

Annual Report
As at December 31, 2015



AL-GHAZI TRACTORS LTD

EXPANDING HORIZONS



AL FUTTAIM



AGIL



NEWHOLLAND

QUALITY MANAGEMENT-BRAND STRENGTH





For the year 2015, the Company has declared total cash dividend of 1700% i.e. Rs.85 / Share translating into record high payout of Rs. 4.9 Billion.

MARKET CAPITALISATION

On August 7, 2015, AGTL's 5 rupee share reached a record high and was traded at Rs. 564 on the Karachi Stock Exchange - that is a market capitalisation of 113 times - thus giving Al-Ghazi a total market value of almost 32.7 billion. Without any doubt AGTL is currently one of the top stocks of the automobile industry in Pakistan.



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AL-GHAZI TRACTORS LTD

Company Information

Registered and Head Office

Tractor House, 102-B,
16th East Street, DHA Phase I,
Off. Korangi Road, Karachi.
Tel: 92 21 35318901-5
Fax: 92 21 35660882
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

Dera Ghazi Khan
Lahore
Multan
Islamabad
Sukkur

Bankers

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

Share Registrar

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

Auditors

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Tax Advisors

Ernst & Young Ford Rhodes Sidat Hyder
Karachi

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants
Karachi

Legal Advisors

Saiduddin & Co.
Karachi



Company Profile

Date of Incorporation
June 26, 1983

Date of Commencement of Operation
September 1, 1983

Date of Take Over by Al-Futtaim
December 8, 1991

New Head Office - Tractor House, Karachi
June 14, 2015

Start of Production at Dera Ghazi Khan Plant

Auxiliary Plant for temporary production
February, 1984

Main Manufacturing Plant
April, 1985

New Engine Assembly Line
April, 1992

Sheet Metal Plant for stamping and
agricultural implements
July, 2006

New Engine Testing facility
March, 2011

Assembly Line for Generators
April, 2013

Production Capacity
30,000 tractors per annum in single shift

Total Land Area
90 Acres



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



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 200 companies across sectors as diverse as commerce, industry and services, and employs in excess of 42,000 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.

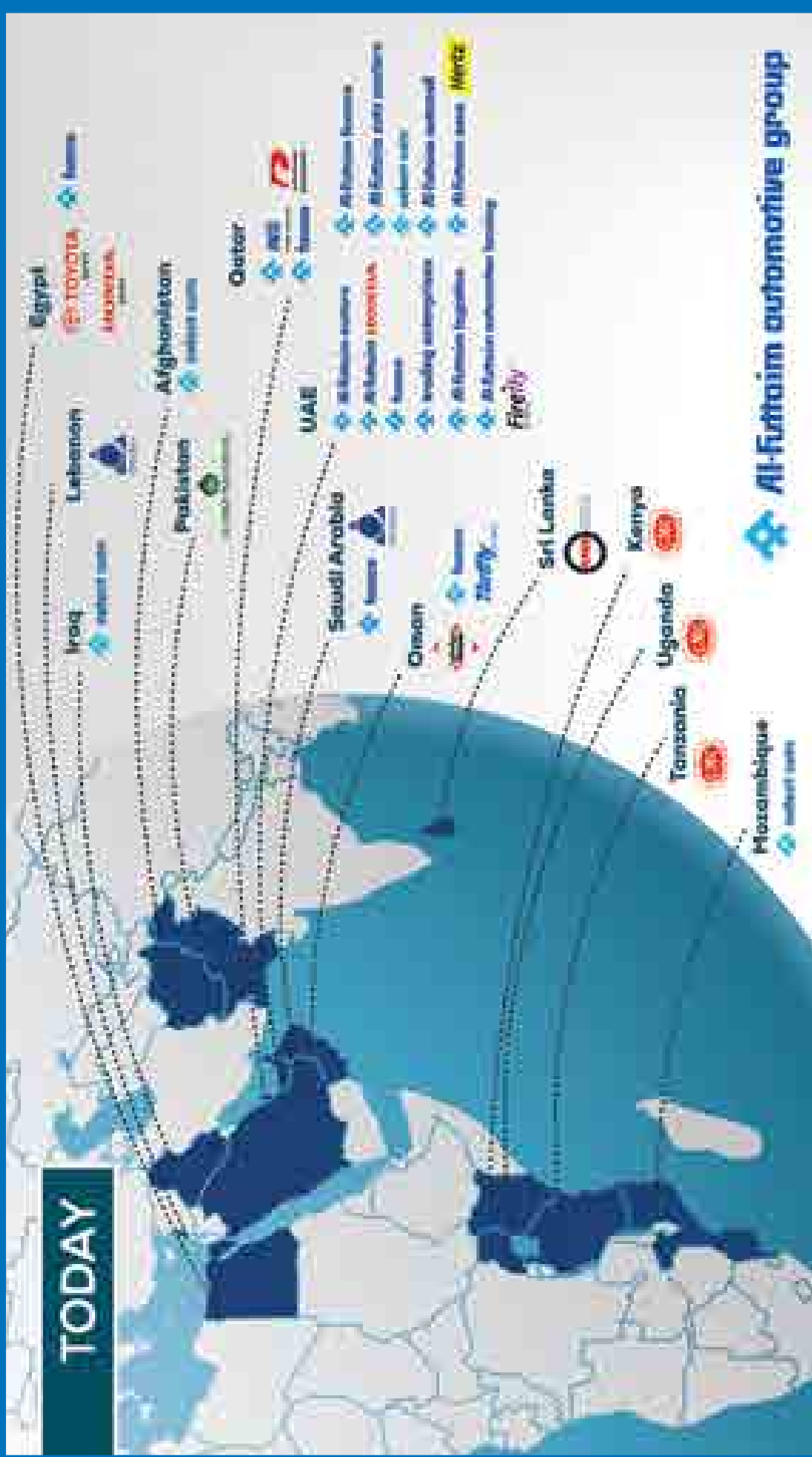
Al-Futtaim is the holding company of Al-Ghazi Tractors Limited with 50.02% shares.

**“We plan
for the long
term and
always add
value.”**

Omar Al Futtaim



TODAY





CNH Industrial is a global leader in the capital goods sector that, through its various businesses, designs, produces and sells agricultural and construction equipment, trucks, commercial vehicles, buses and specialty vehicles, in addition to a broad portfolio of powertrain applications. Present in all major markets worldwide, CNH Industrial is focused on expanding its presence in high-growth markets, including through joint ventures.

From tractors and combines, excavators, wheel loaders, trucks, buses, firefighting and civil protection vehicles to powertrain solutions for on and off road and marine, the Group designs, produces and sells 'machines for work'. Across its 12 brands, 64 manufacturing plants, 49 research and development centers and a workforce of more than 69,000 people, CNH Industrial is present in 190 countries giving it a unique competitive position.

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

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



**“The thankful
receiver bears
a plentiful
harvest”**
William Blake





AL-GHAZI TRACTORS LTD

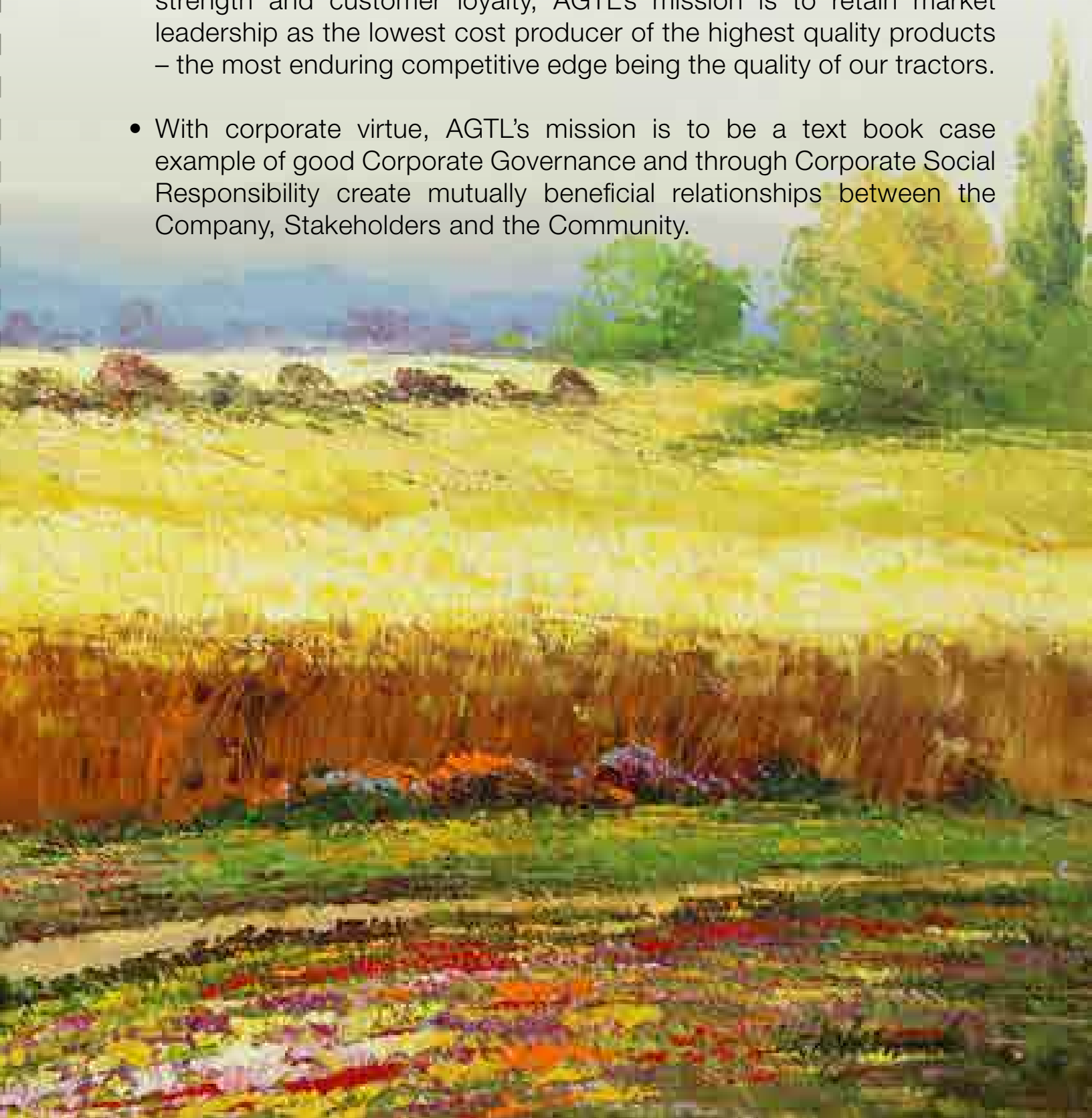
Corporate Vision

To Make AGTL a Symbol of Success.



Mission

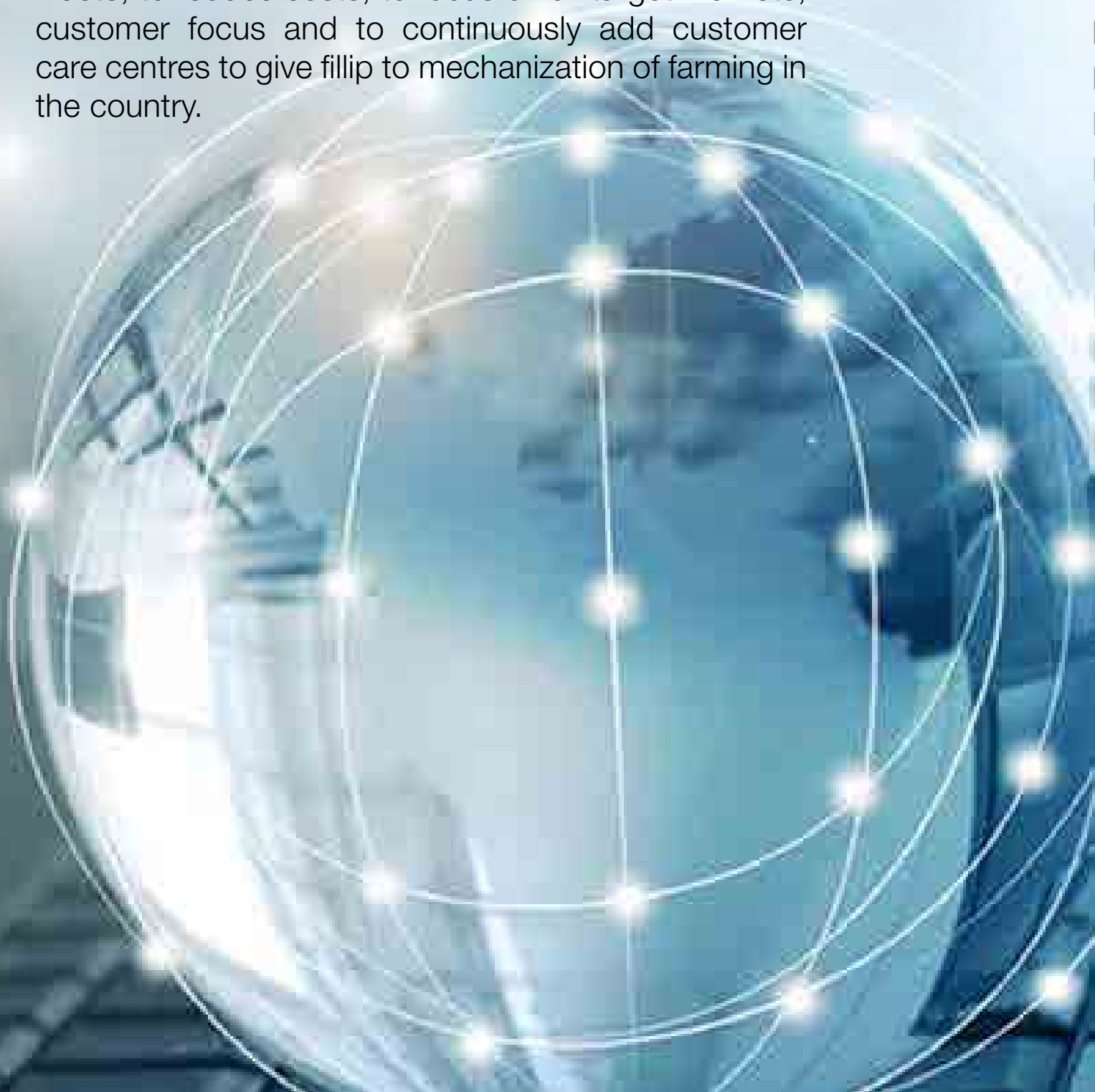
- With AGTL's name being synonymous with stability, profitability, brand strength and customer loyalty, AGTL's mission is to retain market leadership as the lowest cost producer of the highest quality products – the most enduring competitive edge being the quality of our tractors.
- With corporate virtue,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





Corporate Focus

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



Strategic Planning

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

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

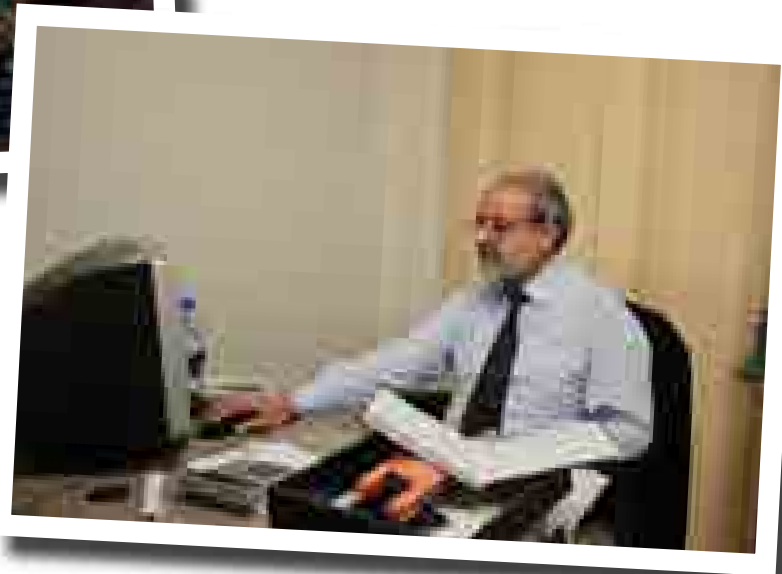
With disciplined efforts to produce fundamental decisions and actions that shape and guide the Company with focus on the future, Strategic Planning at AGTL provides the best way to respond to circumstances of the Company's environment, its resources, and thus incorporating them into being consciously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

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



Core Values / Ethical Principles

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



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

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

participation in any corrupt business practices.

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

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





Board of Directors & Board Committees

Board of Directors

Mr. Charles Leonard Hunt

Mr. Mohammad Shahid Hussain

Mr. M. Ali Qaiyum

Mr. Majd-ul-Ahsan Syed

Mr. Kashif Lawai

Mr. Vincent Delassagne

Mr. Michele Lombardi

Mr. Damiano Cretarola

Non-Executive Chairman

Chief Executive Officer and
Managing Director

Independent Non-Executive Director

Non-Executive Director

Executive Director & CFO

Non-Executive Director

Non-Executive Director

Non-Executive Director

Company Secretary

Ms. Sobika Zubair

Board Committees

Audit Committee

Mr. M. Ali Qaiyum

Chairman, Independent

Non-Executive Director

Mr. Majd-ul-Ahsan Syed

Member, Non-Executive Director

Mr. Damiano Cretarola

Member, Non-Executive Director

Human Resource and Remuneration Committee

Mr. Charles Leonard Hunt

Chairman, Non-Executive Director

Mr. Majd-ul-Ahsan Syed

Member, Non-Executive Director

Mr. Vincent Delassagne

Member, Non-Executive Director

Profile of the Board Directors



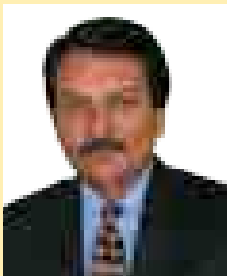
MR. CHARLES LEONARD HUNT

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

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

He was educated at Sheffield University, UK.

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



MR. MOHAMMAD SHAHID HUSSAIN

CEO and Managing Director
Appointed August 05, 2015

Mr. Mohammad Shahid Hussain has more than 30 years of experience working for Multinationals such as Berger Paints, Philips, Tetra Pak & Makro Cash & Carry. He is a Marketer by profession besides having hands on experience in operations and General Management. His last assignment before joining AGTL was as CEO & Managing Director of General Tyre Pakistan where he served for more than 6 years.

He holds a bachelor degree in Economics, and has attended various Management Development courses at LUMS, Malaysia, Singapore and Sweden along with Business Program Diploma from (International Institute of Management Development) IMD Switzerland.





MR. M. ALI QAIYUM

Independent Non-executive Director
Appointed December 06, 2014
Chairman, Audit Committee

Mr. M. Ali Qaiyum is a fellow member of the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Pakistan. He is also a Certified Director from Pakistan Institute of Corporate Governance.

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

Mr. M. Ali Qaiyum was appointed as an independent Director on December 06, 2014 and chairs the Audit Committee of the Board.

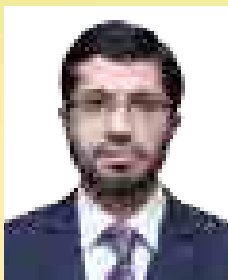


MR. MAJD-UL-AHSAN SYED

Non-executive Director
Appointed October 21, 2013

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

Mr. Majd possesses 19 years of diverse work experience in the fields of Management and Human Resources. In addition to various professional qualifications Mr. Majd has done his MBA from US. He has worked in various leading private and multinational companies. Mr. Majd has been associated with Al-Futtaim Group since 2008 and is currently working as Group Head - Total Rewards & OE.



MR. KASHIF LAWAI

Executive Director & CFO
Appointed Dec 07, 2011

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

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

He is a fellow member of Institute of Chartered Accountant of Pakistan and holds a Masters Degree in Economics. He is also a Certified Director from Pakistan Institute of Corporate Governance.



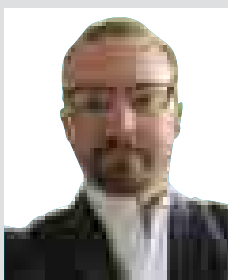
MR. VINCENT DE LASSAGNE

Non-Executive Director
Appointed Oct 23, 2015

Mr. Vincent is the Brand Leader for New Holland Agriculture Asia Pacific Region. He initially joined the CNH in 1995. Within CNH he acquired a significant experience in the CIS, AME and Asia Pacific markets. Since 2004 he has been posted as Business Director in Asia Pacific Region.

Mr. Vincent de Lassagne has been appointed on the Board of Al-Ghazi Tractors Ltd from October 23, 2015.

Mr. Vincent holds an Agronomist Engineer degree & Masters in Marketing & Sales from the HEC University.



MR. MICHELE LOMBARDI

Non-Executive Director
Appointed December 06, 2014

Mr. Michele Lombardi joined CNH/Fiat Group more than a decade ago and has held various senior positions in Commercial, Business Development and Industrial operations. He is currently working as VP Iveco Brand Leader APAC.

Mr. Lombardi holds a degree in Electrical Engineering and Computer Science and also holds a degree in Economics from the Massachusetts Institute of Technology, USA. He has also done his MBA from INSEAD.





MR. DAMIANO CRETAROLA

Non-executive Director
Appointed August 15, 2012

Mr. Damiano Cretarola joined the Fiat Group in 2004, first working with Fiat Group International SA as Head of Administration and Control Department, then serving in the Finance Department of Fiat SpA Group.

In June 2008 he assumed responsibility as a Chief Accounting Officer of CNH International Region and in 2010 he was appointed Chief Financial Officer. In 2013, he was appointed as Chief financial officer of CNH Industrial N.V. APAC 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 “Akademie für Wirtschaftsprüfung” of Zurich.

Mr. Damiano Cretarola was appointed on the Board in 2012 as a non-executive director. He is also a member of the Audit Committee.

Other engagements:

CNH Industrial Australia PTY Limited, Australia – Director
CNH (China) Management Co. Ltd, China - Director
Case New Holland Machinery Trading (Shanghai) Co., Limited, China – Director
Case New Holland Machinery (Harbin) Limited, China – Director
NAVECO Ltd, China - Director
Shanghai New Holland Agricultural Machinery Corp, Limited, China – Director
New Holland HFT Japan Inc., Japan - Director
CNHI International SA, Switzerland – Director
CNH Industrial Services (Thailand) Limited, Thailand - Director
Iveco Arac Sanayi Ve Ticaret A.S, Turkey - Director

Key Management

Mr. Mohammad Shahid Hussain
Chief Executive Officer & Managing Director

Mr. Muhammad Kashif Lawai
Executive Director & CFO

Col (R) Syed Shahid Mahmood
General Manager, Plant

Mr. Tanveer Ahmad
General Manager, Materials Management

Mr. Saeed Mushtaq
General Manager, Marketing

Ms. Sobika Zubair
Company Secretary

Syed Faisal Bin Maaz
Chief Internal Auditor

Mr. Christopher D'Silva
Senior Manager, Human Resources









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, 2015.

Operating Results

2015
2014
Rupees '000

| | | |
|-------------------------------------|-----------|-----------|
| Sales | 9,636,109 | 8,780,685 |
| Gross Profit | 2,499,478 | 2,268,143 |
| Profit for the year before taxation | 2,392,046 | 2,251,937 |
| Taxation | (799,763) | (677,193) |
| Profit after tax | 1,592,283 | 1,574,744 |
| Other comprehensive income | (7,883) | (18,519) |
| Total comprehensive income | 1,584,400 | 1,556,225 |

The increase in profit is mainly due to higher sales volume as 13,385 tractors were sold as compared to 12,416 tractors sold 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 Exchange. 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 Pakistan Stock Exchange.

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

| | 2015 | 2014 |
|------------------------------------|-------------|-----------|
| | Rupees '000 | |
| Profit before tax | 2,392,046 | 2,251,937 |
| Taxation | (799,763) | (677,193) |
| Profit after tax | 1,592,283 | 1,574,744 |
| Other comprehensive income | (7,883) | (18,519) |
| Total comprehensive income | 1,584,400 | 1,556,225 |
| Unappropriated profit b/f | 7,261,674 | 7,004,277 |
| Profit available for appropriation | 8,846,074 | 8,560,502 |

Appropriations:

| | | |
|--|-----------|-----------|
| Final dividend paid for the year 2014: Rs.15 per share (2013: Rs. 15 per share) | 869,463 | 644,047 |
| First Interim dividend paid for the year 2015: Rs. 30 per share (2014: Rs 10 per share) | 1,738,926 | 579,642 |
| Second Interim dividend paid for the year 2015: Rs. 30 per share | 1,738,926 | - |
| Issue of bonus shares @ 35% | - | 75,139 |
| Unappropriated profit c/f | 4,498,759 | 7,261,674 |

For the year ended December 31, 2015, the Board in its meeting held on February 11, 2016, has proposed a final cash dividend of Rs. 25 per share amounting to Rs. 1,449.1 million.

Earnings per share

The Basic Earnings per share were Rs 27.47 in 2015 compared to Rs. 27.17 in 2014.

Statement of value of investments of retirement funds

| | Rupees | Year ended |
|----------------|-------------|---------------|
| Gratuity fund | 100,000,000 | June 30, 2015 |
| Provident fund | 170,000,000 | June 30, 2015 |

Key operating and financial data

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



Meetings of the Board of Directors

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

Pattern of Shareholding

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

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

External Auditors

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The directors endorse recommendations of the Audit Committee for the re-appointment of Messrs. A.F. Ferguson & Co. as the auditors for the financial year 2016.

Financial Statements on Website

The financial results of the year 2015 would be placed on the Company's website and can be viewed on www.alghazitractors.com

On behalf of the Board


Mohammad Shahid Hussain
Chief Executive Officer

Karachi
Dated: February 11, 2016





Chairman's Review

I take pleasure in presenting to the members of AL-Ghazi Tractors Limited, review on performance of the Company for the year 2015.

Financial Performance

With a strong business foundation that ensures profitability through cost controls, AGTL recorded pre-tax profit of Rs. 2.4 billion during the year 2015. Despite challenging business environment, the Company generated robust profitability with a GP of 25.9%. The Company sold 13,385 tractors during the year as compared to 12,416 units sold in the year 2014, an increase of 8%.

Out of the pre-tax profit of Rs 2.4 billion, an amount of Rs 800 million was charged on account of corporate tax including a one-time levy of Super Tax which was imposed by the government for Rehabilitation of Temporary Displaced persons. The after-tax profit thus stands at Rs. 1.6 billion.

The Board in its meeting held on February 11, 2016 has proposed to pay a final dividend of Rs 25 per share. The total distribution for the year 2015 would thus be 1700% a payout of 4.9 billion.

The Company's net worth stood at Rs 5.8 billion as at December 31, 2015, reduced mainly due to dividend payments to its shareholders. Considering sound financial strength of the Company, accelerated interim dividends were paid during the year amounting to Rs 3.5 billion i.e. 1200%. The Board in its meeting held on February 11, 2016 has proposed to pay a final dividend of Rs 25 per share. The total distribution for the year 2015 would thus be 1700% a payout of 4.9 billion. The Company's cash and bank balance stood at Rs 2.3 billion which includes placements in term deposits for generating incremental income for the Company.

On August 7, 2015, AGTL's five rupee share reached a record high and was traded at Rs 564 on the Karachi Stock Exchange – that is a market capitalisation of 113 times- thus giving Al-Ghazi a total market value of Rs 32.7 billion. Without any doubt AGTL is one of the top stocks of the automobile industry in Pakistan.





“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.

Macro Economic Environment and Tractor Industry

The World Bank in its report Global Economic Prospects states that “emerging market economies have been an engine of global growth during the 2000s. The global economy will need to adapt to a new period of more modest growth in large emerging markets, characterized by lower commodity prices and diminished flows of trade and capital”.

Pakistan’s economy witnessed economic development with GDP progression to 4.24% from 4.03% recorded in the year 2014. The agricultural sector accounts for 20.9% of the country’s GDP and 43.5% of employment. This sector is considered to be the backbone of the country and is somewhat directly related to the business of the Company.

The year 2015 had started with so much promise. As optimism grew about a strong 2015, the first half turned into a record-setting period—the biggest haul since the inception of the Company earning a profit-before-tax of Rs 1.7 billion. But by end September 2015, growth had been replaced by imminent fear of slow-down of the industry. The industry was all geared up for the launch of the subsidized scheme for thousands of tractors announced by the governments of Sindh and Punjab provinces. However, the schemes were substantially delayed without citing any reason. The momentum of sales, therefore, stalled as farmers were reluctant to buy for obvious reasons and were waiting for launching of the scheme to avail the subsidy. The Punjab Government has now shelved the scheme on the excuse of shortage of funds, though, no official announcement as yet been made. The industry on the verge of collapse has repeatedly requested the government to release an official announcement so that the farmers waiting for the scheme could proceed with their purchases.

Adding to the misery were the reducing commodity prices, which left the farmer cash strapped. The farmer is losing money on all major crops and has been forced to sell their produce at lower prices. Moreover, heavy floods in Punjab and crop damaged by pests further aggravated the situation.

The country needs around one million tractors more if the ratio of one tractor-to-50 acres is to be attained – the international standard is one tractor-to-25 acres and even lesser in the first world countries. The opportunities for the local industry are therefore galore. It is the government that needs to lead in the pursuit of prioritizing Pakistan’s agrarian economy.

Business Initiatives

To increase and strengthen other business segments, the Company intends a soft re-launch of its tractor lubricant Al-Ghazi Premium Oil in the year 2016 in collaboration with Petronas. The oil is specifically blended to maximize the performance of AGTL tractors and has a huge market potential in terms of refill of the 400,000+ tractors in the fields.

AGTL is also participating in the Punjab Government's subsidy scheme on agricultural implements. The scheme is for around 2,400 sets. Despite competing with street vendors, who are easily able to avoid taxes, we are confident that the Company will be able to sell implements based on quality and access to the farming community.

With regards to the tractor segment, which generates more than 90% of the Company's revenue, AGTL launched an advertisement campaign "Dabang". The campaign was run on all major regional television channels for market penetration and image building.

Corporate Governance

The Board and management of Al-Ghazi recognize that well defined corporate governance processes are vital in enhancing corporate accountability. We are thus committed to ensuring high standards of corporate governance to preserve and maintain shareholder value. Promoting high standards of corporate governance, the Company conforms to the Code of Corporate Governance promulgated by SECP.

While the Company is focused on relevant social endeavours such as providing scholarships to merit students of the Universities and playing an active role in the social welfare of the community especially in Dera Ghazi Khan where the plant is located, the Company garnered various awards as a tribute to its performance. The Prime Minister of Pakistan conferred on AGTL the coveted Top Companies Award of the Karachi Stock Exchange for the year 2011.

The Joint Committee of ICAP and ICMAP bestowed AGTL's annual report 2014 as Best report in their Corporate and Best Sustainability Report Award ceremony. The 2014 Annual Report has also been awarded the SAFA Best Presented Annual Report Award under the category of SAARC Anniversary Award for Corporate Governance.

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

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

After serving the Company as CEO for more than 20 Years, Mr. Parvez Ali retired during the year 2015. Mr. Mohammad Shahid Hussain was appointed in his place to steer AGTL to new heights of success. Ms. Giovanna Barbieri also resigned from the Board during 2015. The Board would like to place on record its appreciation on the valuable contribution made by the outgoing directors.

The independent director, Mr. M. Ali Qaiyum, completed the Directors' Training Programme





(DTP) conducted by the Pakistan Institute of Corporate Governance (PICG) in compliance with the Code of Corporate Governance – 2012.

The 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.

The financial statements of the Company are being placed on the Company's website at www.algazitractors.com.

The Company is registered with the CDC and has appointed FAMCO Associates (Pvt) Limited as its Registrar who can be reached at 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S, 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 021-35318901-5

Details of shareholding have been given in this report.

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

For and on behalf of the Board

Karachi
February 11, 2016



Charles Leonard Hunt
Chairman

Stakeholders Engagement

Building and retaining the trust of the Company's internal and external stakeholders is essential to Al-Ghazi's continued business success. Engagement and dialogue are consequently an important component to understand their expectations, needs and concerns.





| Stakeholder | Stakeholder's expectation | Tools and interaction Channel |
|---|--|---|
| Government and regulatory bodies | <ul style="list-style-type: none"> • Compliance with laws and regulations • Collaboration and access to information • Technical support on specific industry related issues | <ul style="list-style-type: none"> • Periodic and adhoc reporting |
| Employees | <ul style="list-style-type: none"> • Clarity of organization and protection in periods of uncertainty • Clear and transparent reward system • Training and professional development • Stimulating and safe work environment • Information on Company's strategy and results | <ul style="list-style-type: none"> • Daily dialogue • Employee lunches / dinners • Discussions regarding appraisals and development path • Inhouse magazine • Easy access to top management • Adherence to labour laws |
| Employees' families / Community Development | <ul style="list-style-type: none"> • Indirect participation in corporate life | <ul style="list-style-type: none"> • Staff town with family and bachelor accommodation • Transport facility • Vaccination / health awareness campaigns • Participation in sports day events • Health care plans, Utility Stores Corporation shop, community hall |
| Dealers and service network | <ul style="list-style-type: none"> • Complete and rapidly accessible product information • Business profitability • Quality and reliability of products / parts • Competitive prices • Extension of financial and non-financial assistance | <ul style="list-style-type: none"> • Daily contacts and periodic meetings with the network • Individuals responsible for monitoring the network and ensuring fulfillment of contractual standards • Programs to support dealers including training, conferences and other incentives. • Tractor festivals • After Sale Service programme |
| Existing and prospective customers | <ul style="list-style-type: none"> • Quality, reliability and safety of products • Competitive prices • Speed and efficiency of after sales services | <ul style="list-style-type: none"> • Market research • Three-way communication through dealership, service centres and mechanical workshops |
| Suppliers | <ul style="list-style-type: none"> • Continuity of supply • Fulfillment of contractual obligation | <ul style="list-style-type: none"> • Daily relationship through Materials Management Department |
| Shareholders | <ul style="list-style-type: none"> • Access to information • Transparent and responsible management • Value creation (return on investment, sustainability of business) | <ul style="list-style-type: none"> • Shareholders meetings • Annual / Quarterly reports • Price sensitive communications and information • Daily dialog (email, telephones) • Investor relations section of the Company's website: www.alghazitractors.com |

EXPANDING HORIZONS

Mr. Mohammad
Shahid Hussain
CEO & MD
distributing laptops
to sales & marketing
team.



Col (R) Syed Shahid Mahmood,
GM Plant, handing over
motorcycle keys to Mr.
Sadiqullah under newly
introduced motorcycle loan
policy for executive staff.



AGTL, Karachi Cricket team played a match with
Pakistan Refinery's team in Refinery's Ground.



SWOT Analysis

STRENGTHS

- The Company has established itself as one of the leading tractor manufacturers in the country. Our most enduring competitive edge is the quality of our tractors. AGTL has over the years supplied 400,000+ tractors. Almost all are farm worthy and kept mobile through AGTL's dealer network providing after sales support. We are the lowest cost producer of a quality product.
- The Company has a strong financial base with no debts and no bank borrowings.
- The Company has a strong dealer network in every nook and cranny of the country.
- The Company now has diversified its business into manufacturing of agricultural machines with potential to export.

WEAKNESSES

- Reliance on sales of low Hp Tractors.
- Dull presence of company's product in Sindh and Central Punjab region.

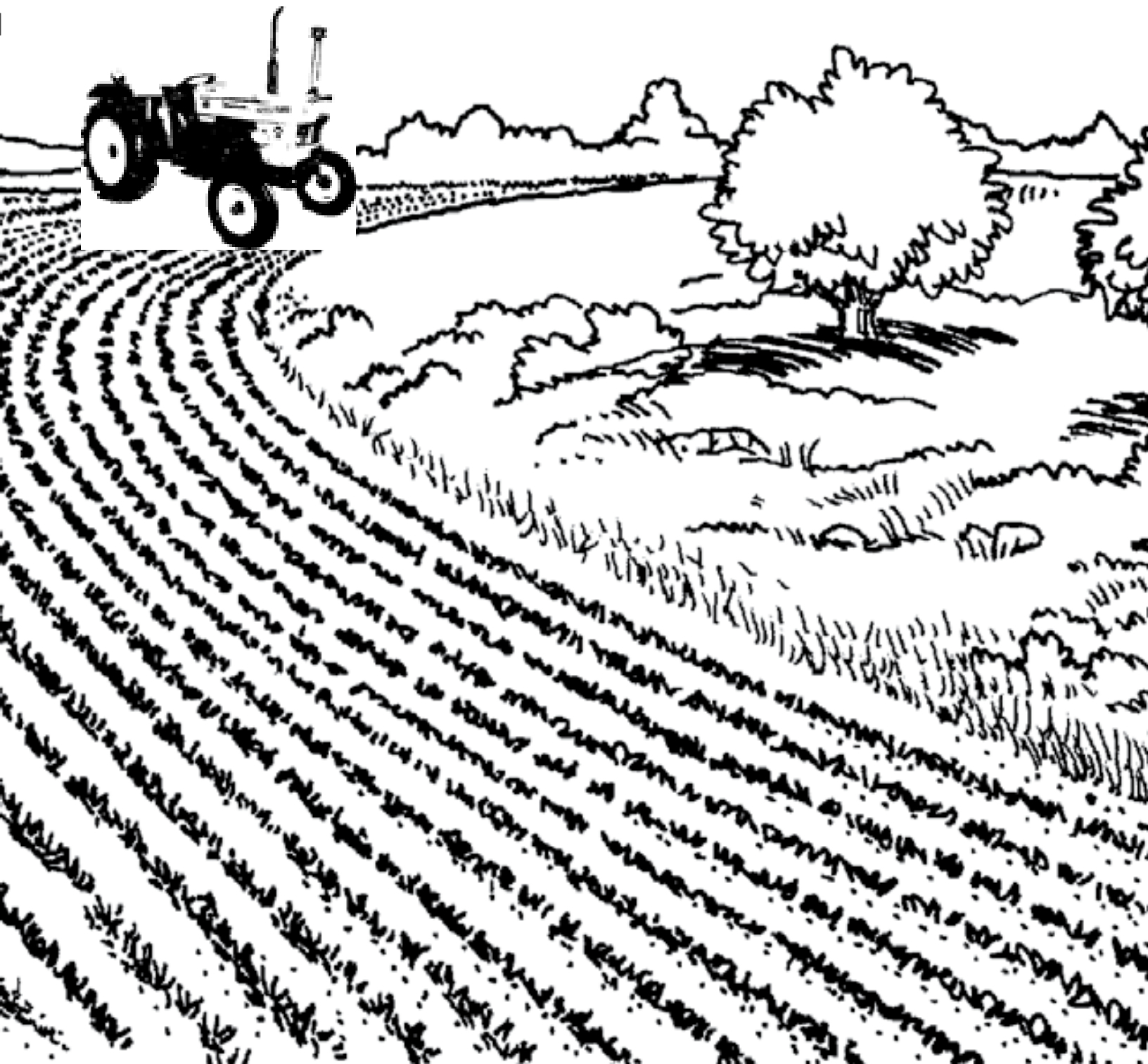
OPPORTUNITIES

- Pakistan needs around one million tractors more if the ratio of one tractor-to-fifty acres is to be attained - the international standard is one tractor-to-twenty five acres and even lesser in the first world countries. The opportunities therefore are galore. It is the government that needs to lead in the pursuit of prioritizing Pakistan's agrarian economy.
- Relaunch of tractor lubricant, Al-Ghazi Premium Oil. The oil is specifically blended to maximize the performance of AGTL tractors and has a huge market potential in terms of refill of the 400,000+ tractors in the fields.

THREATS

- Challenges being faced by the economy, current account deficit, power outages, paramount political and geo-strategic issues.
- Sharp increases in costs of inputs; withdrawal of subsidies especially on electricity, gas etc.
- Inconsistent government policies.
- Import of used tractors will adversely affect the local industry and part manufacturers.

“What makes the farmer’s market such a special place is that you’re actually creating community around food.”
Bryant Terry





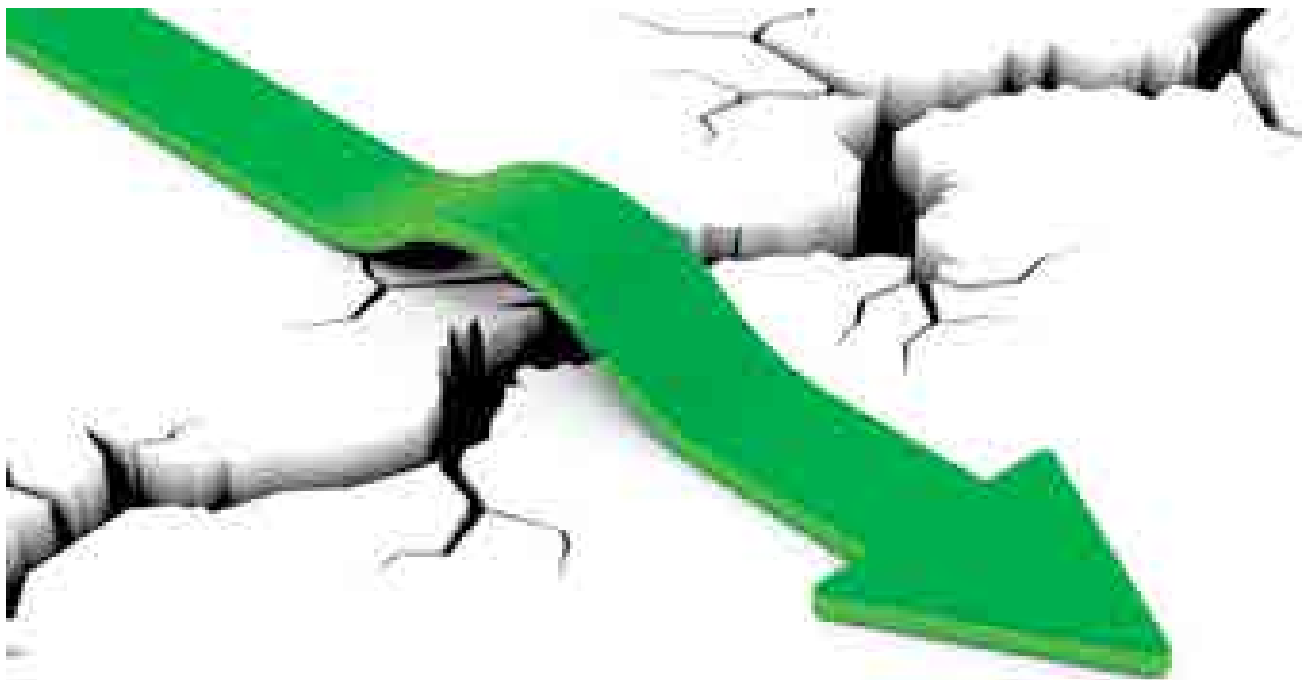
Risk Management

The Boards of Directors are responsible for overseeing the implementation of, and ensuring there are adequate policies and procedures in relation to the Company's risk management and internal compliance and control system. These systems require management to be responsible for identifying and managing risk on day to day basis. The risks faced by the Company include strategic, financial and non-financial operational risks impacting areas as supply chain, production, reputation, environment, safety, business continuity and human resource.

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

| Risks | Mitigating Actions |
|---|--|
| The fiscal deficit of the country, political instability and the deteriorating law and order situation may adversely impact the performance of the Company. Loss or reduction in sales due to market conditions. | Agriculture is said to be the backbone of Pakistan's economy. The Company has been in business for over thirty year and has established itself as one of the leading tractor manufacturer in the country. The Company has 79 dealers across the country. The Company seeks to increase its customer base and has diversified in the manufacture and sale of implements, sale of lubricants and generators. Moreover, export potential of company's products is being evaluated to reduce dependency on a single market. |
| Inability to source raw material and increase in prices may affect the profit margins. | Raw material sourcing and pricing are managed by constantly monitoring the supply base to ensure uninterrupted procurement. Prices are approved by the price revision committee to control adverse price movements. |
| Weaknesses in the internal control framework could lead to loss of financial irregularities and unethical work practices | The Company has put in place manuals, delegation of authority and regular reporting framework to identify and monitor areas of potential exposure. Independent checks on internal controls and risk management process are undertaken by the Internal Audit department to ensure their effectiveness and adequacy. Several policies such as whistle blowing protection policy and financial authority limits are in place to mitigate the risk of fraud. During the year under review, there were no reported cases of fraud or corruption. |
| Exchange rate fluctuation could adversely impact the profitability of the Company. | The Company's product has around 92% local components, thus reducing the dependency on imported material. |
| Credit risk if the counterparty fails to meet its contractual obligations. | Company's products are sold mainly against advance payment except for some institutional / credit sales which is secured. The capital structure of the Company is equity based with no financing through long or short term borrowing. |
| Safety risk | The Company continues to place paramount importance in promoting a safe and healthy work environment for its employees, workers and the community. |

| Risks | Mitigating Actions |
|---|--|
| Employee recruitment and retention risk | The Company believes in the importance of having the right people with the requisite qualification, skills and expertise to achieve its strategic business plans. The Company has in place comprehensive human resource policies and procedures for recruitment, compensation and staff development, management succession. Weekly meetings are held with CBA to resolve their issues and grievances. The Company is an equal opportunity employer. |
| Legal and Regulatory Risk | The Company's operations are subject to regulation and future changes in regulation that may adversely affect results, particularly in the areas of corporate law, direct and indirect taxes, competition law and environmental law. The responsibility of compliance with applicable laws and regulations lies with the departmental heads and the Company Secretary. |
| Business Continuity Risk | The Company recognizes that quick recovery and resumption of business operations after a disruption are critical to minimizing financial operational and reputational impact. To mitigate these risks, the Company has in place a Business Continuity Plan, which complements its ERP framework. Moreover, the Company uses insurance as a means to transfer risks. The Company insures its risks based on an approach that seeks to balance the cost benefits with its risk appetite. |



Global Compact



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

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

Management Review

Management Objectives and Strategies

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

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

Liquidity and Capital Structure

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

Significant Changes in Financial Position

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

Non-Financial Performance

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

Segmental Review of Business Performance

The financial statements of the Company have been prepared on the basis of a single reportable segment. New business initiatives and trading goods represent 1.1% of the total revenue. The Company has dealerships in two countries; Pakistan and Afghanistan. All assets of the Company are located in Pakistan.

Critical Performance Indicators

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

- Quality product at the lowest price;
- Efficiency and effectiveness of each production process;
- Creating value for the shareholders;
- Employee retention and satisfaction;





- Compliance with laws and regulations;
- Consistent corporate achievements and excellence;
- Development of local community.

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

Business Continuity / Disaster Recovery Plan

The Company places paramount importance on business continuity / disaster recovery. The following measures are in place to ensure smooth restoration of key operations:

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

Safety of Records

The Company places emphasis on safety and storage of its financial and other records. AGTL was the first automobile company in Pakistan to introduce a high profile ERP solution, BaaN, to put the IT process in full circle. Commissioned in January 2002, this ERP thus inter-links all processes and supports Company's wider strategic objectives. The Company ensures that all data is retained to meet legal and operational requirements. No loss or breach of confidential data was reported during 2015.

Share Price Sensitivity Analysis

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

Government decisions

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

Weather patterns

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

Plant operations

Stability of plant operations is of paramount importance. Stable plant operations allow for higher

production and add to the profitability of the Company which can positively affect the share price.

Variation in material costs

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

Interest rates

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

Law and order

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

Information Technology Governance

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

Future Outlook

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

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



EXPANDING HORIZONS



الغلامی کا نئے پیمانہ شریک

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سار





Quality Assurance

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

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

- Ultimate Tensile Strength Test on UTS testing machine;
- Material Hardness test on Hardness testing machine;
- Destructive test of various components to confirm material;
- Engine testing on electronic test rigs;
- Function test on test benches;
- Testing at roller test rigs;
- Bump testing; and
- Running test on PDI.

CERTIFICATE



Management System as per
EN ISO 9001 : 2008

In accordance with TÜV AUSTRIA procedures, it is hereby certified that

AL-GHAZI TRACTORS LTD.
10th km, Sakhi Sarwar Road
D.G. KHAN, PAKISTAN

Applies a Quality Management System in accordance with the following scope

**PRODUCTION OF FIAT AND NEW HOLLAND TRACTORS FROM CUSTOMERS-
SUPPLIED COMPONENTS.**

Certificate Registration No: 01013488

Valid until: 2018-08-31
Valid certificate no: 2013-02-01

Certificate No:
01013488/01

Issue: 2013-02-01

This certificate was awarded in accordance with TÜV AUSTRIA auditing and certification
procedures and is subject to regular surveillance audits.

TÜV AUSTRIA GENERAL
12000 Strassgasse, Linz
39100 Linz, Austria
www.tuv-austria.com



TÜV AUSTRIA
GROUP

Every year the Company is audited for upkeep of its activities. Documentation is a pre-requisite for this certification. ISO certification is now valid up to 2018.



Human Resource Management (HRM)

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

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

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

Succession Planning

Succession Planning is a proactive approach to managing talent as it involves identification of high potential employees for anticipated future needs and the tailored development of these people so that there is a talent pool or leadership pipeline available to meet AGTL's demands as they arise. AGTL has formulated a comprehensive succession plan for all key positions. Succession Planning is formally addressed by the Board of Directors.

Harassment

AGTL has a harassment policy in place and is in compliance with the Protection Against Harassment of Women at Workplace, Act 2010. No instances of harassment were reported during the year 2015.

EXPANDING HORIZONS



Mr. Mohammad Shahid Hussain - CEO & MD inaugurated Sports room in Tractor House.

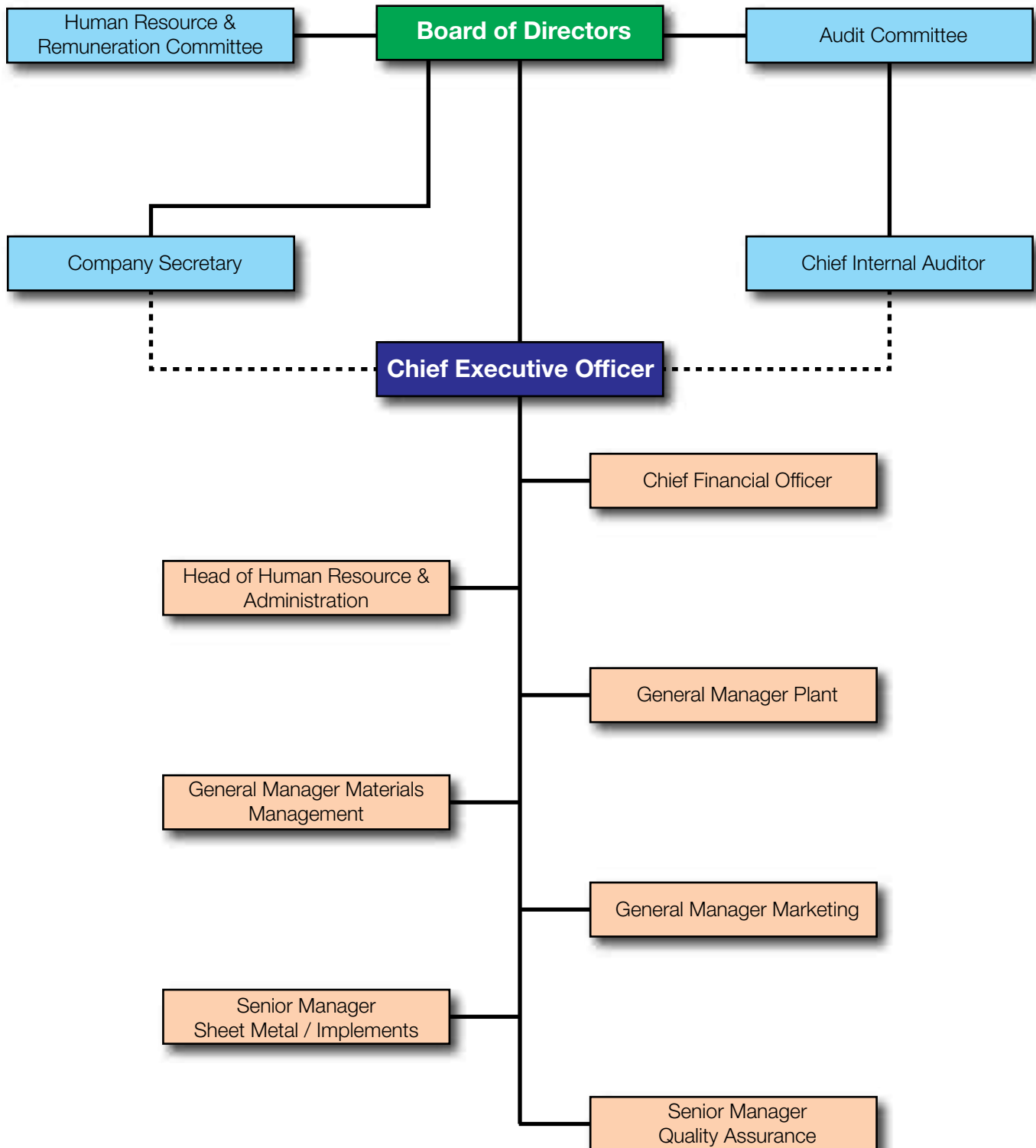


Annual Picnic was arranged for headoffice staff at Hawksbay beach.





Organization Chart



Legends

- Functional Reporting
- Administrative Reporting

Financial Analysis





Key Operating and Financial Data

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Quantitative Data | | | | | | |
| Units: | | | | | | |
| Sales | 13,385 | 12,415 | 14,071 | 25,455 | 18,344 | 28,154 |
| Production | 13,584 | 13,014 | 14,055 | 23,020 | 19,895 | 28,020 |
| Profitability | | | | | | |
| | ←————— Ruppes '000 —————→ | | | | | |
| Sales revenue | 9,636,108 | 8,730,695 | 9,252,626 | 14,779,554 | 10,113,572 | 14,036,034 |
| Gross profit | 2,499,478 | 2,208,143 | 2,039,309 | 2,791,227 | 1,872,866 | 2,948,515 |
| Investment income | 424,444 | 435,143 | 378,450 | 513,137 | 534,544 | 300,701 |
| Profit before taxation | 2,390,048 | 2,251,937 | 2,029,294 | 2,572,795 | 2,062,675 | 2,900,113 |
| Taxation | 799,769 | 877,159 | 851,804 | 957,164 | 703,795 | 991,241 |
| Profit after taxation | 1,590,279 | 1,574,744 | 1,371,490 | 1,915,631 | 1,358,880 | 1,908,872 |
| Earnings before investment income, tax and depreciation (EBITDA) | 2,013,749 | 1,859,004 | 1,683,845 | 2,396,532 | 1,582,688 | 2,631,213 |
| Financial position | | | | | | |
| Fixed assets | 612,208 | 496,751 | 404,433 | 373,481 | 373,295 | 398,571 |
| Long-term investments | - | 42,600 | 44,600 | 55,600 | 74,000 | 40,000 |
| Other non-current assets | 2,913 | 2,131 | 9,333 | 21,228 | 32,448 | 952 |
| | <u>615,121</u> | <u>541,482</u> | <u>458,366</u> | <u>450,309</u> | <u>479,743</u> | <u>408,523</u> |
| Current assets | 5,798,546 | 9,477,010 | 9,367,867 | 9,019,772 | 8,075,804 | 7,256,621 |
| Current liabilities | 548,079 | 1,346,292 | 1,537,894 | 1,474,585 | 1,717,365 | 1,241,288 |
| Net working capital | <u>5,240,467</u> | <u>8,127,718</u> | <u>7,829,973</u> | <u>7,545,187</u> | <u>6,358,441</u> | <u>6,015,333</u> |
| Less: Non-current liabilities | 67,008 | 87,905 | 69,580 | 69,385 | 71,910 | 62,144 |
| Capital employed | <u>5,173,459</u> | <u>8,039,813</u> | <u>7,760,393</u> | <u>7,475,802</u> | <u>6,286,531</u> | <u>5,953,189</u> |
| Represented by: | | | | | | |
| Share capital | 289,621 | 289,621 | 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 | <u>4,463,759</u> | <u>7,261,674</u> | <u>7,004,277</u> | <u>6,711,631</u> | <u>5,551,532</u> | <u>5,148,039</u> |
| | <u>5,753,380</u> | <u>8,551,295</u> | <u>8,218,959</u> | <u>7,926,313</u> | <u>6,766,214</u> | <u>6,262,721</u> |
| CASH FLOWS | | | | | | |
| Operating activities | 619,653 | 1,078,652 | 1,175,668 | 2,121,542 | (609,573) | 1,548,399 |
| Investing activities | 3,702,394 | (342,656) | 522,032 | 31,665 | (733,436) | (994,183) |
| Financial activities | (4,321,898) | (1,219,754) | (1,071,953) | (1,177,895) | (635,675) | (983,901) |

Performance Analysis

Six Years analysis of Profit and loss

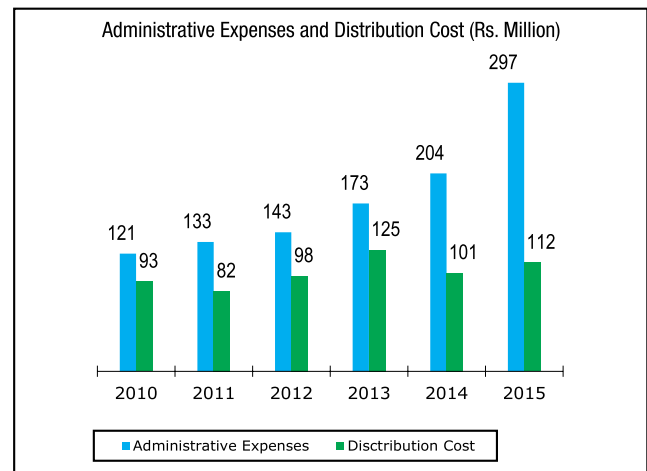
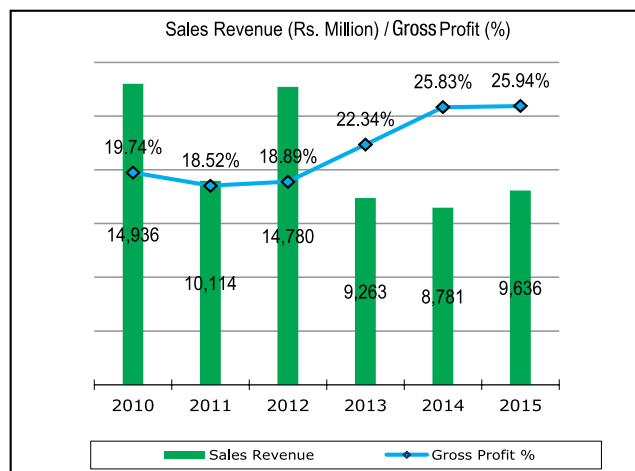
Sales Revenue and Gross Profit

The tractor industry has been showing negative year on year revenue trend due to underperforming economy and curtailment of credit for tractors by banking sector. After healthy first half of the year, the industry was all geared up for the launch of the subsidized scheme for thousands of tractors announced by the Governments of Sindh and Punjab provinces. However, the schemes were substantially delayed without citing any reason. The momentum of sales, therefore, stalled as farmers were reluctant to buy for obvious reasons and were waiting for launching of the scheme to avail the subsidy. Moreover, the heavy floods raging in Punjab coupled with substantial drop in prices of farm commodities, significantly reduced purchasing power of the farmers.

During the last quarter, there was a drop in sales to the tune of 58% compared to same period last year. 1,889 tractors were sold during the last quarter of the year 2015, compared with 4,527 sold in the same period last year. Despite above challenges, the Company managed to maintain its GP%. This performance is attributable to lean management, operational efficiencies, better sales mix and controls on input cost. The GP% improved slightly from 25.83% in 2014 to 25.94% in 2015.

Distribution and Administrative Expenses

The Company keeps a tight control on its overheads. The distribution cost has increased by 3.21% Cumulative Annual Growth Rate (CAGR) since 2010 whereas administrative expenses have increased by 16.13% CAGR.



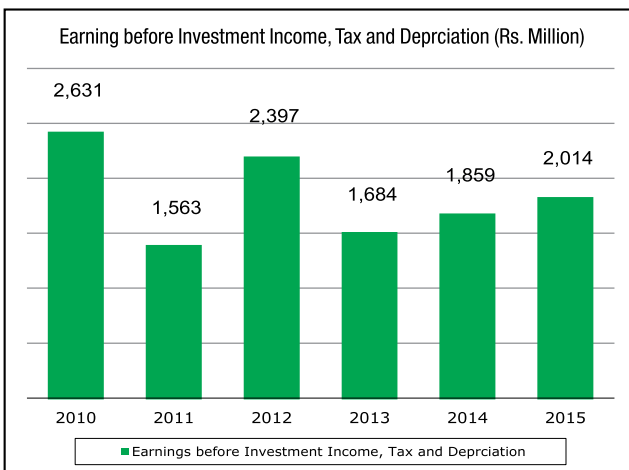
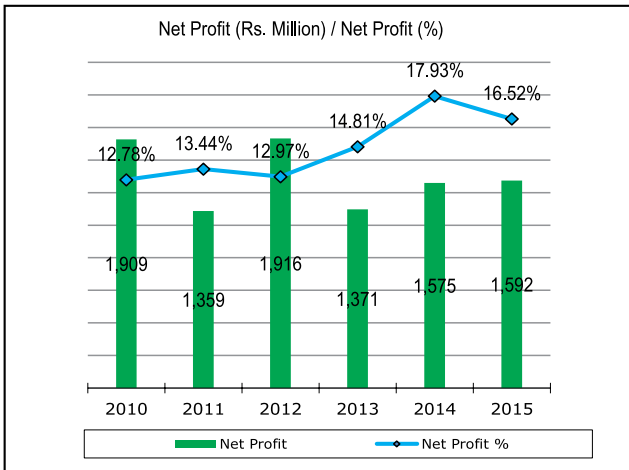


Other Income

Other income mainly represents income from investments in mutual funds and bank deposits. It stands at 5% of revenue in 2015 as compared to 2.6% in 2010.

Profitability

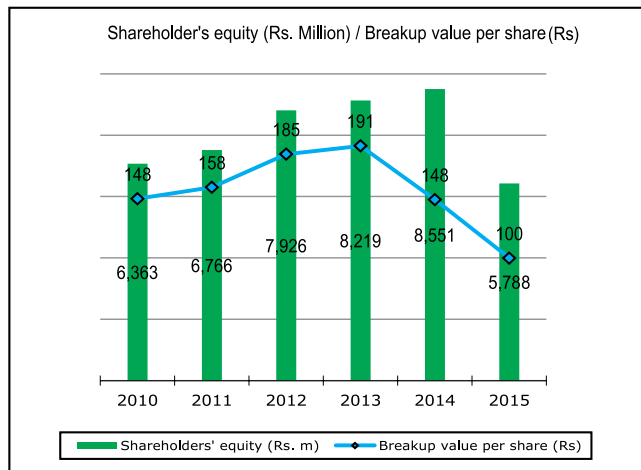
The profit after tax stood at Rs. 1.6 billion in 2015 increase of 1% compared to the previous year. However, NP% has decreased from 17.93% in 2014 to 16.52% in 2015 due to increase in tax charge mainly as a result of imposition of one time “super tax” during the year.



Six Years analysis of Financial Position

Equity and Reserves

Equity and reserves have decreased from Rs 8.5 billion in 2014 to Rs 5.8 billion. The decrease is attributable to extra ordinary dividend payouts amounting to Rs. 4.3 billion in the current year.



Property, Plant and Equipment

Balance of Property, plant and equipment increased to Rs 612 million from (Rs 467 million - 2014) mainly attributable to capitalisation of new Head Office “Tractor House” building in Karachi.

Stock in trade

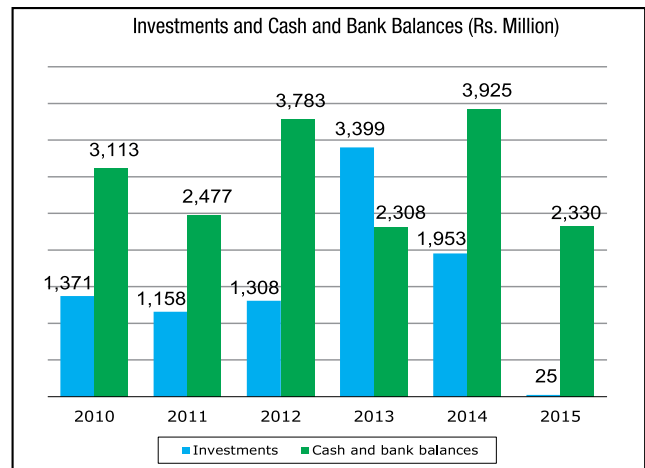
The Company makes all efforts to maintain raw material and components inventory at safety stock levels to minimize production disruptions due to supply chain issues of auto sector. Higher inventory as at December 2015 includes a substantial portion of finished goods in hand due to reduced sales during the last quarter of 2015 as explained earlier.

Refunds due from the Government

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

Investments, cash and bank balances

Investments, cash and bank balances are a witness to the consistent profitability of the Company. The Company maintains funds in term deposit receipts with Banks.





Analysis of Financial Ratios

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-----------|-----------|-----------|---------|---------|---------|
| Profitability Ratios | | | | | | |
| Gross profit ratio | 25.94% | 25.85% | 22.34% | 18.85% | 18.52% | 19.74% |
| Pre-tax profit ratio | 24.82% | 25.65% | 21.94% | 19.44% | 20.40% | 19.42% |
| Net profit to Sales | 16.52% | 17.93% | 14.81% | 12.96% | 13.44% | 12.78% |
| EBITDA margin to sales | 20.90% | 21.17% | 18.18% | 16.22% | 15.45% | 17.62% |
| Operating Leverage ratio | 0.85 | -2.00 | 0.80 | 1.18 | 1.28 | -2.81 |
| Return on asset | 24.86% | 15.77% | 13.96% | 20.23% | 15.88% | 24.90% |
| Return on Equity / Capital employed | 27.51% | 18.41% | 16.88% | 24.17% | 20.08% | 30.00% |
| Liquidity Ratios | | | | | | |
| Current Ratio | 10.54 | 7.02 | 6.09 | 6.12 | 4.70 | 5.85 |
| Quick Ratio | 6.81 | 5.42 | 4.99 | 5.07 | 3.11 | 4.98 |
| Cash to current liabilities | 4.24 | 2.81 | 1.50 | 2.57 | 1.44 | 2.51 |
| Cash flow from operations to sales | 8.43% | 12.28% | 12.89% | 14.36% | -6.08% | 10.37% |
| Activity / Turnover Ratios | | | | | | |
| Inventory turnover ratio | 3.30 | 3.38 | 4.45 | 5.81 | 4.39 | 10.30 |
| Debtors turnover ratio | 464 | 88 | 34 | 74 | 73 | 105 |
| Creditors turnover ratio | 11 | 6 | 7 | 14 | 10 | 11 |
| Fixed assets turnover ratio | 15.74 | 18.81 | 22.90 | 39.57 | 27.09 | 40.51 |
| Total assets turnover ratio | 1.50 | 0.88 | 0.84 | 1.56 | 1.18 | 1.85 |
| Operating Cycle | | | | | | |
| No. of days in inventory | 110 | 108 | 82 | 65 | 84 | 35 |
| No. of days in receivables | 1 | 4 | 11 | 5 | 5 | 3 |
| No. of days in payables | 34 | 58 | 40 | 25 | 36 | 33 |
| Operating Cycle | 78 | 64 | 44 | 45 | 63 | 6 |
| Investment / Market ratios | | | | | | |
| Pre-Tax Earning per share (Basic and diluted) - Rs | 41.27 | 36.85 | 47.12 | 66.91 | 48.04 | 67.54 |
| Post-Tax Earning per share (Basic and diluted) - Rs | 27.47 | 27.17 | 31.84 | 44.62 | 31.65 | 44.46 |
| Price earnings ratio | 15.03 | 13.61 | 6.65 | 5.34 | 6.09 | 5.11 |
| Dividend yield ratio | 20.58% | 5.81% | 11.77% | 8.44% | 10.37% | 8.81% |
| Dividend ratio | 4.86 | 14.88 | 8.80 | 10.69 | 9.64 | 11.36 |
| Dividend payout ratio | 309.43% | 92.02% | 63.74% | 50.43% | 63.19% | 44.88% |
| Dividend cover | 0.32 | 1.09 | 1.19 | 1.98 | 1.58 | 2.22 |
| Dividend per share | | | | | | |
| - Cash | 65.00 | 25.00 | 25.00 | 22.50 | 20.00 | 20.00 |
| - Bonus | - | - | 36% | - | - | 0.00 |
| Dividend payout - Rs ' 000 | 4,926,967 | 1,448,105 | 1,073,410 | 986,068 | 858,728 | 858,728 |
| Cash dividend - % | 100% | 500% | 500% | 480% | 400% | 400% |
| Bonus Dividend - Rs' 000 | - | - | 76,138 | - | - | - |
| Market value per share - Rs | | | | | | |
| - Closing | 413.00 | 367.02 | 212.43 | 238.38 | 192.84 | 227.00 |
| - High | 564.00 | 464.24 | 248.70 | 255.00 | 244.95 | 264.00 |
| - Low | 235.00 | 185.00 | 183.83 | 169.89 | 158.00 | 194.25 |
| Market capitalisation (as at 31 Dec) - Rs Million | 23,940 | 21,275 | 9,121 | 10,295 | 8,280 | 8,747 |
| Breakup value per share - Rs | 98.86 | 147.53 | 191.42 | 184.61 | 157.59 | 148.19 |

Six Years Analysis of Cash Flow

The Company monitors its cash inflows and outflows on a daily basis. Cash management and investment strategies are then planned to maximize returns. The Company has generated Rs. 5.9 billion from operations since December 2010.

Cash outflow from financing activities has increased over the years due to increase in dividend payments. Rs. 4.3 billion was paid as dividend in the year 2015 as compared to Rs 0.9 billion in 2010. AGTL is a debt free Company.

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

Six Years Analysis of Ratios

Profitability Ratios

The Company's sound business performance is depicted through favorable profitability ratios over the years. The Increase in Return on Equity as compared to last year is due to decrease in reserves as a result of high dividend payouts during the year.

Liquidity and Turnover Ratios

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

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

Market Ratios

Due to decrease in net profit and increase in share capital, EPS have reduced since 2010. However, backed on its financial strength, business indicators and rich dividend payouts, the five rupee share of the Company hit an all-time high of Rs 564 in August 2015. Market capitalisation doubled from Rs 10 billion in 2009 to Rs 24 billion in 2015. AGTL has continuously maintained a dividend yield beyond the market norms for the benefit of its shareholders.





Six Years Horizontal Analysis

| | Rupees '000 | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2014 | 2013 | 2012 | 2011 | 2010 |
| BALANCE SHEET | | | | | | |
| Fixed assets | 612,208 | 468,751 | 404,433 | 373,481 | 373,295 | 368,671 |
| Long-term investments | - | 42,800 | 44,800 | 55,800 | 74,000 | 40,000 |
| Long-term loans and deposits | 2,913 | 2,131 | 9,533 | 21,228 | 32,448 | 862 |
| Stores and spares | 34,340 | 35,962 | 15,640 | 21,110 | 19,025 | 9,740 |
| Stock-in-trade | 2,115,034 | 2,160,349 | 1,893,249 | 1,543,151 | 2,731,385 | 1,073,122 |
| Trade debts | 27,759 | 13,796 | 166,306 | 386,558 | 14,339 | 264,863 |
| Loan and advances | 62,048 | 79,796 | 73,383 | 75,894 | 47,249 | 22,109 |
| Short-term deposits and prepayments | 6,321 | 22,219 | 1,450 | 1,346 | 4,602 | 11,476 |
| Accrued mark-up | 61,114 | 33,886 | 3,525 | 192,312 | 214,003 | 54,884 |
| Other receivables | 38,411 | 6,149 | 11,457 | 13,734 | 22,143 | 57,967 |
| Taxation | 70,828 | - | 30,680 | 113,428 | 532,614 | 339,456 |
| Refunds due from the Government | 1,017,953 | 1,281,074 | 1,709,416 | 1,637,869 | 928,675 | 979,537 |
| Investments | 25,000 | 1,908,970 | 3,354,256 | 1,251,729 | 1,084,449 | 1,331,464 |
| Cash and bank balances | 2,350,238 | 3,824,709 | 2,308,487 | 3,782,632 | 2,477,110 | 3,112,794 |
| Total assets | 6,404,687 | 9,988,682 | 9,826,433 | 9,470,281 | 8,555,547 | 7,666,154 |
| Current liabilities | 549,079 | 1,349,292 | 1,537,894 | 1,474,583 | 1,717,363 | 1,241,289 |
| Non-current liabilities | 67,008 | 87,905 | 69,590 | 69,285 | 71,910 | 82,144 |
| Total liabilities | 616,087 | 1,437,197 | 1,607,474 | 1,543,868 | 1,789,273 | 1,323,433 |
| Capital employed | 5,788,599 | 8,551,485 | 8,218,959 | 7,926,413 | 6,766,274 | 6,342,721 |
| Share capital | 269,821 | 269,821 | 214,682 | 214,682 | 214,682 | 214,682 |
| Reserves | 5,488,759 | 8,251,674 | 8,004,277 | 7,711,731 | 6,551,592 | 6,148,039 |
| Capital employed | 5,788,599 | 8,551,485 | 8,218,959 | 7,926,413 | 6,766,274 | 6,342,721 |
| PROFIT AND LOSS ACCOUNT | | | | | | |
| Sales | 9,826,109 | 8,780,685 | 9,262,626 | 14,779,584 | 10,113,572 | 14,966,034 |
| Cost of goods sold | 7,136,631 | 6,512,542 | 7,193,257 | 11,988,337 | 8,240,816 | 11,987,519 |
| Gross profit | 2,489,478 | 2,268,143 | 2,069,369 | 2,791,227 | 1,872,756 | 2,948,515 |
| Distribution cost | 111,907 | 101,463 | 125,206 | 98,235 | 92,474 | 92,805 |
| Administrative expenses | 297,194 | 203,688 | 172,773 | 143,234 | 133,245 | 121,174 |
| | 2,080,377 | 1,963,012 | 1,771,386 | 2,549,758 | 1,657,237 | 2,734,736 |
| Other income | 480,062 | 457,194 | 402,283 | 537,742 | 560,447 | 381,640 |
| Other operating expenses | 177,283 | 166,900 | 149,981 | 212,980 | 162,874 | 214,939 |
| | 2,383,146 | 2,253,206 | 2,023,690 | 2,874,500 | 2,064,810 | 2,901,437 |
| Finance cost | 1,100 | 1,369 | 396 | 1,725 | 2,135 | 1,324 |
| Profit before taxation | 2,382,046 | 2,251,837 | 2,023,294 | 2,872,795 | 2,062,675 | 2,900,113 |
| Taxation | 759,763 | 677,183 | 651,804 | 857,164 | 703,785 | 981,241 |
| Profit after taxation | 1,622,283 | 1,574,744 | 1,371,490 | 1,915,631 | 1,358,890 | 1,908,872 |

Six Years Horizontal Analysis

| | Increase / (decrease) from preceding year in Rs 000 | | | | | |
|-------------------------------------|---|------------------|------------------|------------------|--------------------|------------------|
| | 2010 | 2014 | 2013 | 2012 | 2011 | 2010 |
| BALANCE SHEET | | | | | | |
| Fixed assets | 146,467 | 62,218 | 30,952 | 186 | 4,624 | 116,976 |
| Long-term investments | (42,800) | (2,000) | (11,000) | (13,200) | 34,000 | 40,000 |
| Long-term loans and deposits | 782 | (7,202) | (11,896) | (11,220) | 31,586 | (2,363) |
| Stores and spares | (1,622) | 20,313 | (5,470) | 2,094 | 9,276 | (1,942) |
| Stock-in-trade | (45,315) | 467,100 | 150,098 | (1,188,244) | 1,658,273 | (180,560) |
| Trade debts | 13,963 | (162,510) | (220,262) | 372,219 | (249,724) | 243,771 |
| Loan and advances | (18,748) | 5,403 | (2,501) | 28,646 | 25,140 | (9,903) |
| Short-term deposits and prepayments | (25,398) | 30,789 | 104 | (3,266) | (6,874) | (1,249) |
| Accrued mark-up | 27,128 | 30,461 | (188,787) | (21,691) | 169,119 | (73,397) |
| Other receivables | 32,262 | (5,308) | (2,277) | (8,409) | (35,824) | 47,206 |
| Taxation | 70,828 | (30,689) | (62,758) | (419,386) | 193,358 | (191,107) |
| Refunds due from the Government | (263,121) | (426,342) | 71,547 | 709,194 | (50,862) | (477,728) |
| Investments | (1,884,970) | (1,444,286) | 2,102,527 | 167,280 | (247,015) | 1,168,464 |
| Cash and bank balances | (1,594,471) | 1,616,212 | (1,474,135) | 1,305,522 | (935,694) | (408,685) |
| Total assets | (3,584,025) | 162,259 | 396,152 | 914,734 | 869,383 | 265,483 |
| Current liabilities | (900,213) | (188,602) | 63,311 | (242,780) | 476,074 | (668,132) |
| Non-current liabilities | (20,897) | 19,225 | 196 | (2,526) | 9,786 | 9,813 |
| Total liabilities | (921,110) | (170,277) | 63,506 | (245,306) | 485,840 | (657,219) |
| Capital employed | (2,762,915) | 332,536 | 292,646 | 1,160,039 | 403,553 | 942,802 |
| Share capital | - | 75,139 | - | - | - | - |
| Reserves | (2,762,915) | 257,397 | 292,646 | 1,160,039 | 403,553 | 942,802 |
| Capital employed | (2,762,915) | 332,536 | 292,646 | 1,160,039 | 403,553 | 942,802 |
| PROFIT AND LOSS ACCOUNT | | | | | | |
| Sales | 856,424 | (481,941) | (5,516,828) | 4,665,962 | (4,822,462) | (828,791) |
| Cost of goods sold | 624,089 | (680,715) | (4,796,080) | 3,747,721 | (3,746,900) | (1,131,492) |
| Gross profit | 231,335 | 198,774 | (721,858) | 918,271 | (1,075,559) | 302,701 |
| Distribution cost | 10,444 | (23,745) | 26,973 | 15,761 | (10,131) | 5,006 |
| Administrative expense | 93,526 | 30,895 | 29,539 | 9,989 | 12,071 | 9,804 |
| | 127,365 | 191,624 | (778,370) | 932,521 | (1,077,459) | 287,761 |
| Other income | 22,868 | 54,911 | (136,458) | (22,706) | 178,807 | (29,430) |
| Other operating expenses | 10,383 | 16,919 | (62,999) | 60,106 | (62,065) | 17,882 |
| | 139,840 | 229,616 | (860,830) | 809,710 | (936,627) | 240,449 |
| Finance cost | (269) | 973 | (1,329) | (410) | 811 | (630) |
| Profit before taxation | 140,108 | 228,643 | (949,501) | 810,120 | (837,438) | 241,279 |
| Taxation | 122,570 | 25,389 | (305,360) | 253,369 | (287,446) | 75,942 |
| Profit after taxation | 17,538 | 203,254 | (644,141) | 556,751 | (549,882) | 165,337 |





Six Years Vertical Analysis

| | 2015 (Pounds 000) | 2015 % | 2014 (Pounds 000) | 2014 % | 2013 (Pounds 000) | 2013 % |
|-------------------------------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| BALANCE SHEET | | | | | | |
| Fixed assets | 612,208 | 10.03% | 466,751 | 5.46% | 404,433 | 4.52% |
| Long-term investment | - | 0.00% | 42,800 | 0.50% | 44,800 | 0.50% |
| Long-term loans and deposits | 2,913 | 0.03% | 2,131 | 0.03% | 9,333 | 0.11% |
| Stocks and spares | 34,340 | 0.53% | 35,962 | 0.42% | 15,649 | 0.18% |
| Stock-in-trade | 2,115,034 | 36.54% | 2,160,349 | 25.26% | 1,633,249 | 20.60% |
| Trade debts | 27,759 | 0.48% | 13,796 | 0.16% | 166,306 | 2.02% |
| Loans and advances | 62,046 | 1.07% | 78,796 | 0.92% | 73,393 | 0.83% |
| Short-term deposits and prepayments | 6,821 | 0.12% | 32,219 | 0.38% | 1,450 | 0.02% |
| Accrued mark-up | 61,114 | 1.05% | 33,965 | 0.40% | 3,525 | 0.04% |
| Other receivables | 38,411 | 0.66% | 6,149 | 0.07% | 11,457 | 0.14% |
| Taxation | 70,828 | 1.22% | - | 0.00% | 30,609 | 0.37% |
| Relevants due from the Government | 1,017,353 | 17.53% | 1,281,074 | 14.91% | 1,703,416 | 20.80% |
| Investments | 26,000 | 0.43% | 1,909,970 | 22.33% | 3,354,266 | 40.81% |
| Cash and bank balances | 2,330,238 | 40.26% | 3,924,709 | 45.90% | 2,308,497 | 28.09% |
| Total assets | 6,404,667 | 110.64% | 9,983,632 | 115.81% | 9,826,433 | 113.56% |
| Current liabilities | 549,079 | 9.49% | 1,349,292 | 15.71% | 1,537,694 | 18.71% |
| Non-current liabilities | 67,008 | 1.16% | 87,905 | 1.00% | 69,599 | 0.85% |
| Total liabilities | 616,087 | 10.64% | 1,437,197 | 16.81% | 1,607,293 | 19.56% |
| Capital employed | 5,788,580 | 100.00% | 8,546,435 | 100.00% | 8,219,140 | 100.00% |
| Share capital | 289,821 | 5.01% | 289,821 | 3.39% | 214,682 | 2.61% |
| Reserves | 5,498,759 | 94.99% | 8,256,614 | 96.61% | 7,994,458 | 97.39% |
| Capital employed | 5,788,580 | 100.00% | 8,546,435 | 100.00% | 8,219,140 | 100.00% |
| PROFIT AND LOSS ACCOUNT | | | | | | |
| Sales | 9,535,109 | 100.00% | 9,730,985 | 100.00% | 9,262,626 | 100.00% |
| Cost of goods sold | 7,136,631 | 74.06% | 6,512,542 | 74.17% | 7,193,267 | 77.66% |
| Gross profit | 2,398,478 | 25.94% | 2,218,443 | 25.83% | 2,069,359 | 22.34% |
| Distribution cost | 111,907 | 1.15% | 101,463 | 1.16% | 126,208 | 1.35% |
| Administrative expenses | 267,194 | 3.00% | 203,686 | 2.32% | 172,773 | 1.87% |
| | 2,080,377 | 21.89% | 1,963,012 | 22.36% | 1,771,389 | 19.12% |
| Other income | 480,052 | 5.20% | 457,194 | 5.21% | 402,263 | 4.24% |
| Other operating expenses | 177,283 | 1.84% | 186,900 | 1.90% | 149,981 | 1.62% |
| | 2,393,146 | 24.44% | 2,253,306 | 25.86% | 2,023,699 | 21.85% |
| Finance cost | 1,100 | 0.01% | 1,269 | 0.02% | 395 | 0.00% |
| Profit before taxation | 2,392,046 | 24.92% | 2,251,037 | 25.85% | 2,023,294 | 21.84% |
| Taxation | 739,763 | 7.73% | 677,193 | 7.71% | 651,804 | 7.04% |
| Profit after taxation | 1,652,283 | 16.57% | 1,573,844 | 17.93% | 1,371,490 | 14.81% |

Six Years Vertical Analysis

| | 2012 (Rupees 000) | 2012 % | 2011 (Rupees 000) | 2011 % | 2010 (Rupees 000) | 2010 % |
|-------------------------------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|
| BALANCE SHEET | | | | | | |
| Fixed assets | 373,481 | 4.71% | 373,296 | 5.02% | 368,671 | 5.79% |
| Long-term investment | 55,800 | 0.70% | 74,000 | 1.03% | 40,000 | 0.62% |
| Long-term loans and deposits | 21,228 | 0.27% | 52,448 | 0.69% | 862 | 0.01% |
| Stores and spares | 21,119 | 0.27% | 19,025 | 0.25% | 9,748 | 0.15% |
| Stock-in-trade | 1,543,151 | 19.47% | 2,731,386 | 36.37% | 1,073,122 | 16.37% |
| Trade debts | 368,556 | 4.68% | 14,339 | 0.19% | 264,063 | 4.15% |
| Loans and advances | 75,884 | 0.96% | 47,249 | 0.63% | 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 | 2.85% | 54,884 | 0.86% |
| Other receivables | 13,734 | 0.17% | 22,149 | 0.30% | 57,967 | 0.91% |
| Taxation | 113,426 | 1.43% | 532,614 | 7.07% | 338,458 | 5.24% |
| Refunds due from the Government | 1,637,869 | 20.66% | 908,675 | 12.13% | 979,637 | 15.38% |
| Investments | 1,251,729 | 15.79% | 1,084,449 | 14.53% | 1,331,464 | 20.58% |
| Cash and bank balances | 3,762,632 | 47.72% | 2,477,110 | 33.61% | 3,112,794 | 48.92% |
| Total assets | 3,470,281 | 119.48% | 8,555,547 | 126.44% | 7,666,154 | 120.48% |
| Current liabilities | 1,474,583 | 18.60% | 1,717,363 | 22.39% | 1,241,289 | 19.51% |
| Non-current liabilities | 69,245 | 0.88% | 71,910 | 1.00% | 62,144 | 0.96% |
| Total liabilities | 1,543,828 | 19.48% | 1,789,273 | 26.44% | 1,303,433 | 20.48% |
| Capital employed | 7,926,313 | 100.00% | 6,766,274 | 100.00% | 6,362,721 | 100.00% |
| Share capital | 214,682 | 2.71% | 214,682 | 3.17% | 214,682 | 3.37% |
| Reserves | 7,711,631 | 97.29% | 6,551,592 | 96.83% | 6,148,039 | 96.63% |
| Capital employed | 7,926,313 | 100.00% | 6,766,274 | 100.00% | 6,362,721 | 100.00% |
| PROFIT AND LOSS ACCOUNT | | | | | | |
| Sales | 14,779,864 | 100.00% | 10,113,572 | 100.00% | 14,936,034 | 100.00% |
| Cost of goods sold | 11,988,237 | 81.11% | 8,240,616 | 81.48% | 11,987,519 | 80.26% |
| Gross profit | 2,791,227 | 18.89% | 1,872,956 | 18.52% | 2,948,515 | 19.74% |
| Distribution cost | 91,236 | 0.62% | 82,474 | 0.82% | 90,605 | 0.60% |
| Administrative expenses | 143,234 | 0.97% | 133,245 | 1.32% | 121,174 | 0.81% |
| | 2,549,756 | 17.25% | 1,657,237 | 16.39% | 2,734,736 | 18.31% |
| Other income | 537,740 | 3.64% | 563,447 | 5.48% | 381,640 | 2.56% |
| Other operating expenses | 212,980 | 1.44% | 152,874 | 1.51% | 218,339 | 1.48% |
| | 3,874,520 | 19.45% | 2,064,610 | 20.42% | 2,901,437 | 19.43% |
| Finance cost | 1,726 | 0.01% | 2,125 | 0.02% | 1,324 | 0.01% |
| Profit before taxation | 2,672,795 | 19.44% | 2,062,675 | 20.40% | 2,980,113 | 19.42% |
| Taxation | 567,164 | 6.40% | 703,796 | 6.96% | 961,241 | 6.54% |
| Profit after taxation | 1,915,631 | 12.96% | 1,358,879 | 13.44% | 1,918,872 | 12.70% |





Quarterly Analysis

| Company's quarterly performance | Q1 | Q2 | Q3 | Q4 | Total |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| | Rs'000 | | | | |
| Sales | 3,443,306 | 3,264,871 | 1,550,147 | 1,377,785 | 9,636,109 |
| Gross profit | 900,053 | 830,411 | 396,595 | 372,419 | 2,499,478 |
| Other Income | 144,205 | 128,521 | 105,154 | 102,172 | 480,052 |
| Profit before tax | 899,964 | 801,502 | 370,358 | 320,222 | 2,392,046 |
| Profit after tax | 615,913 | 497,616 | 229,564 | 249,190 | 1,592,283 |
| Gross Profit % | 26.14 | 25.43 | 25.58 | 27.03 | 25.94 |
| Net Profit % | 17.89 | 15.24 | 14.81 | 18.09 | 16.52 |

First Quarter

Although farmers were protesting, staging sit-ins, demanding redressal of their grievances over support prices and timely payments, the Company was able to successfully deliver productivity led earnings growth. 4,867 tractors were sold during the first quarter, compared with 1,792 delivered last year – an increase of 172%.

Second Quarter

High performance was delivered by the Company with record high profit for any half of the year. Driven by mission to get more performance out of less expense, the GP registered a respectable 25.8 % for the period Jan-Jun 2015. 4,498 tractors were delivered by the Company during the second quarter of the year 2015, compared with 2,913 delivered during the same period last year – an increase of 54%

Third Quarter

After healthy first half of the year, the industry was all geared up for the launch of the subsidized scheme for thousands of tractors announced by the Governments of Sindh and Punjab provinces. However, the schemes were delayed without citing any reason. Farmers were waiting for launching of the scheme to avail subsidy. Further, floods raging in Punjab coupled with substantial drop in prices of farm commodities, significantly reduced purchasing power of the farmers. During the period alone, there was a drop in sales to the tune of 33% as compared to same period last year. 2,131 tractors were sold during the third quarter of the year, compared with 3,184 sold in the same period last year.

Fourth Quarter

The slow-down in sales continued in the last quarter as well. 1,889 tractors were sold during the last quarter of the year 2015, compared with 4,527 sold in the same period last year. Despite the decreased revenue, the Company managed to maintain its GP% and NP% backed on effective cost controls.

Dupont Analysis

| Year | Return on Equity (ROE) | Financial Leverage (Total Assets / Owners' Equity) | Asset Turnover (Sales / Total Assets) | Profit Margin (Profit after tax / Sales) |
|------|------------------------|--|---------------------------------------|--|
| | A*B*C | C | B | A |
| 2015 | 27.51% | 1.106 | 1.505 | 16.52% |
| 2014 | 18.41% | 1.168 | 0.879 | 17.93% |
| 2013 | 16.69% | 1.196 | 0.943 | 14.81% |
| 2012 | 24.17% | 1.195 | 1.561 | 12.96% |
| 2011 | 20.08% | 1.264 | 1.182 | 13.44% |
| 2010 | 30.00% | 1.205 | 1.948 | 12.78% |

As illustrated above, operational efficiency of the company as measured in terms of profit margins have increased since 2010 backed on lean management and effective cost controls. In 2015, the profit margin has slightly decreased as compared to 2014 mainly due to chargeability of Super Tax.

The asset use efficiency measured in terms of asset turnover has increased in 2015 due to reduction in cash and bank balances as a result of high dividend payouts during the year.

AGTL is a debt free Company. Change in financial leverage is due to decrease in equity on account of high dividend payouts during the year.



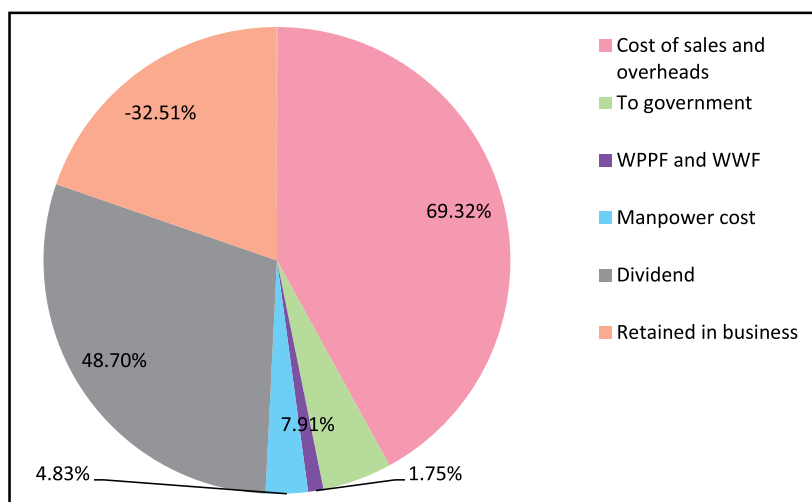


Direct Cash Flow Statement

| | 2015 | 2014 |
|---|------------------|------------------|
| | Rupees '000 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | 9,588,785 | 8,910,364 |
| Cash paid to suppliers / service providers and employees | (9,270,210) | (7,439,665) |
| Workers' Funds | (177,263) | (166,985) |
| Other operating income | - | - |
| Income tax paid | (862,240) | (574,444) |
| Sales tax refund / (payment) | 263,121 | 428,242 |
| Retirement benefits | (27,012) | 29,202 |
| Loans, deposits and other operating income - net | 94,675 | (13,182) |
| | <u>519,833</u> | <u>1,078,532</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (191,806) | (304,672) |
| Proceeds from disposal of fixed assets | 1,591 | 4,036 |
| Purchase of investments | - | (240,000) |
| Proceeds from disposal of investments | 1,366,392 | 1,900,159 |
| (Placement in) / encashment of term deposits - net | 1,586,000 | (2,900,000) |
| Return on bank deposits | 200,894 | 199,809 |
| Decrease in long-term loans | 128 | 7,202 |
| | <u>3,702,394</u> | <u>(342,896)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid | (4,321,698) | (1,218,754) |
| | <u>529</u> | <u>(483,788)</u> |
| Net (decrease) / increase in cash and cash equivalents | | |
| | <u>1,419,709</u> | <u>1,303,437</u> |
| Cash and cash equivalents at the beginning of the year | 1,419,709 | 1,303,437 |
| | <u>1,418,138</u> | <u>1,419,709</u> |

Statement of Value Addition

| | 2015 | | 2014 | |
|--|------------------|-------------|------------------|-------------|
| | Rs '000 | % | Rs '000 | % |
| Wealth Generated | | | | |
| Sales | 8,638,109 | 95% | 8,780,685 | 95% |
| Other income | 480,052 | 5% | 457,194 | 5% |
| | 8,118,161 | 100% | 9,237,879 | 100% |
| Distribution of Wealth | | | | |
| Cost of sales & overheads (excluding remuneration) | 7,012,270 | 89% | 6,373,824 | 69% |
| To employees as remuneration | 488,415 | 6% | 409,008 | 4% |
| To government as tax | 738,763 | 9% | 677,193 | 7% |
| WPPF and WWF | 177,283 | 2% | 168,900 | 2% |
| To shareholders as dividend (including final dividend) | 4,926,957 | 61% | 1,448,105 | 16% |
| Cash (injected from) / Retained within the business | (2,289,527) | -28% | 167,949 | 2% |
| | 8,118,161 | 100% | 9,237,879 | 100% |





Corporate Governance

Corporate Governance is the system of rules, practices and processes by which a company is directed and controlled. The Board of Directors of Al-Ghazi Tractors Limited is committed to providing satisfactory returns to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interest of the Company and its stakeholders

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

Board of Directors

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

In addition to its statutory duties, the Board provides entrepreneurial leadership, sets strategic objectives, establishes and maintains a framework of prudent risk management and control,



sets the Company's values and ethical standards and considers sustainability issues.

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

The Company's CEO has responsibility for the day-to-day management and is supported in this function by the AGTL Management Team.

In fulfilling its roles and responsibilities, some key focus areas for the Board during the year 2015 are set out below:

Key focus areas of the Board during the year 2015 included:

- Overseeing management's performance in strategy implementation and monitoring the financial position of the Company including approval of the financial statements
- Reviewing business operations and development plans including budgets





- Managing succession planning of the CEO, resulting in the appointment of Mr. Mohammad Shahid Hussain as the new CEO from August 2015.
- Approving the interim dividend of totaling to Rs 60 per share and recommending a final dividend of Rs 25 per share.
- Approving revisions to the Company’s policies

Board Composition

AGTL is committed to ensuring that the composition of the Board continues to include directors who bring an appropriate mix of skills, experience, expertise and diversity to the Boards decision making.

The Directors believe in having members who can exercise judgment independently, in good faith and in the best interest of the Company. Hence, out of the eight Directors, only the CEO, Mr. Mohammad Shahid Hussain and the CFO, Mr. Kashif Lawai are executive directors. To reinforce this believe, the Board is chaired by a non-Executive Chairman, Mr. Charles Leonard Hunt.

| Names of Director | Board Appointment | Board Committees | |
|--|---------------------------|------------------|---|
| | | Audit Committee | Human Resource and Remuneration Committee |
| Charles Leonard Hunt (Chairman) | Non-Executive | | Chairman |
| Mohammad Shahid Hussain ^(a) (CEO) | Executive | | |
| M. Ali. Qaiyum | Independent Non-Executive | Chairman | |
| Kashif Lawai | Executive | | |
| Majd-ul-Ahsan Syed | Non-Executive | Member | Member |
| Vincent DeLassagne ^(b) | Non-Executive | | Member |
| Michele Lombardi | Non-Executive | | |
| Damiano Cretarola | Non-Executive | Member | |

(a) Appointed Board member from August 05, 2015.

(b) Appointed Board member from October 23, 2015.

In determining the composition of the Board, consideration is given to the optimal mix of background, skills and experience that will position the Board to guide the Company. The current board members comprise of business leaders, professionals with financial audit, accounting, human resource backgrounds and engineers. The Directors’ academic and professional qualifications are shown on pages 21 to 24 of this Annual Report.

Board Effectiveness

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

The board meets on a quarterly basis to review and approve the release of quarterly results.

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

The Board has access to the CEO, members of the management and the Company Secretary at all times. The Company Secretary provides support to the Board and ensures that Board procedures and applicable rules and regulations are followed. The Company Secretary also assists the Chairman in ensuring proper information flow within the Board and its Committees as well as advising the Board on all governance matters. The Company Secretary attends all meetings and ensures that minutes are circulated within the stipulated time.

The attendance of directors is as follows:

| Directors | Board Meetings | | Audit Committee Meetings | | Human Resource and Remunerations Committee Meetings | |
|--|----------------|----------|--------------------------|----------|---|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| Charles Leonard Hunt (Chairman) | 4 | 4 | | | 1 | 1 |
| Mohammad Shahid Hussain ^(a) | 1 | 1 | | | | |
| Parvez Ali ^(a) | 3 | 3 | | | | |
| M. Ali. Qaiyum | 4 | 4 | 4 | 4 | | |
| Kashif Lawai | 4 | 4 | | | | |
| Majd-ul-Ahsan Syed | 4 | 4 | 4 | 4 | 1 | 1 |
| Vincent DeLassagne ^(b) | - | - | | | | |
| Giovanna Barbieri ^(b) | 4 | 2 | | | 1 | - |
| Michele Lombardi | 4 | 3 | | | | |
| Damiano Cretarola | 4 | 1 | 4 | 1 | | |

(a) Mr. Mohamamad Shahid Hussain was appointed as CEO and director in place of Mr. Parvez Ali from August 05, 2015

(b) Mr. Vincent DeLassagne was appointed as director in place of Ms. Giovanna Barbieri from October 23, 2015

Out of the four Board meetings, three meetings were held in Karachi, Pakistan and meeting for third quarter was held in Dubai, UAE.

Board Training

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

As requires by the Securities and Exchange Commission of Pakistan (SECP), which mandates





Board members to require certification, the CFO, Mr. Kashif Lawai and the independent director, Mr. M.A. Qaiyum are Certified Directors from Pakistan Institute of Corporate Governance (PICG). The Company Secretary is also a Certified Director from PICG.

Role of Chairman

The Chairman of the Board Mr. Charles Leonard Hunt, is a non-executive director. The Chairman is responsible for leadership and effective performance of the Board and for maintenance of relationships between directors that are open, cordial, and conducive to productive corporation.

Duties of the Chairman are:

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

Role of Chief Executive Officer

Mr. Mohammad Shahid Hussain was appointed as the CEO of AGTL effective from August 05, 2015.

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.

Responsibilities of the CEO are:

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

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

Board Evaluation

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

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

The questionnaire also includes the assessment of the Chairman of the Board including his ability to lead the Board meetings.

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

Performance Review of CEO

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

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





Managing conflict of interest

The Company in compliance with the Code of Corporate Governance annually circulates and obtains a signed copy of Code of Conduct applicable to all its employees and Directors. Directors are required to disclose, at the time of appointment and during their term, the directorships they hold in other corporate bodies. As per the provisions of the Companies Ordinance, 1984, every director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company.

Closed periods are determined and announced by the Company, precluding the Directors from dealing in the shares of the company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price. Also, all directors are required to disclose any transaction in the shares of the Company immediately to the Company Secretary. All trading in shares of the Company by the Directors or executives and all related party transactions are fully disclosed in the financial statements of the Company.

No conflict of interest was reported during 2015.

Whistle blowing

The Company has adopted a whistle blowing culture to detect and deter wrongdoing in preparing and implementing accurate and complete financial reports and records as well as the internal controls essential to support its financial and accounting system and operations. Violation of matters referred to in the Code of Conduct signed by all the employees may also be reported. The establishment of whistle blowing structure also augments the Company's ability to detect potential fraud, providing another level of comfort and assurance to the stakeholders.

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

No reportable cases of whistle blowing were raised during 2015.

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

Shareholder Rights and Responsibilities

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

All shareholders are invited to participate in the Company's general meeting in person or through proxy. The Chairman delivers a short presentation at each AGM to shareholders to update them on performance of the Company. Every matter requiring approval is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolution. The Board is in attendance to address these queries and obtain feedback from shareholders. External auditors are also present as required by law.

The Company's AGM was held on April 22, 2015. The following were approved by the shareholders:

- Financial statements for the year ended December 31, 2014;
- Declaration of final cash dividend @ Rs 15 per share; and
- Appointment of M/s A.F.F. Ferguson & Co. as external auditors.

Investor relations policy and grievance programme

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

Shareholders are also welcome to seek any information that they may require by contacting the Company Secretary at the Head Office – Telephone Number 021-35318901-5. Information / complaints may also be sent in writing or through email. All efforts are made to provide the required information/ resolve their complaints on priority basis.

Board Committees

The Board has established an Audit Committee and a Human Resource and Remuneration Committee to assist with the discharge of its responsibilities.

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

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





Internal Audit

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

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

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

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



Report of the Audit Committee

Composition

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

Mr. M. Ali Qaiyum – Independent Non-Executive Chairman
 Mr. Majd-ul-Ahsan Syed
 Mr. Damiano Cretarola

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

The Board Secretary functions as the Secretary to the Committee.

Charter of the Committee

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

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

Meeting during 2015

The Audit Committee met four times during the year. The attendance of the members at these meetings is stated in the table on page 71 of the annual report. The Chief Financial Officer and the Chief Internal Auditor attended all meetings. The external auditor attends meetings when matters pertaining to their functions come up for consideration and attended two meetings during the year.

Role of the Committee

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

The Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2015 and reports that:





- The Committee reviewed and approved the annual financial statements of the Company and recommended them for approval of the Board;
- Appropriate accounting policies have been consistently applied and all applicable accounting standards were followed in preparation of the financial statements for the year ended December 31, 2015, which present fairly the state of affairs, results of operations, profits, cash flows, and changes in equity of the Company;
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting and compliance with regulations and applicable accounting standards;
- Accounting estimates are based on reasonable and prudent judgment;
- Proper, accurate and adequate accounting records have been maintained by the Company;
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy;
- The Audit Committee has reviewed and approved all related party transactions;
- No cases of complaints regarding accounting, internal accounting controls or audit matters, or whistle blowing were received by the Committee;
- Closed periods were duly determined and announced by the Company, precluding the directors and executives (as defined by the Board to be an employee drawing a basic salary of Rs. 500,000 and above in a financial year) from dealing in the shares of the Company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price.

Internal Audit

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

External Audit

- The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignment of the Company's financial statements and the statement of compliance with the Code of Corporate Governance for the year ended December 31, 2015 and shall retire on the conclusion of the 33rd Annual General Meeting;
- The Audit Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in absence of the management;
- The external auditors have direct access to the Audit Committee and internal audit department, hereby ensuring the effectiveness, independence and objectivity of the audit process;
- The performance, cost and independence of the external auditors is reviewed annually by the Audit Committee. Being eligible for reappointment under the listing regulations, the Committee has recommended to the Board the reappointment A.F. Ferguson and Co., Chartered Accountants for the year 2016. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.



M. Ali Qaiyum
Chairman, Audit Committee
February 11, 2016





Mr. Mohammad Shahid Hussain CEO & MD presenting updated employee hand book to Mr. Omar Al Futtain (Vice Chairman & CEO Al-Futtain).

Report of the Human Resource and Remuneration Committee

Report of the Human Resource and Remuneration Committee

Composition

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

Mr. Charles Leonard Hunt – Non-Executive Chairman
Mr. Majd-ul-Ahsan Syed
Mr. Vincent DeLassagne

The Board Secretary functions as the Secretary to the Committee.

Terms of reference

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

Meeting during 2015

The Committee met once during the year. The attendance of the members at these meetings is stated in the table on page 71 of the annual report.

The committee recommended appointment of CEO Mr. Mohammad Shahid Hussain in the meeting held during the year 2015.



Charles Leonard Hunt
Chairman, Human Resource and Remuneration Committee
February 11, 2016





A. F. FERGUSON & CO.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Al-Shahi Tractors Limited for the year ended December 31, 2015 to comply with the Code contained in Regulation No. 8 (II) of the Pakistan Stock Exchange Limited.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2015.

Chartered Accountants
Karachi

Dated: March 14, 2016

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Call us any time, our offices are open 24 hours a day. We are a member of the PwC network of independent member firms affiliated with the PwC network of member firms, each of which is a separate legal entity. Each member firm is responsible for its own compliance with applicable laws and regulations. The PwC network is not a legal entity. For more information, please visit www.pwc.com.

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors At present the Board includes:

| Category | Names |
|--------------------------------|-----------------------------|
| Independent Director | Mr. M. Ali Qaiyum |
| Non-Executive Directors | Mr. Charles Leonard Hunt |
| | Mr. Majd-ul-Ahsan Syed |
| | Mr. Vincent De Lassagne |
| | Mr. Damiano Cretarola |
| | Mr. Michele Lombardi |
| Executive Directors | Mr. Mohammad Shahid Hussain |
| | Mr. Kashif Lawai |

The independent director meets the criteria of independence under clause 5.19.1 (b) of the Rule Book of the Pakistan Stock Exchange Regulations.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring in the Board on August 04, 2015 and October 22, 2015 were filled up by the directors within 90 days.
5. The Company has prepared a "Code of Ethics" which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision and mission statement, overall strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.






7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the meetings, along with agenda and working papers, were circulated seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. Two directors have acquired certification under the Directors' Training Program to date out of which one director attended the training this year. The remaining directors will obtain certification under the directors' training programme by June 30, 2016.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment at the time of their appointment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding. The Board has set up the threshold for other employees for the purpose of disclosing trades in the shares of the Company.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, all of whom including the Chairman are non-executive directors.
18. The Board has set-up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for transactions carried out on terms equivalent to those that prevail in the arm's length transactions.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, executives and stock exchanges.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board of Directors

Karachi
Dated: February 11, 2016


MOHAMMAD SHAHID HUSSAIN
Chief Executive Officer





Corporate Sustainability

Corporate Social Responsibility

AGTL's Corporate Social Responsibility (CSR) Framework establishes strategic and consistent approach for our investments. We focus on fostering environmental value as well as improving the living standards and quality of life of the communities we work with. In line with the Mission of creating mutually beneficial relationships between the Company, stakeholders and the community, the Company has structured its CSR framework to achieve this objective, which covers the following aspects:

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

AGTL, with its plant located in Dera Ghazi Khan is a perfect example of Corporate Social Responsibility. The plant, the staff town, and the allied hub of activities that gravitate around AGTL have transformed the social fabric of



the entire region. What began by pitching our tents in the parch desert has contributed to sustained economic development of the entire community and the society at large. Offering

ample employment opportunities, a staff town has been built adjacent to the manufacturing plant full of amenities such as hospital, fair price shop, sports club etc. Utility Stores Corporation has now opened a store in the staff town for residents of the staff town. The plant with a capacity to produce 30,000 tractors per annum in a single shift is a vibrant business center which has created thousands of jobs by way of transportation activities, workshops, vendor shops and a host of other developments. The Company has directly contributed to human values and the quality of life of the whole region.



As part of CSR and with a view to interacting with educational institutions, AGTL has appointed graduates of TEVTA for its assembly operations in the plant. AGTL and TEVTA are working on a programme to not only induct more graduates but also utilize the joint facilities of TEVTA and AGTL plant for customized training on operational activities. Merit scholarships are offered to students of the University of Agriculture, Faisalabad and its campus in Dera Ghazi Khan. Scholarships are also offered to the technical college of Dera Ghazi Khan for development of local talent. During 2015, 20 scholarships were offered.

Energy Conservation Measures

Considering the energy crisis being faced by the country and in an effort to reducing environmental

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

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



Environmental Protection Measures

AGTL is committed to transforming our operations towards reducing the environmental impact and protection of environment. Each year we add to the plantation at the AGTL Plant and staff town in DGK. In 2015, over 300 plants were planted adding to 3000+ trees which have been planted over the years. All employees and visiting dignitaries are encouraged to plant a tree.

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



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

- 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.
- The assembly process at AGTL is such that no waste is produced through industrial metabolism.
- 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.
- Oils refuse from testing of engines are also sold and recycled for use as furnace oil.

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

Community Investment, Development of Local Talent and investment in Education

As a responsible corporate citizen, AGTL is committed to development and supporting



the local community and local talent in what is otherwise a less developed area of DGK.

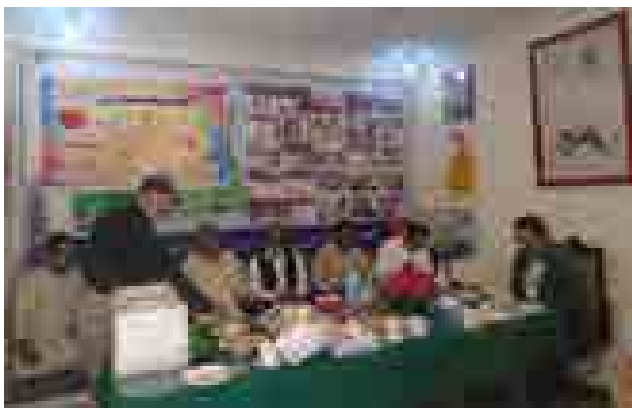
- The Company has a programme for induction of young diploma graduates from the DGK Polytechnique Institute. Special programmes are launched to customize learning and development.
- Merit scholarships are offered to students of the University of Agriculture, Faisalabad and its campus in Dera Ghazi Khan. Scholarships are also offered to the technical college of Dear Ghazi Khan for development of local talent.
- The Company is proactive in providing internships to students of various institutions of the country as well as from other countries not only at the manufacturing plant in Dera Ghazi Khan but at all other locations.



- Students of different Universities were given an opportunity to visit the plant and to obtain an insight of tractor manufacturing industry.
- Tractor festivals, free service programmes are held throughout the year to improve efficiency of resource utilization.
- 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.

Labour / Management Relations

The management and labour of AGTL enjoy cordial relations. Weekly meetings are held with Collective Bargaining Agent (CBA) to discuss and



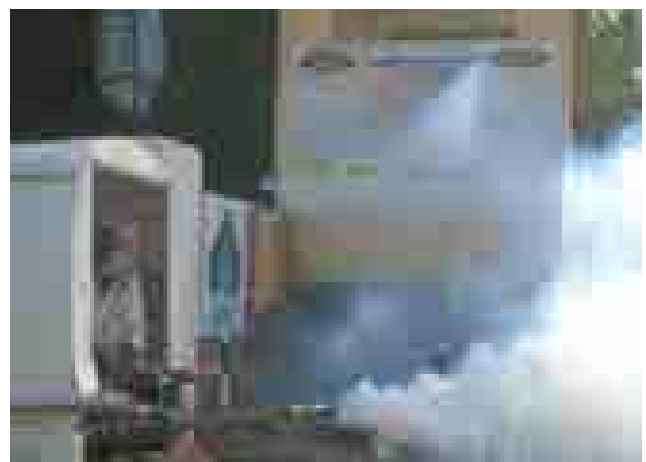
resolve all issues. AGTL is an equal opportunity employer.

Employment of Special Persons

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

Health and Safety

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





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



Consumer Protection Measures

AGTL's uncompromising commitment is to provide world-class tractors at the lowest price, to satisfy customers on consistent basis. The manufacturing plant is state of the art unit which has a capacity to produce 30,000 tractors per annum in a single shift. The plant operates on high efficiency with negligible waste.

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

Business Ethics and Anti-Corruption Measures

The Company actively participates in the fight against all forms of corruption, fully complying with principles of fairness, transparency and integrity.

To ensure that highest standards are met, anti-corruption statement has been included in the code of ethics signed by all the directors and employees. A whistle blowing policy is also in place to detect and deter wrongdoings. The Company also has a well documented harassment policy.

National Cause Donations and Contribution to National Exchequer

AGTL has contributed Rs. 977 million towards the national exchequer on account of government levies and taxes.

Rural Development Programme

Al-Ghazi Tractors has developed a whole scale industry that provides employment and employment generating activities, provides welfare services, marketing infrastructure and the impact of these activities has had a huge impact on transformation of the rural scene in the area. The benefits of the activities and developments at Al-Ghazi have trickled down to the rural masses. Al-Ghazi has directly facilitated the process of siphoning surplus labour from agriculture to the manufacture sector and with its allied activities, Al-Ghazi provides gainful employment opportunities to the locals in fields as diverse as welding to painting to finance and to information technology. Besides lasting rural development pattern, Al-Ghazi has concentrated on Human development with training and scholarships and development of infrastructure. Al-Ghazi has contributed to building a self-reliant society with a scientific bent through a system that



trains our manpower for specific requirements in technology, engineering, administration, management and marketing etc.

What was once a bucolic area is now an Industrial hub, that has prevented the march of the desert

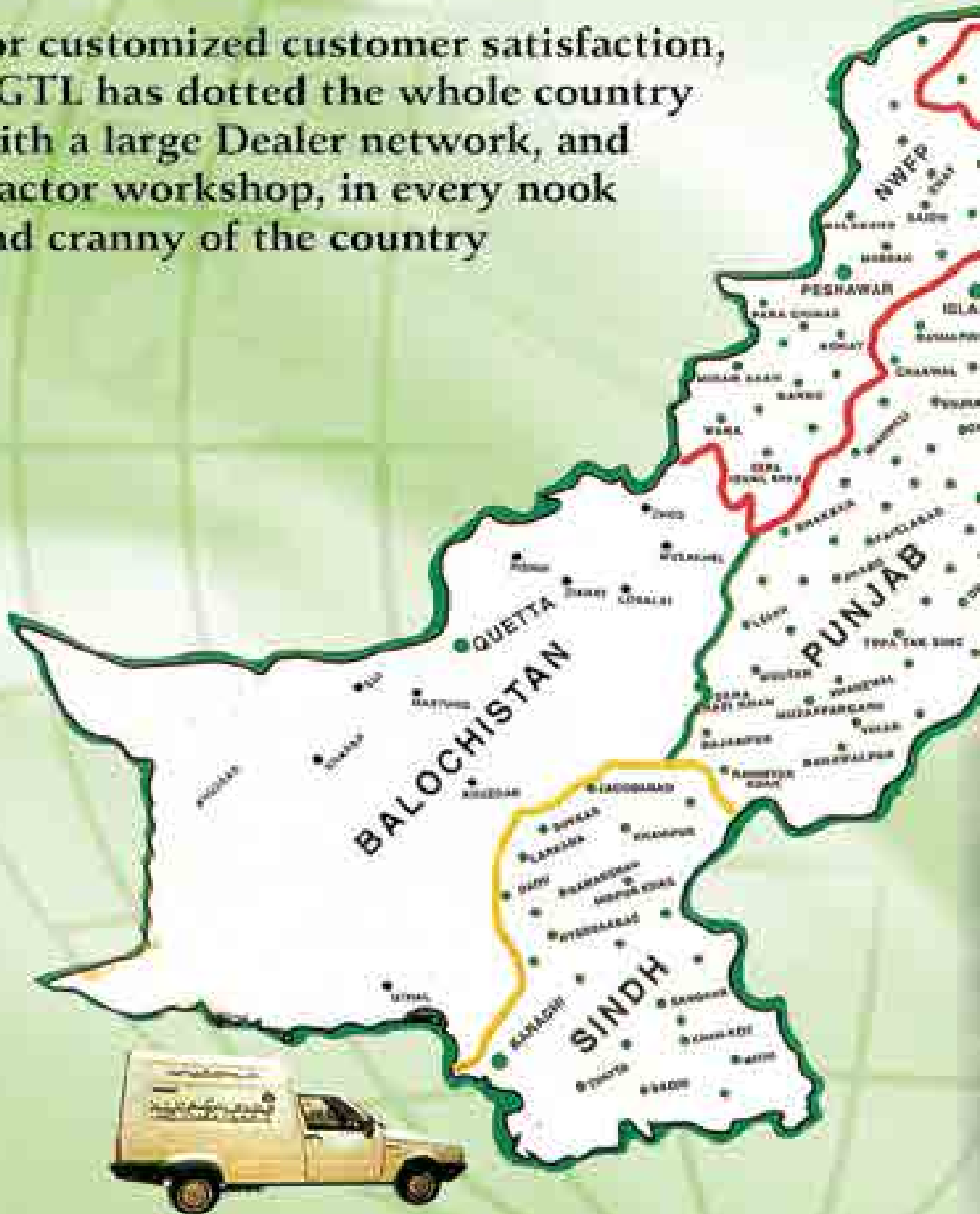
with its investments in horticulture, and which with its expanding industrial throughput has contributed to employment at the doorstep of the area thus decelerating migration to urban centres.

“ I would rather be on my farm, Than be emperior of the world.”
George Washington



A REPUTATION CARRIES RESPONSIBILITY

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





EXPANDING HORIZONS

Mr. Mohammad Shahid Hussain - CEO & MD inaugurated new 3S Dealership in Bahawalpur.



AGTL introduced spare parts kit to be maintained by all dealers for improved customer service.



Information Technology

Every aspect of management relies heavily on information to thrive. Companies use information to set strategies and accomplish business objectives. AGTL is no exception and gives high importance to MIS. It is the lifeblood of the business and ensures that there are systems and infrastructures built to meet the demands of business and individuals.

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

The hardware in use at AGTL includes: IBM RISC Servers, CISCO Routers, 3COM and CISCO Switches and IBM/HP Printers. Al-Ghazi Tractors also has its website www.alghazitractors.com to facilitate business and business partners by providing detailed information about organization's Vision, Mission, Management, Products, Financial Reports, Operations and Human Resources.

The Company gives high importance to Disaster recovery and a Disaster Recovery Plan is in place, which ensures minimum down- time, in case of a major disaster. Most importantly, MIS also holds the function of backing up vital data guaranteeing that a business isn't at risk of losing vital information. Application and data back-ups are maintained at different sites to ensure maximum security. Back-up hardware is also available in case of failure of the main server.

In order to safeguard data integrity, a detailed policy on IT Security is in place. The objective is to ensure that highest level of security is provided to the system. Access controls are rigidly monitored based on job descriptions. Regular training on I.T. security is given to the employees to create awareness and enhance the importance of I.T. Security. Software/ hardware firewalls have also been installed to block unwanted traffic and hacking.

During the year 2015, AGTL offices in Lahore, Multan & Dera Ghazi Khan were connected to Head Office Karachi, through a server based PABX telephone facility resulting in efficient and fast communication among all departments to achieve the Company's objectives.







New Head Office Building
“**Tractor House**” inaugurated in
Karachi on June 14, 2015



Notice of Annual General Meeting

Notice is hereby given that the 33rd Annual General Meeting of Al-Ghazi Tractors Limited will be held on Thursday, April 21, 2016 at 12:30 hrs. at Marriott Hotel, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements, the Directors' Report and the Auditors' Report for the year ended December 31, 2015.
2. To declare the final cash dividend, the directors have recommended a dividend of 500% i.e. Rs. 25 per share in addition to interim dividend already paid @ 1200% making a total dividend of 1700% i.e. Rs. 85 per share.
3. To appoint Auditors for the year ending December 31, 2016 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer themselves for reappointment.

B. SPECIAL BUSINESS

4. To consider, and if though fit, to pass the following resolution as a Special resolution:

RESOLVED that the Articles of Association of the Company be amended by adding a new Article 73A as follows:

The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein.

By Order of the Board

SOBIKA ZUBAIR
COMPANY SECRETARY
March 31, 2016
Karachi.

NOTES:

1. The share transfer books of the Company will remain closed from April 14, 2016, to April 21, 2016 (both days inclusive). Transfers received at our Share Registrar Office M/s FAMCO Associates (Pvt.) Ltd. situated at 8-F Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahr-ah-e-Faisal, Karachi, PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk at the close of business on April 13, 2016 will be treated in time for the purpose of entitlement of dividend to the transferees and to attend and vote at the meeting.
2. A member entitled to attend and vote may appoint a proxy to attend and vote on his/her behalf. No person shall act as a proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right. Proxies, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of the meeting.
3. CDC 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, an in case of a foreigner, copy of Passport, are requested to send the same to the Share Registrar of the Company at the earliest. In case of non-receipt of a copy of valid CNIC, Passport or NTN, the Company would be unable to comply with SRO 19(l) 2014 dated January 20, 2014 & SRO 831(1)/2012 dated July 05, 2012 of SECP and therefore will be constrained under section 251(2)(e) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders.
6. The SECP has initiated e-dividend mechanism through its letter No: 8(4) SM/CDC/2008 dated April 05, 2013. In order to avail benefits of e-dividend, shareholders are requested to provide details of their bank mandate specifying (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address.
7. The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the company. these tax rates are as under
 - For filers of income tax returns: 12.5%
 - For non-filers of income tax returns: 17.5%

In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the share holder. In this regard, shareholders are requested to provide shareholding proportions





alongwith CNIC Nos. of Principal shareholder and Joint shareholder(s) in respect of shares held by them in writing by April 13, 2016. If no notification is received, each joint holder shall be assumed to have an equal number of shares.

| Company Name | Folio / CDS Account No. | Total Shares | Principal Shareholder | Joint Shareholder |
|--------------|-------------------------|--------------|-----------------------|---|
| | | | Name & CNIC No | Shareholding proportion (No. of Shares) |
| | | | | |

To enable the company to make tax deduction on the amount of cash dividend, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL, otherwise tax on their dividend will be deducted @ 17.5% instead @12.5%. Corporate shareholders are requested to send a copy of their NTN to the share registrar or their participant in case of CDC accounts.

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984

Item 4 of the agenda

To give effect of the Companies (E-voting) Regulations 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting.



Awards & Accolades

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



His Excellency the Prime Minister, Mr. Nawaz Shareef, presents the KSE Top Companies Award to Sobika Zubair, Company Secretary, for demonstrating the Best Corporate Performance.



AGTL's Annual Report for the year 2014, was once again awarded at the ICAP / ICMAP "Best Corporate and Sustainability Report Awards 2014" held in Karachi.

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



Investor Relations

At AGTL we are committed to ensuring that shareholders and investors have easy access to clear, reliable and meaningful information on the company in order to make informed investment decisions. In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of company's performance. To do this, multiple communication platforms are utilized including annual general meetings with shareholders and the investor relations section on our website. Apart from financial results, the website, www.alghazitractors.com, has other investor related information including Company profile, annual and quarterly reports, major announcements and information on free float shares.

Further, video presentation of CEO is also placed on company's website detailing financial position and performance of the company, projects accomplished during the year and planned for next year including as overview of future prospects of the company.

Shareholding Information

The Company is listed on Pakistan stock Exchange. The share symbol is AGTL.

The share capital of the Company is Rs. 289.8 million. With a base price of Rs 5 per share, the total number of the shares is 57,964,201.

There are 2053 shareholders which are listed as follows:

| | |
|-------------------------------|---------------------------------|
| Al-Futtaim Industries Company | 28,992,705 shares = 50.02% |
| CNH Industrial N.V. | 25,022,379 shares = 43.17% |
| Directors | 1,050 shares = 0.002% |
| Companies and corporations | 1,192,539 shares = 2.06% |
| Individual and others | 2,755,528 shares = 4.75% |
| Total | 57,964,201 shares = 100% |

Dividend Policy

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

AGTL's equity now stands at Rs. 5.8 billion. The Company's five rupee share is without any doubt the top stock of the Auto and Industrial Engineering sector of Pakistan.

Annual General Meeting

The Annual General Meeting of the Company will be held at Marriot Hotel, Karachi on April 21, 2016 at 12:30 hrs.

Dividend Payments during the year

Final dividend for the year 2014 was paid on April 29, 2015 @ Rs 15 per share i.e.300%.

1st Interim dividend for the year 2015 was paid on September 04, 2015 @ 30 per share i.e. 600%

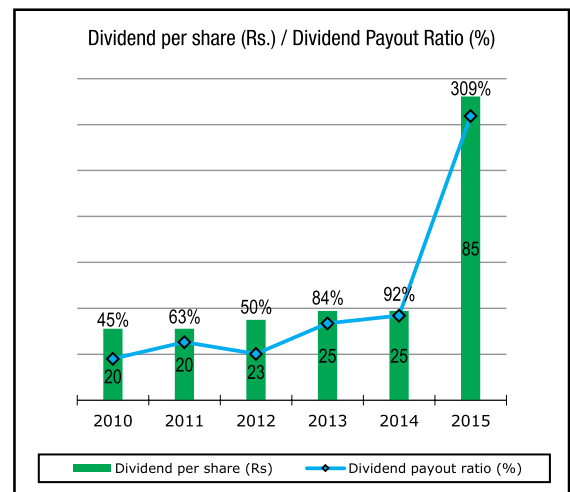
2nd Interim dividend for the year 2015 was paid on December 22, 2015 @ 30 per share i.e. 600%

The 2015 final dividend will be paid by May 21, 2016 to shareholders registered in the books of the Company at the close of business on April 14, 2016. The Board of Directors have recommended final dividend of Rs 25 per share. Thus making a total cash dividend of 1700% i.e Rs 85 per share for the year 2015.

Share Registrar

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

FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery
Block 6, P.E.C.H.S
Shahrah-e-Faisal, Karachi
Tel: 92 21 32420755, 32427012, 32426597
Fax: 92 21 2475604
Timings: 8:30 am to 1:00 pm & 2:00 pm to 3:30 pm



Investor Relation's Calendar

| | |
|--|----------------------------------|
| 2015 annual financial results | February 11, 2016 |
| 2015 Annual General Meeting | April 21, 2016 |
| Book closure dates for 2015 final dividend | April 14, 2016 to April 21, 2016 |
| Payment of final dividend | May 21, 2016 |
| 2016 first quarterly report | April 22, 2016 |
| 2016 second quarterly report | August 04, 2016 |
| 2016 third quarterly report | October 24, 2016 |
| 2016 annual financial results | February 9, 2017 |

Dates are subject to change.



Pattern of Shareholding

As At December 31, 2015

| Number of Shareholders | Size of Shareholding Rs. 5 each | | Total Shares Held |
|------------------------|---------------------------------|-------------------|-------------------|
| | From | To | |
| 764 | 1 | 100 Shares | 30,000 |
| 587 | 101 | 500 Shares | 157,317 |
| 282 | 501 | 1,000 Shares | 215,485 |
| 356 | 1,001 | 5,000 Shares | 750,050 |
| 55 | 5,001 | 10,000 Shares | 412,140 |
| 23 | 10,001 | 15,000 Shares | 291,298 |
| 15 | 15,001 | 20,000 Shares | 267,570 |
| 8 | 20,001 | 25,000 Shares | 182,817 |
| 4 | 25,001 | 30,000 Shares | 111,420 |
| 2 | 30,001 | 35,000 Shares | 62,350 |
| 2 | 35,001 | 40,000 Shares | 78,000 |
| 2 | 40,001 | 45,000 Shares | 84,000 |
| 1 | 45,001 | 50,000 Shares | 49,310 |
| 3 | 50,001 | 55,000 Shares | 156,924 |
| 1 | 65,001 | 70,000 Shares | 68,500 |
| 1 | 100,001 | 100,000 Shares | 100,715 |
| 1 | 105,001 | 110,000 Shares | 105,718 |
| 1 | 125,001 | 130,000 Shares | 129,562 |
| 1 | 340,001 | 345,000 Shares | 344,000 |
| 1 | 350,001 | 355,000 Shares | 353,700 |
| 1 | 15,020,001 | 15,025,000 Shares | 15,022,370 |
| 1 | 18,990,001 | 18,995,000 Shares | 18,992,705 |
| 2,112 | | | 57,964,201 |

Categories of Shareholders

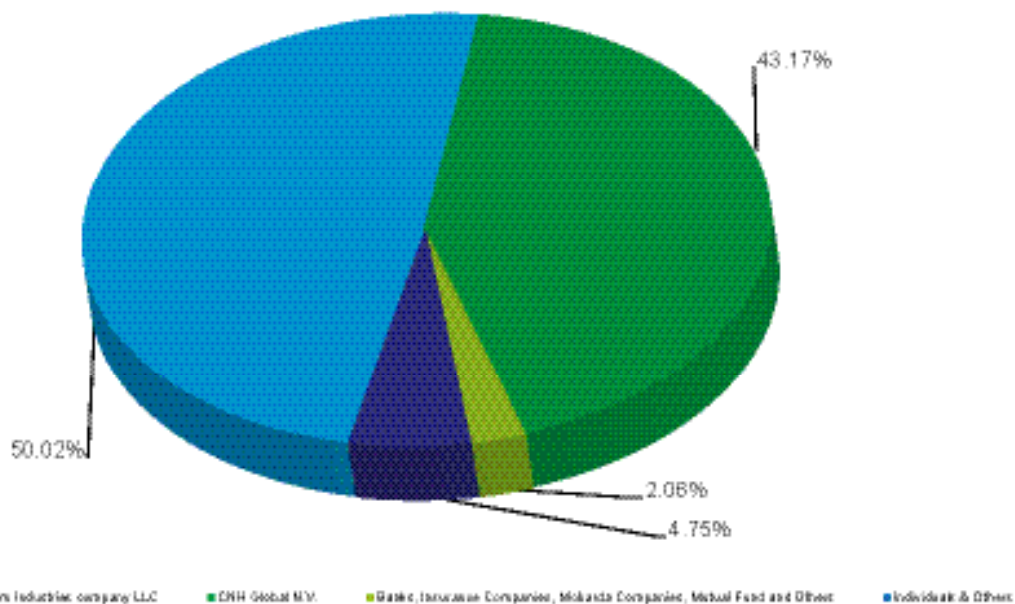
| Sr. No. | Categories of Share holders | Number of Shareholders | Shares Held | Percentage |
|---------|--------------------------------|------------------------|-------------------|----------------|
| 1- | Individuals | 584 | 396,464 | 0.68% |
| 2- | Financial Institutions | 3 | 3,149 | 0.01% |
| 3- | Associated Companies | 2 | 34,013,684 | 93.19% |
| 4- | Others | 7 | 21,012 | 0.04% |
| 5- | Central Depository Company (C) | 1,516 | 3,528,492 | 6.09% |
| | | 2,112 | 57,964,201 | 100.00% |

(C) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2015

| Sr. No. | Categories of Share holders | Number of Shareholders | Shares Held | Percentage |
|---------|-----------------------------|------------------------|------------------|--------------|
| 1- | Individuals | 1470 | 2,309,064 | 4.87% |
| 2- | Investment Companies | 3 | 25,150 | 0.04% |
| 3- | Insurance Companies | 8 | 935,472 | 1.61% |
| 4- | Joint Stock Companies | 24 | 109,816 | 0.19% |
| 5- | Financial Institutions | 3 | 34,100 | 0.06% |
| 6- | Mutual Funds | 1 | 673 | 0.00% |
| 7- | Mutual Fund | 1 | 1,299 | 0.00% |
| 8- | Others | 6 | 68,025 | 0.11% |
| | | 1516 | 3,528,492 | 6.09% |

Shareholding Information

| Categories of Shareholders | No. of Shareholders | No. of Shares Held |
|--|---------------------|--------------------|
| Directors, CEO and their spouses and minor children: | | |
| Mr. Muhammad Ali Qaiyum - Independent Director | 1 | 1,050 |
| Associated companies: | | |
| Al-Futtaim Industries company LLC | 1 | 28,992,705 |
| CNH Industrial N.V. | 1 | 25,022,379 |
| Executives | | |
| | - | - |
| Banks, Development Financial Institution, Non Banking Financial Institution | | |
| | 5 | 22,599 |
| Insurance Companies | | |
| | 8 | 935,472 |
| Mudaraba Companies | | |
| | 1 | 675 |
| Mutual Fund: | | |
| CDC - Trustee First Capital Mutual Fund | 1 | 2,290 |
| Others | | |
| | 41 | 232,553 |
| Individuals & Others | | |
| Local | 2053 | 2,754,478 |
| Foreign | - | - |
| Shareholders holding 5% or more voting interest: | | |
| Al-Futtaim Industries company LLC | 1 | 28,992,705 |
| CNH Industrial N.V. | 1 | 25,022,379 |



A painting of a rural landscape. In the foreground, a wooden cart with large, spoked wheels is partially visible. A stone path leads from the cart towards the middle ground. In the middle ground, there are several haystacks and a field of tall grass. In the background, there is a dense forest of evergreen trees under a pale sky.

Financial Statements



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Qhatt Tractors Limited as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 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.

Abdusattar Khan
Chartered Accountant
Karachi

Dated: March 14, 2016
Engagement Partner: Syed Fariq ul Hasan

**BALANCE SHEET**


AS AT DECEMBER 31, 2015

| | Note | 2015 | 2014 |
|--|------|-------------------------|-------------------------|
| | | Rupees in thousand | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 3 | 612,208 | 466,751 |
| Long-term loans | | 216 | 342 |
| Long-term deposits | | 2,697 | 1,789 |
| | | <u>615,121</u> | <u>468,882</u> |
| CURRENT ASSETS | | | |
| Stores and spares | 4 | 34,340 | 35,962 |
| Stock-in-trade | 5 | 2,115,034 | 2,160,349 |
| Trade debts | 6 | 27,759 | 13,796 |
| Loans and advances | 7 | 62,048 | 78,796 |
| Short-term deposits and prepayments | 8 | 6,821 | 32,219 |
| Accrued mark-up | 9 | 61,114 | 33,986 |
| Other receivables | 10 | 38,411 | 6,149 |
| Taxation | | 70,828 | - |
| Refunds due from the Government | 11 | 1,017,953 | 1,281,074 |
| Investments | 12 | 25,000 | 1,952,770 |
| Cash and bank balances | 13 | 2,330,238 | 3,924,709 |
| | | <u>5,789,546</u> | <u>9,519,810</u> |
| TOTAL ASSETS | | <u><u>6,404,667</u></u> | <u><u>9,988,692</u></u> |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | 14 | 289,821 | 289,821 |
| Reserves | 15 | 5,498,759 | 8,261,674 |
| | | <u>5,788,580</u> | <u>8,551,495</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred staff benefits - compensated absences | | 32,892 | 32,106 |
| Staff retirement benefit | 31 | 2,131 | 29,929 |
| Deferred taxation | 16 | 31,985 | 25,870 |
| | | <u>67,008</u> | <u>87,905</u> |
| CURRENT LIABILITIES | | | |
| Taxation | | - | 1,476 |
| Trade and other payables | 17 | 549,079 | 1,347,816 |
| TOTAL LIABILITIES | | <u>616,087</u> | <u>1,437,197</u> |
| COMMITMENTS | | | |
| TOTAL EQUITY AND LIABILITIES | 18 | <u><u>6,404,667</u></u> | <u><u>9,988,692</u></u> |

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Chief Executive

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Note | 2015 Rupees in thousand | 2014 |
|--------------------------|------|----------------------------|-------------------------|
| Sales | 20 | 9,636,109 | 8,780,685 |
| Cost of goods sold | 21 | (7,136,631) | (6,512,542) |
| Gross profit | | <u>2,499,478</u> | <u>2,268,143</u> |
| Distribution cost | 22 | (111,907) | (101,463) |
| Administrative expenses | 23 | (297,194) | (203,668) |
| | | <u>2,090,377</u> | <u>1,963,012</u> |
| Other income | 24 | 480,052 | 457,194 |
| Other operating expenses | 25 | (177,283) | (166,900) |
| | | <u>2,393,146</u> | <u>2,253,306</u> |
| Finance cost | 26 | (1,100) | (1,369) |
| Profit before taxation | | <u>2,392,046</u> | <u>2,251,937</u> |
| Taxation | 27 | (799,763) | (677,193) |
| Profit after taxation | | <u><u>1,592,283</u></u> | <u><u>1,574,744</u></u> |
| Earnings per share | 28 | <u><u>Rs 27.47</u></u> | <u><u>Rs 27.17</u></u> |

The annexed notes 1 to 41 form an integral part of these financial statements.


Chairman


Chief Executive





STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

| | 2015 | 2014 |
|--|--------------------|------------------|
| | Rupees in thousand | |
| Profit after taxation | 1,592,283 | 1,574,744 |
| Other comprehensive income: | | |
| Items that will not be reclassified to Profit or Loss | | |
| Remeasurements of post employment benefit obligations | (11,592) | (28,007) |
| Impact of deferred tax | 3,709 | 9,488 |
| | (7,883) | (18,519) |
| Items that may be subsequently reclassified to Profit or Loss | - | - |
| Total comprehensive income for the year | <u>1,584,400</u> | <u>1,556,225</u> |

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman

Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Note | 2015 Rupees in thousand | 2014 |
|---|------|----------------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 29 | 1,534,314 | 1,731,994 |
| Income tax paid | | (862,243) | (646,437) |
| Increase in long-term deposits | | (908) | - |
| Retirement benefits obligations paid | | (52,116) | (7,375) |
| Increase in deferred staff benefits - compensated absences | | 786 | 450 |
| Net cash inflow from operating activities | | 619,833 | 1,078,632 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to fixed assets | | (191,609) | (104,872) |
| Proceeds from disposal of fixed assets | | 1,591 | 4,036 |
| Purchase of investments | | - | (248,000) |
| Proceeds from disposal of investments | | 1,966,392 | 1,900,159 |
| Encashment of / (placement in) term deposits - net | | 1,595,000 | (2,100,000) |
| Return on bank deposits received | | 330,894 | 198,809 |
| Decrease in long-term loans | | 126 | 7,202 |
| Net cash inflow / (outflow) from investing activities | | 3,702,394 | (342,666) |
| CASH FLOW FROM FINANCING ACTIVITY | | | |
| Dividend paid | | (4,321,698) | (1,219,754) |
| Net increase / (decrease) in cash and cash equivalents | | 529 | (483,788) |
| Cash and cash equivalents at beginning of the year | | 1,419,709 | 1,903,497 |
| Cash and cash equivalents at end of the year | 30 | 1,420,238 | 1,419,709 |

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Chief Executive





STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Share capital | General reserve | Unappropriated profit | Total |
|---|------------------------|--------------------|--------------------------|-------------|
| | ← Rupees in thousand → | | | |
| Balance as at January 1, 2014 | 214,682 | 1,000,000 | 7,004,277 | 8,218,959 |
| Final dividend @ Rs 15 per share for the year ended December 31, 2013 | - | - | (644,047) | (644,047) |
| Interim dividend @ Rs 10 per share for the year ended December 31, 2014 | - | - | (579,642) | (579,642) |
| Issue of 35 bonus shares for every 100 shares held | 75,139 | - | (75,139) | - |
| Total comprehensive income for the year ended December 31, 2014 | | | | |
| Profit for the year ended December 31, 2014 | - | - | 1,574,744 | 1,574,744 |
| Other comprehensive loss for the year ended December 31, 2014 | - | - | (18,519) | (18,519) |
| | - | - | 1,556,225 | 1,556,225 |
| Balance as at January 1, 2015 | 289,821 | 1,000,000 | 7,261,674 | 8,551,495 |
| Final dividend @ Rs 15 per share for the year ended December 31, 2014 | - | - | (869,463) | (869,463) |
| First interim dividend @ Rs 30 per share for the year ended December 31, 2015 | - | - | (1,738,926) | (1,738,926) |
| Second interim dividend @ Rs 30 per share for the year ended December 31, 2015 | - | - | (1,738,926) | (1,738,926) |
| Total comprehensive income for the year ended December 31, 2015 | | | | |
| Profit for the year ended December 31, 2015 | - | - | 1,592,283 | 1,592,283 |
| Other comprehensive loss for the year ended December 31, 2015 | - | - | (7,883) | (7,883) |
| | - | - | 1,584,400 | 1,584,400 |
| Balance as at December 31, 2015 | 289,821 | 1,000,000 | 4,498,759 | 5,788,580 |

The annexed notes 1 to 41 form an integral part of these financial statements.


Chairman


Chief Executive

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 the Pakistan Stock Exchange. The registered office of the Company is situated at 'Tractor House, Plot No. 102-B, National Highway, Phase I, D.H.A, Karachi'. The Company is principally engaged in the manufacture and sale of agricultural tractors, generators, implements and spare parts and providing irrigation solutions for agriculture.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

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

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





2.1.1 Changes in accounting standards, interpretations and pronouncements

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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2015 and are considered to be relevant to the Company's operations.

IFRS 10, 'Consolidated financial statements' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statements', it continues to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard would not have any impact on future financial statements of the Company.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

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

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

Except as stated above, the new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

2.2 Overall valuation policy

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

2.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation / amortisation except freehold land and capital work-in-progress which are stated at cost.

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

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

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

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

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

2.4 Impairment

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





2.5 Loans, deposits and other debts

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

2.6 Taxation

Current

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

Deferred

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

2.7 Stores and spares

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

2.8 Stock-in-trade

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

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

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

2.9 Trade debts

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

2.10 Investments

Investments of the Company are classified into the following categories:

(i) Held to maturity

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

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

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

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

2.11 Cash and cash equivalents

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

2.12 Staff retirement benefits

(i) Defined benefit plan

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

Contributions to the gratuity scheme are based on actuarial recommendations. The latest actuarial valuation of the scheme was carried out as at December 31, 2015 using the Projected Unit Credit Method.

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

Past-service costs are recognised immediately in income.

(ii) Defined contribution plan

The Company also operates an approved contributory provident fund for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

2.13 Financial instruments

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

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





2.14 Deferred staff benefits - compensated absences

The Company accounts for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned. The liability recognised in respect of compensated absences is based on employees last drawn salary.

2.15 Trade and other payables

Trade and other payables are initially measured at cost which is the fair value of the consideration received. These are subsequently measured at amortised cost.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.17 Foreign currencies

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

2.18 Revenue recognition

Sales are recorded on despatch of goods to customers.

Return on deposits and investments is recognised on accrual basis.

Dividend income on investments is recognised when the Company's right to receive dividend is established.

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 | 2015 | 2014 |
|---------------------------------------|------|----------------|----------------|
| Rupees in thousand | | | |
| 3. FIXED ASSETS | | | |
| Property, Plant and Equipment | | | |
| Operating assets | 3.1 | 609,303 | 369,412 |
| Capital work-in-progress - civil work | 3.2 | 2,460 | 97,128 |
| | | 611,763 | 466,540 |
| Intangible Assets | 3.3 | 445 | 211 |
| | | <u>612,208</u> | <u>466,751</u> |

3.1 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, 2015 | | | | | | | | | | | |
| Opening net book value | 4,334 | 77,597 | 151,588 | 5,268 | 83,564 | 1,956 | 356 | 2,178 | 27,689 | 14,882 | 369,412 |
| Additions | - | - | 6,945 | 166,565 | 83,369 | 8,981 | 4,993 | 1,414 | 13,181 | 476 | 285,924 |
| Adjustments - At net book value | - | (58) | 6,688 | 307 | (4,210) | 4 | 4,074 | (121) | (402) | (5,961) | 321 |
| Disposals | | | | | | | | | | | |
| Cost | - | - | - | - | - | 1,060 | - | 121 | 9,241 | - | 10,422 |
| Accumulated depreciation | - | - | - | - | - | (666) | - | (121) | (9,241) | - | (10,028) |
| Depreciation charge | - | (824) | (5,518) | (1,541) | (20,543) | 394 | - | - | - | - | 394 |
| | - | (824) | (5,518) | (1,541) | (20,543) | (974) | (814) | (1,472) | (12,884) | (1,390) | (45,960) |
| Closing net book value | 4,334 | 76,715 | 159,703 | 170,599 | 142,180 | 9,573 | 8,609 | 1,999 | 27,584 | 8,007 | 609,303 |
| Gross carrying value basis | | | | | | | | | | | |
| At December 31, 2015 | | | | | | | | | | | |
| Cost | 4,334 | 81,599 | 224,464 | 176,343 | 325,742 | 12,959 | 14,663 | 14,775 | 74,757 | 17,925 | 947,561 |
| Accumulated depreciation | - | (4,884) | (64,761) | (5,744) | (183,562) | (3,386) | (6,054) | (12,776) | (47,173) | (9,918) | (338,258) |
| Net book value | 4,334 | 76,715 | 159,703 | 170,599 | 142,180 | 9,573 | 8,609 | 1,999 | 27,584 | 8,007 | 609,303 |
| Net carrying value basis | | | | | | | | | | | |
| Year ended December 31, 2014 | | | | | | | | | | | |
| Opening net book value | 4,334 | 78,422 | 156,664 | 5,512 | 98,181 | 2,326 | 420 | 1,987 | 21,084 | 14,347 | 383,277 |
| Additions | - | - | - | - | 5,144 | 707 | 46 | 1,586 | 17,655 | 3,420 | 28,558 |
| Disposals | | | | | | | | | | | |
| Cost | - | - | - | - | - | 913 | - | 83 | 16,259 | - | 17,255 |
| Accumulated depreciation | - | - | - | - | - | (569) | - | (83) | (16,259) | - | (16,911) |
| Depreciation charge | - | (825) | (5,076) | (244) | (19,761) | 344 | - | - | - | - | 344 |
| | - | (825) | (5,076) | (244) | (19,761) | (733) | (110) | (1,395) | (11,050) | (2,885) | (42,079) |
| Closing net book value | 4,334 | 77,597 | 151,588 | 5,268 | 83,564 | 1,956 | 356 | 2,178 | 27,689 | 14,882 | 369,412 |
| Gross carrying value basis | | | | | | | | | | | |
| At December 31, 2014 | | | | | | | | | | | |
| Cost | 4,334 | 81,599 | 219,286 | 9,778 | 256,214 | 8,725 | 3,749 | 19,216 | 70,902 | 56,718 | 730,521 |
| Accumulated depreciation | - | (4,002) | (67,698) | (4,510) | (172,650) | (6,769) | (3,393) | (17,038) | (43,213) | (41,836) | (361,109) |
| Net book value | 4,334 | 77,597 | 151,588 | 5,268 | 83,564 | 1,956 | 356 | 2,178 | 27,689 | 14,882 | 369,412 |





3.1.1 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 | 64 | 141 | 141 | Company Policy | Mr. Nadeem Ahmad - Ex - General Manager Administration |
| Furniture and fixtures | 92 | 33 | 59 | 59 | Company Policy | Mr. Ilyas Dadi - Ex - Senior Manager MIS |
| Furniture and fixtures | 340 | 227 | 113 | 113 | Company Policy | Mr. Parvez Ali - Ex - Chief Executive Officer |
| Aggregate of assets disposed of having book value less than Rs 50,000 each: | | | | | | |
| Furniture and fixtures | 423 | 342 | 81 | 81 | | |
| Vehicles | 9,241 | 9,241 | - | 1,197 | | |
| Computer | 121 | 121 | - | - | | |
| | <u>10,422</u> | <u>10,028</u> | <u>394</u> | <u>1,591</u> | | |

2015 **2014**
Rupees in thousand

3.2 CAPITAL WORK-IN-PROGRESS - CIVIL WORK

| | | |
|-----------------------------|--------------|---------------|
| Opening | 97,128 | 21,025 |
| Additions | 95,687 | 76,103 |
| Capitalised during the year | (190,355) | - |
| Closing | <u>2,460</u> | <u>97,128</u> |

3.3 INTANGIBLE ASSETS

Net Carrying value basis

| | | |
|---------------------------------|------------|------------|
| Opening net book value | 211 | 131 |
| Additions | 353 | 211 |
| Adjustments - At net book value | 68 | - |
| Amortisation | (187) | (131) |
| Closing net book value | <u>445</u> | <u>211</u> |

Gross Carrying value basis

| | | |
|--------------------------------|------------|------------|
| Cost | 7,154 | 6,714 |
| Accumulated amortisation | (6,709) | (6,503) |
| Net book value | <u>445</u> | <u>211</u> |
| Remaining useful life in years | <u>1.9</u> | <u>1.5</u> |

| | Note | 2015 | 2014 |
|--|--|---------------------------|-------------|
| Rupees in thousand | | | |
| 4. STORES AND SPARES | | | |
| Stores | | 19,957 | 21,972 |
| Spares | | 14,383 | 13,990 |
| | | 34,340 | 35,962 |
| 5. STOCK-IN-TRADE | | | |
| Raw materials and components – including in transit Rs 29.96 million (2014: Rs 272.03 million) | 5.1 | 1,558,286 | 1,762,441 |
| Work-in-process | 5.2 | 131,798 | 67,229 |
| Finished goods – tractors, generators and implements | | 420,067 | 318,342 |
| Trading stock – spare parts and implements | | 4,883 | 12,337 |
| | | 2,115,034 | 2,160,349 |
| 5.1 | The above includes raw materials of Rs 13.71 million (2014: Rs 0.70 million) held by third parties. | | |
| 5.2 | The above includes work-in-process of Rs 17.01 million (2014: Rs 10.58 million) held by third parties. | | |
| | | 2015 | 2014 |
| | | Rupees in thousand | |
| 6. TRADE DEBTS – considered good | | | |
| Secured | | 22,323 | 4,023 |
| Unsecured | | 5,436 | 9,773 |
| | | 27,759 | 13,796 |
| 6.1 | The age analysis of trade debts is as follows: | | |
| 1 to 6 months | | 18,670 | 10,577 |
| 6 to 12 months | | 4,768 | 1,075 |
| More than 1 year | | 4,321 | 2,144 |
| | | 27,759 | 13,796 |





| | Note | 2015 | 2014 |
|---|------|---------------------------|-------------|
| Rupees in thousand | | | |
| 7. LOANS AND ADVANCES – considered good | | | |
| Loans to employees | 7.1 | 1,367 | 931 |
| Dealer car loans | | - | 6,334 |
| Advances to suppliers for goods and services | | 60,681 | 71,531 |
| | | 62,048 | 78,796 |
| 7.1 | | | |
| 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. | | | |
| | | 2015 | 2014 |
| | Note | Rupees in thousand | |
| 8. SHORT-TERM DEPOSITS AND PREPAYMENTS | | | |
| Margin against Letter of credit | | - | 31,502 |
| Prepayments | | 5,622 | 717 |
| Other Deposits | | 1,199 | - |
| | | 6,821 | 32,219 |
| 9. ACCRUED MARK-UP | | | |
| Mark-up accrued on bank deposits | | 61,114 | 33,986 |
| 10. OTHER RECEIVABLES | | | |
| Due from Workers' Profits Participation Fund | 10.1 | 504 | 6,028 |
| Others | 10.2 | 37,907 | 121 |
| | | 38,411 | 6,149 |
| 10.1 | | | |
| Workers' Profits Participation Fund | | | |
| At beginning of the year | | 6,028 | 11,336 |
| Allocation for the year | | (128,466) | (120,942) |
| | | (122,438) | (109,606) |
| Less: Amount paid during the year | | 122,942 | 115,634 |
| | | 504 | 6,028 |
| 10.2 | | | |
| This includes Rs. 37.8 million deposited with the Authority under Payment of Wages Act, 1936 in respect of pending litigation in Labour Court, Multan, consequent to an order of District Labour Officer, DG Khan, on application of some contract labour employed by a contractor seeking various concessions. Company's legal advisor handling the case is of the view that the Company has a strong case hence there is no likelihood for any loss to the Company. | | | |

| | Note | 2015 | 2014 |
|--|------|--------------------|------------------|
| | | Rupees in thousand | |
| 11. REFUNDS DUE FROM THE GOVERNMENT | | | |
| Sales tax | 11.1 | 853,877 | 1,032,107 |
| Special excise duty | | 164,076 | 248,967 |
| | | <u>1,017,953</u> | <u>1,281,074</u> |

11.1 During the year, Deputy Commissioner of Inland Revenue has issued recovery notice to the Company for Rs 161.8 million on account of sales tax refunds taken by the Company during the year 2006. The Company has obtained a stay order from the High Court of Sindh against the undue demand and the legal consultant is of the view that the petition will be decided in favour of the Company.

12. INVESTMENTS

| | | | |
|---|--|---------------|------------------|
| Held to maturity - Certificate of Investment | | 52,800 | 54,800 |
| Less: Provision for impairment | | (27,800) | - |
| | | 25,000 | 54,800 |
| Investments at fair value through profit and loss account | | - | 1,897,970 |
| | | <u>25,000</u> | <u>1,952,770</u> |

| | Note | 2015 | 2014 |
|-----------------------------------|------|--------------------|------------------|
| | | Rupees in thousand | |
| 13. CASH AND BANK BALANCES | | | |
| With banks on | | | |
| - Current accounts | | 466,978 | 1,008,179 |
| - Deposit accounts | 13.1 | 1,780,033 | 2,695,551 |
| Cash in hand | | 309 | 171 |
| Demand drafts in hand | | 82,918 | 220,808 |
| | | <u>2,330,238</u> | <u>3,924,709</u> |

13.1 At December 31, 2015, the mark-up rates on PLS savings and term deposit accounts range from 4.0% to 8.5% per annum (2014: 7.25% to 10.25% per annum). The term deposits will mature in 2016.





2015 2014
Rupees in thousand

14. SHARE CAPITAL

14.1 Authorised Share Capital

| | | |
|--|----------------|----------------|
| 120,000,000 ordinary shares of Rs. 5 each (2014: 120,000,000 ordinary shares of Rs. 5 each) | <u>600,000</u> | <u>600,000</u> |
|--|----------------|----------------|

14.2 Issued, subscribed and paid up capital

| Ordinary shares of Rs 5 each | | | 2015 | 2014 |
|---------------------------------|-------------------|---|--------------------|----------------|
| 2015 | 2014 | | Rupees in thousand | |
| 4,500,000 | 4,500,000 | Shares allotted for consideration paid in cash | 22,500 | 22,500 |
| 53,464,201 | 53,464,201 | Shares allotted as bonus shares | <u>267,321</u> | <u>267,321</u> |
| <u>57,964,201</u> | <u>57,964,201</u> | | <u>289,821</u> | <u>289,821</u> |

14.3 Movement in Issued, subscribed and paid-up capital

| Ordinary shares of Rs 5 each | | | 2015 | 2014 |
|---------------------------------|-------------------|-------------------------------|--------------------|----------------|
| 2015 | 2014 | | Rupees in thousand | |
| 57,964,201 | 42,936,445 | Opening shares outstanding | 289,821 | 214,682 |
| - | 15,027,756 | Bonus shares alloted | - | 75,139 |
| <u>57,964,201</u> | <u>57,964,201</u> | | <u>289,821</u> | <u>289,821</u> |

14.4 As at December 31, 2015 Al-Futtaim Industries Company LLC, U.A.E., the holding company and CNH Global N.V., Netherlands, an associated company held 28,992,705 (2014: 28,992,705) and 25,022,379 (2014: 25,022,379) shares of Rs. 5 each respectively.

| | Note | 2015 Rupees in thousand | 2014 |
|--|------|----------------------------|------------------|
| 15. RESERVES | | | |
| Revenue reserve - General | | 1,000,000 | 1,000,000 |
| Unappropriated profit | | 4,498,759 | 7,261,674 |
| | | <u>5,498,759</u> | <u>8,261,674</u> |
| 16. DEFERRED TAXATION | | | |
| Credit / (Debit) balance arising on account of | | | |
| - accelerated tax depreciation allowances | | 54,888 | 46,483 |
| - deferred staff benefits - compensated absences | | (10,298) | (11,237) |
| - staff retirement benefits | | (3,709) | (9,376) |
| - provision for impairment on investment | | (8,896) | - |
| | | <u>31,985</u> | <u>25,870</u> |
| 17. TRADE AND OTHER PAYABLES | | | |
| Creditors | | 52,849 | 274,362 |
| Accrued liabilities | | 215,194 | 746,133 |
| Customers' and dealers' advances | | 12,649 | 36,010 |
| Dividend payable | 17.1 | 53,604 | 27,987 |
| Deposits | | 31,660 | 30,507 |
| Taxes deducted at source | | 20,270 | 14,236 |
| Workers' Welfare Fund | | 57,983 | 54,205 |
| Royalty payable to CNH Global N.V. | | 36,093 | 133,612 |
| Others | | 68,777 | 30,764 |
| | | <u>549,079</u> | <u>1,347,816</u> |

17.1 This includes unclaimed dividend amounting to Rs 25.11 million (2014: Rs 22.56 million).

18. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2015 amounted to Rs 14.78 million (2014: Rs 1.06 million).

19. UNFUNDED BANKING FACILITIES

The facilities for opening letters of credit and guarantees as at December 31, 2015 amounted to Rs 2.10 billion (2014: Rs 2.65 billion) of which unutilised balance at year end amounted to Rs 1.94 billion (2014: Rs 2.39 billion).

The above arrangements are secured by way of pari-passu charge against hypothecation of Company's stock-in-trade and book debts.





Note

20. SALES

| | 2015 | | | 2014 | | |
|--------------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Tractors | Trading goods and others | Total | Tractors | Trading goods and others | Total |
| | Rupees in thousand | | | | | |
| Local sales | 10,545,979 | 95,859 | 10,641,838 | 9,753,637 | 112,511 | 9,866,148 |
| Export sales | 75,879 | 23,466 | 99,345 | 73,653 | 11,987 | 85,640 |
| | <u>10,621,858</u> | <u>119,325</u> | <u>10,741,183</u> | <u>9,827,290</u> | <u>124,498</u> | <u>9,951,788</u> |
| Less: Commission and discounts | (134,543) | (811) | (135,354) | (109,227) | (880) | (110,107) |
| Sales Tax | (959,800) | (9,920) | (969,720) | (1,046,139) | (14,857) | (1,060,996) |
| | <u>(1,094,343)</u> | <u>(10,731)</u> | <u>(1,105,074)</u> | <u>(1,155,366)</u> | <u>(15,737)</u> | <u>(1,171,103)</u> |
| | <u>9,527,515</u> | <u>108,594</u> | <u>9,636,109</u> | <u>8,671,924</u> | <u>108,761</u> | <u>8,780,685</u> |

21. COST OF GOODS SOLD

2015
2014
Rupees in thousand

Manufactured goods

| | | |
|---|------------------|------------------|
| Raw materials and components consumed | 6,700,571 | 6,298,129 |
| Salaries, wages and benefits | 216,701 | 177,966 |
| Charge for defined benefit plan | 4,834 | 2,913 |
| Charge for defined contribution plan | 2,899 | 2,508 |
| Stores and supplies | 117,248 | 135,756 |
| Royalty and technical fee | 94,662 | 88,133 |
| Insurance | 2,679 | 2,636 |
| Depreciation | 28,287 | 31,350 |
| Fuel, power and electricity | 38,430 | 42,401 |
| Repairs and maintenance | 24,478 | 25,949 |
| Travelling, vehicle running and entertainment | 4,319 | 4,573 |
| Rent, rates and taxes | 2,089 | 2,978 |
| Communication | 483 | 864 |
| Printing and stationery | 1,679 | 1,659 |
| Others | 5,777 | 3,653 |
| Opening stock of work-in-process | 67,229 | 12,444 |
| Closing stock of work-in-process | (131,798) | (67,229) |
| Cost of goods manufactured | <u>7,180,567</u> | <u>6,766,683</u> |
| Opening stock of finished goods | 318,342 | 8,866 |
| Closing stock of finished goods | (420,067) | (318,342) |
| | <u>7,078,842</u> | <u>6,457,207</u> |

Trading goods

| | | |
|---------------|------------------|------------------|
| Opening stock | 12,337 | 11,045 |
| Purchases | 50,335 | 56,627 |
| | <u>62,672</u> | <u>67,672</u> |
| Closing stock | (4,883) | (12,337) |
| | <u>57,789</u> | <u>55,335</u> |
| | <u>7,136,631</u> | <u>6,512,542</u> |

| | Note | 2015 | 2014 |
|---|------|--------------------|----------------|
| | | Rupees in thousand | |
| 22. DISTRIBUTION COST | | | |
| Salaries, wages and benefits | | 51,493 | 61,863 |
| Charge for defined benefit plan | | 1,498 | 1,508 |
| Charge for defined contribution plan | | 1,022 | 1,430 |
| Insurance | | 105 | 76 |
| Depreciation / amortisation | | 3,918 | 5,433 |
| Fuel, power and electricity | | 6,206 | 3,119 |
| Travelling, vehicle running and entertainment | | 9,442 | 10,408 |
| Repairs and maintenance | | 642 | 1,127 |
| Rent, rates and taxes | | 863 | 872 |
| Communication | | 1,267 | 1,414 |
| Advertisement and promotion | | 28,312 | 1,634 |
| After sales expense | | 3,724 | 8,812 |
| Freight charges | | 1,363 | 1,503 |
| Legal and professional charges | | 393 | 43 |
| Printing and stationery | | 1,209 | 1,732 |
| Others | | 450 | 489 |
| | | <u>111,907</u> | <u>101,463</u> |
| 23. ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and benefits | | 199,083 | 147,997 |
| Charge for defined benefit plan | | 6,394 | 3,699 |
| Charge for defined contribution plan | | 4,491 | 3,124 |
| Insurance | | 271 | 40 |
| Depreciation | | 13,942 | 5,427 |
| Travelling, vehicle running and entertainment | | 8,359 | 8,468 |
| Repairs and maintenance | | 3,395 | 472 |
| Rent, rates and taxes | | 6,436 | 9,101 |
| Communication | | 6,538 | 5,450 |
| Auditors' remuneration | 23.1 | 2,446 | 2,397 |
| Advertising | | 2,008 | 2,897 |
| Legal and professional charges | | 4,210 | 7,268 |
| Printing and stationery | | 6,603 | 6,489 |
| Donation | 23.2 | 47 | 150 |
| Provision for impairment on investment | | 27,800 | - |
| Others | | 5,171 | 689 |
| | | <u>297,194</u> | <u>203,668</u> |





| | | 2015 | 2014 |
|-------------|---|---------------------------|--------------|
| | | Rupees in thousand | |
| 23.1 | Auditors' remuneration | | |
| | Audit fee | 1,300 | 1,300 |
| | 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 | 850 | 815 |
| | Out of pocket expenses | 296 | 282 |
| | | <u>2,446</u> | <u>2,397</u> |

23.2 None of the Directors or their spouses had any interest in the donee.

| | | 2015 | 2014 |
|------------|---|---------------------------|----------------|
| | | Rupees in thousand | |
| 24. | OTHER INCOME | | |
| | Income from financial assets | | |
| | Return on deposit accounts | 358,022 | 229,270 |
| | Revaluation gain on investments at fair value through profit and loss account | - | 139,014 |
| | Gain on disposal of investments at fair value through profit and loss account | 66,422 | 66,859 |
| | Others | 1,761 | 3,563 |
| | | <u>426,205</u> | <u>438,706</u> |
| | Income from other assets | | |
| | Scrap sales | 14,820 | 9,768 |
| | Profit on disposal of fixed assets | 1,197 | 3,692 |
| | Discount received | 12,622 | 4,864 |
| | Others | 25,208 | 164 |
| | | 53,847 | 18,488 |
| | | <u>480,052</u> | <u>457,194</u> |
| 25. | OTHER OPERATING EXPENSES | | |
| | Workers' Profits Participation Fund | 128,466 | 120,942 |
| | Workers' Welfare Fund | 48,817 | 45,958 |
| | | <u>177,283</u> | <u>166,900</u> |

| | 2015 | 2014 |
|--|--|------------------|
| | Rupees in thousand | |
| 26. FINANCE COST | | |
| Bank charges and commission | <u>1,100</u> | <u>1,369</u> |
| 27. TAXATION | | |
| Current | | |
| - for the year | 746,598 | 678,582 |
| - prior year | 52,717 | - |
| Deferred | 448 | (1,389) |
| | <u>799,763</u> | <u>677,193</u> |
| 27.1 Relationship between tax expense and accounting profit: | | |
| Accounting profit before tax | <u>2,392,046</u> | <u>2,251,937</u> |
| Tax at applicable rate of 32% (2014: 33%) | 765,455 | 743,139 |
| Effect of final tax on exports | (5,796) | (5,462) |
| Effect of income at reduced rate | (10,363) | (67,452) |
| Effect of change in tax rate | (5,035) | - |
| Prior year tax | 52,717 | - |
| Others | 2,785 | 6,968 |
| | <u>799,763</u> | <u>677,193</u> |
| 28. EARNINGS PER SHARE | | |
| Profit after taxation attributable to ordinary shareholders | <u>1,592,283</u> | <u>1,574,744</u> |
| Weighted average number of shares in issue during the year (in thousand) | <u>57,964</u> | <u>57,964</u> |
| Earnings per share | <u>Rs 27.47</u> | <u>Rs 27.17</u> |
| 28.1 | A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2015 and 2014 which would have any effect on the earnings per share if the option to convert exercised. | |





| | 2015 | 2014 |
|---|---------------------------|-------------------------|
| | Rupees in thousand | |
| 29. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 2,392,046 | 2,251,937 |
| Add / (less): Adjustment for non-cash charges and other items | | |
| Depreciation / amortisation | 46,147 | 42,210 |
| Retirement benefits charge | 12,726 | 8,120 |
| Adjustments to fixed assets | (389) | - |
| Provision for impairment on investment | 27,800 | - |
| Profit on disposal of fixed assets | (1,197) | (3,692) |
| Gain on disposal of investments at fair value through profit and loss account | (66,422) | (66,859) |
| Revaluation gain on investments at fair value through profit and loss account | - | (139,014) |
| Return on bank deposits | (358,022) | (229,270) |
| | <u>2,052,689</u> | <u>1,863,432</u> |
| Effect on cash flow due to working capital changes | | |
| Decrease / (Increase) in current assets | | |
| Stores and spares | 1,622 | (20,313) |
| Stock-in-trade | 45,315 | (467,100) |
| Trade debts | (13,963) | 152,510 |
| Loans and advances | 16,748 | (5,403) |
| Short-term deposits and prepayments | 25,398 | (30,769) |
| Other receivables | (32,262) | 5,308 |
| Refunds due from the Government | 263,121 | 428,342 |
| | <u>305,979</u> | <u>62,575</u> |
| Decrease in current liabilities | | |
| Trade and other payables | (824,354) | (194,013) |
| | <u>(518,375)</u> | <u>(131,438)</u> |
| | <u><u>1,534,314</u></u> | <u><u>1,731,994</u></u> |
| 30. CASH AND CASH EQUIVALENTS | | |
| Cash in hand | 309 | 171 |
| At banks in | | |
| - Current accounts | 466,978 | 1,008,179 |
| - Deposit accounts | 870,033 | 190,551 |
| | 1,337,011 | 1,198,730 |
| Demand Drafts in hand | 82,918 | 220,808 |
| | <u>1,420,238</u> | <u>1,419,709</u> |

31. STAFF RETIREMENT BENEFIT

31.1 As stated in note 2.12 (i) the Company operates an approved funded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuations of the scheme was carried out as at December 31, 2015.

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

31.3 The latest actuarial valuation of the Plan as at December 31, 2015 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

| | 2015 | 2014 |
|--|---------------------------|----------------|
| | Rupees in thousand | |
| 31.4 Balance sheet reconciliation as at December 31 | | |
| Present value of defined benefit obligation | 112,064 | 169,675 |
| Fair value of plan assets | (109,933) | (139,746) |
| | <u>2,131</u> | <u>29,929</u> |
| 31.5 Movement in the defined benefit obligation | | |
| Obligation as at January 1 | 169,675 | 138,269 |
| Current service cost | 9,584 | 7,973 |
| Interest expense | 12,931 | 16,168 |
| Remeasurement on obligation | 12,911 | 25,106 |
| Benefits paid | (93,037) | (17,841) |
| Obligation as at December 31 | <u>112,064</u> | <u>169,675</u> |
| 31.6 Movement in the fair value of plan assets | | |
| Fair value as at January 1 | 139,746 | 137,092 |
| Interest income | 9,789 | 16,021 |
| Remeasurement on plan assets | 1,319 | (2,901) |
| Employer contributions | 52,116 | 7,375 |
| Benefits paid | (93,037) | (17,841) |
| Fair value as at December 31 | <u>109,933</u> | <u>139,746</u> |
| 31.7 Expense recognised in profit and loss account | | |
| Current service cost | 9,584 | 7,973 |
| Interest expense - net | 3,142 | 147 |
| | <u>12,726</u> | <u>8,120</u> |





| | 2015 | 2014 |
|--|---------------------------|-----------------|
| 31.8 Remeasurement recognised in other comprehensive income | Rupees in thousand | |
| Experience losses | (12,911) | (25,106) |
| Remeasurement of fair value of plan assets | 1,319 | (2,901) |
| Remeasurements | <u>(11,592)</u> | <u>(28,007)</u> |

| 31.9 Net recognised liability | | |
|--|--------------|---------------|
| Balance as at January 1 | 29,929 | 1,177 |
| Expense for the year | 12,726 | 8,120 |
| Employer contributions | (52,116) | (7,375) |
| Remeasurement recognised in other comprehensive income | 11,592 | 28,007 |
| Balance as at December 31 | <u>2,131</u> | <u>29,929</u> |

| 31.10 Composition of plan assets: | <u>2015</u> | | <u>2014</u> | |
|--|--------------------|---------------|--------------------|---------------|
| | Rupees in thousand | % | Rupees in thousand | % |
| Term Deposits | 108,957 | 99.11 | 83,606 | 59.83 |
| Others (include bank balance) | 981 | 0.89 | 56,140 | 40.17 |
| | <u>109,938</u> | <u>100.00</u> | <u>139,746</u> | <u>100.00</u> |

| 31.11 Actuarial assumptions | 2015 | 2014 |
|---------------------------------------|-------------|-------------|
| Expected rate of increase in salaries | | |
| - Management staff | 9.0% | 10.5% |
| - Non-management staff | 9.0% | 10.5% |
| Discount factor used | 9.0% | 10.5% |

31.12 Pre-Retirement mortality was assumed to be SLIC (2001-05) for males and females, as the case may be, but rated down one year.

31.13 The Company ensures asset / liability matching by investing in short-term deposits and does not use derivatives to manage its risk.

31.14 The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy.

31.15 Sensitivity analysis for actuarial assumptions

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

| | Impact on defined benefit obligation | | |
|------------------------------|---|------------------------|------------------------|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | Rupees in thousand | | |
| Discount rate at December 31 | 1% | (7,845) | 8,979 |
| Future salary increases | 1% | 9,433 | (8,380) |

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

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

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

31.16 Historical information

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|--------------------|-----------------|----------------|----------------|-----------------|
| | Rupees in thousand | | | | |
| As at December 31 | | | | | |
| Present value of defined benefit obligation | 112,064 | 169,675 | 138,269 | 117,097 | 101,994 |
| Fair value of plan assets | (109,933) | (139,746) | (137,092) | (125,026) | (118,440) |
| Deficit / (surplus) | <u>2,131</u> | <u>29,929</u> | <u>1,177</u> | <u>(7,929)</u> | <u>(16,446)</u> |
| Experience adjustments | | | | | |
| (loss) / Gain on obligation | (12,911) | (25,106) | (7,893) | (3,627) | 3,489 |
| Gain / (loss) on plan assets | 1,319 | (2,901) | (339) | (3,202) | (952) |
| | <u>(11,592)</u> | <u>(28,007)</u> | <u>(8,232)</u> | <u>(6,829)</u> | <u>2,537</u> |

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

31.18 As per actuarial advice, the Company is expected to contribute Rs 10.4 million towards gratuity fund in 2016 (2015: Rs 9.91 million).

31.19 The weighted average duration of non-management employees is 6.23 years and of management employees is 9.09 years.

31.20 Expected maturity analysis of undiscounted retirement benefit plan.

| At December 31, 2015 | Less than a year | Between 1 - 2 years | Between 2 - 5 years | Between 5 - 10 years | Over 10 years | Total |
|-------------------------|--------------------|---------------------|---------------------|----------------------|---------------|---------|
| | Rupees in thousand | | | | | |
| Retirement benefit plan | 11,897 | 7,236 | 29,965 | 79,287 | 151,314 | 279,699 |





32. RELATED PARTY TRANSACTIONS

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

| Relationship | Nature of transactions | 2015 | 2014 |
|--------------------------------|--|--------------------|---------|
| | | Rupees in thousand | |
| i. Holding company: | Dividend paid | 1,957,008 | 612,068 |
| ii. Other related parties: | Dividend paid | 1,651,477 | 528,250 |
| | Royalty paid | 167,250 | - |
| | Contribution to Al-Ghazi Tractors Limited Staff Provident Fund | 8,412 | 7,062 |
| | Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund | 52,116 | 7,375 |
| iii. Key management personnel: | Salaries and other employee benefits | 166,938 | 139,858 |
| | Retirement benefits | 6,609 | 6,889 |

The outstanding balances of related parties as at December 31, 2015 are included in trade and other payables and other receivables respectively.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

| | Chief Executive | | Director | | Executives | |
|-------------------------|------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | ← Rupees in thousand → | | | | | |
| Managerial remuneration | 59,471 | 59,856 | 9,677 | 7,742 | 22,940 | 34,155 |
| Bonus | 13,038 | 4,750 | 1,952 | 774 | 5,780 | 4,083 |
| House Rent | 12,417 | 8,550 | 1,742 | 1,394 | 5,864 | 7,477 |
| Utilities | 4,426 | 1,900 | 387 | 310 | 1,308 | 1,662 |
| Retirement benefits | 4,008 | 3,386 | 633 | 552 | 1,968 | 2,951 |
| Leave passage | 21,158 | 3,340 | 2,208 | 545 | 3,250 | 2,420 |
| Other expenses | - | - | 48 | 48 | 1,272 | 852 |
| | <u>114,518</u> | <u>81,782</u> | <u>16,647</u> | <u>11,365</u> | <u>42,382</u> | <u>53,600</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>10</u> | <u>12</u> |

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

Aggregate amount charged to profit and loss account for the year in respect of fee and training expenses to one independent director was Rs 750 thousand (2014: NIL) and Rs 68 thousand (2014: NIL) respectively.

34. 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 | - | - | - | 1,367 | 216 | 1,583 | 1,583 |
| Deposits | - | - | - | - | 2,697 | 2,697 | 2,697 |
| Trade debts | - | - | - | 27,759 | - | 27,759 | 27,759 |
| Accrued mark-up | - | - | - | 61,114 | - | 61,114 | 61,114 |
| Other receivables | - | - | - | 37,907 | - | 37,907 | 37,907 |
| Cash and bank balances | 1,780,033 | - | 1,780,033 | 550,205 | - | 550,205 | 2,330,238 |
| Investments | | | | | | | |
| Held to maturity | | | | | | | |
| at amortised cost | 25,000 | - | 25,000 | - | - | - | 25,000 |
| 2015 | 1,805,033 | - | 1,805,033 | 678,352 | 2,913 | 681,265 | 2,486,298 |
| 2014 | 2,756,685 | - | 2,756,685 | 3,207,464 | 2,131 | 3,209,595 | 5,966,280 |
| FINANCIAL LIABILITIES | | | | | | | |
| At amortised cost | | | | | | | |
| Trade and other payables | - | - | - | 458,177 | - | 458,177 | 458,177 |
| 2015 | - | - | - | 458,177 | - | 458,177 | 458,177 |
| 2014 | - | - | - | 1,243,365 | - | 1,243,365 | 1,243,365 |
| Off balance sheet items | | | | | | | |
| Financial commitments: | | | | | | | |
| Contracts for capital expenditure | | | | | | | 14,776 |
| Letters of credit and guarantee | | | | | | | 162,610 |
| 2015 | | | | | | | 177,386 |
| 2014 | | | | | | | 262,557 |

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. 2.49 billion (2014: Rs. 5.97 billion) the financial assets exposed to the credit risk amount to Rs. 2.40 billion (2014: Rs. 5.75 billion) which mainly comprise of balances with banks.

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





The Company's products are mainly sold against cash or demand drafts issued by Zarai Taraqiati Bank Limited (ZTBL) and certain other commercial banks. Hence, the Company believes that it is not exposed to credit risk against tractor sales. As of December 31, 2015 there is no 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 are not exposed to any material credit risk and are secured against the retirement benefits of the respective employees.

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, 2015 there is no maturity mismatch between financial assets and liabilities that expose the Company to liquidity risk.

(iv) Market risk

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. No receivables and payables were exposed to foreign currency risks included in trade and other payables as at December 31, 2015.

As the Company has no foreign currency assets or liabilities as at December 31, 2015, no sensitivity analysis is presented.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at December 31, 2015, the Company's interest bearing financial assets amounted to Rs **1.81 billion** (2014: Rs 4.66 billion) and had the interest rate varied by **900 basis points** (2014: 400 basis points) with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs **163.81 million** (2014: Rs 206.03 million).

(v) Fair values of the financial instruments

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

35. 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.

| | 2015 | 2014 |
|--|---------------|---------------|
| 36. PLANT CAPACITY AND PRODUCTION | | |
| Plant capacity (single shift) - units | <u>30,000</u> | <u>30,000</u> |
| Actual production - units | <u>13,584</u> | <u>13,014</u> |

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

37. PROVIDENT FUND RELATED DISCLOSURE

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

| | 2015 | 2014 |
|---------------------------------|---------------------------|----------------|
| | Rupees in thousand | |
| Size of the fund - Total assets | <u>160,135</u> | <u>225,526</u> |
| Percentage of investments made | <u>98.8%</u> | <u>98.7%</u> |
| Fair value of investments | <u>158,135</u> | <u>222,626</u> |

The cost of above investments amounted to Rs **108** million (2014: Rs 181 million).





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

| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
|--------------------------|-------------|-------------|--------------------|----------------|
| | Percentage | | Rupees in thousand | |
| Certificate of deposit | 51.9% | 32.9% | 82,069 | 73,276 |
| Units of mutual funds | 25.3% | 0.0% | 40,000 | - |
| Term deposit receipts | 0.0% | 63.3% | - | 140,819 |
| Saving account with bank | 22.8% | 3.8% | 36,066 | 8,531 |
| | | | <u>158,135</u> | <u>222,626</u> |

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

| | 2015 | 2014 |
|---|-------------|-------------|
| 38. NUMBER OF EMPLOYEES | | |
| Number of employees at 31 December | <u>349</u> | <u>353</u> |
| Average number of employees during the year | <u>355</u> | <u>361</u> |

39. CORRESPONDING FIGURES

Following reclassification has been made for proper presentation:

| Reclassification from component | Reclassification to component | Rupees '000 |
|---------------------------------|-------------------------------|-------------|
| Balance sheet | | |
| Long-term investment | Investments | 42,800 |

40. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on February 11, 2016 have proposed a final cash dividend of Rs 25 per share amounting to Rs 1,449,1 m (2014: Rs 15 per share amounting to Rs 869.46 million) subject to approval of the Company in the forthcoming annual general meeting.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors.


Chairman


Chief Executive



AGTL
Products

NH - 480 (55Hp)



SPECIFICATIONS

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

Available in Various versions

NH - GHAZI (65Hp) Power Steering



SPECIFICATIONS

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

Available in Various versions

NH - 640 (75Hp) Power Steering



SPECIFICATIONS

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

Available in Various versions

NH 55-56

Power Steering

Lift-O-Matic (55-Hp)



SPECIFICATIONS

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

Available in Various versions

NH 70-56 4WD

4X4 Lift-O-Matic (85-Hp)

HYDROSTATIC POWER STEERING



SPECIFICATIONS

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

Available in Various versions

**ENERGY EFFICIENT
DEISEL GENERATORS**



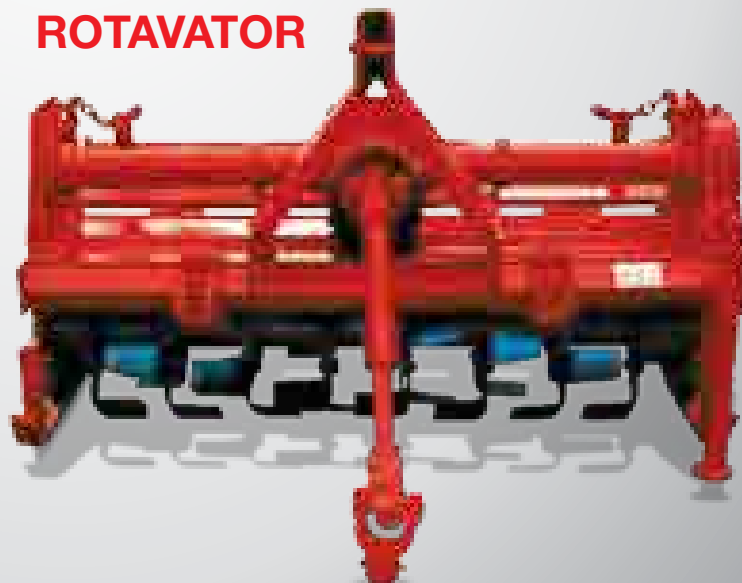
OFFSET DISC HARROW



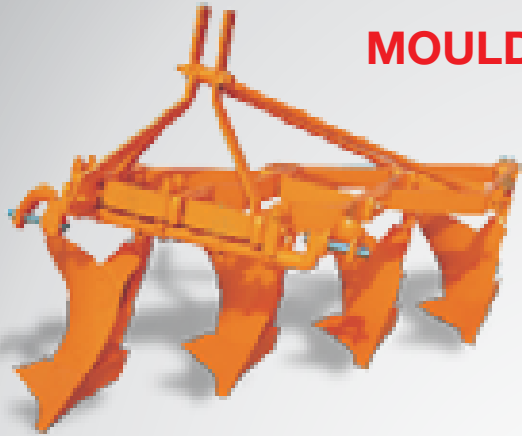
CULTIVATOR (TINE TILLER)



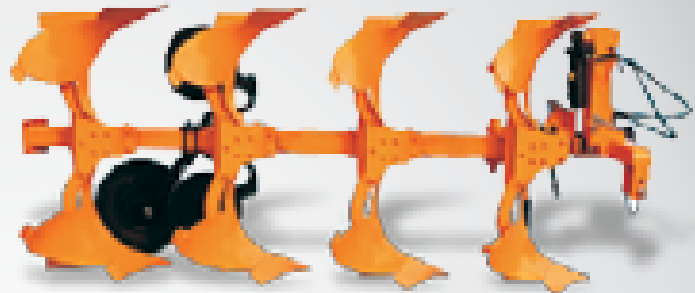
ROTAVATOR



MOULD BOARD PLOUGH



NON REVERSIBLE MB PLOUGH



REVERSIBLE MB PLOUGH



BOOM SPRAYER

**FRONT - END
LOADER**



DISC PLOUGH





Glossary

| | |
|---------------|---|
| AGM | Annual General Meeting |
| AGTL | Al-Ghazi Tractors Limited |
| CAGR | Cumulative Annual Growth Rate |
| CBA | Collective Bargaining Agent |
| CCG | Code of Corporate Governance |
| CDC | Central Depository Company |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| 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 |
| GDP | Gross Domestic Product |
| GP | Gross Profit |
| Hp | Horsepower |
| HR | Human Resources |
| HSD | High Speed Diesel |
| ICAEW | Institute of Chartered Accountants of England and Wales |
| ICAP | Institute of Chartered Accountants of Pakistan |
| ICMAP | Institute of Cost and Management Accountants of Pakistan |
| IFAC | International Federation of Accountants |
| IFRS | International Financial Reporting Standards |
| ISO | International Organization for Standardization |
| IT | Information Technology |
| KSE | Karachi Stock Exchange |
| LDO | Light Diesel Oil |
| MIS | Management Information System |
| NP | Net Profit |
| PDI | Pre Delivery Inspection |
| PICG | Pakistan Institute of Corporate Governance |
| SECP | Securities and Exchange Commission of Pakistan |
| TEVTA | Technical Education and Vocational Training Authority |
| UTS | Ultimate Tensile Strength |
| WPPF | Workers' Profit Participation Fund |
| WWF | Workers Welfare Fund |
| ZTBL | Zarai Taraqiat Bank Limited |

Investor Feedback Form

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

Company Secretary
Tractor House, 102-B,
16th East Street, DHA Phase I,
Off. Korangi Road, Karachi.

Email: sobika.zubair@alghazitractors.com

Comment / Query : _____

Name : _____
Permanent Mailing Address : _____

Contact Numbers (Tel) : _____
(Fax) : _____

Email : _____
Name of Company : _____
(If Applicable)

Designation : _____
(If Applicable)

Company Address : _____
(If Applicable)

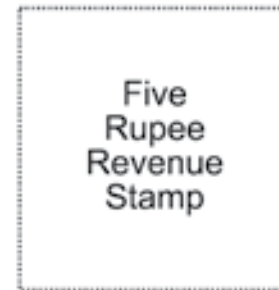


AL-GHAZI TRACTORS LTD

AL - GHAZI TRACTORS LIMITED
FORM OF PROXY

I / WE _____
of _____
a member(s) of Al-Ghazi Tractors Limited and holding _____
ordinary shares, as per Register Folio _____
hereby appoint _____
of _____
or failing him _____
of _____
to vote for me/us and on my/our behalf at the Annual General Meeting of the
Company to be held on April 21, 2016 at 12:30 hrs. and at any adjournment
thereof.

As witness my/our hand this _____ day of _____ 2016.



Signature of
Member(s)

Important:

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





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AFFIX
CORRECT
POSTAGE

The Company Secretary
Al-Ghazi Tractors Limited
Tractor House, 102-B,
16th East Street, DHA Phase I,
Off. Korangi Road, Karachi.





AL FUTTAIM AGT L NEWHOLLAND
QUALITY MANAGEMENT-BRAND STRENGTH