Annual Report 2012

Invest in Agriculture - Reduce Hunger & Poverty
&
Promote Sustainability

AL FUTTAIM   AGTL   NEWHOLLAND

QUALITY MANAGEMENT-BRAND STRENGTH

AL-GHAZI TRACTORS LTD

AGTL's Vision Statement is categoric:

"To make AGTL a symbol of success."

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

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

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

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

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

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

Documentation of the entire manufacturing process and improved quality measurement being our priority, Al-Ghazi was the first automobile company in Pakistan to earn the ISO-9000 certification. With yearly audits the company is now registered for ISO-9001:2008 upto February 06, 2016.

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

AGTL products being a household name with the farmer community, our product profile reflects consumer needs. Price and convenience being the customer's first priority the company's objectives include: focus on all target markets and focus on customers. As many as 87 dealers in every nook and cranny of the country, and over 3000 mechanical workshops dot the country to work as customer care centers.

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

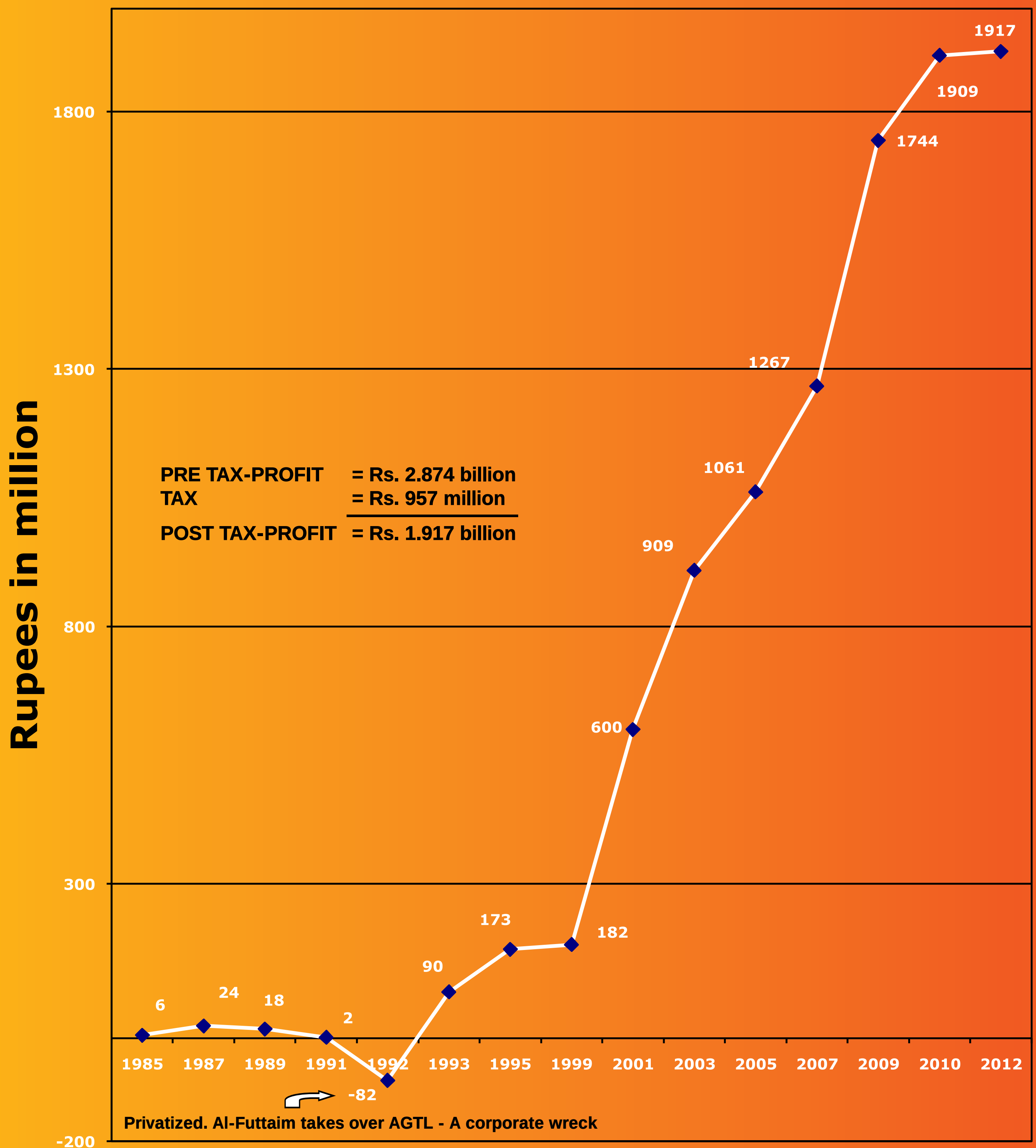
At AGTL we believe that effective individuals make a difference; effective teams make a business. Of all the things that we have built the most admired is our teamwork. AGTL's human talent does not depreciate with time. AGTL workers are happy workers.

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

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

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

ALLAH BE PRAISED



POST-TAX PROFIT/(LOSS)

2012 SCORECARD

Tractors Sold 25,456	**Dividend Per Share** Rs 22.5
Revenue Rs. 14.8 billion	**Return on Equity** 24.2%
Net Profit 1.92 billion	**Net Asset Value Per Share** Rs. 184.47
Earnings Per Share Rs. 44.64	**Market Capitalization** Rs. 10.2 billon

Contents

Corporate Vision

Invest in Agriculture

To make AGTL a symbol of success

Invest in Agriculture

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

Invest in Agriculture

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

Strategic Planning

Invest in Agriculture

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.

Invest in Agriculture

Core Value/ Ethical Principles

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

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

- The Company should take a leadership role through establishment of ethical business principles.
- That while reflecting cultural diversity, the company should do business consistent with the requirements of laws and regulations in Pakistan.
- The Company should show ethical leadership.
- The Company should facilitate the achievement of sound financial results and a fair sharing of economic benefits.
- The Company must have open, honest and transparent relationships, which are considered critical to the Company's success.
- The Company should create a business environment, which instigates against bribery and corruption and refrain from participation in any corrupt business practices.
- The Company should maintain good relations with stakeholders including contractors, suppliers and other business activities.
- The Company should aspire for stability and continuous improvement within the operating environment.
- The Company should provide protection of environment.
- The Company should promote community efforts as good corporate citizens.
- The Company should ensure consistency with labour laws, standards, ensure health and safety of workers and their rights.
- The Company should promote training and human resource development as an engine for growth with particular reference to the policy on succession planning.

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

Company Information

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

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

Marketing Centres
Lahore
Multan
Islamabad
Sukkur

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

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

Auditors
A.F.Ferguson & Co.
Chartered Accountants
Karachi

Tax Advisors
Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants
Karachi

Legal Advisors
Saiduddin & Co.
Karachi

Profile

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

Start of Production at Dera Ghazi Khan Plant

Auxiliary Plant	February, 1984
Main Plant	April, 1985
Sheet Metal Plant	July, 2006
Production Capacity	30,000 tractors per annum in a single shift
Total Land Area	90 Acres
Employees	369

Al-Futtaim

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

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

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

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

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

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

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

CNH employs approximately 30,000 people worldwide and has a network of 11,300 dealers in 170 countries. Its 40 manufacturing facilities are located throughout Europe, North America, Latin America and Asia.

CNH's product offerings encompass a full range of equipment to meet all needs in all regions; from its industry-leading tractors to specialty grape harvesters and massive combine harvesters in agriculture, as well as agile skid steer loaders and powerful hydraulic excavators in construction.

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

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

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

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

Critical Success Factors

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

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

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

Financial Strength
The Company has a solid financial base with no debts, no bank borrowings.

Dealers Network
The Company has a strong dealer network in every nook and cranny of the country. Our products are thus a house hold name in the farming community of Pakistan.

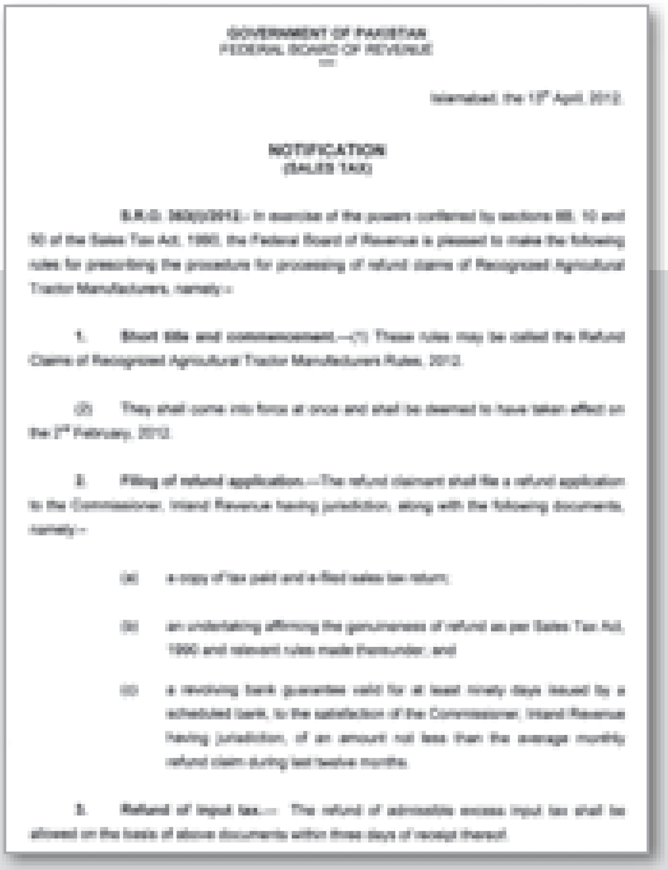
Corporate Governance
AGTL is a text book case example of good Corporate Governance having complied with all of the provisions of the Code of Corporate Governance.

Red Flags

Refund of Sales Tax

While under SRO 363(I)/2012, sales tax is to be refunded to tractor manufacturers within three days, sales tax refund continues to pile up with no redress. As at December 31, 2012, a staggering sum of Rs.1.64 billion was outstanding on this account as receivable.

This is the high price that the Company is paying for the service it is rendering by paying input tax @ 16% as against the output tax @ 5% and now 10%.



GOVERNMENT OF PAKISTAN
FEDERAL BOARD OF REVENUE

Islamabad, the 13th April, 2012.

NOTIFICATION
(SALES TAX)

S.R.O. 363(I)/2012.- In exercise of the powers conferred by sections 8B, 10 and 50 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the following rules for prescribing the procedure for processing of refund claims of Recognized Agricultural Tractor Manufacturers, namely:-

1. Short title and commencement.—(1) These rules may be called the Refund Claims of Recognized Agricultural Tractor Manufacturers Rules, 2012.

(2) They shall come into force at once and shall be deemed to have taken effect on the 2nd February, 2012.

2. Filing of refund application.—The refund claimant shall file a refund application to the Commissioner, Inland Revenue having jurisdiction, along with the following documents, namely:-

(a) a copy of tax paid and e-filed sales tax return;

(b) an undertaking affirming the genuineness of refund as per Sales Tax Act, 1990 and relevant rules made thereunder; and

(c) a revolving bank guarantee valid for at least ninety days issued by a scheduled bank, to the satisfaction of the Commissioner, Inland Revenue having jurisdiction, of an amount not less than the average monthly refund claim during last twelve months.

3. Refund of input tax.— The refund of admissible excess input tax shall be allowed on the basis of above documents within three days of receipt thereof.

MFN Status to India

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

Floods

Massive back-to-back floods in 2010, 2011 and 2012 are a cause of alarm, for these signal a shift in the monsoonal zone of Pakistan, which may result into more floods.

Board of Directors & Board Committees

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Ms. Sobika Zubair

BOARD COMMITTEES

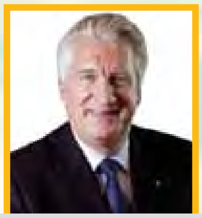
AUDIT COMMITTEE

Mr. Nasir Mahmood	Chairman, Non-Executive Director
Mr. Kunwar Idris	Member, Non-Executive Director
Mr. Damiano Cretarola	Member, Non-Executive Director

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

Profile of the Board of Directors



MR. CHARLES LEONARD HUNT
Non-Executive Chairman
Appointed August 4, 2009
Chairman, Human Resource and Remuneration Committee

Mr. Hunt was appointed as Chairman of Al-Ghazi Tractors Limited on August, 2009. A non-executive director, he 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.

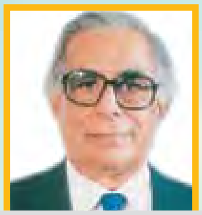
He was educated at Sheffield University, UK.

Other engagements:
- Associated Motorways, Sri Lanka – Chairman
- Toyota, Egypt, Egypt – Director
- Toyota Automotive Industries, Egypt – Director

MR. PARVEZ ALI
CEO and Managing Director
Appointed January 20, 1992

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

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



MR. KUNWAR IDRIS
Non-Executive Director
Appointed December 9, 1993

Mr. Idris is a non-executive director and serves on the Board's Audit Committee.

Mr. Kunwar Idris retired from civil service of Pakistan, as Federal secretary to various ministries and as Chief Secretary. He also served as Chairman, Pakistan Automobile Corporation. He also served as a Minister in the caretaker Government of Sindh.

Other engagements:
- Hinopak Motors, Pakistan – Chairman
- Orix Leasing Pakistan – Director

MR. NASIR MAHMOOD
Non-Executive Director
Appointed February 21, 2005
Chairman, Audit Committee

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

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

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

MR. KASHIF LAWAI
Executive Director and CFO
Appointed Dec 07, 2011

Mr. Lawai started his career with A.F.Ferguson & Co.

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

MR. DAMIANO CRETAROLA
Non-Executive Director
Appointed August 15, 2012

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

He joined the Fiat Group in Lugano, Switzerland in 2004. 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 CNH International Region.

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 “Akademine fur Wirtschaftsprufung” of Zurich.

Other engagements:
- Fiat Switzerland SA, Switzerland - Vice Chairman
- CNH Australia PTY Limited, Australia - Director
- CNH Services Thailand Limited, Thailand - Director
- New Holland HFT Japan Inc., Japan - Director
- Shanghai New Holland Agricultural Machinery Co., Limited, China - Director
- Case New Holland Machinery Trading (Shanghai) Co., Limited, China - Director
- Case New Holland Machinery (Harbin) Limited, China – Director

MR. STEFANO PAMPALONE
Non-Executive Director
Appointed August 15, 2012

Mr. Pampalone joined CNH more than a decade ago and held a variety of positions in sales, after sales, business development and commercial services, acquiring extensive experience in emerging and high growth markets.

From 2012, he has been appointed to lead CNH International Region's agricultural operations for India, Pakistan, Africa, Central Asia, the Middle East, Ukraine and Moldova.

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

Other engagements:
- New Holland Fiat (India) Private Limited, India - Director
- Case New Holland Construction Equipment (India) Private Limited, India - Director

MS. GIOVANNA BARBIERI
Non-Executive Director
Appointed January 30, 2012

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

Ms. Barbieri started her career in CNH legal department in 1987 and is presently the Vice President and General Counsel of the Internal 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

MS. SOBIKA ZUBAIR
Company Secretary

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

Key Management

MR. PARVEZ ALI
CEO and Managing Director

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

MR. KASHIF LAWAI
CFO and Executive Director

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

MS. SOBIKA ZUBAIR
Company Secretary

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

MR. NADEEM AHMAD
General Manager Marketing

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

COL (R) RAO M. YOUNAS
General Manager Plant

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

MR. MANSOOR ALAM
General Manager Materials Management

Mr. Mansoor Alam, an engineer by profession completed his BS in Mechanical Engineering from State University of New York at Binghamton and did his Masters in Supply Chain Management and Business Leadership. He has over 20 years of R&D and operational management experience in several companies, both in the United States and Pakistan.

MR. ABDUL RASHID
General Manager Accounts

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

SYED FAISAL BIN MAAZ
Chief Internal Auditor

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

MR. ILYAS DADI
Senior Manager MIS

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

Notice of Annual General Meeting

Notice is hereby given that the 30th Annual General Meeting of Al-Ghazi Tractors Limited will be held on Wednesday, March 27, 2013 at 15:30 hrs. at Hotel Ramada Plaza, Karachi to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements, the Directors' Report and the Auditors' Report for the year ended December 31, 2012.

2. To declare the final cash dividend, the Directors have recommended a dividend of Rs. 15 per share in addition to interim dividend already paid @ 150%, making a total dividend of 450% i.e. Rs. 22.5 per share.

3. To appoint Auditors for the year ending December 31, 2013 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer them selves for reappointment.

4. Any other business with permission of the chair.

By Order of the Board

SOBIKA ZUBAIR
COMPANY SECRETARY
Karachi, March 6, 2013

NOTES:

1. A member entitled to attend and vote may appoint a proxy to attend and vote on his/her behalf. No person shall act as a proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right. Proxies, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of the meeting.

2. The share transfer books of the Company will remain closed from March 20, 2013, to March 27, 2013 (both days inclusive). Transfers received at our Share Registrar Office M/s FAMCO Associates (Pvt.) Ltd. situated at Ground Floor, State Life Building, 1-A, I.I. Chundrigar Road, Karachi 74000, at the close of business on March 19, 2013 will be treated in time for the purpose of payment of dividend to the transferees.

3. CDC share holders or their proxies are requested to bring with them copies of their Computerized National Identity Card or Passport along with the participants ID number and their Account Number at the time of attending the Annual General Meeting in order to facilitate their identification.

4. Members are requested to promptly communicate to the Share Registrar of the Company any change in their addresses.

5. Members who have not yet submitted photocopy of their Computerized National Identity Cards are requested to send the same to the Share Registrar of the Company at the earliest.

FINANCIAL HIGHLIGHTS

Annual Report 2012

Financial Review

Revenue

The Company posted an impressive turnover growth of 46.14% against the same period last year. This was mainly due to resolution of sales tax issue resulting in reduction of sales tax on sale of tractors to 5% from February 2012. The Company sold 25,456 tractors during the year under review as compared to 18,344 units sold in the previous year.

This aggressive growth is also attributable to the launch of subsidized schemes: Green Tractors Scheme in Punjab and the Sind Tractors Scheme in Sind.

Gross Profit

Despite the double digit inflation and devaluation of Pak Rupee, gross profit margin of the Company increased to 18.89%. This proves the success of the Company's policies relating to cost control and effective inventory / vendor management.

Profitability

The Company managed to grow its pre-tax profit by 39.32% to Rs. 2.87 billion compared to the previous year.

The Company recorded a net profit margin of 12.97%. The profit after tax of the Company stood at Rs. 1.9 billion recording a growth of 41% compared to the previous year.

Earnings per Share (EPS) and Dividends

For the year 2012, the Company has earned a record high EPS (post-tax) of Rs. 44.64 as compared with Rs. 31.65 earned in the year 2011.

While capitalizing on the growth opportunities arising in the business environment, AGTL has continuously maintained a dividend yield beyond the market norms in order to compensate its shareholders handsomely.

AGTL proposed a final dividend of Rs. 15 per share for the financial year 2012, which makes an annual dividend of Rs. 22.5 per share. The dividend yield for 2012 was 9.44%. The final dividend is subject to shareholder's approval at the forthcoming Annual General Meeting of the Company

The market capitalization of the Company at the year end was Rs. 10.2 billion, Rs. 1.9 billion higher than Dec 2011.

Cash Flow Management

The Company monitors its cash inflows and outflows on a daily basis. Cash management and investment strategies are then planned to maximize returns. During 2013, the net increase in cash and bank balances was Rs 1.3 billion mainly due to inflow from operating and investing activities. Cash used in financing activities was in respect of dividends payments during 2013. The Company is free from any debt.

Financial Position

Share capital and reserves of the Company increased to Rs. 7.9 billion due to profit retained in the business for future growth.

Assets employed at the year end were Rs. 9.5 billion compared with Rs. 8.5 billion at the previous year end. The increase arose mainly from increase in investments and cash and bank balances. The increase was partly reduced by decrease in inventory due to better inventory management and reduced CBU stock at the year end.

Financial Reporting

AGTL is committed to adopt the best practices in financial reporting while ensuring that Financial Statements reflect a true and fair view of the affairs of the Company enabling shareholders and other stakeholders to make a fair assessment of the Company's performance. The Company also ensures timely delivery of periodic financial statements to shareholders in compliance with the Code of Corporate Governance and to minimize the time lag in disseminating public information.

Six Years at a Glance

OPERATING RESULTS	2012	2011	2010	2009	2008	2007
Sales -units	25,456	18,344	29,164	32,732	24,985	26,364
Production -units	23,820	19,936	29,020	30,351	27,550	26,380
				Rupees '000		
Sales Revenue	14,779,564	10,113,572	14,936,034	15,764,825	10,107,874	9,081,310
Gross Profit	2,791,561	1,872,956	2,948,515	2,645,814	1,577,787	1,653,486
Depreciation	36,874	34,537	31,801	28,614	27,165	28,054
Operating Profit (before investment income)	2,360,545	1,528,131	2,599,412	2,264,449	1,301,455	1,371,675
Interest / Investment Income	513,137	534,544	300,701	394,385	381,486	542,779
Profit before Taxation	2,873,682	2,062,675	2,900,113	2,658,834	1,682,941	1,914,454
Taxation	957,164	703,795	991,241	915,299	569,685	647,044
Profit after Taxation	1,916,518	1,358,880	1,908,872	1,743,535	1,113,256	1,267,410
Earnings before Investment Income, Tax and Depreciation (EBITDA)	2,397,419	1,562,668	2,631,213	2,293,063	1,328,620	1,399,729
Manpower Cost - Direct	209,657	180,444	190,253	181,697	165,536	143,334
Manpower Cost - Indirect	165,435	152,820	139,280	131,252	108,744	101,822
Total Manpower Cost	375,092	333,264	329,533	312,949	274,280	245,156
FINANCIAL POSITION						
Fixed assets	373,481	373,295	368,671	252,695	235,452	244,928
Current Assets	9,011,842	8,059,527	7,256,621	7,124,751	6,840,054	6,581,042
Current Liabilities	1,475,215	1,717,363	1,241,289	1,907,421	2,611,710	2,938,224
Net Working Capital	7,536,627	6,342,164	6,015,332	5,217,330	4,228,344	3,642,818
Long-term investments	55,800	74,000	40,000	-	-	-
Other assets	21,228	32,448	862	3,225	10,504	1,338
	77,028	106,448	40,862	3,225	10,504	1,338
	7,987,136	6,821,907	6,424,865	5,473,250	4,474,300	3,889,084
Less: Other liabilities	66,474	66,376	62,144	53,331	46,528	37,863
Capital employed	7,920,662	6,755,531	6,362,721	5,419,919	4,427,772	3,851,221
Represented by:						
Share capital	214,682	214,682	214,682	214,682	214,682	214,682
Reserves	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unappropriated profit	6,705,980	5,540,849	5,148,039	4,205,237	3,213,090	2,636,539
Capital employed	7,920,662	6,755,531	6,362,721	5,419,919	4,427,772	3,851,221
CASH FLOWS						
Operating activities	2,121,542	(609,573)	1,548,399	227,392	(1,275,951)	(58,716)
Investing activities	31,665	(733,436)	(994,183)	695,692	992,367	50,302
Financial activities	(1,177,685)	(535,675)	(963,901)	(749,602)	(751,970)	(749,156)

Six Years at a Glance

		2012	2011	2010	2009	2008	2007
OPERATING RATIOS							
Gross profit to Sales	Percentage	18.89%	18.52%	19.74%	16.78%	15.61%	18.21%
Operating profit to Sales	Percentage	15.97%	15.11%	17.40%	14.36%	12.88%	15.10%
Pre-tax profit to Sales	Percentage	19.44%	20.40%	19.42%	16.87%	16.65%	21.08%
Post-tax profit to Sales	Percentage	12.97%	13.44%	12.78%	11.06%	11.01%	13.96%
EBITDA to Sales	Percentage	16.22%	15.45%	17.62%	14.55%	13.14%	15.41%
Return on Equity / Capital employed	Percentage	24.20%	20.12%	30.00%	32.17%	25.14%	32.91%
Working Capital % of sales	Percentage	7.38%	19.47%	3.57%	-0.50%	10.73%	8.12%
Direct Manpower cost % of sales	Percentage	1.42%	1.78%	1.27%	1.15%	1.64%	1.58%
Indirect Manpower cost % of sales	Percentage	1.12%	1.51%	0.93%	0.83%	1.08%	1.12%
Indirect cost % of sales	Percentage	3.07%	3.64%	2.87%	2.51%	2.88%	3.25%
TURNOVER RATIOS							
Fixed Assets Turnover	Times	39.57	27.09	40.51	62.39	42.93	37.08
Total Assets Turnover	Times	1.56	1.18	1.95	2.14	1.43	1.33
Inventory Turnover	Times	5.61	4.33	10.30	8.24	6.46	10.25
Inventory Turnover	Days	65	84	35	44	56	36
Debtors Turnover	Days	5	5	3	0	1	1
Credit Received	Days	25	36	33	36	26	13
Operating Cycle	Days	45	53	6	9	31	23
LIQUIDITY RATIOS							
Current Ratio	Times	6.11	4.69	5.85	3.74	2.62	2.24
Quick Ratio	Times	5.06	3.10	4.98	3.08	1.88	2.00
Operating cashflow % of sales	Percentage	14.35%	-6.03%	10.37%	1.44%	-12.62%	-0.65%
PERFORMANCE RATIOS FOR SHAREHOLDERS							
Return on Assets	Percentage	20.25%	15.91%	24.90%	23.62%	15.71%	18.56%
Earning per share (Pre- Tax)	Rs.	66.93	48.04	67.54	61.92	39.20	44.59
Earning per share (Post- Tax)	Rs.	44.64	31.65	44.46	40.61	25.93	29.52
Net Assets per share	Rs.	184.47	157.34	148.19	126.23	103.12	89.70
Cash dividend	Rs. 000	966,069	858,728	858,728	858,728	751,387	751,387
%	Percentage	450%	400%	400%	400%	350%	350%
Dividend payout	Percentage	50.41%	63.19%	44.99%	49.25%	67.49%	59.29%
Dividend cover	Times	1.98	1.58	2.22	2.03	1.48	1.69
Price earning ratio	Times	5.34	6.09	5.11	5.86	8.43	9.33
Market price to break up value	Times	1.29	1.23	1.53	1.89	2.12	3.07
Earning Yield (%)	Percentage	18.72%	16.41%	19.59%	17.06%	11.87%	10.72%
Dividend yield	Percentage	9.44%	10.37%	8.81%	8.40%	8.01%	6.35%
Dividend ratio	Times	10.59	9.64	11.35	11.90	12.49	15.74
Market value per share - closing	Rs.	238.38	192.84	227.00	238.04	218.50	275.45
Share price - High	Rs.	255.00	244.95	264.00	268.75	298.70	298.00
Share price - Low	Rs.	169.89	158.00	194.25	113.56	210.00	199.10
Market capitalisation	Rs. Million	10,235	8,280	9,747	10,221	9,382	11,827

Horizontal Analysis

BALANCE SHEET	2012	2011	2010	2009	2008	2007
	Rupees '000					
Fixed assets	373,481	373,295	368,671	252,695	235,452	244,928
Long-term investments	55,800	74,000	40,000	-	-	-
Long-term loans and deposits	21,228	32,448	862	3,225	10,504	1,338
Stock-in-trade	1,564,270	2,750,420	1,082,871	1,265,373	1,946,072	719,175
Trade debts	386,558	14,339	264,063	20,292	7,143	24,271
Loan and advances	75,894	47,249	22,109	32,012	37,393	19,590
Short-term deposits and prepayments	1,346	4,602	11,476	12,725	16,443	1,193
Accrued mark-up	192,312	214,003	54,884	128,281	164,045	226,997
Other receivables	5,804	5,866	57,967	10,761	9,838	2,833
Taxation	113,428	532,814	339,456	530,563	112,809	-
Refunds due from the Government	1,637,869	928,675	979,537	1,457,265	750,554	183,632
Investments	1,251,729	1,084,449	1,331,464	145,000	446,760	1,018,800
Cash and bank balances	3,782,632	2,477,110	3,112,794	3,522,479	3,348,997	4,384,551
Total assets	9,462,351	8,539,270	7,666,154	7,380,671	7,086,010	6,827,308
Current liabilities	1,475,215	1,717,363	1,241,289	1,907,421	2,611,710	2,938,224
Non-current liabilities	66,474	66,376	62,144	53,331	46,528	37,863
Total liabilities	1,541,689	1,783,739	1,303,433	1,960,752	2,658,238	2,976,087
Capital employed	**7,920,662**	**6,755,531**	**6,362,721**	**5,419,919**	**4,427,772**	**3,851,221**
Share capital	214,682	214,682	214,682	214,682	214,682	214,682
Reserves	7,705,980	6,540,849	6,148,039	5,205,237	4,213,090	3,636,539
Capital employed	**7,920,662**	**6,755,531**	**6,362,721**	**5,419,919**	**4,427,772**	**3,851,221**
PROFIT AND LOSS ACCOUNT						
Sales	14,779,564	10,113,572	14,936,034	15,764,825	10,107,874	9,081,310
Cost of goods sold	11,988,003	8,240,616	11,987,519	13,119,011	8,530,087	7,427,824
Gross profit	2,791,561	1,872,956	2,948,515	2,645,814	1,577,787	1,653,486
Distribution cost	98,111	82,474	92,605	87,569	75,286	67,145
Administrative expenses	142,805	133,245	121,174	111,270	91,560	85,845
	2,550,645	1,657,237	2,734,736	2,446,975	1,410,941	1,500,496
Other operating income	537,742	560,447	381,640	411,070	399,487	558,858
Other operating expenses	212,980	152,874	214,939	197,057	124,753	141,888
	2,875,407	2,064,810	2,901,437	2,660,988	1,685,675	1,917,466
Finance cost	1,725	2,135	1,324	2,154	2,734	3,012
Profit before taxation	2,873,682	2,062,675	2,900,113	2,658,834	1,682,941	1,914,454
Taxation	957,164	703,795	991,241	915,299	569,685	647,044
Profit after taxation	**1,916,518**	**1,358,880**	**1,908,872**	**1,743,535**	**1,113,256**	**1,267,410**

Horizontal Analysis

BALANCE SHEET	2012	2011	2010	2009	2008	2007
	← Increase / (decrease) from preceeding year in Rs 000 →					
Fixed assets	186	4,624	115,976	17,243	(9,476)	(7,315)
Long-term investments	(18,200)	34,000	40,000	-	-	-
Long-term loans and deposits	(11,220)	31,586	(2,363)	(7,279)	9,166	478
Stock-in-trade	(1,186,150)	1,667,549	(182,502)	(680,699)	1,226,897	(19,945)
Trade debts	372,219	(249,724)	243,771	13,149	(17,128)	18,155
Loan and advances	28,645	25,140	(9,903)	(5,381)	17,803	(3,451)
Short-term deposits and prepayments	(3,256)	(6,874)	(1,249)	(3,718)	15,250	(1,964)
Accrued mark-up	(21,691)	159,119	(73,397)	(35,764)	(62,952)	(19,289)
Other receivables	(62)	(52,101)	47,206	923	7,005	2,521
Taxation	(419,386)	193,358	(191,107)	417,754	112,809	(78,457)
Refunds due from the Government	709,194	(50,862)	(477,728)	706,711	566,922	(76,236)
Investments	167,280	(247,015)	1,186,464	(301,760)	(572,040)	491,992
Cash and bank balances	1,305,522	(635,684)	(409,685)	173,482	(1,035,554)	(757,570)
Total assets	923,081	873,116	285,483	294,661	258,702	(451,081)
Current liabilities	(242,148)	476,074	(666,132)	(704,289)	(326,514)	(760,629)
Non-current liabilities	98	4,232	8,813	6,803	8,665	8,207
Total liabilities	(242,050)	480,306	(657,319)	(697,486)	(317,849)	(752,422)
Capital employed	**1,165,131**	**392,810**	**942,802**	**992,147**	**576,551**	**301,341**
Share capital	-	-	-	-	-	-
Reserves	1,165,131	392,810	942,802	992,147	576,551	301,341
Capital employed	**1,165,131**	**392,810**	**942,802**	**992,147**	**576,551**	**301,341**
PROFIT AND LOSS ACCOUNT						
Sales	4,665,992	(4,822,462)	(828,791)	5,656,951	1,026,564	58,795
Cost of goods sold	3,747,387	(3,746,903)	(1,131,492)	4,588,924	1,102,263	40,356
Gross profit	918,605	(1,075,559)	302,701	1,068,027	(75,699)	18,439
Distribution cost	15,637	(10,131)	5,036	12,283	8,141	1,993
Administrative expenses	9,560	12,071	9,904	19,710	5,715	5,802
	893,408	(1,077,499)	287,761	1,036,034	(89,555)	10,644
Other operating income	(22,705)	178,807	(29,430)	11,583	(159,371)	(5,802)
Other operating expenses	60,106	(62,065)	17,882	72,304	(17,135)	317
	810,597	(836,627)	240,449	975,313	(231,791)	4,525
Finance cost	(410)	811	(830)	(580)	(278)	251
Profit before taxation	811,007	(837,438)	241,279	975,893	(231,513)	4,274
Taxation	253,369	(287,446)	75,942	345,614	(77,359)	(33,818)
Profit after taxation	**557,638**	**(549,992)**	**165,337**	**630,279**	**(154,154)**	**38,092**

Vertical Analysis

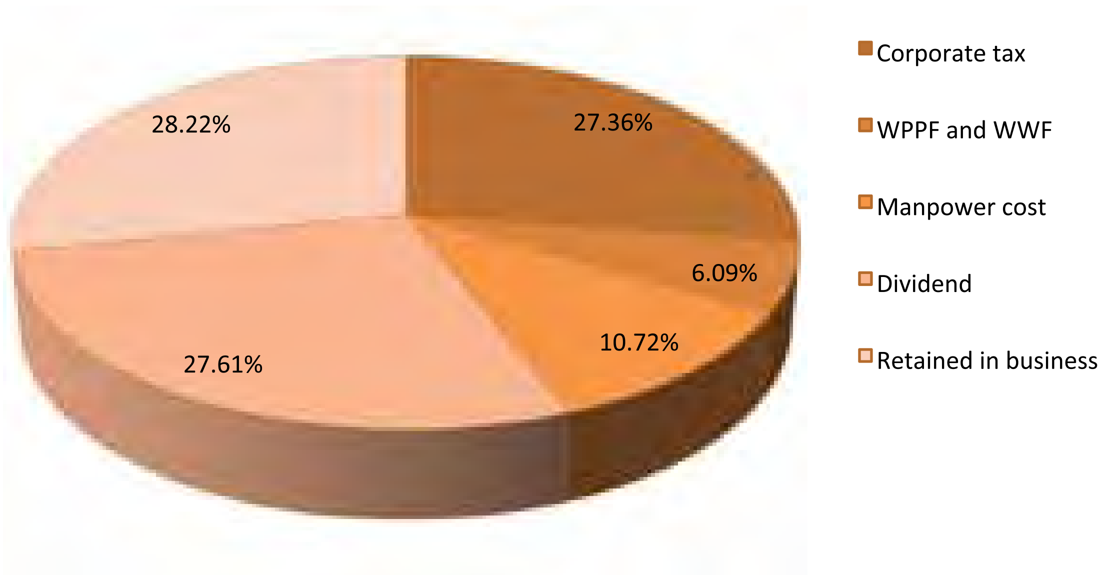
	2012 (Rupees 000)	2012 %	2011 (Rupees 000)	2011 %	2010 (Rupees 000)	2010 %
BALANCE SHEET						
Fixed assets	373,481	4.72%	373,295	5.53%	368,671	5.79%
Long-term investments	55,800	0.70%	74,000	1.10%	40,000	0.63%
Long-term loans and deposits	21,228	0.27%	32,448	0.48%	862	0.01%
Stock-in-trade	1,564,270	19.75%	2,750,420	40.71%	1,082,871	17.02%
Trade debts	386,558	4.88%	14,339	0.21%	264,063	4.15%
Loans and advances	75,894	0.96%	47,249	0.70%	22,109	0.35%
Short-term deposits and prepayments	1,346	0.02%	4,602	0.07%	11,476	0.18%
Accrued mark-up	192,312	2.43%	214,003	3.17%	54,884	0.86%
Other receivables	5,804	0.07%	5,866	0.09%	57,967	0.91%
Taxation	113,428	1.43%	532,814	7.89%	339,456	5.34%
Refunds due from the Government	1,637,869	20.68%	928,675	13.74%	979,537	15.39%
Investments	1,251,729	15.80%	1,084,449	16.05%	1,331,464	20.93%
Cash and bank balances	3,782,632	47.76%	2,477,110	36.66%	3,112,794	48.92%
Total assets	9,462,351	119.46%	8,539,270	126.40%	7,666,154	120.49%
Current liabilities	1,475,215	18.62%	1,717,363	25.42%	1,241,289	19.51%
Non-current liabilities	66,474	0.84%	66,376	0.98%	62,144	0.98%
Total liabilities	1,541,689	19.46%	1,783,739	26.40%	1,303,433	20.49%
Capital employed	**7,920,662**	**100.00%**	**6,755,531**	**100.00%**	**6,362,721**	**100.00%**
Share capital	214,682	2.71%	214,682	3.18%	214,682	3.37%
Reserves	7,705,980	97.29%	6,540,849	96.82%	6,148,039	96.63%
Capital employed	**7,920,662**	**100.00%**	**6,755,531**	**100.00%**	**6,362,721**	**100.00%**
PROFIT AND LOSS ACCOUNT						
Sales	14,779,564	100.00%	10,113,572	100.00%	14,936,034	100.00%
Cost of goods sold	11,988,003	81.11%	8,240,616	81.48%	11,987,519	80.26%
Gross profit	2,791,561	18.89%	1,872,956	18.52%	2,948,515	19.74%
Distribution cost	98,111	0.66%	82,474	0.81%	92,605	0.62%
Administrative expenses	142,805	0.97%	133,245	1.32%	121,174	0.81%
	2,550,645	17.26%	1,657,237	16.39%	2,734,736	18.31%
Other operating income	537,742	3.64%	560,447	5.54%	381,640	2.56%
Other operating expenses	212,980	1.44%	152,874	1.51%	214,939	1.44%
	2,875,407	19.46%	2,064,810	20.42%	2,901,437	19.43%
Finance cost	1,725	0.01%	2,135	0.02%	1,324	0.01%
Profit before taxation	2,873,682	19.44%	2,062,675	20.40%	2,900,113	19.42%
Taxation	957,164	6.48%	703,795	6.96%	991,241	6.64%
Profit after taxation	**1,916,518**	**12.97%**	**1,358,880**	**13.44%**	**1,908,872**	**12.78%**

Vertical Analysis

	2009 (Rupees 000)	2009 %	2008 (Rupees 000)	2008 %	2007 (Rupees 000)	2007 %
BALANCE SHEET						
Fixed assets	252,695	4.66%	235,452	5.32%	244,928	6.36%
Long-term investments	-	0.00%	-	0.00%	-	0.00%
Long-term loans and deposits	3,225	0.06%	10,504	0.24%	1,338	0.03%
Stock-in-trade	1,265,373	23.35%	1,946,072	43.95%	719,175	18.67%
Trade debts	20,292	0.37%	7,143	0.16%	24,271	0.63%
Loans and advances	32,012	0.59%	37,393	0.84%	19,590	0.51%
Short-term deposits and prepayments	12,725	0.23%	16,443	0.37%	1,193	0.03%
Accrued mark-up	128,281	2.37%	164,045	3.70%	226,997	5.89%
Other receivables	10,761	0.20%	9,838	0.22%	2,833	0.07%
Taxation	530,563	9.79%	112,809	2.55%	-	0.00%
Refunds due from the Government	1,457,265	26.89%	750,554	16.95%	183,632	4.77%
Investments	145,000	2.68%	446,760	10.09%	1,018,800	26.45%
Cash and bank balances	3,522,479	64.99%	3,348,997	75.64%	4,384,551	113.85%
Total assets	7,380,671	136.18%	7,086,010	160.04%	6,827,308	177.28%
Current liabilities	1,907,421	35.19%	2,611,710	58.98%	2,938,224	76.29%
Non-current liabilities	53,331	0.98%	46,528	1.05%	37,863	0.98%
Total liabilities	1,960,752	36.18%	2,658,238	60.04%	2,976,087	77.28%
Capital employed	**5,419,919**	**100.00%**	**4,427,772**	**100.00%**	**3,851,221**	**100.00%**
Share capital	214,682	3.96%	214,682	4.85%	214,682	5.57%
Reserves	5,205,237	96.04%	4,213,090	95.15%	3,636,539	94.43%
Capital employed	**5,419,919**	**100.00%**	**4,427,772**	**100.00%**	**3,851,221**	**100.00%**
PROFIT AND LOSS ACCOUNT						
Sales	15,764,825	100.00%	10,107,874	100.00%	9,081,310	100.00%
Cost of goods sold	13,119,011	83.22%	8,530,087	84.39%	7,427,824	81.79%
Gross profit	2,645,814	16.78%	1,577,787	15.61%	1,653,486	18.21%
Distribution cost	87,569	0.56%	75,286	0.74%	67,145	0.74%
Administrative expenses	111,270	0.71%	91,560	0.91%	85,845	0.95%
	2,446,975	15.52%	1,410,941	13.96%	1,500,496	16.52%
Other operating income	411,070	2.61%	399,487	3.95%	558,858	6.15%
Other operating expenses	197,057	1.25%	124,753	1.23%	141,888	1.56%
	2,660,988	16.88%	1,685,675	16.68%	1,917,466	21.11%
Finance cost	2,154	0.01%	2,734	0.03%	3,012	0.03%
Profit before taxation	2,658,834	16.87%	1,682,941	16.65%	1,914,454	21.08%
Taxation	915,299	5.81%	569,685	5.64%	647,044	7.13%
Profit after taxation	**1,743,535**	**11.06%**	**1,113,256**	**11.01%**	**1,267,410**	**13.96%**

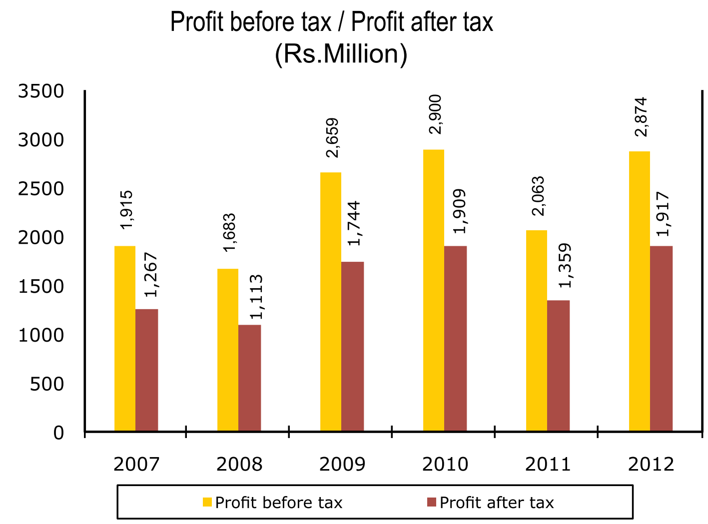
Statement of Value Addition

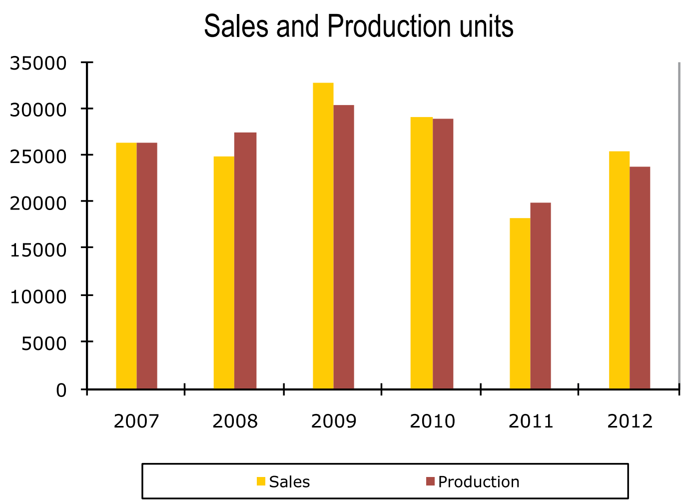
	2012	2011	2010	2009	2008	2007
	Rupees '000					
Sales	14,779,564	10,113,572	14,936,034	15,764,825	10,107,874	9,081,310
Cost of sales & overheads	(11,818,678)	(8,090,669)	(11,841,288)	(12,978,440)	(8,398,222)	(7,310,616)
Other income	537,742	560,447	381,640	411,070	399,487	558,858
Value addition during the year	**3,498,628**	**2,583,350**	**3,476,386**	**3,197,455**	**2,109,139**	**2,329,552**
To employees as remuneration	375,092	333,264	329,533	312,949	274,280	245,156
To government as tax	957,164	703,795	991,241	915,299	569,685	647,044
WPPF	154,333	110,778	155,753	142,795	90,407	102,817
WWF	58,647	42,096	59,186	54,262	34,346	39,071
To shareholders as dividends	966,069	858,728	858,728	858,728	751,387	751,387
Retained as :						
Depreciation	36,874	34,537	31,801	28,614	27,165	28,054
Equity	950,449	500,152	1,050,144	884,808	361,869	516,023
	987,323	534,689	1,081,945	913,422	389,034	544,077
	3,498,628	**2,583,350**	**3,476,386**	**3,197,455**	**2,109,139**	**2,329,552**

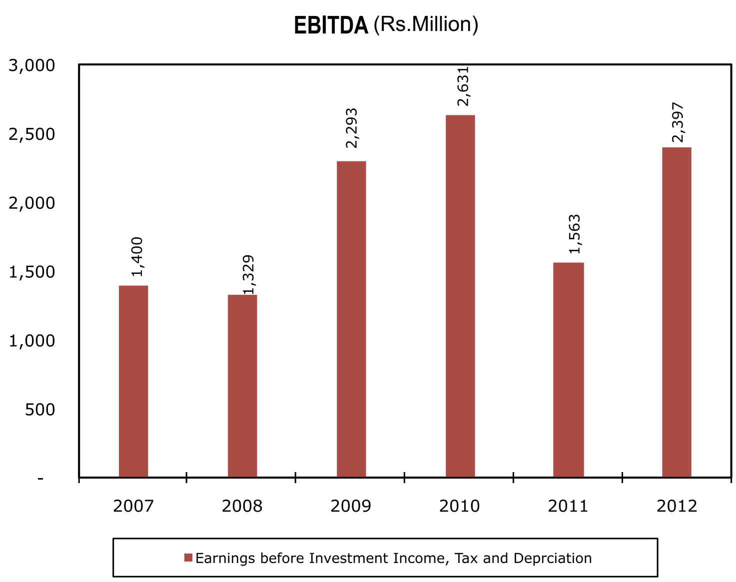


Direct Cash Flow

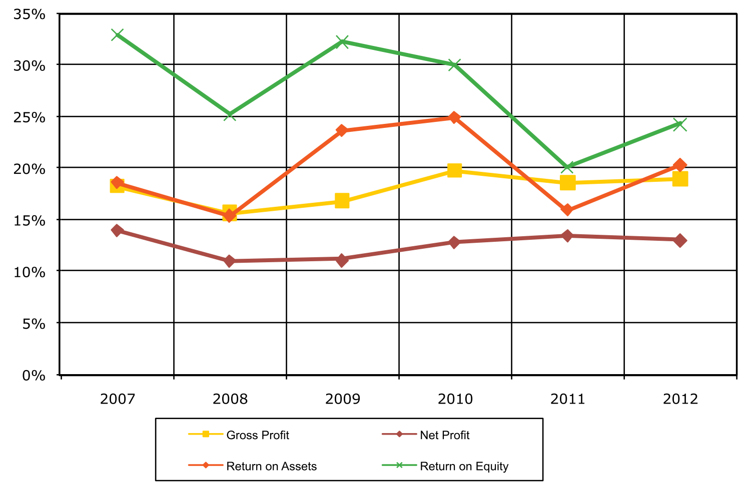
	2012	2011	2010	2009	2008	2007
	Rupees '000					
Cash receipts from customers	14,252,522	10,495,614	14,687,678	14,363,706	9,418,326	8,083,359
Cash paid to suppliers / service providers and employees	(10,685,721)	(10,108,962)	(12,691,907)	(11,936,219)	(9,208,318)	(7,554,460)
Workers Funds	(194,117)	(158,079)	(220,949)	(176,800)	(230,654)	(139,978)
Othere operating income	24,294	24,289	77,342	14,324	15,257	14,636
Income tax paid	(540,419)	(893,909)	(793,855)	(1,328,754)	(700,906)	(535,497)
Sales tax refund / (payment)	(709,194)	50,862	477,728	(706,711)	(566,922)	76,236
Finance costs paid	(1,725)	(2,135)	(1,324)	(2,154)	(2,734)	(3,012)
Loans, deposits and deferred benefits - net	(11,430)	(48,864)	16,049	7,279	(9,166)	(478)
	2,134,210	(641,184)	1,550,762	234,671	(1,285,117)	(59,194)
Additions to fixed assets - net	(36,749)	(37,547)	(144,180)	(43,496)	(14,945)	(19,296)
Purchase of investments - net	(17,447)	378,960	(1,150,839)	346,938	609,575	(475,000)
Return on bank deposits / investments	403,193	199,762	298,473	384,971	406,903	545,076
	348,997	541,175	(996,546)	688,413	1,001,533	50,780
Dividend paid	(1,177,685)	(535,675)	(963,901)	(749,602)	(751,970)	(749,156)
Net (decrease)/increase in cash and cash equivalents	1,305,522	(635,684)	(409,685)	173,482	(1,035,554)	(757,570)
Cash and cash equivalents at the beginning of the year	2,477,110	3,112,794	3,522,479	3,348,997	4,384,551	5,142,121
Cash and cash equivalents at the end of the year	**3,782,632**	**2,477,110**	**3,112,794**	**3,522,479**	**3,348,997**	**4,384,551**


Profit before tax / Profit after tax
(Rs.Million)
3500
3000
2500
2000
1500
1000
500
0
1,915
1,267
1,683
1,113
2,659
1,744
2,900
1,909
2,063
1,359
2,874
1,917
2007
2008
2009
2010
2011
2012
Profit before tax
Profit after tax

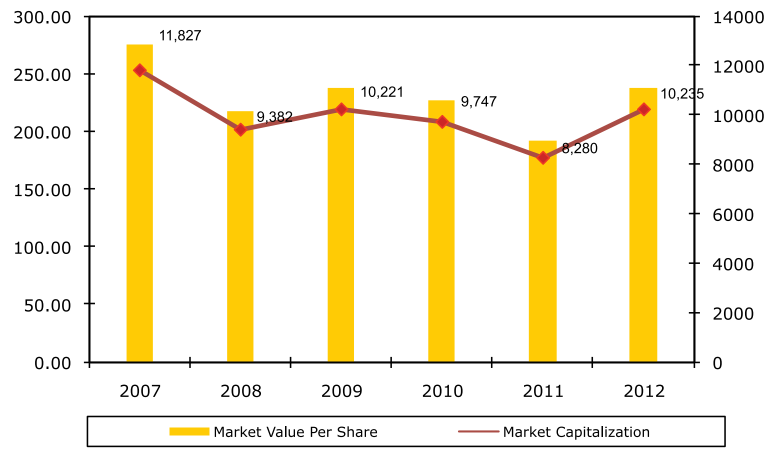

Sales and Production units
35000
30000
25000
20000
15000
10000
5000
0
2007
2008
2009
2010
2011
2012
Sales
Production


EBITDA (Rs.Million)
3,000
2,500
2,000
1,500
1,000
500
-
1,400
1,329
2,293
2,631
1,563
2,397
2007
2008
2009
2010
2011
2012
Earnings before Investment Income, Tax and Deprciation

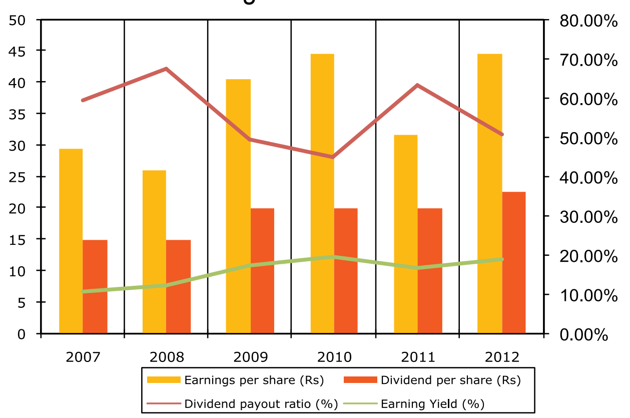
Profitability and Return



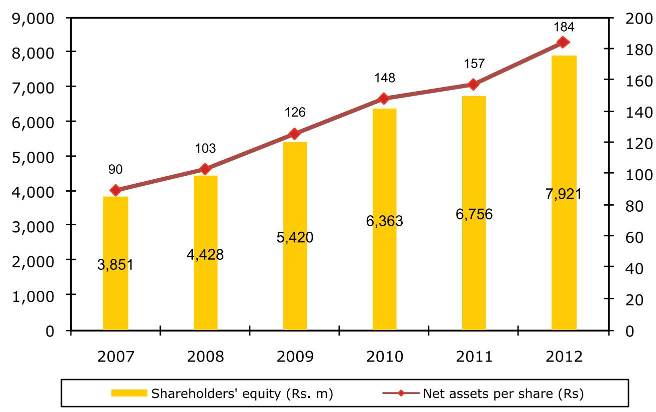
Market Value Per Share (Rs.) / Market Capitalization (Rs.Million)



Earnings and Distribution



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



Audit Committee Report

The Audit Committee of the Board has carried out its functions and responsibilities in terms of the charter approved by the Board:

- Four meetings of the Audit Committee were held during the year 2012 and presided by the Chairman.

- The Audit Committee reviewed and approved the quarterly and annual financial statements of the Company and recommended them for approval of the Board.

- The Audit Committee met with the external auditors and discussed with them the adequacy of internal controls as well as discussed with them the financial statements of the Company, as well as Company's adherence to laws of Corporate Governance.

- Being eligible for reappointment under the listing regulations, the Audit Committee recommended the reappointment of external auditors for the year ending December, 31, 2013.

- The Audit Committee reviewed the reports of the Chief Internal Auditor and the Internal Audit functions of the Company.

- The Audit Committee 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.

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, 2012.

Operating Results	2012	2011
	Rupees'000	
Sales	14,779,564	10,113,572
Gross Profit	2,791,561	1,872,956
Profit for the year before taxation	2,873,682	2,062,675
Taxation	957,164	703,795
Profit after tax	1,916,518	1,358,880

The increase in profit is mainly due to higher sales volume as 25,456 tractors were sold as compared to 18,344 tractors sold the last year.

Holding Company

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

Corporate Governance

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

a) The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of accounts have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) The Company has fully complied with the Listing Regulations of the Karachi and Lahore Stock Exchanges.

Appropriations

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

	2012	2011
	Rupees '000	
Profit before tax	2,873,682	2,062,675
Taxation	957,164	703,795
Profit after tax	1,916,518	1,358,880
Unappropriated profit b/f	5,540,849	5,148,039
Profit available for appropriation	7,457,367	6,506,919
Appropriation:		
Final dividend paid for the year 2011: Rs. 10 per share (2010: Rs. 12.5 per share)	429,364	536,706
Interim dividend paid for the year 2012: Rs. 7.5 per share (2011: Rs. 10 per share)	322,023	429,364
Unappropriated profit c/f	6,705,980	5,540,849

For the year ended December 31, 2012, the Board in its meeting held on February 13, 2013, has proposed a final cash dividend of Rs. 15 per share amounting to Rs 644.05 million.

Earnings per share
The Basic Earnings per share were Rs. 44.64 in 2012 compared to Rs. 31.65 in 2011

Statement of value of investments of retirement funds

	Rupees	Year ended
Gratuity fund	100,000,000	June 30, 2011
Provident fund	157,857,874	June 30, 2011

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 2013.

Financial Statements on Website
The financial results of the year 2012 would be placed on the Company's website and can be viewed on www.alghazitractors.com

On behalf of the Board

Parvez Ali
Chief Executive Officer
Karachi
Dated: February 13, 2013

Chairman's Review

Mr. Charles Leonard Hunt
Chairman AGTL
& President Automotive AL-Futtaim Group

TO SUMMARISE:
Pakistan is in a state of omnishambles.

But despite uncertain business environment and unpredictable markets the Company was able to elbow its way to drive productivity and profitability.

The imposition of 16% General Sales Tax on tractors in fiscal 2011 had sand bagged sale of tractors. Its subsequent reduction to 5% following protests, showed a sign of promise and the Company once again began rolling out tractors responding to the pent up demand. Then came the floods, forcing the closure of the plant, and jeopardizing the third quarter results. The Green Tractor Scheme of the Provincial Government of Punjab to subsidise 10,000 tractors and the imminent increase of General Sales Tax from 5% to 10% with effect of January 2013, accelerated the bookings to close the year 2012 in good cheer.

23,820 tractors were produced in the year 2012 and 25,456 delivered compared with 19,936 produced and 18,344 delivered during the year 2011 – thus showing an increase of 38.8%. With a strong business foundation that ensures profitability through its cost controls, the Company earned a pre-tax profit of Rs. 2.87 billion in 2012, compared with Rs. 2 billion earned in the year 2011 – recording an increase of 43.5%.

Of the Rs. 2.87 billion, Rs. 957 million, that is 33.3% have been charged as corporate tax thus leaving a post-tax profit of Rs. 1.92 billion.

In June 2012 the Company had paid an interim cash dividend of 150% that is Rs. 322.02 million. The Board of Directors are now pleased to recommend a further cash dividend of 300%. The total cash dividend for the year 2012 will thus reach 450% - that is a payout of Rs. 966.07 million.

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

These financial statements duly recommended by the Audit Committee of the Board are being authorized by the Board within 45 days of the closure of the year. AGM will be held on March 27, 2013. Dividend will be distributed before the stipulated time. Payment to non-resident shareholder will be intimated to the State Bank of Pakistan for early repatriation.

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

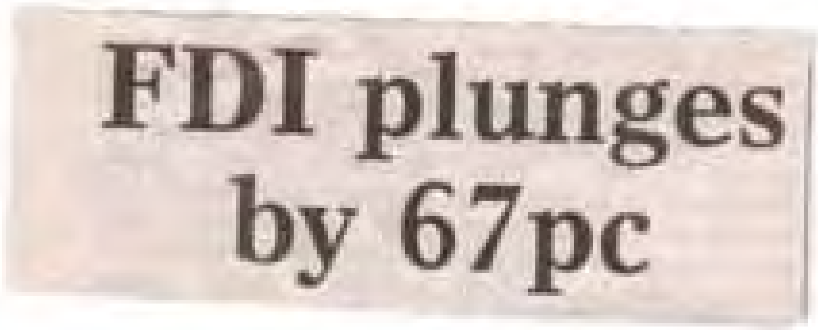
The Company is registered with the CDC and has appointed FAMCO Associated (Pvt) Limited as its Registrar who can be reached at Ground Floor, State Life Building, 1-A, I.I. Chundrigar Road, Karachi.

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

Details of shareholding have been given in this report.

Policies and procedures and other details of the Company as well as the Board are defined in the Company's Memorandum and Article of Association which is readily available with the Company Secretary and the Corporate Affairs Section.

The Economy:


FDI plunges by 67pc


Pakistan ranked 124th among 144 economies

Ranked among bottom 20 of the 144 economies around the world, the Global Competitiveness Report 2012-13 states that the level of corruption and poor governance is slowing down Pakistan's economic growth. The World Bank report "Global Economic Prospects January 2013" states that Pakistan's economic growth estimated at 3.8% would remain the lowest in the region. According to IMF "Pakistan's feeble economy may prove a more dangerous but less visible threat" than the "devastating security situation". According to the report "Pakistan's economy was now anemic, hobbled by a low savings rate, weak infrastructure, a low investment in human capital, and country's fraught political situation".

With a slippery limping economy, the fall of the rupee by over 8% in the last six months adds to the financial woes. In the past four and a half years rupee has fallen by over 61%. Pakistan's public debt has touched a record high of Rs. 12 trillion. In January 2013, Moody's has kept Pakistan's credit rating at negative Caa1 due to political instability and simmering political tensions.

Compounding energy crisis with no electricity and no gas resulting in riots and protests have slipped Pakistan down the poverty line.

Depleting foreign exchange reserves

Economic problems to grow in 5 months

Fiscal deficit likely to go beyond 6.5pc of GDP against 4.7pc

Rupee drops to record 100.1 against dollar

Power outages to stay till 2020: Nepra

Towards a debt trap

Pak growth worst in region at 3.8pc

Industrial activities paralysed

Poverty Line:

While the government announced "National Zero Hunger", the government itself agreed that the "number of people falling under the poverty line had been increasing constantly and more than 58% population was food insecure".

According to a study conducted by Sustainable Development Policy Institute "48.6% of population was food insecure" and "around 22.4% extremely poor". And according to the National Nutrition Survey 2011 "58% Pakistani's were food insecure and 29.6% were suffering with hunger and severe hunger".

There is consensus that regions where agricultural capital per worker and public agricultural spending per worker have stagnated or fallen during the past three decades are also the epicenters of poverty and hunger.

This calls for investment in agriculture to reduce poverty and hunger and promote sustainability. The government, therefore, ought to provide a favourable climate for agricultural investment and farmers have to be central to any strategy for increasing such an investment.

Food insecurity

'Agri sector suffers Rs219bn losses'

The State of Agriculture:

Poor governance, high levels of corruption, high taxation of agriculture, poor infrastructure and public service in rural areas all increase the costs and risks associated with agriculture and reduce incentives for investments in this sector. Agri sector is thus reported to have "suffered a loss of Rs. 219 billion in 2012 for failing to achieve production targets of its major crops".

Pakistan faces diverse challenges on agricultural front. Compared with the world average, the per hectare yields of the major crops of Pakistan are far lower. Post harvest losses are also heavy. Water available for irrigation goes to waste because of poor water management systems and lack of use of technology for irrigation.
Agriculture credit in Pakistan is just about 8% of the Agri GDP. Besides, development loans which cater to lending for purchase of tractors and agricultural machinery have been on the constant decline. Out of the Rs. 273 billion credit only Rs. 21 billion was allocated in 2012 for development loans.

Agricultural Development Bank of Pakistan (ADBP) used to account for almost 99% of tractor sales in Pakistan. Converted to Zarai Taraqiati Bank (ZTBL) credit for tractors has fallen from the 99% to just about 8 – 10%.

Tractor and agricultural machinery are the bulwark of agriculture which can solve the farmer's problems with better use of inputs and mechanization. Continuous squeeze on development loans will worsen development of agriculture in the country.

With land holdings decreasing, there is a need for cluster initiatives in agriculture to address to the multiple problems of small farmers. Small farmers need to be organized. Economies of scale in agriculture sector can be achieved by forming vibrant cluster of farmers who can jointly use the tractor and agriculture machines.

Business Risk: Flood Fatigue

For the third year running, floods devasted Pakistan in 2012 affecting over 4.8 million people. Dera Ghazi Khan, where the AGTL plant is located was inundated. In the last two years, the country has suffered exceptional flooding, drought falling in between and then flash floods sweeping adjoining plains.

Areas devasted by floods are still in disarray. With heavy snow accumulating on the mountains, the portents for the year 2013 are also alarming.

A report by the Ministry of the Environment has warned of increased risks from climate change to the agricultural sector in the coming years. The government, however, continues to be in a denial mode. In its report "Vulnerability to climate change threats", most threats point to direct adverse impact on agriculture, and these include extreme weather events – floods.

Business Risk: MFN Status To India

Automotive Sector - Update

Local industries to suffer from India MFN, says USAID

industry and agriculture sectors. According to a study conducted with the technical assistance of USAID to assess the impact of liberalising trade with India following MFN status, Indian trade regime is more restricted for Pakistani exports. The study noted that Pakistan had given much more to India in allowing items to export to Pakistan. "However, India has liberalised only 43

Without making a cost-benefit analysis of granting the Most Favoured Nation Status to India, the government has put the process on fast track while the farming community as well as the Auto Industry is cautioning restraint. Farmers in Pakistan complain, and complain rightly, that the playing field is not level. Agriculture and food in India are heavily subsidized while in Pakistan they are heavily taxed. More than just politics, the decision should be based on social and economic considerations, guarding the interest of the stakeholders. Subsidy to farmers in India is more than the entire budget of Pakistan.

With input costs in Pakistan being much higher than India – urea prices, DAP, diesel and electricity prices – agriculturists in Pakistan will never be able to compete with India thus compromising Pakistan's food security. India thus exported vegetables worth Rs. 40 billion to Pakistan in 2011-12. This irks farmers and will force farmers to convert their agricultural lands to non-agricultural use. Various provisions of the GATT Agreement provide for excluding agricultural goods from any MNF status. The WTO also distinguishes between agricultural and non-agricultural goods with a separate agreement on agriculture.

PAAPAM – Pakistan Association of Automotive Parts and Accessories Manufacturers have also demanded that Pakistan should not be allowed to become a dumping ground of Indian products. The Ministry of Industries has also admitted that "Pakistan's domestic industry was in a gross dis-advantaged position compared with India". The government, therefore ought to reconsider these concessions which will be detrimental to the agri as well as the auto sector.

Business Opportunities: Smart Irrigation Solutions

Pakistan is one of the water scarce countries where water available per capita is continuously on the decline.

Besides, Pakistan wastes its water. Adaptation of water saving technologies such as laser land levelers, furrow irrigation and high efficiency irrigation systems instead of extravagant gravitational irrigation is now a necessity for the farmers. Globally emphasis has shifted from infrastructure development to more crop per drop in the farm of improving water use at the farm level.

Following a holistic on-farm water management approach for more crop per drop, the government of Punjab has allocated Rs. 13.716 billion for HEIS on around 120,000 acres of land. Spread over six years 2011 – 2017, the agricultural productivity programme offers different streams which include drip and sprinkler irrigation.

AGTL is in the forefront to play its role as part of our primary social responsibility for sustainable development of agriculture in the country. The Company has set up a new division to take advantage of the HEIS programme. Work on 18 sites is now reaching completion. The year 2013 will see AGTL showcasing many more projects which are in various stages of maturity.

Business Opportunities: More New Initiatives

Recognizing that companies that simply try to preserve the status quo falter AGTL has taken bold new initiatives.

While tractor will continue to be our flagship product and the Company has added a Four Wheel Drive version to its range of tractors being manufactured, the Company has ventured into a competitive area of manufacturing agricultural implements gainfully utilizing its Sheet Metal Press Shop. Though the Company has to compete with the hordes of street manufacturers who pay no taxes, the Company's product show an early sign of promise. Beginning with Cultivators, Rotavators, Disk Harrow, the Company has plans to offer other machines which are required by the farmers for mechanized farming. Commercial production of the four wheel drive tractor and agricultural machines has commenced.

In addition to agricultural machines, the Company has developed Generators in four KVA ranges. Commercial production of the generators will hopefully commence in the second quarter of 2013. The Company has received encouraging response from all over for appointment of Dealerships with after-sale-support.

Just as AGTL's flagship product – the tractor – is a household name among the farming community of Pakistan, our new initiatives also show promise of export – being competitive, robust and sturdy. Details of product portfolio have been given on page 93.

As trend setters, the Company is hopeful of making its mark in growth markets for all of the new initiatives that have been launched.

Corporate Social Responsibility:

Though an obscure and misunderstood subject in modern business, **Corporate Social Responsibility at AGTL means: Being responsible to the stakeholders of the Company – to make the future of the Company and the region sustainable.** Efforts are thus being directed so that CSR gets embedded in the Company's culture and processes as a way of life. At AGTL we talk of CSR on a different level such as workplace initiatives like health, safety, the environment, community initiatives, education, engaging with the customers, etc. There is a strong commitment to conforming to labour laws and legal compliance.

The link between CSR and the Company's performance has been a catalyst in reducing direct costs of energy, materials and other resources; it has improved productivity of workers through motivation; it has reduced management risks through establishment of governance systems; adherence to Corporate Governance, Risk Management and Strategic Management.

Highlights on the company's performance in relation to CSR and Corporate Sustainability have been given on page 60.

Future Outlook:

Market uncertainty abounds. Most headlines are discouraging. While Pakistan's financial woes are no help, reversal of announced policies and projections by indecisive governments are always a cause of worry. In the year 2012, the Punjab Government announced the launch of Green Tractor Scheme for delivery of 20,000 tractors. The scheme was cut down to half. A similar scheme for Phase 2 of the Sindh Government was delayed leaving tractor manufacturers rubbing their hands with pile of inventory. The scheme for 3,000 has just been announced. **While ZTBL the primary bank for tractor loaning has been shy on extending credit for development loans, we are driven by the optimism that Pakistan's agrarian economy needs tractors and agricultural equipment.** The demand as well as requirement for tractors will grow – thus keeping us moving forward. Should the banks squeeze loaning – as they have been squeezing – the farmers will buy tractors on cash.

Pakistan is a resilient society, accustomed to endurance and dysfunctional governments.

Pakistan's economy is agrarian and despite the odds, native optimism continues to keep us buoyed up. The Global PLIMSOLL survey of the world's fifty largest tractor manufacturers rates AGTL as "Strong". Driving excellence in every space we will continue to deliver excellence. The company is driven by our optimism, our belief in ourselves and our belief, above all, in our ever agile workforce. Being cost effective, having hands on management style along with the high standards of workmanship makes AGTL a perfect example for fit-out development.

Acknowledgements:

AGTL's success is directly related to the efforts of its ever agile employees at every level of the Company. It is the workforce that has made AGTL, a case study of corporate success. The Management maintain high cordial relations with the workers. A CBA agreement has recently been signed offering lucrative perks to the workers – AGTL workers are happy workers.

Chairman CBA with CEO

During the year Mr. Pietro Cianci Venturi, Mr. Mario Gasparri and Mr. Youssef Hadjas resigned from the office of directors. The Board would like to place on record its appreciation on the valuable contribution made by the outgoing directors. The Board also welcomes Ms. Giovanna Barbieri, Mr. Damiano Cretarola and Mr. Stefano Pampalone to the Board and hopes that the Company will benefit from their varied experience in their respective fields.

For and on behalf of the Board

Charles Leonard Hunt
Chairman

Karachi
February 13, 2013

Accolades

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

For demonstrating best corporate performance, AGTL once again received the Corporate Excellence Award of the Management Association of Pakistan.

AGTL's Annual Report for the year 2011 was awarded by the Joint Committee of ICAP and ICMAP at the Best Corporate and Best Sustainability Report Award ceremony.

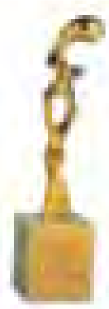
The International Entrepreneur of the Year Award of Business Initiative Directions was conferred on CEO, Mr. Parvez Ali.

European Society for Quality Research conferred on AGTL the International Diamond Prize for Excellence in Quality.

ESQR

European Society for Quality Research

Association Otherways Management Consulting gave the Golden Europe Award for Quality and Commercial Prestige to AGTL



Global Trade Leaders Club conferred on AGTL the International Award for Leadership in Image and Quality.

Global Compact

Global Compact Principles	AGTL's commitment
Principle 1: Business should support and respect protection of internationally proclaimed human rights	AGTL adheres to all the international standards of human rights. We conform to all the labour laws of the country.
Principle 2: Business should make sure that they are not complicit in human right abuses.	AGTL is committed to conducting its business in accordance with the highest ethical and legal standards.
Principle 3: Business should upload the freedom of association and the effective recognition of the right to collective bargaining.	AGTL respects the rights of Collective Bargaining. Efforts are made to resolve labour issues and grievances by holding weekly meeting with the CBA. An agreement with the CBA has recently been signed and implemented.
Principle 4: Business should upload elimination of all forms of forced labour and compulsory labour	AGTL does not employ any form of forced or mandatory labour.
Principle 5: Business should ensure effective abolition of child labour	AGTL does not employ people younger than 18 years of age with a valid CNIC.
Principle 6: Business should uphold the elimination of discrimination in respect of employment and occupation.	AGTL practices equal opportunity employment without any discrimination of caste, creed or religion. Management also offers equal opportunities to women who are employed in both high and lower management positions. AGTL has broken a barrier by employing women at Dera Ghazi Khan.
Principle 7: Business should support a precautionary approach to environmental challenges.	AGTL is committed to economic sustainability, environment sustainability, socio-political sustainability, cultural and above all to sustainable agriculture, sustainable farm management, sustainable yields and conservation.
Principle 8: Business should undertake initiative to promote greater environmental responsibility	The AGTL plant and staff town located at Dera Ghazi Khan has given fillip to the whole area by way of ancillary and allied activities. Apart from creating jobs and social dynamics, our community service extends from mosque to hospital. Environmental responsibility has also been integrated into corporate decision making.
Principle 9: Business should encourage the development and diffusion of environmentally friendly technology	At AGTL, the principle is: Reduce, Re-use and Re-cycle. The Company is committed towards an overall environmental strategy so as to achieve sustainable growth without sacrificing financial objectives.
Principle 10: Business should work against corruption in all its forms, including extortion and bribery.	AGTL actively participates in the fight against corruption, fully complying with principles of fairness, transparency and integrity. To ensure the highest standards are met, anti-corruption statement has been included in the code of ethics signed by all the directors and employees of the Company.

Corporate Sustainability

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility at AGTL encompasses human and workers rights, employee relations, ethical conduct, human capital leadership, environmental impact, safety and community service.

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. Employing over a thousand staff, with adjacent staff town full of amenities, hospital, fair price shop, 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.

ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION MEASURES

Energy Efficient Lighting

Efficient use of natural capital where eco-efficiency is usually calculated as the economic value added in relation to its aggregate ecological impact led AGTL to the installation of energy efficient sun roof tops in the plant. This has drastically reduced the consumption of electricity with savings in energy cost.

A conscious effort is made by all the employees to conserve energy at all our offices and plant by switching off unused air-conditioners and electrical equipment.

Automatic Burners

Burners in paint shops and tractor body line have been automated to ensure temperature control. This has resulted in fuel savings, thus reducing environmental impact and improving financial efficiency.

Water Purification

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

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

Tree Plantation

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

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

Paperless Environment

Efforts are being made to promote paperless environment with the maximum use of digital storage and communication methods.

Waste Management

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

- Under an agreement with suppliers, components rejected on line are returned. These include defective castings, forgings, sheet metals, wires, metal scraps, paper board cartons, wood, plastic parts, PVC parts, etc. These are all materials which are recycled and reprocessed into new materials. These materials are collected separately from general waste using dedicated places in the factory.

- Oils refuse from testing of all engines are also sold and recycled for use as furnace oil.

- Well-designed septic tanks have been built in the factory to take care of the water that is used for washing the components and in the paint shops. These pre-treat the waste water before it enters the disposal areas where natural processes are expected to take care of the final treatment. Solids settle to the bottom of the tanks and form a layer of sludge which is removed once it gets filled – in several years. The sludge is auctioned.

Sustainable Agriculture

AGTL has launched new initiatives in Farm Mechanization and Water Conservation projects. With acute water shortages in the country, the government has accorded priority to mechanization of farming and on projects on water conservation. The Company thus offers “Smart Irrigation Solutions” for water conservation including Rain Guns, Sprinkler, Bubble System, Drip Irrigation system and Center Pivot System.

LABOUR / MANAGEMENT RELATIONS

Chairman CBA presents a Memento to Chairman AGTL

The management and labour of AGTL enjoy cordial relations. Weekly meetings are held with CBA to discuss and resolve all issues. A new CBA agreement has recently been signed and implemented.

HEALTH, SAFETY AND ENVIRONMENT

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

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

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

COMMUNITY INVESTMENT, DEVELOPMENT OF LOCAL TALENT AND INVESTMENT IN EDUCATION

At AGTL, we maintain a close communication link between rural communities, researchers and the society at large:

- We educate the farmer and his future generations on techniques of Farm Management with marketing programmes which have been specially designed to minimize overhead cost and to increase returns. Such programmes are held with intermittence throughout the country at the grass root level.

- Tractor festivals, free service programmes are held throughout the year to improve efficiency of resource utilization.

- Merit scholarships are offered to students of the University of Agriculture, Faisalabad and its campus in Dera Ghazi Khan. Scholarships are also offered to the technical college of Dear Ghazi Khan for development of local talent.

CONTRIBUTION TO NATIONAL EXCHEQUER

AGTL has contributed Rs.1.2 billion towards the national exchequer on account of government levies and taxes.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

The Company actively participates in the fight against all forms of corruption, fully complying with principles of fairness, transparency and integrity. To ensure the highest standards are met, anti-corruption statement has been included in the code of ethics signed by all the directors and employees of the Company.

AGTL

CORPORATE GOVERNANCE

Annual Report 2012

Corporate Governance

Al-Ghazi Tractors Limited recognizes that well-defined corporate governance process are vital in enhancing corporate accountability and is committed to ensuring high standards of corporate governance to preserve and maximize shareholder value. In addition to compliance with regulations and best practices, the Board ensures that high ethical standards are reflected in business behaviour and culture of the Company.

Board of Directors

The Board oversees the effectiveness of management as well as the corporate governance of the Company with the objective of maximizing shareholder value.

The key roles of the Board include the review and approval of the Company's corporate strategies and directions, annual budgets, major investments, succession planning of CEO and the review of the Company's financial performance and risk management processes and corporate governance practices. The Board is also responsible for setting the Company's core values and ethical standards.

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

The directors consider that the Board is of appropriate size and with the right mix of skills and experience. The Board members comprise business leaders, professionals with financial audit, accounting and legal backgrounds and engineers. Details of director's qualifications are set out on page 21.

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

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

The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations including the Memorandum and Articles of Association, Companies Ordinance, 1984, Securities and Exchange Commission and the Listing Regulations of the Karachi and Lahore Stock Exchanges are complied with. The Company Secretary also assists the Chairman in ensuring proper information flow within the Board and its Committees as well as advising the Board on all governance matters. The Company Secretary attends all Board meetings and ensures that Board minutes are circulated within the stipulated time.

Board Member	Board Meeting	Audit Committee Meeting	Human Resource and Remuneration Committee Meeting
No. of Meetings held in 2012	**5**	**4**	**1**
Mr. Charles Leonard Hunt	4/5	-	-
Mr. Parvez Ali [3]	5/5	-	1/1
Mr. Nasir Mahmood	4/5	4/4	-
Mr. Kunwar Idris [3]	5/5	4/4	1/1
Mr. Mario Gasparri [1]	1/3	-	-
Mr. Kashif Lawai	5/5	4/4	-
Mr. Hadjas Youssef [1 & 3]	2/3	1/2	1/1
Ms. Giovanna Barbieri [3]	2/5	-	1/1
Mr. Stefano Pampalone [2]	-	-	-
Mr. Damiano Cretarola [2]	-	-	-

1 Mr. Mario Gasparri and Mr. Hadjas Youssef resigned as non-executive directors on July 23, 2012.

2 Mr. Stefano Pampalone and Mr. Damiano Cretarola were appointed as non-executive directors on August 15, 2012.

3 The HR&R Committee was reconstituted on October 18, 2012. The revised constitution is given on page 71.

Roles and Responsibilities of Chairman and Chief Executive Officer

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

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

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

Duties of the Chairman

- 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 obajectives.
- In accordance with Company law and as and when required chair the meetings of the Board, its Committees, and meetings of the shareholders in accordance with their terms of reference.
- To establish, in consultation with 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

- 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

The Company has implemented an annual process for evaluating the effectiveness of the Board as a whole. Directors are required to complete a questionnaire which includes factors such as the size and composition of the Board, Board independence, the Board's access to information, Board's performance in relation to discharging its principal functions and evaluation of Board Committees' performance in relation to discharging their responsibilities set out in their respective terms of reference. Feedback from Directors is collected and discussed and used to highlight areas of strength and weaknesses for future development of Boards.

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

Performance Review of CEO

The performance of the CEO is formally appraised by the Board. CEO's performance is evaluated on the performance of business, accomplishment of objectives with particular reference to profit, goals and corporate success.

Board Committees

Audit Committee

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

Members of the Audit Committee are;
Mr. Nasir Mahmood – Chairman
Mr. Kunwar Idris
Mr. Damiano Cretarola

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

Meeting during the year 2012

The Audit Committee met four times during the year. Members attendance at the meetings are disclosed on page 67. The Committee also met with the external and internal auditors separately, without the presence of the management.

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

Terms of Reference

1. The Audit Committee will recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Company in addition to audit of its financial statements;

2. The Audit Committee will determine appropriate measures to safeguard the Company's assets;

3. The Audit Committee will review quarterly, half yearly and annual financial statements of the Company, prior to approval by the Board, focusing on:
   - Major judgmental areas;
   - Significant adjustments resulting from the audit;
   - The going concern assumption;
   - Any changes in accounting policies and practices;
   - Compliance with applicable accounting standards;
   - Compliance with listing regulations and other statutory and regulatory requirement; and
   - Significant related party transactions.

4. Review of preliminary announcements of results prior to publication;

5. Facilitating the external audit and discussion with external auditors of major observations arising from the interim and final audits and any matter that the auditors may wish to highlight (in absence of management, where necessary);

6. Review of management letter issued by external auditors and management's response thereto;

7. Ensuring coordination between the internal and external auditors of the Company;

8. Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

9. Consideration of major findings of internal investigation of activities characterized by fraud, corruption and abuse of power and management's response thereto;

10. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and

payments, assets and liabilities and the reporting structure are adequate and effective;

11. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

12. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or any other external body;

13. Determination of compliance with relevant statutory requirement;

14. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

15. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource and Remuneration Committee

The Human Resource and Remuneration (HR&R) Committee consists of three non-executive directors. Chairman of the Committee, Mr. Charles Leonard Hunt is also the Chairman of the Board.

Following directors serve on the HR&R Committee:
Mr. Charles Leonard Hunt- Chairman
Mr. Nasir Mahmood
Ms. Giovanna Barbieri

The Company Secretary is the secretary of this Committee.

Meeting during the year 2012

The Committee met once during the year. Attendance at the meeting is given on page 67.

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 COO, CFO, Company Secretary and Head of Internal Audit;

4. Consideration and approval on the recommendations of CEO on such matters for key management positions who report directly to CEO; and

5. Assess annually the Board's performance and the performance of the Committees of the Board.

Management Committees

The Board has formulated various Management Committees comprising of the CEO and other senior members of the Company. These committees meet as per their charter and focus on policy statement, scope and policy guidelines established by the Board. The discussions, recommendations and decisions taken by these committees are put up for perusal of the Board. These committees are as follows:

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

2. **Finance and Investment Committee**
   The Committee reviews the investment strategies, financial performance, budget progress and pricing decisions.

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

4. **Human Resource and Remuneration Committee**
   The Committee reviews the terms and conditions of employment of staff and ensures to have an effective proactive succession planning process. Detailed compliance and adherence to the CBA agreement is also ensured.

5. **Information and Technology Committee**
   Because of criticality of IT to the success of the Company which operates on ERP, the Committee's responsibility is to provide timely advise and direction on current and strategic IT issues, the future direction and leadership of IT.

6. **The Employee and Process Safety Committee**
   The Committee reviews policy development on a wide range of safety and health issues effecting employees and the Company including site security and employees health and safety concerns.

7. **Environmental Committee**
   The Committee focuses on a wide range of issues including hazardous waste, regulatory reforms, pollution prevention etc.

Internal Audit

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

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

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

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 Company provides a mechanism for employees to report possible improprieties that they may encounter to the Company Secretary without fear of reprisal or discrimination. Under this policy, every reported case will be considered and investigated on the basis of its merit.

pwc

A. F. FERGUSON & CO.

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2012.

As mentioned in the Statement, following (reference to the Statement included thereagainst) have been complied with subsequent to the year ended i.e. December 31, 2012:

i. Placement of the code of ethics along with supporting policies and procedures on the company's website (point reference 5 of the Statement);
ii. Setting of the threshold for other employees for the purposes of disclosing trades in the shares of the listed company (point reference 13 of the Statement).

AFFerguson & Co.
Chartered Accountants
Karachi

Dated: February 20, 2013

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>

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of non-executive directors on its Board of Directors. The Board comprises of eight directors and includes six non-executive directors who work with independence. The requirement of independent director shall take effect when the Board is reconstituted on the expiry of its current term.

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. Casual vacancies occurred in the Board and were filled in compliance with the Code of Corporate Governance.

5. The Company has prepared a “Code of Ethics” which has been signed by all the directors and employees of the company.

6. The Board has developed a vision and mission statement, overall strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the meetings, along with agenda and working papers, were circulated seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board has previously arranged an orientation course of the Code of Corporate Governance for its directors to apprise them of their role and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment at the time of their appointment.

11. The Directors’ Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding. The Board has set up the threshold for other employees for the purpose of disclosing trades in the shares of the Company subsequent to the year ended December 31, 2012.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, all of whom including the Chairman are non-executive directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three members, all of whom including the Chairman are non-executive directors.

18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of 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

Karachi
Dated: February 13, 2013

Investor Relations

Share Information

Listed: Karachi and Lahore Stock Exchanges
Symbol: AGTL
Number of Shares: 42,936,445
Face Value: Rs. 5 per share
Share Capital: Rs. 214.68 million
Market capitalization: Rs. 10,235.19 million

Trading Activity and Market Capitalization

	Volume (in '000)	Share Price High	Share Price Low	Share Price Close	Market capitalization as at Dec 31 (PKR million)
2012	1,104	255	169.89	238.38	10,235
2011	1,046	244.95	158	192.84	8,279
2010	2,432	264	194.25	227	9,747
2009	3,629	268.75	113.56	238.04	10,221
2008	693	298.7	210	218.5	9,382

Annual Meeting

The Annual Shareholders meeting will be held at Hotel Ramada Plaza, Karachi on Wednesday, March 27, 2013 at 15:30 hrs.

Annual and Quarterly Reports

The Company publishes annual and quarterly reports. These can be downloaded from the company's website www. alghazitractors.com or printed copies can be obtained by writing to the Company Secretary.

Key Dates for 2013

Period	Announcement
First Quarter	Third week of April 2013
Second Quarter	Last week of July 2013
Third Quarter	Third week of October 2013
Annual Accounts	First week of February 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
Ground Floor, State Life Building 1-A
I.I. Chundrigar Road
Karachi – 74000
Tel: 92 21 32422344, 32427012
Fax: 92 21 32428310
Timings: 8:30 am to 1:00 pm & 2:00 pm to 3:30 pm

Pattern of Shareholding

As At December 31, 2012

Number of Shareholders	Size of Shareholding Rs. 5 each From	To		Total Shares Held
607	1	100	Shares	20,271
423	101	500	Shares	112,810
173	501	1,000	Shares	130,724
260	1,001	5,000	Shares	519,430
45	5,001	10,000	Shares	334,195
11	10,001	15,000	Shares	139,057
9	15,001	20,000	Shares	156,267
7	20,001	25,000	Shares	154,898
1	25,001	30,000	Shares	30,000
3	30,001	35,000	Shares	97,066
2	35,001	40,000	Shares	75,500
1	40,001	45,000	Shares	40,984
1	45,001	50,000	Shares	50,000
1	50,001	55,000	Shares	52,042
1	55,001	60,000	Shares	56,507
2	60,001	65,000	Shares	122,100
1	65,001	70,000	Shares	67,656
1	75,001	80,000	Shares	77,310
1	80,001	85,000	Shares	81,676
1	100,001	105,000	Shares	102,000
1	200,001	205,000	Shares	203,400
1	300,001	305,000	Shares	301,378
1	18,535,001	18,540,000	Shares	18,535,096
1	21,475,001	21,480,000	Shares	21,476,078
1,555				**42,936,445**

Categories of Shareholders

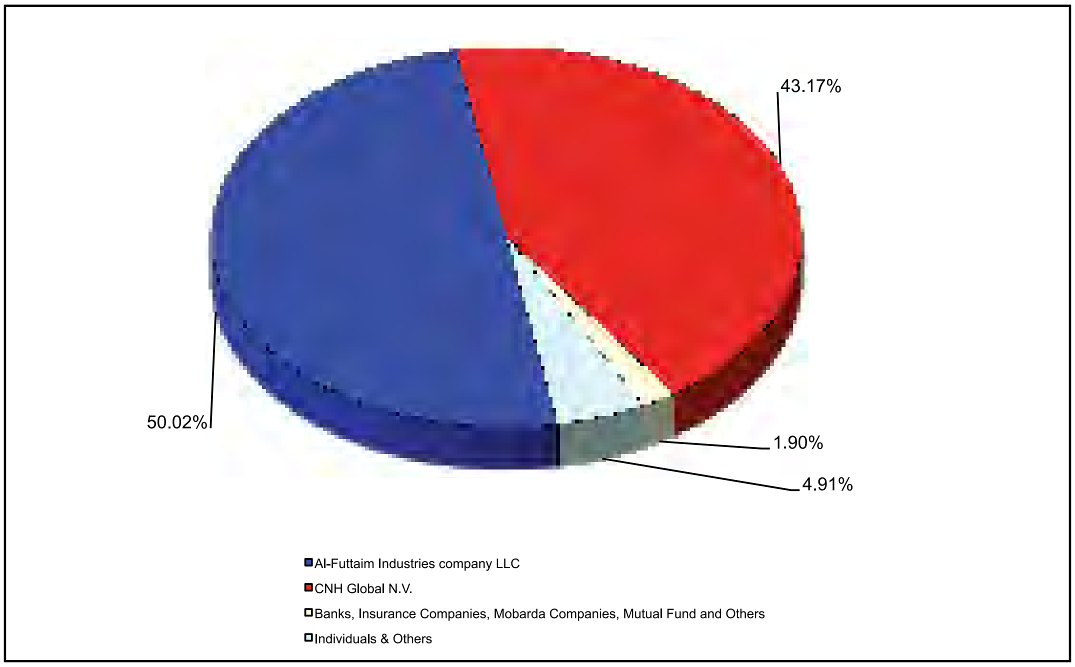
Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	630	383,600	0.89%
2-	Financial Institutions	2	2,198	0.01%
3-	Associated Companies	2	40,011,174	93.19%
4-	Others	6	15,392	0.04%
5-	Central Depository Company (b)	915	2,524,081	5.88%
		1,555	42,936,445	100.00%

(b) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2012

Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	864	1,726,779	4.02%
2-	Investment Companies	1	1,000	0.00%
3-	Insurance Companies	6	471,864	1.10%
4-	Joint Stock Companies	22	125,586	0.29%
5-	Financial Institutions	3	77,531	0.18%
6-	Modaraba Companies	4	23,195	0.05%
7-	Mutual Fund	9	59,877	0.14%
8-	Others	6	38,249	0.09%
		915	2,524,081	5.88%

Pattern of Shareholding

Categories of Shareholders	No. of Shareholders	No. of Shares Held
Directors, CEO and their spouses and minor children:		
Mr. Parvez Ali - CEO	1	275
Associated companies:		
Al-Futtaim Industries company LLC	1	21,476,078
CNH Global N.V.	1	18,535,096
Executives	8	2,062
Banks, Development Financial Institution, Non Banking Financial Institution	4	4,903
Insurance Companies	6	471,864
Modaraba Companies	4	23,195
Mutual Fund:		
CDC- Trustees AKD Index Traker Fund	1	4
CDC- Trustees MCB Dynamic Stock Fund	1	8,000
CDC- Trustees NAFA Islamic Multi Asset Fund	1	375
First Capital Mutual Fund Limited	1	5,400
MCBFSL- Trustee URSF-Equity Sub Fund	1	8,000
MCBFSL- Trustee UIRSF-Equity Sub Fund	1	5,500
Trustee- Pakistan Pension Fund-Equity Sub Fund	1	4,000
Trustee- Pakistan Islamic Pension Fund-Equity Sub Fund	1	7,100
Others	37	276,551
Individuals & Others		
Local	1485	2,108,042
Foreign	-	-
Shareholders holding 10% or more voting interest:		
Al-Futtaim Industries company LLC	1	21,476,078
CNH Global N.V.	1	18,535,096



MANAGEMENT DISCUSSIONS

Annual Report 2012

Plant

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

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

Plant consists of the Production Department, Quality Assurance, Stores, Plant Engineering and allied activities. Our hard working and dedicated work force consist of permanent staff, as well as daily wagers when required. The plant also employs trainee engineers.

Quality assurance and quality improvement systems exist at every level. One of our Mission statements reads: our most enduring competitive edge is the quality of our tractors. AGTL is also a proud recipient of international awards on quality.

AGTL was the first automobile company in Pakistan to qualify for ISO-9002. We have now achieved the ISO registration valid until February 2016.

During 2012, AGTL increased its product range by launching of GHAZI Special and the four wheel drive

tractor. Diversification remained the heart of the business with the launch of implements such as Cultivators, Rotavators and Disc Harrow. The Generator Assembly Line, foundation of which was laid by the CEO of Al-Futtaim Group, Mr. Omar Al-Futtaim, is currently under construction. When completes, AGTL can produce around 2,000 generators a year in a single shift.

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

With peace, tranquility, a safe and healthy environment, the plant and the exquisite living facilities at the adjacent staff town, in what is a less developed area of Pakistan, makes AGTL a company to emulate.

Marketing

Corporate Marketing Strategy at Al-Ghazi Tractors Limited is based on the hypothesis that we "Create a Customer" because customer is the foundation of our business. More that a formal written policy this strategy is instilled in our marketing team who have their own MISSION:

'to foster agriculture mechanization in the country by providing a range of New Holland brand tractors that create value by achieving leadership in cost, quality, customer satisfaction and sustainable business generation in challenging and competitive environment."

Operating from Lahore, the Marketing Department has established full fledged Regional Offices at four important locations:

1. Marketing Centre, Lahore:
   10 Km, Sheikhupura Road.
   Tel: 0423-7912226, 7924677.
2. Marketing Regional Office, Multan:
   20, Industrial Estate.
   Tel: 061-6514057-9.
3. Marketing Regional Office, Sukkur:
   House No. 8/A, Hamdard Housing Society,
   Airport Road.
   Tel: 071-5633920, 5002852.
4. Marketing Regional Office, Islamabad:
   Flat No. 7,2nd Floor, City Arcade,
   Sector 1 – 8, Markaz.
   Tel: 051-4862524-25.

The Company has dotted the whole country with "Authorized Dealers:, who under an agreement have established and continue to add new mechanical workshops in their territories for providing 3S facilities at the doorstep of the customers.

Spread in every nook and cranny of the country where tractors ply, the Company has 87 main and 36 spare part dealers. The Company has also established Two Dealerships in Afghanistan.

The year 2012 has been tough, affecting overall economy, particularly agriculture related business. ZTBL loaning remained low. However, the last quarter witnessed handsome bookings at the successful launch and completion of Green Tractors Scheme by Government of Punjab.

Apart from the difficult business conditions AGTL has been able to maintain trust of its users through customer friendly policies. Different attractive packages were introduced to enhance tractor bookings in the face of uncertainty and suspension of ZTBL loans.

Free service programs and tractor operator trainings were held in collaboration with after sale service department at workshop level to enhance farmers` confidence in our products.

During the year, the Company diversified its business by manufacturing and sale of agricultural implements and installation of "High Efficiency Irrigation System" (HEIS).

The Company is now focused on sale of newly introduced version of NH- Ghazi Model (65 HP) and NH-70/56 (85 HP 4WD) tractors. This will not only grow the business but would also benefit Pakistan's agriculture.

A "Delivery Centre" has been established adjacent to the manufacturing plant at Dera Ghazi Khan which with its fully computerized operation running on BaaN ERP is the hub of the major activity of delivery of tractors to the customers.

Materials Management Department

In today's complex and competitive marketplace, success begins with a product that delivers value. For Al-Ghazi Tractors to continue to present opportunities for our Company, our customers, and our suppliers, we focus on strengthening the MISSION of the Company: To be the lowest cost producer of highest quality products.

At Materials Management our primary responsibilities are to procure the parts and consumables that go into producing world class tractors and other products and our secondary responsibility is to drive down waste and costs to improve our overall value to employees, consumers, shareholders and stakeholders.

The foundation we rely on to accomplish this is to make sourcing decision based on performance to our three priorities: Supply Chain & Logistics, Quality, and timely delivery.
Principal activities of the department are:

- Maintaining and updating the technical and technological records of the products

- Development of components to achieve local content conforming to the specifications of the principals and hence saving foreign exchange

- Development of alternate resources to strengthen supply chain

With 300+ supply chain associates spread all over Pakistan supplying 1300+ components, The Company has achieved the following local contents as of December 2012:

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

With such high yield of import substitution, the foreign exchange saving in the year 2012 was Rs. 7.79 billion.

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

- Quality control and quality assurance on component suppliers.
- Effective supply chain management using BaaN-ERP systems
- Management of contracts and supply orders
- Cost control and cost analysis
- Inventory management

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

Human Resources

If we look at the evolution of the Human Resources Department, it began with “Personal & Administration”, evolving it grew into a concept of Human Resources Management, in which the idea of changing human behaviour was encouraged for smooth functioning of the systems.

HR being the backbone of any company employs skilled human resource to contribute to the growth, production and quality of our products, in turn improving market share.

Our employees are our brand ambassadors to the outside world, hence the job and responsibilities of the HR Department is not only to function as planning organizing, staffing, department but to make certain to retain employees making their stay more productive.

The HR Department plays a key role in supporting AGTL. AGTL's fundamental policy is that we will treat all of our employees with respect building the norms of equality among all. The Company strives to provide a safe, healthful and productive work environment. Each employee has a personal responsibility to other employees and to the Company to help eliminate actions or circumstances which undermine this environment.

Equal Employment Opportunities

AGTL's policy requires that individuals are to be considered for employment opportunities on the basis of merit, as measured against objective job requirements. Moreover, good faith effort is made to implement programs designed to provide equal employment opportunity for all types of jobs and at all levels of the work force. We at AGTL recognize the power that comes from people of diverse backgrounds and experiences coming together around a common goal.

Job Posting and selection

A total of 28 new employees were inducted during 2012. A major chunk of these inductions belong to the new initiatives that AGTL has taken on i.e. Drip Irrigation, manufacture of implements and generators.

AGTL strives to maintain a self-nomination and position posting system whereby open positions are advertised both internally and externally to meet the talent needs of the company. Selections are based on applicant's qualifications, skills and abilities.

Under a programme, AGTL is inducting diploma holders from the DGK Government College of Science and Technology, demonstrating the Company's commitment to investing in the workforce of tomorrow as well as supporting the local talent as part of our social responsibility.

Performance Management

At AGTL, Performance Management helps to provide open communication channels between the employees and his/her immediate supervisor through goal setting, performance evaluation and feedback. Performance management helps to ensure that salary progression, contract renewal and employment continuation decisions are transparent and based on a mutual understanding of evaluation criteria. Additionally, performance management leads to decisions regarding training and development needs and opportunities.

Health and Safety

The management's Health and Safety Committee covers action plan for occupational safety, occupation illness, conforms to labour laws for physical and psychological health of employees, friendly working hours, ambulance service, provision of clean water through filtration plant, twenty four hours security for the plant and residents of the staff town, etc.

Training and Development

AGTL's intangible assets are strengthened thanks to its employees who strive to achieve their personnel best. About 90% of our workforce consists of technical staff and AGTL has built an in-house training centre at our plant in D.G. Khan for in-house trainings.

In addition to in-house trainings, AGTL's executives are also sent to seminars, training programmes at various institutions in the country.

Workforce Mix

Employing a qualified and talented team of dedicated officers and workers, the total strength of the Company as on 31st December, 2012 reflected the following mix:

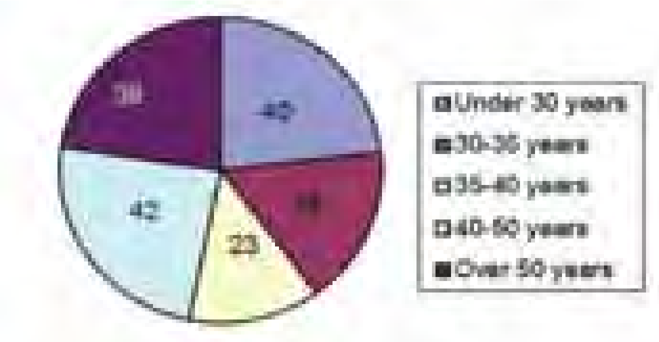
DEPARTMENT	MANAGERS	EXECUTIVES*	WORKERS	TOTAL
Marketing	20	8	9	37
After Sales	7	4	12	23
HEIS	5	0	0	5
Material Management / Purchase	17	7	5	29
Human Resources and Administration	9	9	23	41
Production	26	22	145	193
Finance / Corporate Affairs	23	7	3	33
MIS	6	0	0	6
Internal Audit	2	0	0	2
Total	**115**	**57**	**197**	**369**

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

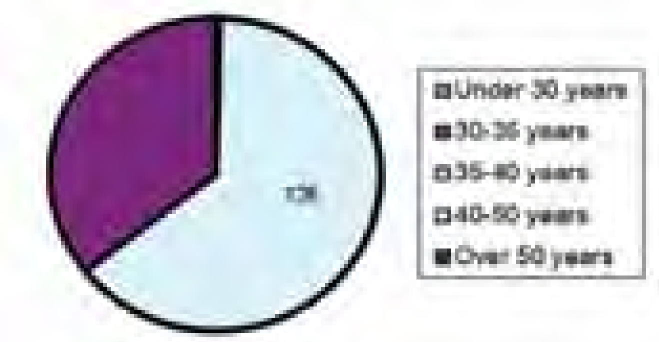
Qualifications of AGTL Team of Many Talents

Master Degree Holders	=	43
Professional Degree Holders	=	22
Bachelor Degree Holders	=	51
Others	=	253

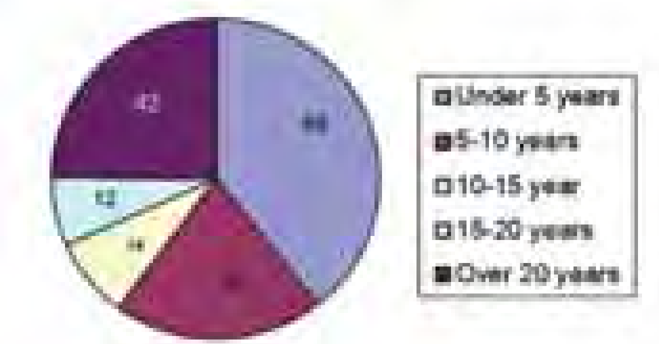
AGE ANALYSIS OF MANAGER	
Age Category	
Under 30 years	40
30-35 years	29
35-40 years	23
40-50 years	42
Over 50 years	38



AGE ANALYSIS OF WORKERS	
Age Category	
Under 30 years	0
30-35 years	0
35-40 years	1
40-50 years	126
Over 50 years	70



SERVICES ANALYSIS OF MANAGER	
Service Category	
Under 5 years	68
5-10 years	36
10-15 year	14
15-20 years	12
Over 20 years	42



SERVICES ANALYSIS OF WORKERS	
Service Category	
Under 5 years	0
5-10 years	0
10-15 year	0
15-20 years	0
Over 20 years	197

Organogram

Technical Features of AGTL Tractors


GHAZI

High Efficiency Irrigation System

Pakistan has now been placed in red zone due to low per capita water availability at 1,000 cubic meters compared with 5000 cubic meters in 1950. The yield per unit of water is also lowest in the world. The continuous demand for food for an ever increasing population thus creates more and more pressure on the Agro-eco system.

Efficient use of water for agriculture production is thus being highly emphasized by the Government of Pakistan due to limited available water resources to meet the growing need of ever increasing population.
The government of Punjab has launched a mega project titled "Punjab Irrigated-Agriculture Productivity Improvement Project (PIPIP)" to improve the productivity of the irrigation activities in the Province. The project is worth Rs. 36 billon with 60% World Bank funding and 40% by the farmer. This project will cover subsidy for entire Punjab province farmers over a period of 6 years (2011-12 to 2016-17).

Al Ghazi Tractors a leading name in tractors manufacturing industry serving farmers community for more than last 29 years has offered smart irrigation solution for water conservation projects including drip, sprinkler and center pivot system. The Company has signed technical collaboration agreements with international companies of repute to provided Smart Irrigation Solutions.

Teams are being mobilized to support the projects giving AGTL a rapid recognition at farmer level and resulting in successful initial installations of projects and speedy progression in the learning curve.

AGTL's proposes to place the farmer at the center of attention through a tandem of expertise directly supporting in the field definition, installation and maintenance of the "hardware" as well as securing optimum delivery and life span of the system through qualified "software management" concentrating on appropriate delivery of water and nutrients and adaptation of required agronomical practices. The core objective of AGTL's High Efficiency Irrigation Systems are not limited to introduce drip irrigation as water saving tool but a wider range of achievement at farm level like improvement of yield & quality of produce, higher crop intensity, production of high value crops for export, and extension of irrigated area in difficult lands in order to generate increased farmer income as well as new employment opportunities in the agricultural sector.

MIS

As a function, MIS is the lifeblood of the Al-Ghazi's business, ensuring that there are systems and infrastructures built to meet the demands of business and individuals.

AGTL is increasingly using its Enterprise Resource Planning System - BaaN to manage every aspect of the business. The system is implemented at all major locations of the Company and is fully integrated incorporating Sales and Distribution, Material Requirement Planning (MRP), Materials Management, Manufacturing, Inventory and Finance. New applications relating to payroll, warranty stock / claims, and non component purchases have been developed in house. Staff training is provided regularly to keep the employees informed about latest developments. High speed communication infrastructure is in place for correspondence within AGTL network.

The hardware in use at AGTL include: IBM RISC Servers, CISCO Routers, 3COM and CISCO Switches and IBM/ HP Printers.

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

The Company gives high importance to disaster recovery and a DRP is in place, which ensures minimum down-

time, in case of a major disaster. Most importantly, MIS also holds the function of backing up vital data guaranteeing that a business isn't at risk of losing vital information. Application and data back-ups are maintained at different sites to ensure maximum security. Back-up hardware is also available in case of failure of the main server.

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

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


RISK

Risk Management

We at Al-Ghazi Tractors believe that effective Risk Management is critical to achieving the Company's strategic objectives and corporate governance goals. The Risk Management framework comprises systems of internal controls and risk management policies and guidelines.

The Risk Management Committee looks into and addresses significant risks faced by the Company. 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 sections review some of the key risks identified and the corresponding mitigating strategies that are in place.

Strategic Risks

Strategic risks encompass business performance, markets, competition and new business initiatives. These risks are discussed in detail at the Risk Management Committee meetings and are key considerations in the Board of Directors meetings.

Operational Risks

Operational risk is the risk of potential financial loss / or business instability arising from failures in internal controls, operational processes or systems that support them.

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.

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.

The Company has 87 dealers across the country. The Company seeks to increase its customer base and has recently diversified in the manufacture and sale of implements, generators and installation of smart irrigation systems.

Financial and Investment Risks

Policies and Procedures covering key areas – treasury, credit, accounting and approval limits for various transactions have been established and implemented throughout the Company to mitigate the associated risks. Guidelines have also been set out to ensure that sufficient funds are available to meet the operational need and obligations.

The Company maintains a diversified portfolio of investments to minimize any adverse effect of fluctuation in interest rates. With regards to credit risk, Company's products are mainly sold 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.

Human Resource 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.

Health, Safety and Environment 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.

Fraud and Corruption Risk

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.

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.

AGTL

FINANCIAL STATEMENTS

Annual Report 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also include assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

    (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

    (ii) the expenditure incurred during the year was for the purpose of the company's business; and

    (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2012 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants
Karachi

Dated: February 20, 2013

Engagement Partner: Syed Fahim ul Hasan

Balance Sheet

As at December 31, 2012

	Note	2012	2011
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	373,481	373,295
Long-term investment	4	55,800	74,000
Long-term loans	5	19,439	32,106
Long-term deposits		1,789	342
		450,509	479,743
CURRENT ASSETS			
Stores and spares	6	21,119	19,025
Stock-in-trade	7	1,543,151	2,731,395
Trade debts	8	386,558	14,339
Loans and advances	9	75,894	47,249
Short-term deposits and prepayments	10	1,346	4,602
Accrued mark-up	11	192,312	214,003
Other receivables	12	5,804	5,866
Taxation		113,428	532,814
Refunds due from the Government	13	1,637,869	928,675
Investments	14	1,251,729	1,084,449
Cash and bank balances	15	3,782,632	2,477,110
		9,011,842	8,059,527
TOTAL ASSETS		9,462,351	8,539,270
SHARE CAPITAL AND RESERVES			
Share capital	16	214,682	214,682
Reserves	17	7,705,980	6,540,849
		7,920,662	6,755,531
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		28,132	25,393
Deferred taxation	18	38,342	40,983
		66,474	66,376
CURRENT LIABILITIES			
Trade and other payables	19	1,475,215	1,717,363
TOTAL LIABILITIES		1,541,689	1,783,739
COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		9,462,351	8,539,270

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Profit and Loss Account

For the Year Ended December 31, 2012

	Note	2012	2011
		Rupees in thousand	
Sales	22	14,779,564	10,113,572
Cost of goods sold	23	(11,988,003)	(8,240,616)
Gross profit		2,791,561	1,872,956
Distribution cost	24	(98,111)	(82,474)
Administrative expenses	25	(142,805)	(133,245)
		2,550,645	1,657,237
Other operating income	26	537,742	560,447
Other operating expenses	27	(212,980)	(152,874)
		2,875,407	2,064,810
Finance cost	28	(1,725)	(2,135)
Profit before taxation		2,873,682	2,062,675
Taxation	29	(957,164)	(703,795)
Profit after taxation		1,916,518	1,358,880
Other comprehensive income		-	-
Total comprehensive income		1,916,518	1,358,880
Earnings per share	30	Rs 44.64	Rs 31.65

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

For the Year Ended December 31, 2012

	Note	2012	2011
		Rupees in thousand	
CASH FLOW FROM OPERATIONS			
Cash generated from operations	31	2,660,669	283,323
Income tax paid		(540,419)	(893,909)
Decrease/(Increase) in long-term deposits		(1,447)	25
Increase in deferred staff benefits - compensated absences		2,739	988
Net cash from / (used in) operating activities		2,121,542	(609,573)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(37,429)	(39,397)
Proceeds from disposal of fixed assets		680	1,850
Purchase of investments		(2,300,000)	(1,400,000)
Proceeds from disposal of investments		2,282,554	1,778,960
Placement in term deposits - net		(330,000)	(1,243,000)
Return on bank deposits		403,193	197,336
Return on Certificate of Investment		-	2,426
Decrease / (Increase) in long-term loans		12,667	(31,611)
Net cash from / (used in) investing activities		31,665	(733,436)
CASH FLOW FROM FINANCING ACTIVITY			
Dividend paid		(1,177,685)	(535,675)
Net increase/(decrease) in cash and cash equivalents		975,522	(1,878,684)
Cash and cash equivalents at beginning of the year		302,110	2,180,794
Cash and cash equivalents at end of the year	32	1,277,632	302,110

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

For the Year Ended December 31, 2012

	Share capital	General reserve	Unappropriated profit	Total
	Rupees in thousand			
Balance at January 1, 2011	214,682	1,000,000	5,148,039	6,362,721
Final dividend @ Rs 12.50 per share for the year ended December 31, 2010	-	-	(536,706)	(536,706)
Interim dividend @ Rs 10 per share for the year ended December 31, 2011	-	-	(429,364)	(429,364)
Total comprehensive income for the year	-	-	1,358,880	1,358,880
Balance at December 31, 2011	214,682	1,000,000	5,540,849	6,755,531
Final dividend @ Rs 10 per share for the year ended December 31, 2011	-	-	(429,364)	(429,364)
Interim dividend @ Rs 7.5 per share for the year ended December 31, 2012	-	-	(322,023)	(322,023)
Total comprehensive income for the year	-	-	1,916,518	1,916,518
Balance at December 31, 2012	214,682	1,000,000	6,705,980	7,920,662

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company in June, 1983 and is quoted on Karachi and Lahore Stock Exchanges. The registered office of the company is situated at '11th Floor, NIC Building, Abbasi Shaheed Road, Karachi'. The company is principally engaged in the manufacture and sale of agricultural tractors, implements and spare parts.

The financial statements are presented in Pak Rupee which is the company's functional and presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

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

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

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

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

2.1.1 Changes in accounting standards, interpretations and pronouncements

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

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after January 1, 2012 but are considered not to be relevant or did not have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

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

Following amendment to existing standard has been published that is mandatory for accounting periods beginning on the date mentioned below:

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

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	9 9years
- 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 with maturity upto three months.

2.12 Staff retirement benefits

(i) Defined benefit plan

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

Contributions to the gratuity scheme are based on actuarial recommendations. The latest actuarial valuations of the scheme was carried out as at December 31, 2012 using the Projected Unit Credit Method.

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

(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 m de. a

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	2012	2011
		Rupees in thousand	

3. FIXED ASSETS

3.1 PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
Operating assets	3.2	361,743	373,166
Capital work-in-progress - civil work		11,613	129
Intangible assets	3.3	125	-
		373,481	373,295

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, 2012											
Opening net book value	3,854	80,073	140,772	6,001	105,219	1,705	646	743	20,086	14,067	373,166
Additions	-	-	-	-	8,745	1,447	-	897	11,725	2,959	25,773
Deletions											
Cost	-	-	-	-	-	(1,433)	-	-	(4,686)	-	(6,119)
Accumulated depreciation	-	-	-	-	-	1,268	-	-	4,483	-	5,751
	-	-	-	-	-	(165)	-	-	(203)	-	(368)
Depreciation/ amortisation charge	-	(824)	(4,456)	(244)	(17,035)	(731)	(113)	(653)	(9,963)	(2,809)	(36,828)
Closing net book value	3,854	79,249	136,316	5,757	96,929	2,256	533	987	21,645	14,217	361,743
Gross carrying value basis											
At December 31, 2012											
Cost	3,854	81,599	194,276	9,778	234,009	8,599	3,703	15,763	66,584	50,647	668,812
Accumulated depreciation / amortisation		(2,350)	(57,960)	(4,021)	(137,080)	(6,343)	(3,170)	(14,776)	(44,939)	(36,430)	(307,069)
Net book value	3,854	79,249	136,316	5,757	96,929	2,256	533	987	21,645	14,217	361,743
Net carrying value basis											
Year ended December 31, 2011											
Opening net book value	3,854	80,818	128,834	6,246	101,471	1,906	760	709	22,177	13,518	360,293
Additions	-	80	16,203	-	19,574	773	-	577	7,267	3,172	47,646
Deletions											
Cost	-	-	-	-	-	(710)	-	-	(3,847)	-	(4,557)
Accumulated depreciation	-	-	-	-	-	474	-	-	3,847	-	4,321
	-	-	-	-	-	(236)	-	-	-	-	(236)
Depreciation/ amortisation charge	-	(825)	(4,265)	(245)	(15,826)	(738)	(114)	(543)	(9,358)	(2,623)	(34,537)
Closing net book value	3,854	80,073	140,772	6,001	105,219	1,705	646	743	20,086	14,067	373,166
Gross carrying value basis											
At December 31, 2011											
Cost	3,854	81,598	194,275	9,778	225,264	8,583	3,702	14,865	59,545	47,689	649,153
Accumulated depreciation / amortisation	-	(1,525)	(53,503)	(3,777)	(120,045)	(6,878)	(3,056)	(14,122)	(39,459)	(33,622)	(275,987)
Net book value	3,854	80,073	140,772	6,001	105,219	1,705	646	743	20,086	14,067	373,166

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	132	73	74	Company Policy	Mr.Tanvir Ahmed - General Manager Material Management
Vehicles	514	311	203	514	Insurance Claim	EFU General Insurance Limited
Aggregate of assets disposed off having book value less than Rs 50,000 each:						
Furniture and fixtures	1,228	1,135	93	92		
Vehicles	4,172	4,172	-	-		
	6,119	5,750	369	680		

	Note	2012	2011
		Rupees in thousand	
3.3 INTANGIBLE ASSETS			
Net Carrying value basis			
Opening net book value		-	-
Additions		173	-
Amortisation		(48)	-
Closing net book value		125	-
Gross Carrying value basis			
Cost		6,407	6,234
Accumulated amortisation		(6,282)	(6,234)
Net book value		125	-
Remaining useful life in years		2.1	-
4. LONG-TERM INVESTMENT			
Held to maturity - Certificate of Investment (COI)	4.1	67,800	77,600
Current maturity of investment	14	(12,000)	(3,600)
		55,800	74,000

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 9.8 million (2011: Rs 22.4 million) against the outstanding principal amount. Negotiations with the SPLCL are underway for early recovery of due amounts.

	2012	2011
	Rupees in thousand	
5. LONG-TERM LOANS		
Loans to employees	638	555
Dealer car loans	18,801	31,551
	19,439	32,106

	Note	2012	2011
		Rupees in thousand	
6. STORES AND SPARES			
Stores		14,637	12,301
Spares		6,482	6,724
		21,119	19,025

7. STOCK-IN-TRADE

	Note	2012	2011
Raw materials and components – including in transit Rs 102.59 million (2011: Rs 57.27 million)	7.1	1,523,045	1,988,410
Finished goods – tractors	7.1	16,288	739,583
Trading stock – spare parts and implements		3,818	3,402
		1,543,151	2,731,395

7.1 The above includes raw materials and components of Rs nil (2011: Rs 5.24 million) and finished goods of Rs 0.852 million (2011: Rs 142.54 million) held by third parties.

	2012	2011
	Rupees in thousand	
8. TRADE DEBTS – considered good		
Secured	377,659	1,451
Unsecured	8,899	12,888
	386,558	14,339

8.1 The age analysis of trade debts is as follows:

Not yet due	216,241	2,103
1 to 6 months	170,317	12,236
	386,558	14,339

9. LOANS AND ADVANCES – considered good	Note	2012	2011
		Rupees in thousand	
Loans to employees	9.1	1,170	1,192
Dealer car loans	9.2	11,873	12,213
Advances to suppliers for goods and services		62,851	33,844
		75,894	47,249

9.1 This represents current portion of interest free loans given to employees under employee loan schemes to facilitate purchase of domestic appliances and motor cycles. The said loans are repayable over a period of 24 to 36 months and are secured against provident fund balances.

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

10. SHORT-TERM DEPOSITS AND PREPAYMENTS	Note	2012	2011
		Rupees in thousand	
Security deposits		739	3,655
Prepayments		607	947
		1,346	4,602

11. ACCRUED MARK-UP

Mark-up accrued on bank deposits		192,312	214,003

12. OTHER RECEIVABLES

Due from employees Gratuity Fund	33.2	-	169
Due from Worker's Profits Participation Fund	12.1	5,667	4,223
Others		137	1,474
		5,804	5,866

12.1 Workers' Profits Participation Fund	2012	2011
	Rupees in thousand	
At beginning of the year	4,223	14,247
Allocation for the year	(154,333)	(110,778)
	(150,110)	(96,531)
Less: Amount paid during the year	155,777	100,754
	5,667	4,223

		Note	2012	2011
			Rupees in thousand	
13.	**REFUNDS DUE FROM THE GOVERNMENT**			
	Sales tax		1,355,701	634,533
	Special excise duty		282,168	294,142
			1,637,869	928,675
14.	**INVESTMENTS**			
	Held to maturity - Certificate of Investment	4	12,000	3,600
	Investments at fair value through profit and loss account	14.1	1,239,729	1,080,849
			1,251,729	1,084,449

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 2012	Units 2011		2012	2011
			Rupees in thousand	
4,883,576	7,322,430	Meezan Cash Fund	244,862	367,147
526,440	-	First Habib Cash Fund	52,728	-
-	1,609,893	UBL Liquidity Plus Fund	-	161,769
2,999,232	-	UBL Islamic Sovereign Fund	301,183	-
1,077,497	-	MCB-Cash Management Optimizer	108,041	-
7,258,689	9,917,880	NAFA Government Securities Liquid Fund	72,975	101,013
10,010,369	-	NAFA Money Market Fund	100,442	-
1,068,968	2,179,935	HBL Money Market Fund	108,189	224,993
10,026,218	-	ABL Cash Fund	100,392	-
1,501,226	2,248,127	Askari Sovereign Cash Fund	150,917	225,927
39,352,215	23,278,265		1,239,729	1,080,849

		Note	2012	2011
			Rupees in thousand	
15.	**CASH AND BANK BALANCES**			
	With banks on			
	- Current accounts		679,047	100,432
	- Deposit accounts	15.1 & 15.2	3,025,484	2,376,493
	Cash in hand		208	185
	Demand drafts in hand		77,893	-
			3,782,632	2,477,110

15.1 At December 31, 2012 the mark-up rates on PLS savings and term deposit accounts range from 6.5% to 11.90% per annum (2011: 5% to 13.2% per annum). The term deposits will mature in 2013.

15.2 Term deposits amounting to Rs 120 million (2011: Rs 100 million) have been held under lien by banks as a security against guarantees issued on behalf of the company.

	2012	2011
	Rupees in thousand	

16. SHARE CAPITAL

16.1 Authorised Share Capital

	2012	2011
60,000,000 ordinary shares of Rs. 5 each	300,000	300,000

16.2 Issued, subscribed and paid up capital

Ordinary shares of Rs 5 each 2012	2011		2012	2011
4,500,000	4,500,000	Shares allotted for consideration paid in cash	22,500	22,500
38,436,445	38,436,445	Shares allotted as bonus shares	192,182	192,182
42,936,445	42,936,445		214,682	214,682

16.3 As at December 31, 2011 and 2012 Al-Futtaim Industries Company LLC, U.A.E., the holding company and CNH Global N.V., Netherlands, an associated company held 21,476,078 and 18,535,096 shares of Rs. 5 each respectively.

17. RESERVES

	Note	2012	2011
		Rupees in thousand	
Revenue reserve - General		1,000,000	1,000,000
Unappropriated profit		6,705,980	5,540,849
		7,705,980	6,540,849

18. DEFERRED TAXATION

Credit / (Debit) balance arising on account of

	2012	2011
- accelerated tax depreciation allowances	48,188	49,870
- deferred staff benefits - compensated absences	(9,846)	(8,887)
	38,342	40,983

19. TRADE AND OTHER PAYABLES

	Note	2012	2011
Creditors		859,616	795,817
Accrued liabilities		320,621	124,617
Customers' and dealers' advances		98,277	253,100
Dividend Payable	19.1	22,494	448,792
Deposits		28,382	27,589
Taxes deducted at source		5,938	1,212
Workers' Welfare Fund		64,262	43,957
Royalty payable to CNH Global N.V.		66,090	17,874
Due to Employees Gratuity Fund	33.2	632	-
Others		8,903	4,405
		1,475,215	1,717,363

19.1 This includes unclaimed dividend amounting to Rs 21.22 million (2011: Rs 19.42 million).

20. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2012 amounted to Rs 8.26 million (2011: Rs 1.54 million).

21. UNFUNDED BANKING FACILITIES

The facilities for opening letters of credit and guarantees as at December 31, 2012 amounted to Rs 2.25 billion (2011: Rs 2.4 billion) of which unutilised balance at year end amounted to Rs 1.84 billion (2011: Rs 2.18 billion).

The above arrangements are secured by way of pari-passu charge against hypothecation of company's stock-in-trade, book debts and term deposits held under lien by banks.

22.

	2012			2011		
	Tractors	Trading goods	Total	Tractors	Trading goods	Total
	Rupees in thousand					
Local sales	15,632,652	70,581	15,703,233	11,251,880	53,795	11,305,675
Export Sales	77,383	-	77,383	76,674	-	76,674
	15,710,035	70,581	15,780,616	11,328,554	53,795	11,382,349
Less: Commission and discounts	(235,177)	(1,117)	(236,294)	(147,290)	(1,383)	(148,673)
Sales Tax	(755,236)	(9,522)	(764,758)	(1,112,675)	(7,429)	(1,120,104)
	(990,413)	(10,639)	(1,001,052)	(1,259,965)	(8,812)	(1,268,777)
	14,719,622	59,942	14,779,564	10,068,589	44,983	10,113,572

23. COST OF GOODS SOLD

	2012	2011
	Rupees in thousand	
Manufactured goods		
Raw materials and components consumed	10,503,891	8,349,894
Salaries, wages and benefits	206,251	177,199
Charge for defined benefit plan	1,010	882
Charge for defined contribution plan	2,396	2,363
Stores and supplies	230,495	177,521
Royalty and technical fee	143,075	97,936
Insurance	2,483	4,004
Depreciation	27,513	25,732
Fuel, power and electricity	47,138	30,735
Repairs and maintenance	28,882	29,686
Travelling, vehicle running and entertainment	6,755	4,969
Rent, rates and taxes	2,528	2,355
Communication	861	730
Printing and stationery	2,135	2,219
Others	6,076	2,361
Cost of goods manufactured	11,211,489	8,908,586
Opening stock of finished goods	739,583	34,496
Closing stock of finished goods	(16,288)	(739,583)
	11,934,784	8,203,499
Trading goods		
Opening stock	3,402	1,954
Purchases	53,635	38,565
	57,037	40,519
Closing stock	(3,818)	(3,402)
	53,219	37,117
	11,988,003	8,240,616

		Note	2012	2011
			Rupees in thousand	
24.	**DISTRIBUTION COST**			
	Salaries, wages and benefits		55,673	50,784
	Charge for defined benefit plan		377	328
	Charge for defined contribution plan		1,191	1,049
	Insurance		71	87
	Depreciation / amortisation		4,942	4,705
	Fuel, power and electricity		1,016	1,218
	Travelling, vehicle running and entertainment		11,357	6,347
	Repairs and maintenance		844	710
	Rent, rates and taxes		611	582
	Communication		1,112	912
	Advertisement and promotion		1,749	2,701
	After sales expense		12,815	10,036
	Dealers' convention		3,000	-
	Freight charges		1,479	792
	Legal and professional charges		6	67
	Printing and stationery		1,509	1,556
	Others		359	600
			98,111	82,474

		Note	2012	2011
25.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits		104,446	97,773
	Charge for defined benefit plan		1,300	625
	Charge for defined contribution plan		2,448	2,261
	Insurance		32	49
	Depreciation		4,419	4,100
	Travelling, vehicle running and entertainment		6,848	5,471
	Repairs and maintenance		262	410
	Rent, rates and taxes		8,683	8,075
	Communication		5,994	6,160
	Auditors' remuneration	25.1	1,918	1,813
	Legal and professional charges		2,669	3,425
	Printing and stationery		3,456	3,048
	Others		330	35
			142,805	133,245

		Note	2012	2011
25.1	**Auditorsÿremuneration**			
	Audit fee		1,100	1,000
	Fee for limited review of half yearly financial statements, certification for compliance with Code of Corporate Governance, certifications for government and other agencies and other services		630	630
	Out of pocket expenses		188	183
			1,918	1,813

		2012	2011
		Rupees in thousand	
26.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Return on deposit accounts	381,502	356,799
	Return on COI	-	11,800
	Revaluation gain on investments at fair value through profit and loss account	104,916	59,202
	Gain on disposal of investments at fair value through profit and loss account	26,719	106,743
	Others	3,741	1,510
		516,878	536,054
	Income from other assets		
	Scrap sales	12,052	13,357
	Profit on disposal of fixed assets	311	1,614
	Discount received	8,122	4,793
	Others	379	4,629
		20,864	24,393
		537,742	560,447
27.	**OTHER OPERATING EXPENSES**		
	WorkersÿProfits Participation Fund	154,333	110,778
	WorkersÿWelfare Fund	58,647	42,096
		212,980	152,874
28.	**FINANCE COST**		
	Bank charges and commission	1,725	2,135
29.	**TAXATION**		
	Current		
	- for the year	959,805	657,551
	- prior year	-	43,000
	Deferred	(2,641)	3,244
		957,164	703,795
29.1	Relationship between tax expense and		
	Accounting profit before tax	2,873,682	2,062,675
	Tax at applicable rate of 35%	1,005,789	721,936
	Effect of final tax on exports	(3,819)	(5,331)
	Effect of income at reduced rate	(46,033)	(57,686)
	Effect of permanent differences	1,227	1,876
	Effect of prior year	-	43,000
		957,164	703,795

30. EARNINGS PER SHARE

	2012	2011
	Rupees in thousand	
Profit after taxation attributable to	1,916,518	1,358,880
Number of ordinary shares outstanding (in thousand) at the end of the year	42,936	42,936
Earnings per share	Rs 44.64	Rs 31.65

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2011 and 2012 which would have any effect on the earnings per share if the option to convert is exercised.

31. CASH GENERATED FROM OPERATIONS

	2012	2011
	Rupees in thousand	
Profit before taxation	2,873,682	2,062,675
Add / (less): Adjustment for non-cash charges and other items		
Depreciation / amortisation	36,874	34,537
Profit on disposal of fixed assets	(311)	(1,614)
Gain on disposal of investments at fair value through profit and loss account	(26,719)	(106,743)
Revaluation gain on investments at fair value through profit and loss account	(104,916)	(59,202)
Return on bank deposits	(381,501)	(356,799)
Return on COI	-	(11,800)
	2,397,109	1,561,054
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	(2,094)	(9,276)
Stock-in-trade	1,188,244	(1,658,273)
Trade debts	(372,219)	249,724
Loans and advances	(28,645)	(25,140)
Short-term deposits and prepayments	3,256	6,874
Other receivables	62	52,101
Refunds due from the Government	(709,194)	50,862
	79,410	(1,333,128)
Increase / (Decrease) in current liabilities		
Trade and other payables	184,150	55,397
	263,560	(1,277,731)
	2,660,669	283,323

32. CASH AND CASH EQUIVALENTS

	2012	2011
	Rupees in thousand	
Cash in hand	208	185
At banks in		
- Current accounts	679,047	100,432
- Deposit accounts	520,484	201,493
	1,199,531	301,925
Demand Drafts in hand	77,893	-
	1,277,632	302,110

33. STAFF RETIREMENT BENEFIT

33.1 The disclosures made in notes 33.2 to 33.12 are based on the information included in the acturial valuation as of December 31, 2012.

	Note	2012	2011
		Rupees in thousand	
33.2 Movement in payable/(receivable) balance			
Balance as at January 1		(169)	423
Charge for the year	33.6	2,687	1,835
Employer contributions		(1,886)	(2,427)
Balance as at December 31		632	(169)
33.3 Movement in the defined benefit obligation			
Obligation as at January 1		101,994	97,981
Service cost		5,748	4,452
Interest cost		12,336	13,020
Actuarial loss/(gain)		3,627	(3,489)
Benefits paid		(6,608)	(9,970)
Obligation as at December 31		117,097	101,994
33.4 Movement in the fair value of plan assets			
Fair value as at January 1		118,440	111,810
Expected return on plan assets		14,510	15,125
Actuarial loss		(3,202)	(952)
Employer contributions		1,886	2,427
Benefits paid		(6,608)	(9,970)
Fair value as at December 31		125,026	118,440
33.5 Balance sheet reconciliation as at December 31			
Present value of obligation		117,097	101,994
Fair value of plan assets		(125,026)	(118,440)
Unrecognised actuarial gains		8,562	16,277
		633	(169)

		Note	2012	2011
			Rupees in thousand	
33.6	**Charge for the year**			
	Service cost		5,748	4,452
	Interest cost		12,336	13,020
	Expected return on plan assets		(14,510)	(15,125)
	Actuarial gains recognised during the year		(887)	(512)
			2,687	1,835
33.7	**Actual return on plan assets**		11,308	14,173

33.8 Key actuarial assumptions used are as follows:

	2012	2011
Expected rate of return on investments	10.0%	12.5%
Expected rate of increase in salaries		
- Management staff	9.5%	10.5%
- Non-management staff	9.5%	10.5%
Discount factor used	11.5%	12.5%
Retirement age (years)	60	60

33.9 **Comparison of actuarial estimates and experience adjustments for five years:**

	2012	2011	2010	2009	2008
	Rupees in thousand				
Comparison for five years:					
As at December 31					
Present value of defined benefit obligation	117,097	101,994	97,981	86,027	76,065
Fair value of plan assets	(125,026)	(118,440)	(111,810)	(100,519)	(95,194)
Surplus	(7,929)	(16,446)	(13,829)	(14,492)	(19,129)
Experience adjustments					
Actuarial loss/(gain) on obligation	3,627	(3,489)	(2,397)	(118)	(6,072)
Actuarial (loss)/gain on plan assets	(3,202)	(952)	(1,669)	(3,753)	1,944
	425	(4,441)	(4,066)	(3,871)	(4,128)

33.10 **Composition of plan assets:**

	2012		2011	
	Rupees in thousand	%	Rupees in thousand	%
Term Deposits	118,235	94.57	113,356	95.71
Others (include bank balance)	6,791	5.43	5,084	4.29
	125,026	100.00	118,440	100.00

33.11 The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the fund, at the beginning of the period.

33.12 As per actuarial advice, the company is expected to contribute Rs 4.074 million (2012: Rs 2.055 million) towards gratuity fund in 2013 .

34. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2012	2011
		Rupees in thousand	
i. Holding company:	Dividend paid	214,761	268,451
ii. Other related parties:	Dividend paid	185,351	231,689
	Royalty paid	73,666	109,511
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	6,035	5,673
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	2,687	2,427
iii. Key management personnel:	Salaries and other employee benefits	120,249	111,037
	Retirement benefits	3,629	3,386

The outstanding balances of related parties as at December 31, 2012 are included in trade and other payables and other receivables respectively.

35. REMUNERATION TO CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	Chief Executive		Director		Executives	
	2012	2011	2012	2011	2012	2011
	Rupees in thousand					
Managerial remuneration	14,856	11,850	2,323	3,778	15,142	14,840
Bonus and ex-gratia	27,000	20,250	5,226	8,006	30,311	28,252
House Rent	5,400	4,050	1,045	1,700	6,481	6,219
Utilities	1,200	900	232	378	1,440	1,382
Retirement benefits	1,488	1,183	307	468	1,834	1,757
Medical expenses	-	8	71	121	856	969
Leave passage	2,788	2,150	494	492	3,023	2,930
Other expenses	60	80	63	82	682	842
	52,792	40,451	9,761	15,023	59,769	56,991
Number of persons	1	1	1	2	9	10

The Chief Executive, Director and Executives are also provided with company maintained cars in accordance with their entitlements.

In addition to the above, fee and benefits to one non-executive director paid during the year amounted to Rs 539 thousand (2011: Rs 549 thousand).

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	11,873	19,439	31,312	1,170	-	1,170	32,482
Deposits	-	-	-	739	1,789	2,528	2,528
Trade debts	-	-	-	386,558	-	386,558	386,558
Accrued mark-up	-	-	-	192,312	-	192,312	192,312
Other receivables	-	-	-	5,804	-	5,804	5,804
Cash and bank balances	3,025,484	-	3,025,484	757,148	-	757,148	3,782,632
Investments							
- Held to maturity at amortised cost	12,000	55,800	67,800	-	-	-	67,800
- At fair value through profit and loss	-	-	-	1,239,729	-	1,239,729	1,239,729
2012	3,049,357	75,239	3,124,596	2,583,460	1,789	2,585,249	5,709,845
2011	2,392,306	106,106	2,498,412	1,416,298	342	1,416,640	3,915,052
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	1,306,106	-	1,306,106	1,306,106
2012	-	-	-	1,306,106	-	1,306,106	1,306,106
2011	-	-	-	1,419,094	-	1,419,094	1,419,094
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure							8,264
Letters of credit and guarantee							413,830
2012							422,094
2011							223,050

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. 5.710 billion (2011: Rs. 3.915 billion) the financial assets exposed to the credit risk amount to Rs. 5.632 billion (2011: Rs. 3.915 billion) which mainly comprise of balances with banks.

The company places surplus funds with various reputed banks and Non-Banking Finance Companies (NBFCs) having minimum credit rating of A-1 assigned by credit rating agencies. The company monitors its exposure to a single bank or NBFC and their respective ratings on continuous basis.

The company's products are mainly sold against cash or demand drafts issued by Zarai 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, 2012 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, 2012 there is no maturity mismatch between financial assets and liabilities that expose the company to liquidity risk.

(iv) Market risk

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks included in trade and other payables as at December 31, 2012 amounted to Rs 219.39 million (2011: Rs 52.75 million).

The company imports raw materials and components in US Dollar and is exposed to Rupee / US Dollar exchange risk. If the Pakistan Rupee had weakened / strengthened by 5% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs 11.32 million (2011: Rs 6.8 million) mainly as a result of foreign exchange losses / gains on settlement of US Dollar denominated trade payables.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the company as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentage for movement in foreign exchange rates has been used due to the fact that historically (5 years) rate has moved on average basis by the mentioned percentage per annum.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at December 31, 2012, the company's interest bearing financial assets amounted to Rs 3.12 billion (2011: Rs 2.50 billion) and had the interest rate varied by 100 basis points with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs 55.05 million (2011: Rs 24.35 million).

(v) Fair values of the financial instruments

The carrying values of all the financial instruments reflected in the financial statements approximate their 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.

38. PLANT CAPACITY AND PRODUCTION

	2012	2011
Plant capacity (single shift) - units	30,000	30,000
Actual production - units	23,820	19,936

39. DIVIDEND

The Board of Directors in their meeting held on February 13, 2013 have proposed a final cash dividend of Rs 15 per share amounting to Rs 644 million (2011: Rs 10 per share amounting to Rs 429.36 million).

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 13, 2013 by the Board of Directors.

Chief Executive

Director

Glossary

AGTL	Al-Ghazi Tractors Limited
BoD	Board of Directors
CCG	Code of Corporate Governance
CDC	Central Depository Company
CEO	Chief Executive Officer
CFO	Chief Financial officer
CIA	Chief Internal Auditor
CNH	Case New Holland
CSR	Corporate Social Responsibility
DGK	Dera Ghazi Khan
EBIT	Earnings before Interest and Taxation
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortization
EPS	Earnings per Share
ERP	Enterprise Resource Planning
FBR	Federal Board of Revenue
GATT	General Agreement on Tariffs and Trade
GST	General Sales Tax
HEIS	High Efficiency Irrigation System
hp	Horsepower
HR	Human Resources
HR & R	Human Resource and Remuneration
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISO	International Organization for Standardization
IT	Information Technology
KSE	Karachi Stock Exchange
LSE	Lahore Stock Exchange
MFN	Most Favoured Nation
MIS	Management Information System
PAAPAM	Pakistan Association of Automotive Parts and Accessories
PICG	Pakistan Institute of Corporate Governance
SECP	Securities and Exchange Commission of Pakistan
WPPF	Workers' Profit Participation Fund
WTO	World Trade Organization
WWF	Workers Welfare Fund
ZTBL	Zarai Taraqiati 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

Name : ____________________

Permanent Mailing Address : ____________________

____

____

Contact Numbers (Tel) : ____________________

(Fax) : ____________________

Email : ____________________

Name of Company : ____________________
(If Applicable)

Designation : ____________________
(If Applicable)

Company Address : ____________________
(If Applicable)

____

____

AL - GHAZI TRACTORS LIMITED

FORM OF PROXY

I / WE ....

of ....

a member(s) of Al-Ghazi Tractors Limited and holding ....

ordinary shares, as per Register Folio ....

hereby appoint ....

of ....

or failing him ....

of ....

to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on March 27, 2013 at 15:30 hrs. and at any adjournment thereof.

As witness my/our hand this_____day of ________2013.

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

Fold Here

Regional Offices

Marketing Centre, Lahore
10 Km, Sheikhupura Road,
Tel: 042-3791226, 37924677

Marketing Regional Office, Multan
20 Industrial Estates,
Tel: 061-6514057-9

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

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


Invest in Agriculture
AL FUTTAIM
AGTL
NEWHOLLAND
QUALITY MANAGEMENT-BRAND STRENGTH
AL-GHAZI TRACTORS LTD