history of paying rich dividends. The dividend policy is in the best interest of the Company, the shareholders and the stakeholders.

Pursuing a sound policy of creating a strong foundation for the growth of the Company, the management has been reinvesting the profit into the business. AGTL's equity now stands at Rs. 8.6 billion. The Company's five rupee share is without any doubt the top stock of the Auto and Industrial Engineering sector of Pakistan.

Annual General Meeting

The Annual General Meeting of the Company will be held at Hotel Ramada Plaza, Karachi on April 22, 2015 at 15:00 hrs.

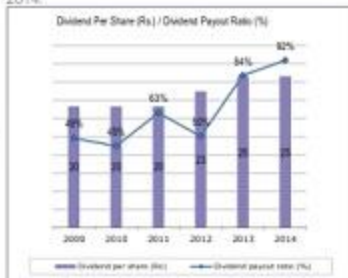
Dividend Payments during the Year

Final dividend for the year 2013 was paid on April 3, 2014 @ Rs 15 per share i.e. 300%.

Interim dividend for the year 2014 was paid on November 21, 2014 @ 10 per share i.e. 200%.

The final dividend for the year 2014 will be paid by May 22, 2015 to shareholders registered in the books of the Company at the close of business on April 14, 2015. The Board of Directors have recommended final dividend of Rs 15 per share. Thus making a total cash

dividend of 500% i.e. Rs 25 per share for the year 2014.



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

Investor Relation's Calendar

2014 annual financial results	February 12, 2015
2014 Annual General Meeting	April 22, 2015
Book closure dates for 2014 final dividend	April 15, 2015 to April 22, 2015
Payment of final dividend	May 22, 2015
2015 first quarterly report	April 22, 2015
2015 second quarterly report	July 29, 2015
2015 third quarterly report	October 22, 2015
2015 annual financial results	February 10, 2016

Dates are subject to change.

Pattern of Share Holding

As At December 31, 2014

Number of Shareholders	From	Size of Shareholding Rs. 5 each	To	Total Shares Held
680	1	100	Shares	25,112
584	101	500	Shares	160,835
301	501	1,000	Shares	229,178
360	1,001	5,000	Shares	772,063
57	5,001	10,000	Shares	413,017
26	10,001	15,000	Shares	327,443
14	15,001	20,000	Shares	247,514
8	20,001	25,000	Shares	180,527
5	25,001	30,000	Shares	138,521
3	30,001	35,000	Shares	95,200
2	40,001	45,000	Shares	84,002
2	50,001	55,000	Shares	101,924
1	65,001	70,000	Shares	65,000
1	70,001	75,000	Shares	70,256
1	80,001	85,000	Shares	81,000
1	85,001	90,000	Shares	86,000
1	100,001	105,000	Shares	100,785
1	105,001	110,000	Shares	105,718
1	110,001	115,000	Shares	110,262
1	145,001	150,000	Shares	147,900
1	405,001	410,000	Shares	406,860
1	25,020,001	25,025,000	Shares	25,022,379
1	28,990,001	28,995,000	Shares	28,992,705
2,053				57,964,201

Categories of Shareholders

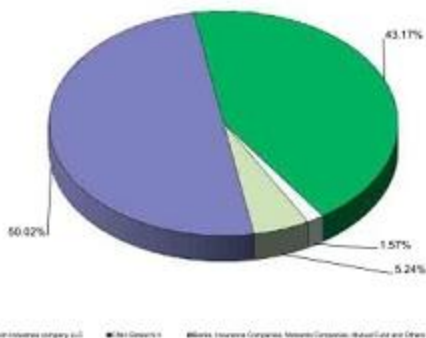
Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	593	472,375	0.81%
2-	Financial Institutions	3	3,149	0.01%
3-	Associated Companies	2	54,015,084	93.19%
4-	Others	7	21,012	0.04%
5-	Central Depository Company (b)	1,448	3,452,581	5.96%
		2,053	57,964,201	100.00%

(b) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2014

Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	1405	2,565,614	4.43%
2-	Investment Companies	1	1,350	0.00%
3-	Insurance Companies	7	592,530	1.02%
4-	Joint Stock Companies	23	177,172	0.31%
5-	Financial Institutions	2	8,645	0.01%
6-	Modoraba Companies	1	675	0.00%
7-	Mutual Fund	5	68,190	0.12%
8-	Others	4	38,405	0.07%
		1448	3,452,581	5.96%

Share Holding Information

Categories of Shareholders	No. of Shareholders	No. of Shares Held
Directors, CEO and their spouses and minor children:		
Mr. Parvez Ali - CEO	1	371
Mr. Muhammad Ali Qayyum - Independent Director	1	1,050
Associated companies:		
Al-Futtaim Industries company LLC	1	28,992,705
CHN Industrial N.V.	1	25,022,379
Banks, Development Financial Institution, Non Banking Financial Institution	5	9,499
Insurance Companies	7	592,530
Mediaraba Companies	1	875
Mutual Fund:		
CDC - Trustee Alfalah Ghp Value Fund	1	15,660
CDC - Trustee Alfalah Ghp Islamic Fund	1	9,800
CDC - Trustee First Habib Stock Fund	1	18,100
CDC-Trustee First Habib Islamic Balanced Fund	1	12,400
CDC - Trustee First Capital Mutual Fund	1	12,090
Others	35	240,234
Individuals & Others		
Local	1096	3,036,568
Foreign	-	-
Shareholders holding 10% or more voting interest:		
Al-Futtaim Industries company LLC	1	28,992,705
CHN Industrial N.V.	1	25,022,379



A close-up photograph of a financial document. In the foreground, a silver and black ballpoint pen lies diagonally across a table of numbers. The table contains several rows of numerical data, some of which are bolded. To the right of the table, a small bar chart with five vertical bars of increasing height is visible. In the background, a line graph with a jagged, fluctuating line is partially visible. A portion of a calculator with black buttons is seen in the top left corner. The overall scene suggests a professional or academic setting related to finance or data analysis.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2014 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 includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2014 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: March 10, 2015

Engagement Partner: Syed Fahim ul Hasan

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 29-C, Anis Avenue, Canal Bank, Gulberg V, P.O. Box 56, Lahore-54160, Pakistan; Tel: +92 (42) 35713864-70; Fax: +92 (42) 35713879
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fard-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 3279452-60; Fax: +92 (51) 3279456
Kohat: Apartment No. 3, 3rd Floor, Dost Tower, Iqbal Tashkent Square, Sher-e-Nas, Kohat, Afghanistan; Tel: +93 (773) 313320, +93 (773) 313320

BALANCE SHEET

AS AT DECEMBER 31, 2014

	Note	2014	2013
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	466,751	404,433
Long-term investment	4	42,800	44,800
Long-term loans	5	342	7,544
Long-term deposits		1,789	1,789
		<u>511,682</u>	<u>458,566</u>
CURRENT ASSETS			
Stores and spares	6	35,962	15,649
Stock-in-trade	7	2,160,349	1,693,249
Trade debts	8	13,796	166,306
Loans and advances	9	78,796	73,393
Short-term deposits and prepayments	10	32,219	1,450
Accrued mark-up	11	33,986	3,525
Other receivables	12	6,149	11,457
Taxation		-	30,669
Refunds due from the Government	13	1,281,074	1,709,416
Investments	14	1,909,970	3,354,256
Cash and bank balances	15	3,924,709	2,308,497
		<u>9,477,010</u>	<u>9,367,867</u>
TOTAL ASSETS		<u>9,988,692</u>	<u>9,826,433</u>
SHARE CAPITAL AND RESERVES			
Share capital	16	289,821	214,682
Reserves	17	8,261,674	8,004,277
		<u>8,551,495</u>	<u>8,218,959</u>
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		32,106	31,656
Staff retirement benefit	33	29,929	1,177
Deferred taxation	18	25,870	36,747
		<u>87,905</u>	<u>69,580</u>
CURRENT LIABILITIES			
Taxation		1,476	-
Trade and other payables	19	1,347,816	1,537,894
TOTAL LIABILITIES		<u>1,437,197</u>	<u>1,607,474</u>
COMMITMENTS			
	20		
TOTAL EQUITY AND LIABILITIES		<u>9,988,692</u>	<u>9,826,433</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Chairman



Chief Executive

PROFIT AND LOSS ACCOUNT

FOR THE YEAD ENDED DECEMBER 31,2014

	Note	2014 Rupees in thousand	2013
Sales	22	8,780,685	9,262,626
Cost of goods sold	23	(6,512,542)	(7,193,257)
Gross profit		<u>2,268,143</u>	<u>2,069,369</u>
Distribution cost	24	(101,463)	(125,208)
Administrative expenses	25	(203,668)	(172,773)
		<u>1,963,012</u>	<u>1,771,388</u>
Other income	26	457,194	402,283
Other operating expenses	27	(166,900)	(149,981)
		<u>2,253,306</u>	<u>2,023,690</u>
Finance cost	28	(1,369)	(396)
Profit before taxation		<u>2,251,937</u>	<u>2,023,294</u>
Taxation	29	(677,193)	(651,804)
Profit after taxation		<u>1,574,744</u>	<u>1,371,490</u>
Earnings per share	30	<u>Rs 27.17</u>	<u>Rs 23.66</u>

The annexed notes 1 to 42 form an integral part of these financial statements.


 Chairman


 Chief Executive

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAD ENDED DECEMBER 31,2014

	2014	2013
	Rupees in thousand	
Profit after taxation	1,574,744	1,371,490
Other comprehensive income:		
Items that will not be reclassified to Profit or Loss		
Remeasurements of post employment benefit obligations	(28,007)	(8,232)
Impact of deferred tax	9,488	2,799
	(18,519)	(5,433)
Items that may be subsequently reclassified to Profit or Loss	-	-
Total comprehensive income for the year	<u>1,556,225</u>	<u>1,366,057</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Chairman



Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014 Rupees in thousand	2013 Rupees in thousand
CASH FLOW FROM OPERATIONS			
Cash generated from operations	31	1,752,626	1,742,914
Income tax paid		(674,444)	(570,752)
Increase in deferred staff benefits - compensated absences		450	3,524
Net cash from operating activities		1,078,632	1,175,686
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(104,872)	(71,518)
Proceeds from disposal of fixed assets		4,036	5,945
Purchase of investments		(248,000)	(2,014,427)
Proceeds from disposal of investments		1,900,159	75,425
(Placement in) / encashment of term deposits - net		(2,100,000)	2,100,000
Return on bank deposits		198,809	414,712
Decrease in long-term loans		7,202	11,895
Net cash (used in) / from investing activities		(342,666)	522,032
CASH FLOW FROM FINANCING ACTIVITY			
Dividend paid		(1,219,754)	(1,071,853)
Net (decrease) / increase in cash and cash equivalents		(483,788)	625,865
Cash and cash equivalents at beginning of the year		1,903,497	1,277,632
Cash and cash equivalents at end of the year	32	<u>1,419,709</u>	<u>1,903,497</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Chairman



Chief Executive

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

	Share capital	General reserve	Unappropriated profit	Total
	Rupees in thousand			
Balance as at January 1, 2013	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 January 1, 2014	214,682	1,000,000	7,004,277	8,218,959
Final dividend @ Rs 15 per share for the year ended December 31, 2013	-	-	(644,047)	(644,047)
Interim dividend @ Rs 10 per share for the year ended December 31, 2014	-	-	(579,642)	(579,642)
Issue of 35 bonus shares for every 100 shares held	75,139	-	(75,139)	-
Total comprehensive income for the year ended December 31, 2014				
Profit for the year ended December 31, 2014	-	-	1,574,744	1,574,744
Other comprehensive loss for the year ended December 31, 2014	-	-	(18,519)	(18,519)
	-	-	1,556,225	1,556,225
Balance as at December 31, 2014	289,821	1,000,000	7,261,674	8,551,495

The annexed notes 1 to 42 form an integral part of these financial statements.



Chairman



Chief Executive

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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, generators, implements and spare parts.

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

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, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matter involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements are provision for taxation and provision for staff retirement benefit.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgements made by the Company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.1.1 Changes in accounting standards, interpretations and pronouncements**a) New and amended standards and interpretations that are effective in the current year**

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2014 and are considered to be relevant to the Company's operations.

IFRIC 21, 'Levies' a new interpretation is applicable for the Company for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses the obligating event that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subject to significant levies so the impact on the Company is not material.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard does not have any impact on the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will not significantly affect the determination of fair value and its related disclosures in 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.

The cost of leasehold land is amortised over the period of lease. Depreciation on all other assets is charged to profit and loss account applying straight-line method whereby the cost of an asset less residual value is written off over its estimated useful life. The useful life of the assets as estimated by the management is as follows:

- Leasehold land	99 years
- Building	40 years
- Plant and machinery	10 years
- Furniture and fixtures	4 - 10 years
- Office equipment	10 years
- Computer hardware	3 years
- Vehicles	4 years
- Factory equipments and tools	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal / retirement of fixed assets are included in profit and loss account.

2.4 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and the resulting impairment is charged to profit and loss account.

2.5 Loans, deposits and other debts

These are initially measured at cost which is the fair value of the consideration given and are subsequently measured at amortised cost.

2.6 Taxation

Current

Provision for current tax is based on the taxable income at the current rates of taxation after taking into account tax credits available, if any, in accordance with the prevailing income tax laws.

Deferred

Deferred tax is accounted for using the liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

2.7 Stores and spares

These are valued at average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.8 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined on moving average method except for stock-in-transit which is valued at invoice value plus other charges incurred thereon.

Cost of finished goods includes prime cost and appropriate portion of manufacturing expenses.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

2.9 Trade Debts

Trade debts are valued at invoice value, being the fair value and subsequently measured at amortised cost. Provision is made against debts considered doubtful of recovery.

2.10 Investments

Investments of the Company are classified into the following categories:

(i) Held to maturity

These are investments with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity. These are stated at amortised cost.

(ii) Investments at fair value through profit and loss account

These are investments designated at fair value through profit and loss account at inception. Investments in this category are classified as current assets if they are expected to be realised within twelve months of the balance sheet date.

'Investments at fair value through profit and loss account' are recognised at fair value and changes in fair value are taken to profit and loss account.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques, demand drafts in hand and balances with banks on current accounts and deposit accounts.

2.12 Staff retirement benefits

(i) Defined benefit plan

The Company operates an approved funded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme.

Contributions to the gratuity scheme are based on actuarial recommendations. The latest actuarial valuation of the scheme was carried out as at December 31, 2014 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.

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

2.17 Foreign currencies

Assets and liabilities in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating to those prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

2.18 Revenue recognition

Sales are recorded on despatch of goods to customers.

Return on deposits and investments is recognised on accrual basis.

2.19 Borrowing costs

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

2.20 Dividend distribution

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

Note 2014 2013
Rupees in thousand

3. FIXED ASSETS

3.1 PROPERTY, PLANT AND EQUIPMENT

Operating assets	3.2	369,412	383,277
Capital work-in-progress - civil work		97,128	21,025
Intangible assets	3.3	211	131
		<u>466,751</u>	<u>404,433</u>

3.2 Operating assets

	Land		Building		Plant and machinery	Furniture and fixtures	Office equipment	Computer hardware	Vehicles	Factory equipment and tools	Total
	Freehold	Lease hold	on freehold land	on lease hold land							
Rupees in thousand											
Net carrying value basis											
Year ended December 31, 2014											
Opening net book value	4,334	79,422	156,994	5,512	98,181	2,326	420	1,987	21,094	14,347	383,277
Additions	-	-	-	-	5,144	797	46	1,586	17,655	3,420	28,558
Deletions:											
Cost	-	-	-	-	-	913	-	83	18,258	-	17,255
Accumulated depreciation	-	-	-	-	-	(568)	-	(83)	(16,258)	-	(16,911)
	-	-	-	-	-	344	-	-	-	-	344
Amortisation / depreciation charge	-	(525)	(5,876)	(244)	(19,761)	(733)	(116)	(1,395)	(11,058)	(2,895)	(42,078)
Closing net book value	4,334	77,597	151,588	5,268	83,564	1,956	356	2,178	27,689	14,882	369,412
Gross carrying value basis											
At December 31, 2014											
Cost	4,334	81,599	219,286	9,778	258,214	8,725	3,749	19,216	79,962	58,718	730,521
Accumulated amortisation / depreciation	-	(4,002)	(67,698)	(4,510)	(172,650)	(6,769)	(3,393)	(17,038)	(42,213)	(41,836)	(361,189)
Net book value	4,334	77,597	151,588	5,268	83,564	1,956	356	2,178	27,689	14,882	369,412
Net carrying value basis											
Year ended December 31, 2013											
Opening net book value	3,854	79,249	136,318	5,757	96,829	2,256	533	987	21,645	14,217	361,743
Additions	480	-	25,010	-	18,748	991	-	1,850	11,182	2,851	62,011
Deletions:											
Cost	-	-	-	-	2,655	659	-	-	8,605	-	11,949
Accumulated depreciation	-	-	-	-	(2,655)	(408)	-	-	(7,211)	-	(10,334)
	-	-	-	-	-	171	-	-	1,394	-	1,565
Amortisation / depreciation charge	-	(527)	(4,862)	(245)	(18,494)	(750)	(113)	(950)	(10,358)	(2,521)	(38,912)
Closing net book value	4,334	79,422	156,994	5,512	98,181	2,326	420	1,987	21,094	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	89,508	53,298	719,218
Accumulated amortisation / depreciation	-	(3,177)	(62,292)	(4,266)	(152,889)	(6,605)	(3,283)	(15,726)	(48,422)	(38,951)	(325,941)
Net book value	4,334	79,422	156,994	5,512	98,181	2,326	420	1,987	21,094	14,347	383,277

3.2.1 Details of fixed assets disposed of during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Purchaser
	Rupees in thousand					
Furniture and fixtures	205	47	158	162	Company Policy	Mr. Mansoor Alam - General Manager Material Management
Furniture and fixtures	92	36	56	56	Company Policy	Mr. Khurshid Majeed - Senior Manager Quality
Furniture and fixtures	205	111	94	94	Company Policy	Mr. Abdul Rashid - General Manager
Aggregate of assets disposed of having book value less than Rs 50,000 each:						
Furniture and fixtures	411	375	36	36		
Vehicles	16,259	16,259	-	3,685		
Computer	83	83	-	-		
	<u>17,255</u>	<u>16,911</u>	<u>344</u>	<u>4,035</u>		

2014 2013
Rupees in thousand

3.3 INTANGIBLE ASSETS
Net Carrying value basis

Opening net book value	131	125
Additions	211	95
Amortisation	(131)	(89)
Closing net book value	<u>211</u>	<u>131</u>

Gross Carrying value basis

Cost	6,714	6,502
Accumulated amortisation	(6,503)	(6,371)
Net book value	<u>211</u>	<u>131</u>
Remaining useful life in years	<u>1.5</u>	<u>1.6</u>

4. LONG-TERM INVESTMENT

Held to maturity - Certificate of Investment (COI)	54,800	56,800
Current maturity of investment	(12,000)	(12,000)
	<u>42,800</u>	<u>44,800</u>

- 4.1** 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 2 million (2013: Rs 11 million) against the outstanding principal amount.

	Note	2014	2013
		Rupees in thousand	
5. LONG-TERM LOANS			
Loans to employees		342	616
Dealer car loans		-	6,928
		<u>342</u>	<u>7,544</u>
6. STORES AND SPARES			
Stores		21,972	8,259
Spares		13,990	7,390
		<u>35,962</u>	<u>15,649</u>
7. STOCK-IN-TRADE			
Raw materials and components – including in transit Rs 272.03 million (2013: Rs 109.66 million)		1,829,670	1,673,338
Finished goods – tractors and generators	7.1	318,342	8,866
Trading stock – spare parts and implements		12,337	11,045
		<u>2,160,349</u>	<u>1,693,249</u>
7.1	The above includes a tractor of Rs 0.701 million (2013: raw materials and components of Rs 0.701 million) held by a third party (dealer).		
		2014	2013
		Rupees in thousand	
8. TRADE DEBTS – considered good			
Secured		4,023	20,936
Unsecured		9,773	145,370
		<u>13,796</u>	<u>166,306</u>
8.1	The age analysis of trade debts is as follows:		
Not yet due		-	7,711
1 to 6 months		10,577	139,345
6 to 12 months		1,075	19,250
More than 1 year		2,144	-
		<u>13,796</u>	<u>166,306</u>

	Note	2014	2013
		Rupees in thousand	
9. LOANS AND ADVANCES – considered good			
Loans to employees	9.1	931	1,543
Dealer car loans	9.2	6,334	11,873
Advances to suppliers for goods and services		71,531	59,977
		<u>78,796</u>	<u>73,393</u>
9.1	This represents current portion of interest free loans given to employees under employee loan schemes to facilitate purchase of domestic appliances and motor cycles. The said loans are repayable over a period of 24 to 36 months and are secured against provident fund balances.		
9.2	This represents current portion of loans given by the Company to finance the purchase of cars by dealers. The amount is repayable in 48 monthly 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	2014	2013
		Rupees in thousand	
10. SHORT-TERM DEPOSITS AND PREPAYMENTS			
Margin against Letter of credit		31,502	804
Prepayments		717	646
		<u>32,219</u>	<u>1,450</u>
11. ACCRUED MARK-UP			
Mark-up accrued on bank deposits		<u>33,986</u>	<u>3,525</u>
12. OTHER RECEIVABLES			
Due from Workers' Profits Participation Fund	12.1	6,028	11,336
Others		121	121
		<u>6,149</u>	<u>11,457</u>
12.1 Workers' Profits Participation Fund			
At beginning of the year		11,336	5,667
Allocation for the year		(120,942)	(108,664)
		<u>(109,606)</u>	<u>(102,997)</u>
Less: Amount paid during the year		115,634	114,333
		<u>6,028</u>	<u>11,336</u>

	Note	2014	2013
		Rupees in thousand	
13. REFUNDS DUE FROM THE GOVERNMENT			
Sales tax		1,032,107	1,460,449
Special excise duty		248,967	248,967
		<u>1,281,074</u>	<u>1,709,416</u>
14. INVESTMENTS			
Held to maturity - Certificate of Investment	4	12,000	12,000
Investments at fair value through profit and loss account	14.1	1,897,970	3,342,256
		<u>1,909,970</u>	<u>3,354,256</u>

- 14.1** These represent investments in open ended quoted mutual funds. The fair value of these investments is based on quoted market price prevailing at the balance sheet date. The details of investments are as follows:

Units			2014	2013
2014	2013		Rupees in thousand	
23,323,258	41,641,071	ABL Cash Fund	244,057	416,731
771,659	2,672,692	Askari Sovereign Cash Fund	80,866	269,406
1,098,673	568,125	First Habib Cash Fund	114,762	56,871
3,335,253	6,060,802	HLB Money Market Fund	349,110	612,688
1,869,217	3,713,046	MCB-Cash Management Optimizer	194,993	371,495
4,646,165	9,409,221	Meezan Cash Fund	241,182	471,308
3,251,467	2,032,592	Meezan Sovereign Fund	168,393	102,443
34,133,698	61,571,424	NAFA Money Market Fund	356,919	616,442
1,425,002	4,208,510	Al-Ameen Islamic Sovereign Fund (formerly UBL Islamic Sovereign Fund)	147,688	424,872
<u>73,854,392</u>	<u>131,877,483</u>		<u>1,897,970</u>	<u>3,342,256</u>

	Note	2014	2013
		Rupees in thousand	
15. CASH AND BANK BALANCES			
With banks on			
- Current accounts		1,008,179	91,784
- Deposit accounts	15.1	2,695,551	1,730,544
Cash in hand		171	234
Demand drafts in hand		220,808	485,935
		<u>3,924,709</u>	<u>2,308,497</u>

- 15.1** At December 31, 2014, the mark-up rates on PLS savings and term deposit accounts range from 7.25% to 10.25% per annum (2013: 6% to 10% per annum). The term deposits will mature in 2015.

2014 2013
Rupees in thousand

16. SHARE CAPITAL
16.1 Authorised Share Capital

120,000,000 ordinary shares of Rs. 5 each (2013: 60,000,000 ordinary shares of Rs. 5 each)	<u>600,000</u>	<u>300,000</u>
---	----------------	----------------

- 16.1.1** During the year, the Company increased its authorised share capital from 60,000,000 ordinary shares of Rs. 5 each to 120,000,000 ordinary shares of Rs. 5 each pursuant to special resolution passed by the members at Annual General Meeting held on March 25, 2014.

16.2 Issued, subscribed and paid up capital

Ordinary shares of Rs 5 each			2014	2013
2014	2013		Rupees in thousand	
4,500,000	4,500,000	Shares allotted for consideration paid in cash	22,500	22,500
53,464,201	38,436,445	Shares allotted as bonus shares	<u>267,321</u>	<u>192,182</u>
<u>57,964,201</u>	<u>42,936,445</u>		<u>289,821</u>	<u>214,682</u>

16.3 Movement in Issued, subscribed and paid-up capital

Ordinary shares of Rs 5 each			2014	2013
2014	2013		Rupees in thousand	
42,936,445	42,936,445	Opening shares outstanding	214,682	214,682
15,027,756	-	Bonus shares allotted	75,139	-
<u>57,964,201</u>	<u>42,936,445</u>		<u>289,821</u>	<u>214,682</u>

- 16.4** During the year, the Company issued bonus shares in the ratio of 35 shares for every 100 shares held.

- 16.5** As at December 31, 2014 Al-Futtaim Industries Company LLC, U.A.E., the holding company and CNH Global N.V., Netherlands, an associated company held 28,992,705 (2013: 21,476,078) and 25,022,379 (2013: 18,535,096) shares of Rs. 5 each respectively.

	Note	2014 Rupees in thousand	2013
17. RESERVES			
Revenue reserve - General		1,000,000	1,000,000
Unappropriated profit		7,261,674	7,004,277
		<u>8,261,674</u>	<u>8,004,277</u>
18. DEFERRED TAXATION			
Credit / (Debit) balance arising on account of			
- accelerated tax depreciation allowances		46,483	47,398
- deferred staff benefits - compensated absences		(11,237)	(10,763)
- staff retirement benefits		(9,376)	112
		<u>25,870</u>	<u>36,747</u>
19. TRADE AND OTHER PAYABLES			
Creditors		986,316	1,078,988
Accrued liabilities		34,179	198,395
Customers' and dealers' advances		36,010	58,841
Dividend payable	19.1	27,987	24,052
Deposits		30,507	35,032
Taxes deducted at source		14,236	10,988
Workers' Welfare Fund		54,205	49,598
Royalty payable to CNH Global N.V.		133,612	45,479
Others		30,764	36,521
		<u>1,347,816</u>	<u>1,537,894</u>
19.1	This includes unclaimed dividend amounting to Rs 22.56 million (2013: Rs 22.71 million).		
20. COMMITMENTS			
Commitments for capital expenditure outstanding as at December 31, 2014 amounted to Rs 1.06 million (2013: Rs 10.24 million).			
21. UNFUNDED BANKING FACILITIES			
The facilities for opening letters of credit and guarantees as at December 31, 2014 amounted to Rs 2.65 billion (2013: Rs 3.20 billion) of which unutilised balance at year end amounted to Rs 2.39 billion (2013: Rs 2.36 billion).			
The above arrangements are secured by way of pari-passu charge against hypothecation of Company's stock-in-trade and book debts.			

22. SALES

	2014			2013		
	Tractors	Trading goods	Total	Tractors	Trading goods	Total
	Rupees in thousand					
Local sales	9,753,637	112,511	9,866,148	10,221,545	77,939	10,299,484
Export sales	73,653	11,967	85,640	36,834		36,834
	9,827,290	124,478	9,951,768	10,258,379	77,939	10,336,318
Less: Commission and discounts	(109,227)	(690)	(110,107)	(135,642)	(1,336)	(136,978)
Sales Tax	(1,046,139)	(14,657)	(1,060,996)	(929,332)	(7,382)	(936,714)
	(1,155,366)	(15,737)	(1,171,103)	(1,064,974)	(8,718)	(1,073,692)
	8,671,924	108,741	8,780,665	9,193,405	68,221	9,261,626

23. COST OF GOODS SOLD

2014 2013
Rupees in thousand

Manufactured goods		
Raw materials and components consumed	6,243,344	6,584,131
Salaries, wages and benefits	177,966	199,563
Charge for defined benefit plan	2,913	2,563
Charge for defined contribution plan	2,508	2,703
Stores and supplies	135,756	143,360
Royalty and technical fee	88,133	91,183
Insurance	2,636	2,540
Depreciation	31,350	29,035
Fuel, power and electricity	42,401	43,774
Repairs and maintenance	25,949	26,960
Travelling, vehicle running and entertainment	4,573	7,238
Rent, rates and taxes	2,978	2,951
Communication	864	873
Printing and stationery	1,659	2,767
Others	3,653	3,559
Cost of goods manufactured	6,766,683	7,143,200
Opening stock of finished goods	8,866	16,288
Closing stock of finished goods	(318,342)	(8,866)
	6,457,207	7,150,622
Trading goods		
Opening stock	11,045	3,818
Purchases	56,627	49,862
	67,672	53,680
Closing stock	(12,337)	(11,045)
	55,335	42,635
	6,512,542	7,193,257

	Note	2014	2013
		Rupees in thousand	
24. DISTRIBUTION COST			
Salaries, wages and benefits		61,863	64,802
Charge for defined benefit plan		1,508	1,096
Charge for defined contribution plan		1,430	1,385
Insurance		76	71
Depreciation / amortisation		5,433	5,138
Fuel, power and electricity		3,119	1,266
Travelling, vehicle running and entertainment		10,408	11,755
Repairs and maintenance		1,127	649
Rent, rates and taxes		872	1,146
Communication		1,414	1,365
Advertisement and promotion		1,634	1,290
After sales expense		8,812	8,978
Freight charges		1,503	23,860
Legal and professional charges		43	13
Printing and stationery		1,732	1,785
Others		489	609
		<u>101,463</u>	<u>125,208</u>
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		147,997	124,340
Charge for defined benefit plan		3,699	1,922
Charge for defined contribution plan		3,124	2,936
Insurance		40	32
Depreciation		5,427	4,828
Travelling, vehicle running and entertainment		8,468	11,737
Repairs and maintenance		472	715
Rent, rates and taxes		9,101	10,770
Communication		5,450	5,252
Auditors' remuneration	25.1	2,397	2,168
Advertising		2,897	-
Legal and professional charges		7,268	4,124
Printing and stationery		6,489	3,499
Donation	25.2	150	-
Others		689	450
		<u>203,668</u>	<u>172,773</u>

Note

	2014	2013
	Rupees in thousand	
25.1 Auditors' remuneration		
Audit fee	1,300	1,200
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	815	730
Out of pocket expenses	282	238
	<u>2,397</u>	<u>2,168</u>
25.2 None of the Directors or their spouses had any interest in the donee.		
26. OTHER INCOME		
Income from financial assets		
Return on deposit accounts	229,270	225,925
Revaluation gain on investments at fair value through profit and loss account	139,014	149,975
Gain on disposal of investments at fair value through profit and loss account	66,859	2,550
Others	3,563	3,394
	<u>438,706</u>	<u>381,844</u>
Income from other assets		
Scrap sales	9,768	12,551
Profit on disposal of fixed assets	3,692	4,380
Discount received	4,864	265
Others	164	3,243
	<u>18,488</u>	<u>20,439</u>
	<u>457,194</u>	<u>402,283</u>
27. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	120,942	108,664
Workers' Welfare Fund	45,958	41,317
	<u>166,900</u>	<u>149,981</u>

	2014	2013
	Rupees in thousand	
28. FINANCE COST		
Bank charges and commission	<u>1,369</u>	<u>396</u>
29. TAXATION		
Current		
- for the year	678,582	640,000
- prior year	-	13,511
Deferred	<u>(1,389)</u>	<u>(1,707)</u>
	<u>677,193</u>	<u>651,804</u>
29.1 Relationship between tax expense and accounting profit:		
Accounting profit before tax	<u>2,251,937</u>	<u>2,023,294</u>
Tax at applicable rate of 33% (2013: 34%)	743,139	687,920
Effect of final tax on exports	(5,462)	(2,031)
Effect of income at reduced rate	(67,452)	(51,859)
Others	6,968	4,263
Effect of prior year	-	13,511
	<u>677,193</u>	<u>651,804</u>
30. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>1,574,744</u>	<u>1,371,490</u>
Weighted average number of shares in issue during the year (in thousand)	<u>57,964</u>	<u>57,964</u>
Earnings per share	<u>Rs 27.17</u>	<u>Rs 23.66</u>
30.1	The weighted average shares at December 31, 2013 have been increased to reflect the bonus shares issued during the year.	
30.2	A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2013 and 2014 which would have any effect on the earnings per share if the option to convert exercised.	

	2014	2013
	Rupees in thousand	
31. CASH GENERATED FROM OPERATIONS		
Profit before taxation	2,251,937	2,023,294
Add / (less): Adjustment for non-cash charges and other items		
Depreciation / amortisation	42,210	39,001
Profit on disposal of fixed assets	(3,692)	(4,380)
Gain on disposal of investments at fair value through profit and loss account	(66,859)	(2,550)
Revaluation gain on investments at fair value through profit and loss account	(139,014)	(149,975)
Return on bank deposits	(229,270)	(225,925)
	<u>1,855,312</u>	<u>1,679,465</u>
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	(20,313)	5,470
Stock-in-trade	(467,100)	(150,098)
Trade debts	152,510	220,252
Loans and advances	(5,403)	2,501
Short-term deposits and prepayments	(30,769)	(104)
Other receivables	5,308	2,277
Refunds due from the Government	428,342	(71,547)
	<u>62,575</u>	<u>8,751</u>
Increase in current liabilities		
Trade and other payables	(165,261)	54,698
	<u>(102,686)</u>	<u>63,449</u>
	<u>1,752,626</u>	<u>1,742,914</u>
32. CASH AND CASH EQUIVALENTS		
Cash in hand	171	234
At banks in		
- Current accounts	1,008,179	91,784
- Deposit accounts	190,551	1,325,544
	<u>1,198,730</u>	<u>1,417,328</u>
Demand Drafts in hand	220,808	485,935
	<u>1,419,709</u>	<u>1,903,497</u>

33. STAFF RETIREMENT BENEFIT

33.1 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, 2014.

33.2 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.

33.3 The latest actuarial valuation of the Plan as at December 31, 2014 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	2014	2013
	Rupees in thousand	
33.4 Balance sheet reconciliation as at December 31		
Present value of defined benefit obligation	169,675	138,269
Fair value of plan assets	(139,746)	(137,092)
	<u>29,929</u>	<u>1,177</u>
33.5 Movement in the defined benefit obligation		
Obligation as at January 1	138,269	117,097
Current service cost	7,973	5,516
Interest expense	16,168	13,156
Remeasurement on obligation	25,106	7,893
Benefits paid	(17,841)	(5,393)
Obligation as at December 31	<u>169,675</u>	<u>138,269</u>
33.6 Movement in the fair value of plan assets		
Fair value as at January 1	137,092	125,026
Interest income	16,021	13,092
Remeasurement on plan assets	(2,901)	(339)
Employer contributions	7,375	4,706
Benefits paid	(17,841)	(5,393)
Fair value as at December 31	<u>139,746</u>	<u>137,092</u>
33.7 Expense recognised in profit and loss account		
Current service cost	7,973	5,516
Interest expense / (income)	147	64
	<u>8,120</u>	<u>5,580</u>

		2014	2013																							
		Rupees in thousand																								
33.8	Remeasurement recognised in other comprehensive income																									
	Experience losses	(25,106)	(7,893)																							
	Remeasurement of fair value of plan assets	(2,901)	(339)																							
	Remeasurements	<u>(28,007)</u>	<u>(8,232)</u>																							
33.9	Net recognised liability / (asset)																									
	Balance as at January 1	1,177	(7,929)																							
	Expense for the year	8,120	5,580																							
	Employer contributions	(7,375)	(4,706)																							
	Remeasurement recognised in other comprehensive income	28,007	8,232																							
	Balance as at December 31	<u>29,929</u>	<u>1,177</u>																							
33.10	Composition of plan assets:	<table><tr><th colspan="2">2014</th><th colspan="2">2013</th></tr><tr><th>Rupees in thousand</th><th>%</th><th>Rupees in thousand</th><th>%</th></tr><tr><td>Term Deposits</td><td>83,606</td><td>59.83</td><td>125,908</td><td>91.84</td></tr><tr><td>Others (include bank balance)</td><td><u>56,140</u></td><td><u>40.17</u></td><td><u>11,184</u></td><td><u>8.16</u></td></tr><tr><td></td><td><u>139,746</u></td><td><u>100.00</u></td><td><u>137,092</u></td><td><u>100.00</u></td></tr></table>	2014		2013		Rupees in thousand	%	Rupees in thousand	%	Term Deposits	83,606	59.83	125,908	91.84	Others (include bank balance)	<u>56,140</u>	<u>40.17</u>	<u>11,184</u>	<u>8.16</u>		<u>139,746</u>	<u>100.00</u>	<u>137,092</u>	<u>100.00</u>	
2014		2013																								
Rupees in thousand	%	Rupees in thousand	%																							
Term Deposits	83,606	59.83	125,908	91.84																						
Others (include bank balance)	<u>56,140</u>	<u>40.17</u>	<u>11,184</u>	<u>8.16</u>																						
	<u>139,746</u>	<u>100.00</u>	<u>137,092</u>	<u>100.00</u>																						
33.11	Actuarial assumptions	2014	2013																							
	Expected rate of increase in salaries																									
	- Management staff	10.5%	10.5%																							
	- Non-management staff	10.5%	11.0%																							
	Discount factor used	10.5%	12.5%																							
33.12	Pre-Retirement mortality was assumed to be SLIC (2001-05) for males and females, as the case may be, but rated down one year.																									
33.13	The Company ensures asset / liability matching by investing in short-term deposits and does not use derivatives to manage its risk.																									
33.14	The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy.																									

33.15 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%	162,253	178,087
Future salary increases	1%	178,543	161,721

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.

33.16 Historical information

	2014	2013	2012	2011	2010
	Rupees in thousand				
As at December 31					
Present value of defined benefit obligation	169,675	136,209	117,097	101,994	97,961
Fair value of plan assets	(139,746)	(137,092)	(125,026)	(116,440)	(111,610)
Deficit / (surplus)	29,929	1,177	(7,929)	(16,446)	(13,629)
Experience adjustments					
Gain / (loss) on obligation	(25,106)	(7,893)	(3,627)	3,469	2,367
(Loss) on plan assets	(2,901)	(339)	(3,202)	(952)	(1,669)
	(26,007)	(6,232)	(6,829)	2,537	716

33.17 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.

33.18 As per actuarial advice, the Company is expected to contribute Rs 9.91 million towards gratuity fund in 2015 (2014: Rs 6.05 million).

33.19 The weighted average duration of non-management employees is 7.91 years and of management employees is 3.99 years.

33.20 Expected maturity analysis of undiscounted retirement benefit plan.

At December 31, 2014	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	60,407	10,660	46,741	69,006	166,663	373,697

34. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2014	2013
		Rupees in thousand	
i. Holding company:	Dividend paid	612,068	536,902
ii. Other related parties:	Dividend paid	528,250	463,377
	Royalty paid	-	111,794
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	7,062	7,024
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	7,375	4,706
iii. Key management personnel:	Salaries and other employee benefits	139,858	139,340
	Retirement benefits	6,889	5,376

The outstanding balances of related parties as at December 31, 2014 are included in trade and other payables and other receivables respectively.

35. 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	
	2014	2013	2014	2013	2014	2013
	Rupees in thousand					
Managerial remuneration	59,856	18,456	7,742	2,671	34,155	20,164
Bonus and ex-gratia	4,750	35,100	774	6,010	4,083	28,394
House Rent	8,550	7,020	1,394	1,202	7,477	8,150
Utilities	1,900	1,560	310	267	1,662	1,811
Retirement benefits	3,386	2,246	552	400	2,951	2,730
Leave passage	3,340	3,160	545	399	2,420	1,993
Other expenses	-	-	48	48	852	934
	<u>81,782</u>	<u>67,542</u>	<u>11,365</u>	<u>10,997</u>	<u>53,600</u>	<u>64,176</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>12</u>	<u>11</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.

36. 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	6,334	-	6,334	931	342	1,273	7,607
Deposits	-	-	-	31,502	1,709	33,291	33,291
Trade debts	-	-	-	13,796	-	13,796	13,796
Accrued mark-up	-	-	-	33,966	-	33,966	33,966
Other receivables	-	-	-	121	-	121	121
Cash and bank balances	2,695,551	-	2,695,551	1,229,155	-	1,229,155	3,924,709
Investments							
- Held to maturity at amortised cost	12,000	42,800	54,800	-	-	-	54,800
- At fair value through profit and loss	-	-	-	1,097,970	-	1,097,970	1,097,970
2014	2,713,005	42,800	2,755,805	3,207,464	2,131	3,209,595	5,965,260
2013	1,754,417	51,725	1,806,145	4,092,506	2,405	4,094,913	5,901,055
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	1,243,365	-	1,243,365	1,243,365
2014	-	-	-	1,243,365	-	1,243,365	1,243,365
2013	-	-	-	1,410,467	-	1,410,467	1,410,467
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure							
Letters of credit and guarantee							1,063
2014							261,494
2013							262,557
							549,456

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. 5.966 billion (2013: Rs. 5.901 billion) the financial assets exposed to the credit risk amount to Rs. 5.745 billion (2013: Rs. 5.415 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.

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, 2014 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, 2014 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. No payables were exposed to foreign currency risks included in trade and other payables as at December 31, 2014.

As the Company has no foreign currency assets or liabilities as at December 31, 2014, 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, 2014, the Company's interest bearing financial assets amounted to Rs 4.655 billion (2013: Rs 5.148 billion) and had the interest rate varied by 400 basis points (2013: 100 basis points) with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs 206.03 million (2013: Rs 49.32 million).

(v) Fair values of the financial instruments

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

37. 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.

	2014	2013
38. PLANT CAPACITY AND PRODUCTION		
Plant capacity (single shift) - units	<u>30,000</u>	<u>30,000</u>
Actual production - units	<u>13,014</u>	<u>14,055</u>

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

39. PROVIDENT FUND RELATED DISCLOSURE

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

	2014	2013
	Rupees in thousand	
Size of the fund - Total assets	<u>225,526</u>	<u>219,029</u>
Percentage of investments made	<u>98.7%</u>	<u>98.7%</u>
Fair value of investments	<u>222,626</u>	<u>216,094</u>

The cost of above investments amounted to Rs 181 million (2013: Rs 186 million).

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

	2014	2013	2014	2013
	Percentage		Rupees in thousand	
Term finance certificate	32.9%	28.8%	73,276	62,278
Term deposit receipts	63.3%	65.0%	140,819	140,379
Saving account with bank	3.8%	6.2%	8,531	13,437
			<u>222,626</u>	<u>216,094</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.

	2014	2013
40. NUMBER OF EMPLOYEES		
Number of employees at 31 December	<u>353</u>	<u>373</u>
Average number of employees during the year	<u>361</u>	<u>374</u>

41. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on February 12, 2015 have proposed a final cash dividend of Rs 15 per share amounting to Rs 869.46 million (2013: Rs 15 per share amounting to Rs 644.05 million) subject to approval of the Company in the forthcoming annual general meeting.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 12, 2015 by the Board of Directors.



Chairman



Chief Executive

AGTL Products



NH - 480 (55Hp)



SPECIFICATIONS

Engine Power	55HP
Operating Weight	1710Kg.
No. of Cylinders	3
Bore Stroke	100x115 mm.
Piston Displacement	2710 cc
Maximum Power	@2500rpm 55HP
Maximum Torque	@1500rpm 16.5 Kgm.
Pump	Distribution Injection type with mechanical speed governor.
Battery	12 Volts 90/95Ah
Air Filter	Oil bath with pre cleaner and Semi automatic dust unloader
Fuel Filter	02 replaceable cartridges.
Fuel Tank Capacity	54 Litres
Transmission	Gear Box with constant-mesh gears: 8 forward and 2 reverse speeds:
Brakes	Synchromesh on 3rd, 4th, 7th & 8th speeds. - Service Dry Band type with mechanical control.
Brakes (Parking)	With hand lever, on right side of operator.
Steering	Manual, Recirculating ball type, Centre relay lever Joint to lubricated for life.
Driver's Seat	Fully upholstered, with parallelogram suspension, adjustable to driver's weight.
Power Take off	540 rpm (1 318" - 6 spline Shaft) @ 2160 engine rpm.
Hyd. Pump	Gear type pump driven from engine.
Pump Capacity	22.71/ min
Maximum Lifting Capacity	1450 kg.
Tyre (Front)	6.00 - 16
Tyre (Rear)	12.4/11-28
D.T.O.	Speed same as engine - Anti clockwise.

Available in Various versions

NH - GHAZI (65Hp) Power Steering



SPECIFICATIONS

Engine Power	65HP
Operating Weight	1770Kg.
No. of Cylinders	3
Bore Stroke	104x115 mm.
Piston Displacement	2931 cc
Maximum Power	@ 2500rpm 65HP
Maximum Torque	@1500rpm 19.0 Kgm.
Pump	Distribution Injection type with mechanical speed governor.
Battery	12 Volts 90/95Ah
Air Filter	Oil bath with pre cleaner and Semi automatic dust unloader
Fuel Filter	02 replaceable cartridges.
Fuel Tank Capacity	54 Litres
Transmission	Gear Box with constant- mesh gears: 8 forward and 2 reverse speeds:
Brakes	Synchromesh on 3rd, 4th, 7th, & 8th speeds. - Service Dry Band type with mechanical control. - Oil immerse Disc Brake
Brakes (Parking)	With hand lever, on right side of operator.
Steering	Hydraulic power with independent oil pump of flow capacity 12 liter / minute and separate oil tank capacity 1.8 litres with complete filtering system.
Driver's Seat	Fully upholstered, with parallelogram suspension, adjustable to driver's weight.
Power Take off	540 rpm (1 3/8" - 6 spline Shaft)@ 2160 engine rpm.
Hyd. Pump	Gear type pump driven from engine.
Pump Capacity	22.71/ min
Maximum Lifting Capacity	1650 kg.
Tyre (Front)	6.00 - 16
Tyre (Rear)	14.9/13-28
D.T.O.	Speed same as engine - Anti clockwise.

Available in Various versions

NH - 640 (75Hp) Power Steering



SPECIFICATIONS

Engine Power	75HP
Operating Weight	2070Kg.
No. of Cylinders	4
Bore Stroke	100x115 mm.
Piston Displacement	3613 cc
Maximum Power	@ 2500rpm 75HP
Maximum Torque	@1500rpm 22.5 Kgm.
Pump	Distribution Injection type with mechanical speed governor.
Battery	12 Volts 110/120Ah
Air Filter	Oil bath with pre cleaner and Semi automatic dust unloader
Fuel Filter	02 replaceable cartridges.
Fuel Tank Capacity	54 Litres
Transmission	Gear Box with constant-mesh gears: 8 forward and 2 reverse speeds:
Brakes	Synchromesh on 3rd, 4th, 7th, & 8th speeds. - Service Dry Band type with mechanical control. - Oil immerse Disc Brake
Brakes (Parking)	With hand lever, on right side of operator.
Steering	Hydraulic power with independent oil pump of flow capacity 12 liter / minute and separate oil tank capacity 1.8 litres with complete filtering system.
Driver's Seat	Fully upholstered, with parallelogram suspension, adjustable to driver's weight.
Power Take off	540 rpm (1 318" - 6 spline Shaft)@ 2160 engine rpm.
Hyd. Pump	Gear type pump driven from engine.
Pump Capacity	24.81/ min
Maximum Lifting Capacity	1650 kg.
Tyre (Front)	7.50 - 16
Tyre (Rear)	16.9/14-30
D.T.O.	Speed same as engine -Anti clockwise.

Available in Various versions

NH 55-56 Power Steering Lift-O-Matic (55-Hp)



SPECIFICATIONS

Engine Power	55HP
Operating Weight	2070Kg.
No. of Cylinders	3
Bore Stroke	100x115 mm.
Piston Displacement	2710 cc
Maximum Power	
Maximum Torque	@1500rpm 20 Kgm.
Pump	Distributor Injection type with mechanical speed governor.
Battery	12 Volts 95/105 Ah
Air Filter	Oil bath air cleaner with Semi automatic type dust unloader pre cleaner
Fuel Filter	
Fuel Tank Capacity	61.01 Litres
Transmission	Gear Box with constant-mesh gears Synchromesh on 3rd, 4th, 7th & 8th speeds.
Brakes	- Service Disc type, oil bath, mechanical control, simultaneous or independent operation.
Brakes (Parking)	Dependent, operating on service brakes, with hand control lever and flash warning light.
Steering	Hydrostatic power steering with independent circuit
Driver's Seat	De luxe, with parallelogram suspension and hydraulic shock absorber, adjustable to driver's weight, reach and height.
Power Take off	1-3/8" - 6 spline Shaft, 540 rpm @ 1970 engine rpm.
Pump Capacity	34.5 L/ min
Maximum Lifting Capacity	2200 kg.
Tyre (Front)	6.00 - 16
Tyre (Rear)	14.9/13-28

Available in Various versions

NH 70-56 4WD 4X4 Lift-O-Matic (85-Hp) HYDROSTATIC POWER STEERING



SPECIFICATIONS

Engine Power	85HP
Operating Weight	2600Kg.
No. of Cylinders	4
Bore Stroke	104x115 mm.
Piston Displacement	3908 cc
Maximum Power	85HP
Maximum Torque	@1500rpm 27 Kgm.
Pump	Distribution Injection type with mechanical and Hydraulic speed governor.
Battery	12 Volts 110/120Ah
Air Filter	Oil bath with pre cleaner and Semi automatic dust unloader
Fuel Filter	02 replaceable cartridges.
Fuel Tank Capacity	61.01
Transmission	Gear Box with constant-mesh gears Synchromesh on 3rd, 4th, 7th, & 8th speeds.
Brakes	- Oil Immersed, multi disk type, Brakes actuation Hydraulic
Brakes (Parking)	- With hand control lever and flashing warning light
Steering	Hydrostatic power with independent circuit
Driver's Seat	De luxe, with parallelogram suspension and hydraulic shock absorber, adjustable to driver's weight.
Power Take off	540 rpm (1750 engine RPM) Shaft dia 35mm, 6 Spline
Pump Capacity	34.5 L/ min
Maximum Lifting Capacity	2200 kg.
Tyre (Front)	12.4/11-24
Tyre (Rear)	18.4/15-30

Available in Various versions

**ENERGY EFFICIENT
DEISEL GENERATORS**



OFFSET DISC HARROW



CULTIVATOR (TINE TILLER)



ROTAVATOR



MOULD BOARD PLOUGH



NON REVERSIBLE MB PLOUGH



REVERSIBLE MB PLOUGH

BOOM SPRAYER



DISC PLOUGH



**FRONT - END
LOADER**



Glossary

AGM	Annual General Meeting
AGTL	Al-Ghazi Tractors Limited
BoD	Board of Directors
CAGR	Cumulative Annual Growth Rate
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
EOGM	Extra Ordinary General Meeting
EPS	Earnings per Share
ERP	Enterprise Resource Planning
FBR	Federal Board of Revenue
GDP	Gross Domestic Product
GP	Gross Profit
GST	General Sales Tax
HEIS	High Efficiency Irrigation System
Hp	Horsepower
HR	Human Resources
HR & R	Human Resource and Remuneration
HSD	High Speed Diesel
ICAEW	Institute of Chartered Accountants of England and Wales
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
LDO	Light Diesel Oil
LSE	Lahore Stock Exchange
MAF	Million Acre Feet
MAP	Management Association of Pakistan
MFN	Most Favoured Nation
MIS	Management Information System
NP	Net Profit
PDI	Pre Delivery Inspection
PICG	Pakistan Institute of Corporate Governance
PR	Public Relations
SECP	Securities and Exchange Commission of Pakistan
TEVTA	Technical Education and Vocational Training Authority
UTS	Ultimate Tensile Strength
WPPF	Workers' Profit Participation Fund
WWF	Workers Welfare Fund
ZTBL	Zarai Taraqiat Bank Limited

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

Comment / Query : _____

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 April 22, 2015 at 15:00 hrs. and at any adjournment
thereof.

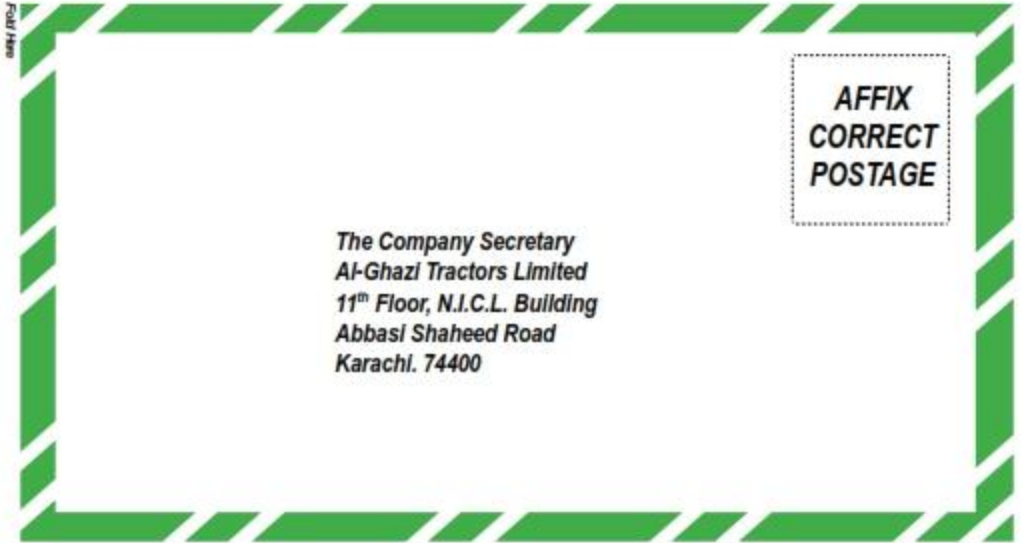
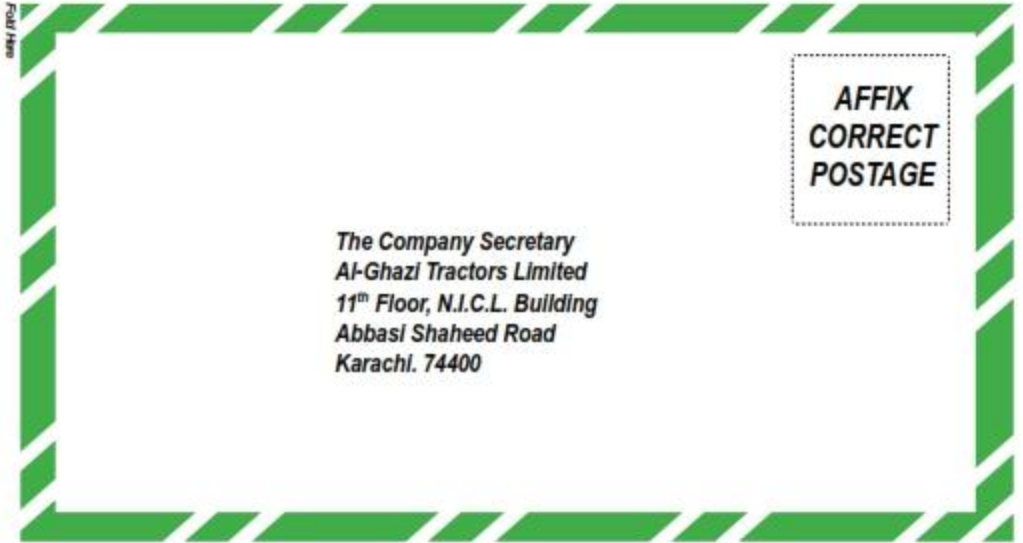
As witness my/our hand this _____ day of _____ 2015.

Five
Rupee
Revenue
Stamp

Signature of
Member(s)

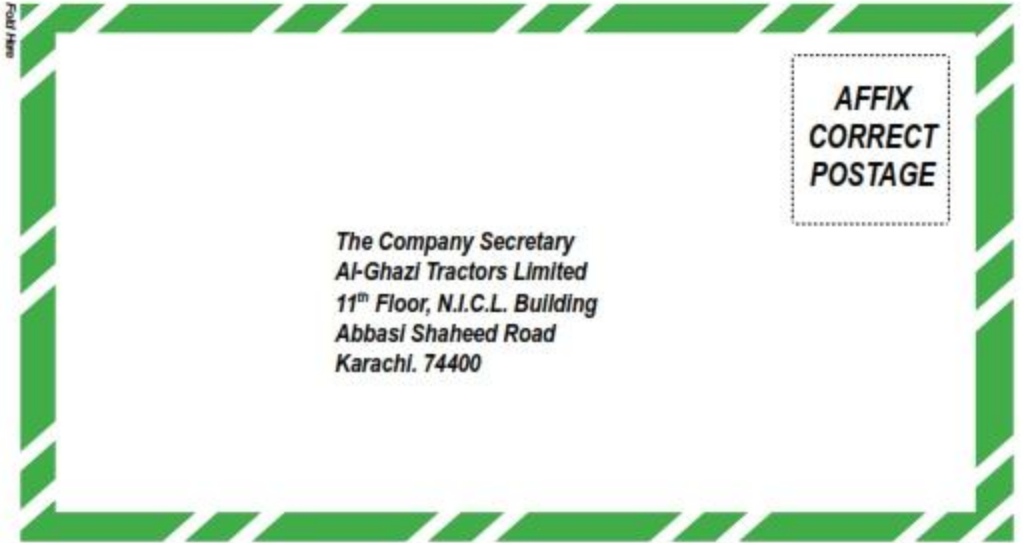
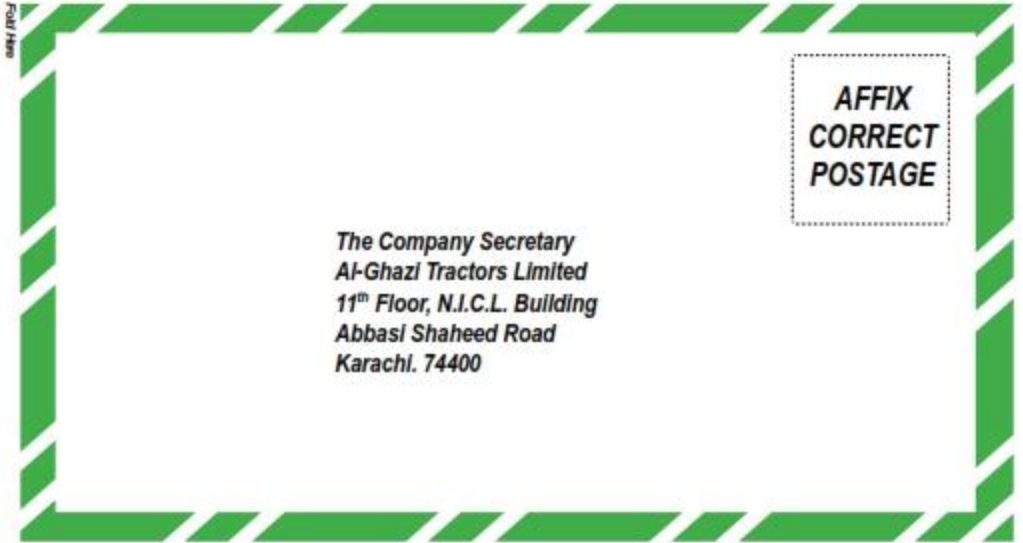
Important:

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.



**AFFIX
CORRECT
POSTAGE**

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



Fold Here

Fold Here



AGTL



Generators



Tractors

Farm Machines
& Equipment



Smart Irrigation Solutions