

# COMMITTED TO GROWTH



AL-GHAZI TRACTORS LTD



QUALITY MANAGEMENT-BRAND STRENGTH

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COMMITTED  
**TO GROWTH**

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## ***About the Cover***

*"With a rejuvenated team, **AGTL** has re positioned itself through improved quality products and vibrant professional staff. By engaging all stakeholders, we are **Committed to Growth.**"*



# Contents

<b>Company Overview</b>	<b>002</b> Company Information	<b>004</b> Our Journey so far	<b>009</b> Company Profile	<b>010</b> Our Vision, Mission & Values	<b>012</b> Corporate Focus & Strategic Planning
<b>013</b> Directors' Profile	<b>016</b> Significant Events During 2016	<b>018</b> Organization Chart	<b>Management Review</b>	<b>022</b> Directors' Report to Shareholders	<b>027</b> ڈائریکٹرز رپورٹ نوٹس ٹو شیئر ہولڈرز
<b>028</b> Chairman's Review	<b>032</b> Risk Management	<b>035</b> SWOT Analysis	<b>036</b> Quality Assurance	<b>038</b> Corporate Social Responsibility	<b>Financial Analysis</b>
<b>044</b> Key Operating and Financial Data	<b>046</b> Performance Analysis	<b>050</b> Horizontal Analysis	<b>052</b> Vertical Analysis	<b>054</b> Quarterly Performance Analysis	<b>057</b> Direct Cash Flow Statement
<b>058</b> Statement of Value Addition	<b>Stakeholders Information</b>	<b>059</b> Stakeholders Engagement	<b>061</b> Awards for the Year	<b>062</b> Notice of Annual General Meeting	<b>064</b> Investor Relations
<b>066</b> Pattern of Shareholding	<b>Corporate Governance</b>	<b>076</b> Review Report on Code of Corporate Governance	<b>077</b> Statement of Compliance	<b>080</b> Report of the Audit Committee	<b>083</b> Internal Audit
<b>084</b> Report of Human Resource and Remuneration Committee	<b>085</b> Human Resource Management (HRM)	<b>088</b> Information Technology	<b>089</b> Global Compact	<b>Financial Statement</b>	<b>092</b> Auditors' Report to the Members
<b>093</b> Balance Sheet	<b>094</b> Profit and Loss Account	<b>095</b> Statement of Comprehensive Income	<b>096</b> Cash Flow Statement	<b>097</b> Statement of Changes in Equity	<b>098</b> Notes to the Financial Statements
<b>Other Information</b>	<b>124</b> Products Portfolio	<b>133</b> Investor Feedback form	<b>135</b> Proxy form	<b>137</b> پراکسی فارم	Glossary of Terms

# Company Information

## Board of Directors

Mr. Charles Leonard Hunt  
Non-Executive Chairman

Mr. Mohammad Shahid Hussain  
CEO & Managing Director

Mr. M. Ali Qaiyum  
Independent Non-Executive Director

Mr. Majd-ul-Ahsan Syed  
Non-Executive Director

Mr. Kashif Lawai  
Executive Director & CFO

Mr. Vincent Delassagne  
Non-Executive Director

Mr. Mark Brinn  
Non-Executive Director

Mr. Damiano Cretarola  
Non-Executive Director

## 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

**Company Secretary**  
Ms. Sobika Zubair

**Chief Internal Auditor**  
Syed Faisal Bin Maaz

### **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

### **Bankers**

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

### **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@alghazित्रactors.com](mailto:agtl@alghazित्रactors.com)  
Website: [www.alghazित्रactors.com](http://www.alghazित्रactors.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

# Our Journey so far

June 26,  
1983

Date of Incorporation

September  
1983

Commencement of Operation

February  
1984

Auxiliary Plant, Start of Production at D.G. Khan Plant

April  
1985

Main Manufacturing Plant

December  
1991

Take Over by Al-Futtaim

April  
1992

New Engine Assembly Line

July  
2006

Sheet Metal Plant for stamping and agricultural implements

March  
2011

New Engine Testing facility

April  
2013

Assembly Line for Generators

June  
2015

New Head Office - Tractor House, Karachi

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# Geographical Presence



-  **Head Office** : Karachi

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-  **Plant** : Dera Ghazi Khan

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-  **Marketing Centres** : Lahore, Multan, Islamabad, Sukkur, Dera Ghazi Khan

## Dealership Network

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.



# 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.

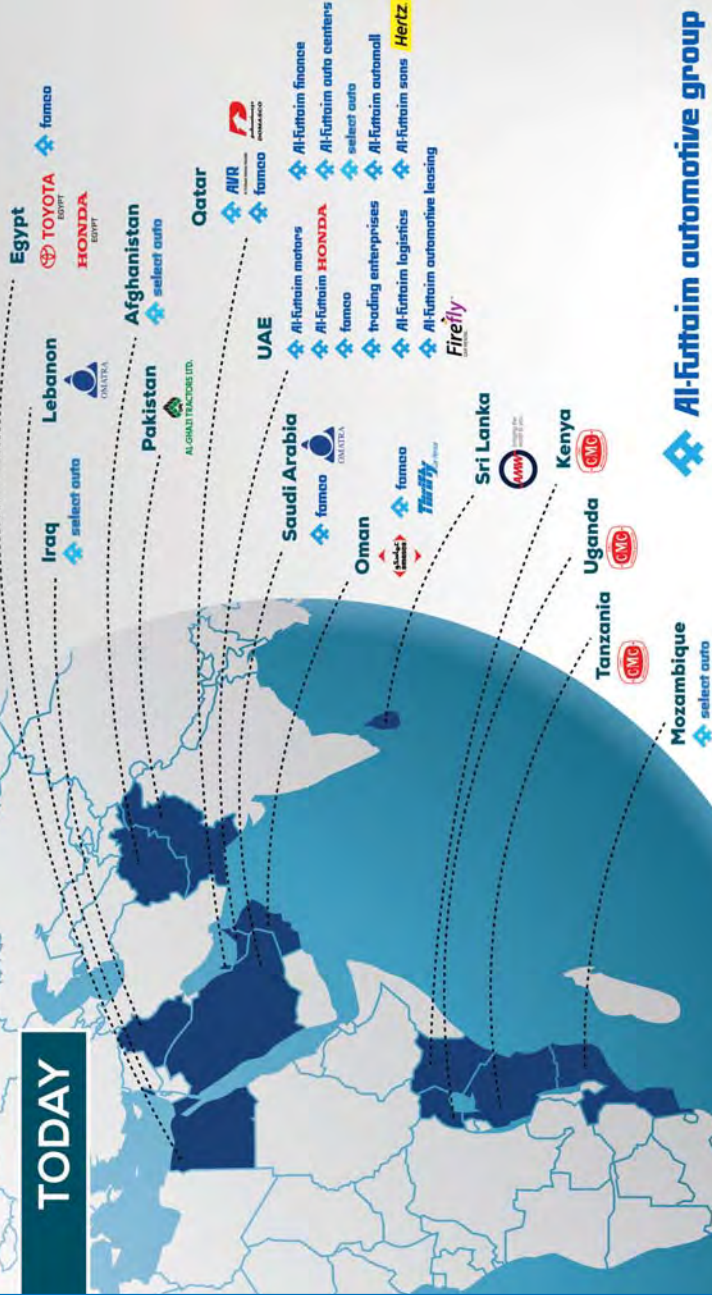
“We plan  
for the long  
term and  
always add  
value.”

Omar Al Futtaim





TODAY



 **Al-Futtaim automotive group**



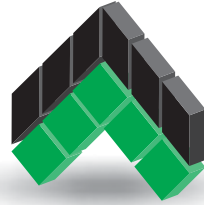
CNH Industrial is a global leader in the capital goods sector that, through its various businesses, designs, produces and sells agricultural and construction equipment, trucks, commercial vehicles, buses and specialty vehicles, in addition to a broad portfolio of powertrain applications. Present in all 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.

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

# Company Profile



**I**ncorporated in June 1983, privatized in December 1991, Al-Ghazi Tractors Limited, the subsidiary company of Al-Futtaim group of Dubai, is a story of rollicking success. With consistent corporate achievements, the company is recognized for corporate excellence and "Best Corporate Performance".

With its head office in Karachi, the AGTL plant at Dera Ghazi Khan, some 700 kms away from Karachi, manufactures New Holland (Fiat) tractors in technical collaboration with CNHI - Case New Holland, the Number One manufacturer of agricultural tractors in the world. The AGTL plant, an icon of engineering dynamics operates on high efficiency. With Quality Control and Quality Assurance, quality improvement systems exist at every level. One of our mission statement reads: "Our most enduring competitive edge is the quality of tractors". Robust and sturdy, the company's products of 55, 65, 75 and 85 HP, carry a local content of 92% - the highest in the country.

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

Documentation of the entire manufacturing process and improved quality measurement being our priority, Al-Ghazi was the first automobile company in Pakistan to earn the ISO-9000 certification. With yearly audits the company is now registered for ISO-9001:2000 upto December 30, 2016.

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

AGTL products being a household name with the

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

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

At AGTL we believe that effective individuals make a difference; effective teams make a business. Of all the things that we have built the most admired is our teamwork. AGTL's human talent does not depreciate with time. AGTL workers are happy workers. AGTL values the stake holders, customers, employees and the investors. The management works to ensure that all supply chain associates, dealers, shareholders and employees share in the company's growth and prosperity.

Al-Futtaim's flagship in Pakistan with over 93% foreign shareholding, Al-Ghazi Tractors Limited is a text book example of good corporate governance, conforming to all of the Corporate Governance Reforms promulgated by the government.

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

AGTL's Vision Statement is categorical: "To make AGTL a symbol of success." This sets the direction as well as the destination in sight and each of the employee lives to achieve the company's Mission.



# Our **Vision** **Mission** and **Values**

## **Our Vision**

To Make AGTL a Symbol of Success

## **Our 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.

## Our Values

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.



# 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.

# Directors’ Profile

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.

He is also a Certified Director from Pakistan Institute of Corporate Governance.

### Mr. Charles Leonard Hunt

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



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.

He is also a Certified Director from Pakistan Institute of Corporate Governance.

### Mr. Mohammad Shahid Hussain

CEO & Managing Director  
Appointed August 05, 2015





**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.

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.

He is also a Certified Director from Pakistan Institute of Corporate Governance.



**Mr. Majd-UI-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.

He is also a Certified Director from Pakistan Institute of Corporate Governance.



**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 Contoller.

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. Mark Brinn**

Non-Executive Director  
Appointed October 25, 2016

Mr. Mark Brinn is Head of SEA, Pakistan & Japan at CNH Industrial being responsible for the Company's business geographic area which include agricultural equipment (New Holland and Case IH Agriculture), construction equipment (New Holland and CASE Construction) and commercial vehicles (Iveco brands).

Mr. Mark is engaged with CNH Industrial for 20 years. He subsequently moved to Bangkok, where he took on responsibility for product marketing activities for the agricultural equipment brands in South East Asia and Japan, and was later appointed Business Director for agricultural equipment operations in the area.

Mr. Mark holds a Bachelor's degree in Agricultural Technology and Management.



**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
- CNH International SA, Switzerland – Director
- CNH Industrial Services (Thailand) Limited, Thailand - Director
- Iveco Arac Sanayi Ve Ticaret A.S, Turkey - Director

# Significant Events

## During 2016



Al Ghazi Tractors signed an MOU with Al Baraka Bank

BOD Meeting for the 1st Quarter was held in the month of April for the approval of first quarter financial results and first interim dividend of 500% was announced.



Annual General Meeting of shareholders of the company was held in April 2016 where distribution of cash dividend of Rs. 25 per share was approved

Bank Al Habib Vice President visited Tractor House for inauguration of ATM.



Annual iftar dinner was organised by the Company.

The board of Directors (BOD) Meeting was held to review and approved audited financial statements for the year ended December 31st 2015.

Material Management planning meeting for the year 2016 was held at DGK Plant in the month of May 2016



AGTL Re-launched its own Lube oil "Al Ghazi Premier oil" in March-2016

Sales conference, Dealer convention and launching ceremony of Dabung was held at PC Bhurban in May 2016.







ZTBL President had a meeting with AGTL CEO and CFO at Tractor House in August-2016

BOD Meeting for the 2nd Quarter was held in the month of August for the approval of half year financial results



Inaugration of newly constructed Tyre and Store shed at DGK plant.



Vendor Convention was held at Lahore in August-2016



Annual CBA Event was organized at DGK in the month of September 2016

BOD Meeting for the 3rd Quarter was held in the month of October for the approval of third quarter financial results and second interim dividend of 500% was announced.



AGTL was awarded 2nd position in "Best Corporate Report Award" by joint committee of ICAP and ICMAP

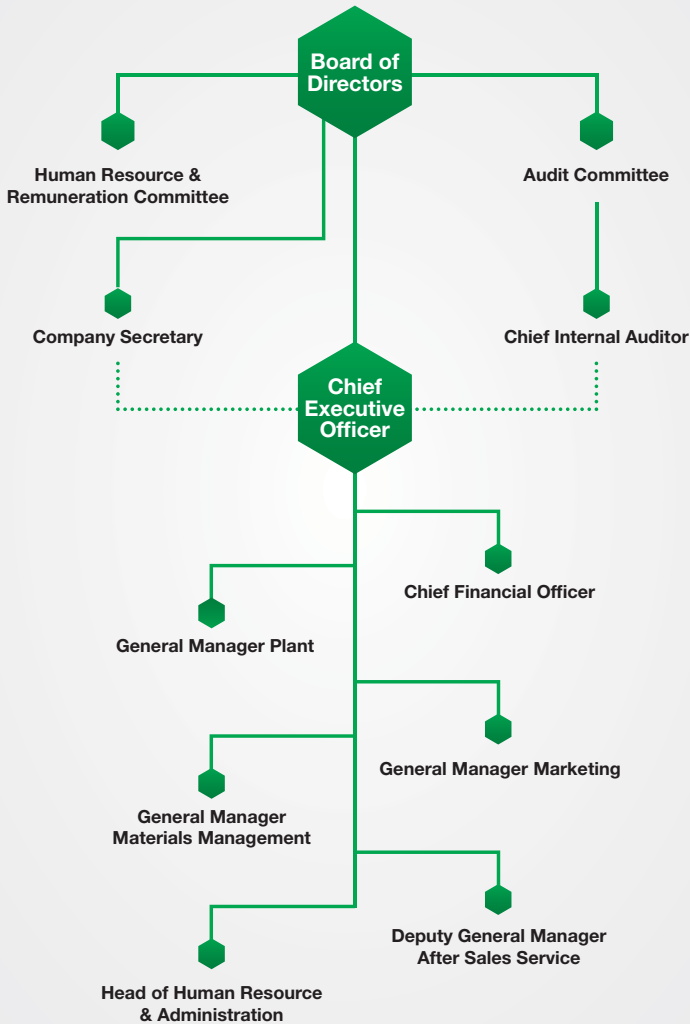
Independence day was Celebrated at all AGTL location.



CNHI Team Visited DGK Plant.



# Organizational Chart



**Legends**

- Functional Reporting
- - - Administrative Reporting

# Management Review

## Management Objectives and Strategies

The Company's primary objective is to enhance shareholder's 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.

## Significant Changes in Objectives and Strategies from Previous Period

There is no material change in the Company's objective and strategies from the previous year.

## Results and Management's Objectives

Financial and non-financial results are the reflection of achievement of management's objective which are strategically placed to increase the wealth of each stakeholder. The said results are properly evaluated against the respective strategic objectives to confirm the achievement.

## Capital Structure

The Company has a solid financial base with no debt, no bank borrowing and adequate liquid investments.

As at Dec 31, 2016 capital structure comprised of Rs. 289.9 million of share capital representing Rs. 57.9 million ordinary shares of Rs. 5/- each. Major shareholding is owned by Al-Futtaim with 93% equity holding.

The Company believes that there is no inadequacy in capital structure.

## Liquidity Analysis and Strategies to overcome Liquidity Problems

The management of the Company has years of experience in liquidity management and liquidity management system and tend to maintain a strong liquidity position to ensure availability of sufficient working capital besides identification and mitigation of cash flow risks. Revenue receipts from sales are managed through optimized control of customer credit, in addition to securing advance customer orders and cash sales. Regular forecasting of cash flows and aging analysis are also carried out to maintain an optimum working capital cycle.

The aggregate net working capital stood at Rs. 2,786 million at the close of Dec 31, 2016.

## Entity's Most Significant Resources

The significant resources comprise but are not limited to human, financial and

technological resources. We hire teams of professionals and technical experts who continuously strive to ensure that our production and control processes and systems are working efficiently and effectively and are constantly being modernized. Further, financial resources are managed effectively through optimized credit control and efficient treasury management, focusing on cash flow forecasting

### Significant Changes in Financial Position

The Company posted an impressive turnover growth of 26% as compared to last year. The Company sold 16,206 tractors during the year under review as compared to 13,385 units sold in the previous year.

Cash and investment reserves are Rs. 1.3 billion in 2016 as compared to Rs. 2.3 billion in 2015. This decrease is due to payment of extra ordinary dividends during the year 2015 and 2016.

Stock in trade reduced by 34% to Rs. 1.4 billion in 2016 as compared to Rs. 2.1 billion in the year 2015.

### 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 1.3%

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 2016.

### 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.

## Forward Looking Statement

In line with the mission statement, Company remains focused on delivery of quality products, the most enduring competitive edge. Sound business plans are outlined, brainstormed and developed to coordinate strategies for overall success of the Company. Accordingly, AGTL has planned to invest in construction of state of the art quality lab at its plant in Dera Ghazi Khan to further boost its ability on quality assurance. This will strengthen the Company taking another step forward for ultimate delivery of high quality products.

The Company continues to focus on quality production and envisages to embark on the journey of introducing environment friendly products while continuously up-grading existing models in order to remain competitive in the challenging business environment. This engagement will enable the Company to knock the doors of international market.

In a yet another recent move to contribute towards farmer community and for better crop yield, Al-Ghazi Tractors has brought in first of its kind New Holland Brand Combine Harvester into Pakistan for trial. The Company subsequently plans to commence assembly of these Combines locally in collaboration with Case New Holland (CNHI).



# Directors' Report

## to Shareholders

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, 2016.

Rupees '000	2016	2015
<b>Operating Results</b>		
Sales	12,098,828	9,636,109
Gross Profit	3,348,741	2,499,478
Profit before taxation	2,877,525	2,392,046
Taxation	(950,641)	(799,763)
Profit after tax	1,926,884	1,592,283
Other comprehensive income	(8,680)	(7,883)
Total comprehensive income	1,918,204	1,584,400

The increase in profit is mainly due to higher sales volume as 16,206 tractors were sold as compared to 13,385 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 Pakistan Stock Exchange. Accordingly, the Directors are pleased to confirm the following:

- The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.

- 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.

## Appropriations

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

Rupees '000	2016	2015
Profit before taxation	2,877,525	2,392,046
Taxation	(950,641)	(799,763)
Profit after taxation	1,926,884	1,592,283
Other comprehensive income	(8,680)	(7,883)
Total comprehensive income	1,918,204	1,584,400
Unappropriated profit b/f	4,498,759	7,261,674
Profit available for appropriation	6,416,963	8,846,074

### Appropriation:

Final dividend paid for the year 2015: Rs.25 per share (2014: Rs. 15 per share)	(1,449,105)	(869,463)
First Interim dividend paid for the year 2016: Rs. 25 per share (2015: Rs. 30 per share)	(1,449,105)	(1,738,926)
Second Interim dividend paid for the year 2016: Rs. 25 per share (2015: Rs. 30 per share)	(1,449,105)	(1,738,926)
Unappropriated profit c/f	2,069,648	4,498,759

For the year ended December 31, 2016, the Board in its meeting held on February 13, 2017, has proposed a final cash dividend of Rs. 12.5 per share amounting to Rs. 725 million.

## Earnings per share

The Basic Earnings per share were Rs. 33.24 in 2016 compared to Rs. 27.47 in 2015.

## 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.

### Directors' Training

During the year, Mr. Charles Leonard Hunt, Mr. Mohammad Shahid Hussain and Mr. Majd-ul-Ahsan Syed completed the Directors' Training Programme (DTP) conducted by the Pakistan Institute of Corporate Governance (PICG).

### 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.

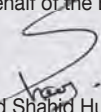
### External Auditors

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. Chartered Accountants as the auditors for the financial year 2017.

### Financial Statements on Website

The financial results of the year 2016 would be placed on the Company's website and can be viewed on [www.alghazitractors.com](http://www.alghazitractors.com)

On behalf of the Board



Mohammad Shahid Hussain  
Chief Executive Officer

Karachi  
Dated: February 13, 2017



### ریٹائرمنٹ فنڈز کے سرمایہ کار یوں کی قدر و قیمت:

سال کا اختتام	روپے	گر بچو پی ٹی فنڈ
30 جون 2015	100,000,000	پر ویڈیٹ فنڈ
30 جون 2015	170,000,000	

### اہم آپریٹنگ اور مالیاتی نتائج:

گزشتہ چھ سالوں کے آڈٹ کردہ آپریٹنگ اور مالیاتی نتائج کو اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

### بورڈ آف ڈائریکٹرز کی میٹنگ:

اس سال کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد کی گئیں۔ شرکت کرنے والے ڈائریکٹرز کی تفصیلات اس سالانہ رپورٹ میں دی گئی ہے۔

### شیر ہولڈنگ کا طریقہ کار:

کمپنی کی شیر ہولڈنگ کا طریقہ کار اس سالانہ رپورٹ میں شامل ہے۔

ڈائریکٹرز، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کی زوجات اور نابالغ بچوں نے اس سال کے دوران کمپنی کے شیرز میں کوئی تجارت نہیں کی۔

### آڈیٹرز:

سبکدوش ہونے والے آڈیٹرز ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس نے اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمپنی نے آڈیٹرز کی سال 2016-17 کے لئے دوبارہ تقرری کی سفارش کی ہے۔

### ویب سائٹ پر مالیاتی حسابات:

سال 2016ء کے مالیاتی نتائج کو کمپنی کی ویب سائٹ [www.alghazitractors.com](http://www.alghazitractors.com) پر پیش کیا جائے گا۔

بورڈ کی جانب سے

محمد شاہد حسین  
چیف ایگزیکٹو آفیسر

کراچی

تاریخ: 13 فروری 2017ء

- ۴- پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز پر مالیاتی اسٹیٹمنٹس کی تیاری میں عملدرآمد کیا جاتا ہے۔
- ۵- اندرونی کنٹرول کا نظام بہترین انداز میں مرتب کیا گیا، موثر انداز میں لاگو کیا گیا ہے اور ساتھ ساتھ اس کی باقاعدہ نگرانی بھی کی جاتی ہے۔
- ۶- جاری دساری منصوبوں اور امور کی انجام دہی کے لئے کمپنی کی بہترین صلاحیتوں پر کوئی شک نہیں کیا جاسکتا۔
- ۷- کمپنی مکمل طور پر پاکستان اسٹاک ایکسچینج کے قوانین پر عمل پیرا ہے۔

### تصرفات:

موجودہ سال کیلئے مالیاتی نتائج کا جائزہ درج ذیل ہے:

2015	2016	روپے '000
2,392,046	2,877,525	قبل از ٹیکس منافع
(799,763)	(950,641)	ٹیکس
1,592,283	1,926,884	بعد از ٹیکس منافع
(7,883)	(8,680)	دیگر مجموعی آمدنی
1,584,400	1,918,204	کل مجموعی آمدنی
7,261,674	4,498,759	غیر تصرف شدہ منافع آگے لایا گیا
8,846,074	6,416,963	تصرفات کیلئے دستیاب منافع
		<b>تصرفات:</b>
		سال 2015ء کیلئے حتمی ادا کردہ ڈویڈنڈ
(869,463)	(1,449,105)	-/25 روپے فی شیئر (2014: 15 روپے فی شیئر)
		سال 2016ء کیلئے پہلا متوسط ڈویڈنڈ
(1,738,926)	(1,449,105)	-/25 روپے فی شیئر (2015: 30 روپے فی شیئر)
		سال 2016ء کیلئے دوسرا متوسط ڈویڈنڈ
(1,738,926)	(1,449,105)	-/25 روپے فی شیئر (2015: 30 روپے فی شیئر)
4,498,759	2,069,648	غیر تصرف شدہ منافع

31 دسمبر 2016ء کو ختم ہونے والے سال کیلئے بورڈ نے اپنی میٹنگ منعقدہ 13 فروری 2017ء کو حتمی نقد ڈویڈنڈ مبلغ 12.5 روپے فی شیئر مبلغ 725 ملین روپے کی تجویز پیش کی۔

### آمدنی فی شیئر:

بنیادی آمدنی فی شیئر 2016ء میں 33.24 روپے تھی (2015: 27.47 روپے)۔

## ڈائریکٹرز رپورٹ شیئر ہولڈرز کے لئے

الغازی ٹریڈنگ لمیٹڈ کے ڈائریکٹرز 31 دسمبر 2016ء کو ختم ہونے والے سال کیلئے آڈٹ شدہ مالیاتی حسابات کے ساتھ سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

2015	2016	روپے '000
		<b>آپریٹنگ نتائج</b>
9,636,109	12,098,828	فروخت
2,499,478	3,348,741	مجموعی منافع
2,392,046	2,877,525	قبل از ٹیکس منافع
(799,763)	(950,641)	ٹیکس
1,592,283	1,926,884	بعد از ٹیکس منافع
(7,883)	(8,680)	دیگر جامع آمدنی
1,584,400	1,918,204	کل جامع آمدنی

منافع میں اضافہ کی بنیاد پر وجہ فروخت میں اضافہ ہے۔ سال کے دوران کمپنی نے 16206 ٹریڈنگ فروخت کئے جبکہ گزشتہ سال فروخت کردہ ٹریڈنگ کی تعداد 13385 تھی۔

### ہولڈنگ کمپنی:

الظہین انڈسٹریز کمپنی ایل ایل سی جو کہ ہواے ای میں قائم کی گئی ہے اور اس میں الغازی ٹریڈنگ لمیٹڈ کی ہولڈنگ کمپنی ہے جو کمپنی میں 50.0 فیصد شیئر ہولڈنگ کی حامل ہے۔

### کارپوریٹ گورننس:

مندرجہ ذیل معاملات کے لئے ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ گورننس فریم ورک کے ساتھ تعمیل کی تصدیق کی ہے۔

- 1۔ کمپنی کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی اسٹیٹمنٹ شفافیت کے ساتھ کمپنی کے اسٹیٹ آف افیئرز، آپریشنز کے نتائج، یکیش کا بہاؤ اور کمیونٹی میں تبدیلیوں کو پیش کرتی ہے۔
- 2۔ کمپنی اکاؤنٹ کی کتب کو باقاعدہ برقرار رکھتی ہے۔
- 3۔ مالیاتی اسٹیٹمنٹ کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی جاتی ہیں اور اکاؤنٹنگ اسٹیٹمنٹس معقول اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔



## Chairman's Review



It gives me great pleasure to present a review of the impressive performance of the company for the year 2016.

### Company Performance

Our objective at AGTL is to deliver satisfactory return to our shareholders with financial discipline and strong business management. Launch of a new 85 HP tractor model "Dabung", various Marketing initiatives and spending toward improved quality of the product showed positive impact as the Company sold 16,206 tractors during the year 2016 as compared to 13,385 tractors sold in the year 2015. Consequently, Company's revenue increased by 26% to Rs. 12 billion. Lean management and rigorous cost

discipline yielded a record high gross profit percentage of 28% as against 26% of last year. Despite a significant decrease of 71% in investment income, the Company managed to increase profit before tax by 20% to Rs. 2.9 billion.

Out of the pre-tax profit of Rs. 2.9 billion, an amount of Rs. 951 million was charged on account of corporate tax including levy of Super Tax. The after-tax profit thus stands at Rs. 1.9 billion translating into earnings per share (EPS) of Rs. 33.24.

The re-launch of Al-Ghazi Premium Oil during 2016 proved to be a success with sales increased manifold over last year. Moreover, this launch has reinforced AGTL's name in the farming community.

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The Company also participated in the Punjab Government's subsidy scheme on agricultural implements. Despite competing with street vendors – who easily avoid taxes, AGTL successfully delivered high quality implements to its customer and earned multiple times revenue as compared to last year. Thus AGTL yet again proved its mettle of standing up to the challenges in improving the agricultural sector of Pakistan.

Despite extra ordinary dividend payments in previous years, AGTL's balance sheet continues to be strong with net worth of Rs. 3.4 billion. The Company undertook various capital expenditure initiatives to improve product quality by investing on the production plant at DGK. With strong financial control, the Company managed to keep a tight vigil on its inventory which reduced to Rs. 1.4 billion from Rs. 2.1 billion in 2015.

Considering sound financial strength of the Company, accelerated interim dividends were paid during the year amounting to Rs. 2.9 billion i.e. 1000%. The Board in its meeting held on February 13, 2017 has proposed to pay a final dividend of Rs. 12.5 per share. The total distribution for the year 2016 would thus be 1250 % a payout of Rs. v3.6 billion.

On December 1, 2016, AGTL's five rupee share reached a record high and was traded at Rs. 718.89 on the Pakistan Stock Exchange – that is a market capitalization of 144 times- thus giving Al-Ghazi a total market value of Rs. 41.7 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

Pakistan's economy continued to maintain its growth momentum with real GDP growing at 4.71% during FY 2016. The stable PKR parity and decline in global oil prices coupled with development in infrastructure and power sector under CPEC has allowed policy makers to implement pro-growth strategies.

The agricultural sector is a vital component of Pakistan's economy and remains the largest employer absorbing 42.3% of Pakistan's total labour force. Dependence of agriculture on weather patterns - floods, precipitation and availability of irrigation water cannot be undermined and needs constant attention of the Government. Fine tuning of certain policies like increased credit to the farmers along with reduction in interest rate on ZTBL loans can benefit both the farming community and the allied industries.

Overall the tractor industry witnessed an increase in the period Jan-Dec 2016 as compared to the comparable period. According to published numbers, 42,316 tractors were sold during the current period out of which AGTL achieved a market share of around 39%.

In the Federal Budget 2016-2017, the Government reduced sales tax rate on supply of tractors from 10 percent to 5 percent, thus widening the gap of input and output sales tax resulting in accumulation of sales tax refunds and building pressure of the Company's cash flow. However, we appreciate FBR's effort in improving sales tax filing and refund system whereby refund amount is directly credited in to bank account.

## Future Prospects

The country currently has dearth of good quality farming equipment like combine harvesters. Farmers are forced to use cannibalized equipment which are imported as scrap and repaired by untrained mechanics. AGTL in collaboration with CNHI is exploring to introduce new combine harvesters at similar price of used equipment currently available in the market. This new equipment is being designed using the latest technologies and would be of a much superior quality.

AGTL is driven by optimism and belief on its ever agile workforce. Being cost effective, having hands on management style along with the high standards of workmanship makes AGTL a perfect example for growth and development.

The Company is regularly investing in projects for modernizing of Plant in order to deliver a quality product to its customers. Such initiatives includes construction of storage sheds, up-gradation of paint shop and construction of quality lab to ensure receipt of quality components.

The Company is producing New Holland tractors in Pakistan in technical collaboration with Case New Holland (CNHI). The term of the current Industrial Collaboration Agreement has been extended and deliberations are under way with CNHI for renewal of the agreement shortly.

## 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 all the Codes of Corporate Governance promulgated by SECP.

While the Company is focused on relevant social endeavors 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 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.

During the year, Mr. Michele Lombardi resigned from the office of director. The Board would like to place on record its appreciation on the valuable contribution made by Mr. Lombardi. The Board also welcomes Mr. Mark Brinn and hopes that the Company will benefit from his varied experience.

The Chairman, CEO and non-executive director Mr. Majd-ul-Ahsan Syed completed the Directors' Training Programme (DTP) conducted by the Pakistan Institute of Corporate Governance (PICG) in compliance with the Code of Corporate Governance – 2012.

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## Acknowledgements

AGTL's recognition owes its successes to its talented employees – the officers and the workers who leave no opportunity to shine and devote themselves whole heartedly to the prosperity of the company.

On behalf of the Board, I would like to thank our employees, our supply chain associates, our dealers and our principals – CNHI for their continued support and commitment. We look forward to continuing to deliver results in the coming years.

For and on behalf of the Board

Karachi  
February 13, 2017



Charles Leonard Hunt  
Chairman

# Risk Management

32

## Strategic Risks

### Risk Description:

Inability to source raw material and increase in prices may affect the profit margins.

### Mitigating Strategy

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.

### Risk Description:

Business Continuity Risk

### Mitigating Strategy

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.

## Operational Risk

### Risk Description:

Weaknesses in the internal control framework could lead to loss of financial irregularities and unethical work practices

### Mitigating Strategy

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.

### Risk Description:

Safety risk

### Mitigating Strategy

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

**Risk Description:**

Employee recruitment and retention risk

**Mitigating Strategy**

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.

**Commercial Risk****Risk Description:**

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

**Mitigating Strategy**

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.

**Financial Risk****Risk Description:**

Exchange rate fluctuation could adversely impact the profitability of the Company.

**Mitigating Strategy**

The Company's product has around 92% local components, thus reducing the dependency on imported material.

**Political/Economical Risk****Risk Description:**

The fiscal deficit of the country, political instability and the deteriorating law and order situation may adversely impact the performance of the Company.

**Mitigating Strategy**

Agriculture is said to be the backbone of Pakistan's economy. The Company has been in business for over thirty years and has established itself as one of the leading tractor manufacturers in the country. The Company has 81 dealers across the country. The Company seeks to increase its customer base and has 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.



## Compliance Risk

### **Risk Description:**

Legal and Regulatory Risk

### **Mitigating Strategy**

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

34

## Materiality Approach Adopted by the Management

Determination of materiality levels other than those provided under the regulations, is judgmental and varies between organizations. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. Materiality levels are reviewed periodically and are appropriately updated.

Powers of the Board of Directors and the Management of the Company have been defined with special reference to, and in compliance with the Companies Ordinance, 1984, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best practices.

The Board powers include approvals for capital expenditure, disposal of fixed assets, annual business plans, policy formulation, risk management, human resource management, donations, matters relating to health, safety and the environment, and other matters required by law, or internal policies.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.

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# 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

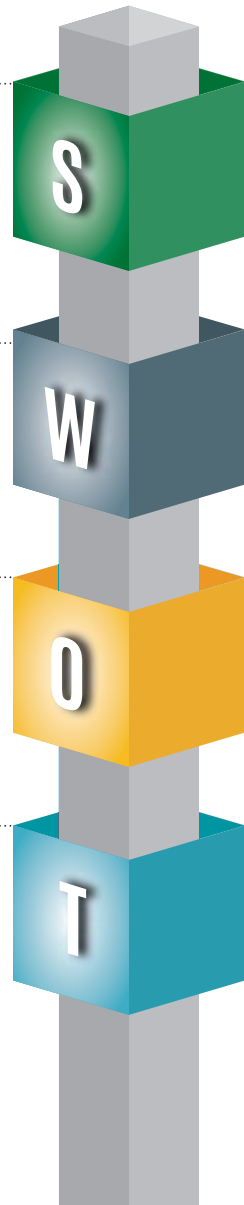
- Reliance on sales of low Hp Tractors.
- Dull presence of Company's product in Sindh and Central Punjab region.

## 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.



# 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 CNHI. 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.

The Company has a plan to invest for improvement of quality of AGTL's products through construction of quality lab while training of mechanics, setting up of call center for efficient customer support and new modern paint shop are also part of the project.

During the Year  
Company Launched  
New Customer  
Service Helpline in  
the Name of  
**"PUKAR"**



پکار

کسی بھی تکنیکی خرابی یا کسی اور صورت حال میں الغازی ٹریکٹرز لمیٹڈ سے فوری ڈائریکٹ رابطے کے لئے مندرجہ ذیل نمبرز پر رجوع کریں۔

کال سینٹر فون لائن: 03000723723  
03000724724



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.

# 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 2016, 20 scholarships were offered.

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## Energy Saving 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.

## Re-use and Re-cycling

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.

## Environmental Protection Measures

AGTL is committed to transforming our operations towards reducing the environmental impact and protection of environment.

## Paperless Environment

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.

40

## Plantation

Each year we add to the plantation at the AGTL Plant and staff town in DGK. In 2016, over 350 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.



## Fuel Efficiency

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 Dera Ghazi Khan for development of local talent.
- ◆ The Company is proactive in providing internships to students of various institutions of the country as well as from other countries not only at the manufacturing plant in Dera Ghazi Khan but at all other locations.
- ◆ 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.

Polio workers also visited the AGTL staff town to provide polio drops to under age childrens.

## 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.

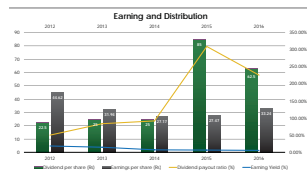
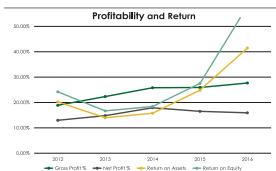
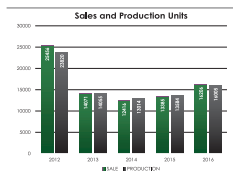




# **Financial** Analysis

# Key Operating and Financial Data

	2016	2015	2014	2013	2012	2011
<b>Quantitative Data</b>						
<b>Units:</b>						
Sales	16,206	13,385	12,416	14,071	25,456	18,344
Production	16,005	13,584	13,014	14,055	23,820	19,936
<b>Rupees '000</b>						
<b>Profitability</b>						
Sales revenue	12,098,828	9,636,109	8,780,685	9,262,626	14,779,564	10,113,572
Gross profit	3,348,741	2,499,478	2,268,143	2,069,369	2,791,227	1,872,956
Investment income	125,039	424,444	435,143	378,450	513,137	534,544
Profit before taxation	2,877,525	2,392,046	2,251,937	2,023,294	2,872,795	2,062,675
Taxation	950,641	799,763	677,193	651,804	957,164	703,795
Profit after taxation	1,926,884	1,592,283	1,574,744	1,371,490	1,915,631	1,358,880
Earnings before investment income, tax and depreciation (EBITDA)	2,810,598	2,013,749	1,859,004	1,683,845	2,396,532	1,562,668
Manpower Cost - Direct	266,848	224,434	183,387	204,828	209,657	180,444
Manpower Cost - Indirect	217,209	263,981	219,621	196,481	165,435	152,820
Total Manpower Cost	484,057	488,415	403,008	401,309	375,092	333,264
<b>Financial position</b>						
Fixed assets	649,897	612,208	466,751	404,433	373,481	373,295
Long-term investments	-	-	42,800	44,800	55,800	74,000
Other non-current assets	5,818	2,913	2,131	9,333	21,228	32,448
	655,715	615,121	511,682	458,566	450,509	479,743
Current assets	3,988,601	5,789,546	9,477,010	9,367,867	9,019,772	8,075,804
Current liabilities	1,202,327	549,079	1,349,292	1,537,894	1,474,583	1,717,363
Net working capital	2,786,274	5,240,467	8,127,718	7,829,973	7,545,189	6,358,441
Less: Non-current liabilities	82,520	67,008	87,905	69,580	69,385	71,910
Capital employed	3,359,469	5,788,580	8,551,495	8,218,959	7,926,313	6,766,274
<b>Represented by:</b>						
Share capital	289,821	289,821	289,821	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	2,069,648	4,498,759	7,261,674	7,004,277	6,711,631	5,551,592
	3,359,469	5,788,580	8,551,495	8,218,959	7,926,313	6,766,274
<b>CASH FLOWS</b>						
Operating activities	3,239,509	619,833	1,078,632	1,175,686	2,121,542	(609,573)
Investing activities	986,817	3,702,394	(342,666)	522,032	31,665	(733,436)
Financial activities	(4,339,794)	(4,321,698)	(1,219,754)	(1,071,853)	(1,177,685)	(535,675)



# Analysis of Financial Ratios

	2016	2015	2014	2013	2012	2011
<b>Profitability Ratios</b>						
Gross profit ratio	27.68%	25.94%	25.83%	22.34%	18.89%	18.52%
Pre-tax profit ratio	23.78%	24.82%	25.65%	21.84%	19.44%	20.40%
Net profit to Sales	15.93%	16.52%	17.93%	14.81%	12.96%	13.44%
EBITDA margin to sales	23.23%	20.90%	21.17%	18.18%	16.22%	15.45%
Operating Leverage ratio	1.55	0.85	-2.00	0.80	1.16	1.26
Return on asset	41.49%	24.86%	15.77%	13.96%	20.23%	15.88%
Return on Equity / Capital employed	57.36%	27.51%	18.41%	16.69%	24.17%	20.08%
<b>Liquidity Ratios</b>						
Current Ratio	3.32	10.54	7.02	6.09	6.12	4.70
Quick Ratio	2.15	6.61	5.42	4.99	5.07	3.11
Cash to current liabilities	1.10	4.24	2.91	1.50	2.57	1.44
Cash flow from operations to sales	26.78%	6.43%	12.28%	12.69%	14.35%	-6.03%
<b>Activity / Turnover Ratios</b>						
Inventory turnover ratio	4.97	3.30	3.38	4.45	5.61	4.33
Debtors turnover ratio	79	464	98	34	74	73
Creditors turnover ratio	18	11	6	7	14	10
Fixed assets turnover ratio	18.62	15.74	18.81	22.90	39.57	27.09
Total assets turnover ratio	2.61	1.50	0.88	0.94	1.56	1.18
<b>Operating Cycle</b>						
No. of days in inventory	73	110	108	82	65	84
No. of days in receivables	5	1	4	11	5	5
No. of days in payables	20	34	58	49	25	36
Operating Cycle	58	78	54	44	45	53
<b>Investment / Market ratios</b>						
Pre-Tax Earning per share ( Basic and diluted) - Rs	49.64	41.27	38.85	47.12	66.91	48.04
Post -Tax Earning per share ( Basic and diluted) - Rs	33.24	27.47	27.17	31.94	44.62	31.65
Price earnings ratio	17.15	15.03	13.51	6.65	5.34	6.09
Dividend yield ratio	13.16%	20.58%	6.81%	11.77%	9.44%	10.37%
Dividend ratio	7.60	4.86	14.68	8.50	10.59	9.64
Dividend payout ratio	225.61%	309.43%	92.02%	83.74%	50.43%	63.19%
Dividend cover	0.44	0.32	1.09	1.19	1.98	1.58
Dividend per share						
- Cash	62.50	85.00	25.00	25.00	22.50	20.00
- Bonus	-	-	0.35	-	-	-
Dividend payout - Rs ' 000	4,347,315	4,926,957	1,449,105	1,073,410	966,069	858,728
Cash dividend - %	1500%	1700%	500%	500%	450%	400%
Bonus Dividend - Rs' 000	-	-	-	75,138.7	-	-
Market value per share - Rs						
- Closing	570.00	413.00	367.02	212.43	238.38	192.84
- High	718.89	564.00	464.24	246.70	255.00	244.95
- Low	378.78	295.00	195.00	193.89	169.89	158.00
Market capitalisation - Rs Million	33,041	23,940	21,275	9,121	10,235	8,280
Breakup value per share - Rs	57.96	99.86	147.53	191.42	184.61	157.59



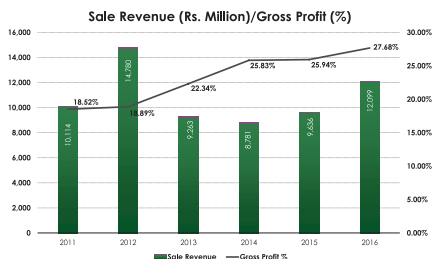
# Performance Analysis

46

## Analysis of Profit & Loss

### Sales Revenue

The Company posted an impressive turnover growth of 26% as compared to last year. The Company sold 16,206 tractors during the year under review as compared to 13,385 units sold in the previous year. This was attributable to companies various marketing initiatives and spending toward improved quality of the product. This aggressive growth is also attributable to the launch of new 85 HP tractor model "Dabung" and re-launch of "Al-Ghazi Premium Oil" proved to be a success with sales increased manifold over last year.



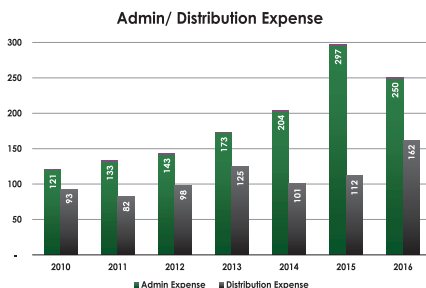
### Gross Profit

Company has managed to improve its GP% to 27.68% from 25.94% in year 2015. This performance is attributable to appreciable response from customer to improved product quality and launch of new 85 HP tractor model. Coupled with operational efficiencies, better sale mix and restricted price increases allowed to vendors.

A significant increase of 9% in GP% from year 2011 is a proof of company's strength and profitability.

### Distribution and Administrative Expenses

The Company keeps a tight control on its overheads. The distribution cost has increased by 11.92% Cumulative Annual Growth Rate (CAGR) since 2011, whereas administrative expenses have increased by 11.08% CAGR.

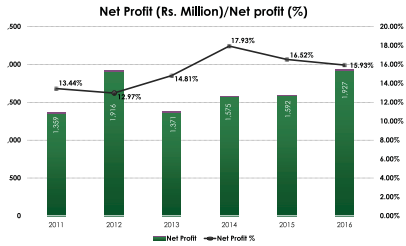


### Other Income

Other income mainly represents income from investments. A declining trend in other income is mainly due to payment of extra ordinary dividends during the year 2015 and 2016. Which ultimately resulted in reduced investments in the financial market.

### Profitability

The Company's profitability varies in line with the sales revenue and gross profit. The profit after tax stood at Rs. 1.9 billion in 2016 increase of 21% compared to the previous year. However, NP% has decreased from 17% in 2015 to 16% in 2016 in line with decline in other income.

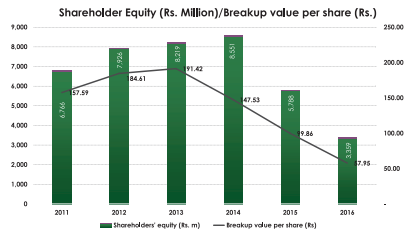


## Analysis of Financial Position

### Equity and Reserves

Equity and reserves have decreased from Rs 5.8 billion in 2015 to Rs 3.3 billion.

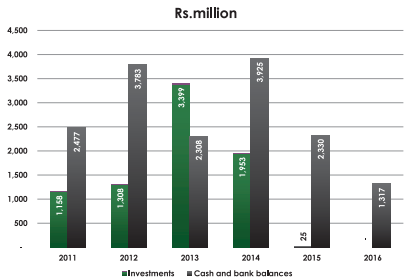
The decrease is attributable to extra ordinary dividend payouts amounting to Rs. 4.3 billion in the current year.



### Investments, cash and bank balances

Investments, cash and bank balances are a witness to the consistent profitability of the Company.

Cash and investment reserves are Rs. 1.3 billion in 2016 as compared to Rs. 2.5 billion in 2011. This decrease is due to dividend payout of Rs 13.6 billion since 2011.



### Property, Plant and Equipment

Property, plant and equipment have increased from Rs 612 million in 2015 to Rs 650 million. The increase is mainly attributable to capitalization of various assets and equipment acquired to improve the product quality.

### 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. Local and imported inventory is reviewed and analyzed on monthly basis to avoid built up of inventory, resulting in decrease in stock in trade by 34% from the year 2015.

### 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 @ 5%. The Company rigorously followed FBR for release of pending refund claims which resulted in notable decline in the balance at the year end.

## Analysis of Cash Flow

48

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. 7.6 billion from operations since December 2011.

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

Cash outflow from financing activities has increased over the years due to increase in dividend payments. Rs. 4.3 billion was paid as dividend in the year 2016 as compared to Rs 0.96 billion in 2011. AGTL is a debt free Company.

## 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 mainly due to decrease in reserves as a result of high dividend payouts during the year.

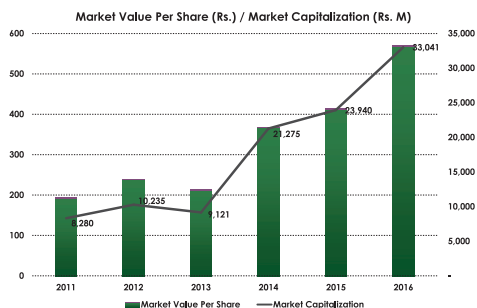
### Liquidity and Turnover Ratios

The Company being debt free, has reported favorable liquidity ratios. Decrease in operating cycle is mainly due to lower inventory balance at the year-end as explained above.

### Market Ratios

Due to increase profitability EPS have increased significantly from last year. 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 718.89 in December 2016.

Market capitalization increased from Rs 8.2 billion in 2011 to Rs 33 billion in 2016. AGTL has continuously maintained a dividend yield beyond the market norms in order to compensate its shareholders handsomely.



# Share Price Sensitivity Analysis

Company's Share price is interlinked with the Company's financial performance and has positive correlation with the factors influencing the Company's performance.

In the prevailing business scenario, management considers the following factors to which the performance and share price of the Company may be sensitive.

## 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

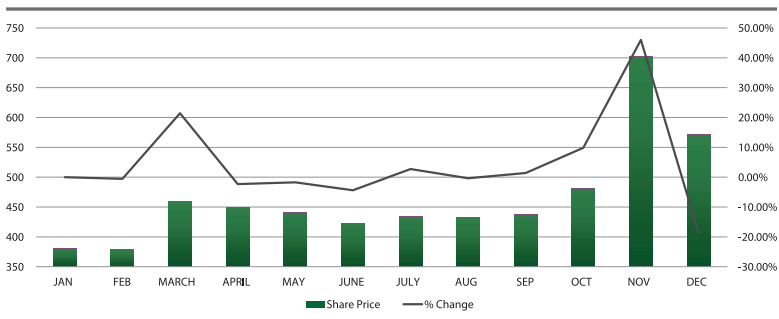
Stability of plant operations is of paramount importance. Stable plant operations allow for higher production and add to the profitability of the Company which can positively affect the share price.

## 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.

## 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.



# Horizontal Analysis

50

Rupees '000	2016	2015	2014	2013	2012	2011
<b>BALANCE SHEET</b>						
Fixed assets	649,897	612,208	466,751	404,433	373,481	373,295
Long-term investments	-	-	42,800	44,800	55,800	74,000
Long-term loans and deposits	5,818	2,913	2,131	9,333	21,228	32,448
Stores and spares	18,731	34,340	35,962	15,649	21,119	19,025
Stock-in-trade	1,408,886	2,115,034	2,160,349	1,693,249	1,543,151	2,731,395
Trade debts	279,759	27,759	13,796	166,306	386,558	14,339
Loan and advances	94,042	62,048	78,796	73,393	75,894	47,249
Short-term deposits and prepayments	6,119	6,821	32,219	1,450	1,346	4,602
Accrued mark-up	4,307	61,114	33,986	3,525	192,312	214,003
Other receivables	40,849	38,411	6,149	11,457	13,734	22,143
Taxation	-	70,828	-	30,669	113,428	532,814
Refunds due from the Government	819,138	1,017,953	1,281,074	1,709,416	1,637,869	928,675
Investments	-	25,000	1,909,970	3,354,256	1,251,729	1,084,449
Cash and bank balances	1,316,770	2,330,238	3,924,709	2,308,497	3,782,632	2,477,110
<b>Total assets</b>	<b>4,644,316</b>	<b>6,404,667</b>	<b>9,988,692</b>	<b>9,826,433</b>	<b>9,470,281</b>	<b>8,555,547</b>
Current liabilities	1,202,327	549,079	1,349,292	1,537,894	1,474,583	1,717,363
Non-current liabilities	82,520	67,008	87,905	69,580	69,385	71,910
<b>Total liabilities</b>	<b>1,284,847</b>	<b>616,087</b>	<b>1,437,197</b>	<b>1,607,474</b>	<b>1,543,968</b>	<b>1,789,273</b>
<b>Capital employed</b>	<b>3,359,469</b>	<b>5,788,580</b>	<b>8,551,495</b>	<b>8,218,959</b>	<b>7,926,313</b>	<b>6,766,274</b>
Share capital	289,821	289,821	289,821	214,682	214,682	214,682
Reserves	3,069,648	5,498,759	8,261,674	8,004,277	7,711,631	6,551,592
<b>Capital employed</b>	<b>3,359,469</b>	<b>5,788,580</b>	<b>8,551,495</b>	<b>8,218,959</b>	<b>7,926,313</b>	<b>6,766,274</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Sales	12,098,828	9,636,109	8,780,685	9,262,626	14,779,564	10,113,572
Cost of goods sold	8,750,087	7,136,631	6,512,542	7,193,257	11,988,337	8,240,616
Gross profit	3,348,741	2,499,478	2,268,143	2,069,369	2,791,227	1,872,956
Distribution cost	162,088	111,907	101,463	125,208	98,235	82,474
Administrative expenses	250,336	297,194	203,668	172,773	143,234	133,245
	2,936,317	2,090,377	1,963,012	1,771,388	2,549,758	1,657,237
Other income	153,929	480,052	457,194	402,283	537,742	560,447
Other operating expenses	211,703	177,283	166,900	149,981	212,980	152,874
	2,878,543	2,393,146	2,253,306	2,023,690	2,874,520	2,064,810
Finance cost	1,018	1,100	1,369	396	1,725	2,135
Profit before taxation	2,877,525	2,392,046	2,251,937	2,023,294	2,872,795	2,062,675
Taxation	950,641	799,763	677,193	651,804	957,164	703,795
<b>Profit after taxation</b>	<b>1,926,884</b>	<b>1,592,283</b>	<b>1,574,744</b>	<b>1,371,490</b>	<b>1,915,631</b>	<b>1,358,880</b>

# Horizontal Analysis

Increase / (decrease) from preceeding year in Rs 000	2016	2015	2014	2013	2012	2011
<b>BALANCE SHEET</b>						
Fixed assets	37,689	145,457	62,318	30,952	186	4,624
Long-term investments	-	(42,800)	(2,000)	(11,000)	(18,200)	34,000
Long-term loans and deposits	2,905	782	(7,202)	(11,895)	(11,220)	31,586
Stores and spares	(15,609)	(1,622)	20,313	(5,470)	2,094	9,276
Stock-in-trade	(706,148)	(45,315)	467,100	150,098	(1,188,244)	1,658,273
Trade debts	252,000	13,963	(152,510)	(220,252)	372,219	(249,724)
Loan and advances	31,994	(16,748)	5,403	(2,501)	28,645	25,140
Short-term deposits and prepayments	(702)	(25,398)	30,769	104	(3,256)	(6,874)
Accrued mark-up	(56,807)	27,128	30,461	(188,787)	(21,691)	159,119
Other receivables	2,438	32,262	(5,308)	(2,277)	(8,409)	(35,824)
Taxation	(70,828)	70,828	(30,669)	(82,759)	(419,386)	193,358
Refunds due from the Government	(198,815)	(263,121)	(428,342)	71,547	709,194	(50,862)
Investments	(25,000)	(1,884,970)	(1,444,286)	2,102,527	167,280	(247,015)
Cash and bank balances	(1,013,468)	(1,594,471)	1,616,212	(1,474,135)	1,305,522	(635,684)
<b>Total assets</b>	<b>(1,760,351)</b>	<b>(3,584,025)</b>	<b>162,259</b>	<b>356,152</b>	<b>914,734</b>	<b>889,393</b>
Current liabilities	653,248	(800,213)	(188,602)	63,311	(242,780)	476,074
Non-current liabilities	15,512	(20,897)	18,325	195	(2,525)	9,766
<b>Total liabilities</b>	<b>668,760</b>	<b>(821,110)</b>	<b>(170,277)</b>	<b>63,506</b>	<b>(245,305)</b>	<b>485,840</b>
<b>Capital employed</b>	<b>(2,429,111)</b>	<b>(2,762,915)</b>	<b>332,536</b>	<b>292,646</b>	<b>1,160,039</b>	<b>403,553</b>
Share capital	-	-	75,139	-	-	-
Reserves	(2,429,111)	(2,762,915)	257,397	292,646	1,160,039	403,553
<b>Capital employed</b>	<b>(2,429,111)</b>	<b>(2,762,915)</b>	<b>332,536</b>	<b>292,646</b>	<b>1,160,039</b>	<b>403,553</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Sales	2,462,719	855,424	(481,941)	(5,516,938)	4,665,992	(4,822,462)
Cost of goods sold	1,613,456	624,089	(680,715)	(4,795,080)	3,747,721	(3,746,903)
<b>Gross profit</b>	<b>849,263</b>	<b>231,335</b>	<b>198,774</b>	<b>(721,858)</b>	<b>918,271</b>	<b>(1,075,559)</b>
Distribution cost	50,181	10,444	(23,745)	26,973	15,761	(10,131)
Administrative expenses	(46,858)	93,526	30,895	29,539	9,989	12,071
	845,940	127,365	191,624	(778,370)	892,521	(1,077,499)
Other income	(326,123)	22,858	54,911	(135,459)	(22,705)	178,807
Other operating expenses	34,420	10,383	16,919	(62,999)	60,106	(62,065)
	485,397	139,840	229,616	(850,830)	809,710	(836,627)
Finance cost	(82)	(269)	973	(1,329)	(410)	811
<b>Profit before taxation</b>	<b>485,479</b>	<b>140,109</b>	<b>228,643</b>	<b>(849,501)</b>	<b>810,120</b>	<b>(837,438)</b>
Taxation	150,878	122,570	25,389	(305,360)	253,369	(287,446)
<b>Profit after taxation</b>	<b>334,601</b>	<b>17,539</b>	<b>203,254</b>	<b>(544,141)</b>	<b>556,751</b>	<b>(549,992)</b>

# Vertical Analysis

52

Rupees '000	2016	2016	2015	2015	2014	2014
		%		%		%
<b>BALANCE SHEET</b>						
Fixed assets	649,897	19.35%	612,208	10.58%	466,751	5.46%
Long-term investment	-	0.00%	-	0.00%	42,800	0.50%
Long-term loans and deposits	5,818	0.03%	2,913	0.03%	2,131	0.03%
Stores and spares	18,731	0.56%	34,340	0.59%	35,962	0.42%
Stock-in-trade	1,408,886	41.94%	2,115,034	36.54%	2,160,349	25.26%
Trade debts	279,759	8.33%	27,759	0.48%	13,796	0.16%
Loans and advances	94,042	2.80%	62,048	1.07%	78,796	0.92%
Short-term deposits and prepayments	6,119	0.18%	6,821	0.12%	32,219	0.38%
Accrued mark-up	4,307	0.13%	61,114	1.06%	33,986	0.40%
Other receivables	40,849	1.22%	38,411	0.66%	6,149	0.07%
Taxation	-	0.00%	70,828	1.22%	-	0.00%
Refunds due from the Government	819,138	24.38%	1,017,953	17.59%	1,281,074	14.98%
Investments	-	0.00%	25,000	0.43%	1,909,970	22.33%
Cash and bank balances	1,316,770	39.20%	2,330,238	40.26%	3,924,709	45.90%
<b>Total assets</b>	<b>4,644,316</b>	<b>138.25%</b>	<b>6,404,667</b>	<b>110.64%</b>	<b>9,988,692</b>	<b>116.81%</b>
Current liabilities	1,202,327	35.79%	549,079	9.49%	1,349,292	15.78%
Non-current liabilities	82,520	2.46%	67,008	1.16%	87,905	1.03%
<b>Total liabilities</b>	<b>1,284,847</b>	<b>38.25%</b>	<b>616,087</b>	<b>10.64%</b>	<b>1,437,197</b>	<b>16.81%</b>
<b>Capital employed</b>	<b>3,359,469</b>	<b>100.00%</b>	<b>5,788,580</b>	<b>100.00%</b>	<b>8,551,495</b>	<b>100.00%</b>
Share capital	289,821	8.63%	289,821	5.01%	289,821	3.39%
Reserves	3,069,648	91.37%	5,498,759	94.99%	8,261,674	96.61%
<b>Capital employed</b>	<b>3,359,469</b>	<b>100.00%</b>	<b>5,788,580</b>	<b>100.00%</b>	<b>8,551,495</b>	<b>100.00%</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Sales	12,098,828	100.00%	9,636,109	100.00%	8,780,685	100.00%
Cost of goods sold	8,750,087	72.32%	7,136,631	74.06%	6,512,542	74.17%
Gross profit	3,348,741	27.68%	2,499,478	25.94%	2,268,143	25.83%
Distribution cost	162,088	1.15%	111,907	1.15%	101,463	1.16%
Administrative expenses	250,336	2.07%	297,194	3.08%	203,668	2.32%
	2,936,317	24.27%	2,090,377	21.69%	1,963,012	22.36%
Other income	153,929	5.20%	480,052	5.20%	457,194	5.21%
Other operating expenses	211,703	1.75%	177,283	1.84%	166,900	1.90%
	2,878,543	23.79%	2,393,146	24.84%	2,253,306	25.66%
Finance cost	1,018	0.01%	1,100	0.01%	1,369	0.02%
Profit before taxation	2,877,525	23.78%	2,392,046	24.82%	2,251,937	25.65%
Taxation	950,641	7.72%	799,763	7.72%	677,193	7.71%
<b>Profit after taxation</b>	<b>1,926,884</b>	<b>15.93%</b>	<b>1,592,283</b>	<b>16.52%</b>	<b>1,574,744</b>	<b>17.93%</b>



# Vertical Analysis

Rupees '000	2013	2013	2012	2012	2011	2011
		%		%		%
<b>BALANCE SHEET</b>						
Fixed assets	404,433	4.92%	373,481	4.71%	373,295	5.52%
Long-term investment	44,800	0.55%	55,800	0.70%	74,000	1.09%
Long-term loans and deposits	9,333	0.11%	21,228	0.27%	32,448	0.48%
Stores and spares	15,649	0.19%	21,119	0.27%	19,025	0.28%
Stock-in-trade	1,693,249	20.60%	1,543,151	19.47%	2,731,395	40.37%
Trade debts	166,306	2.02%	386,558	4.88%	14,339	0.21%
Loans and advances	73,393	0.89%	75,894	0.96%	47,249	0.70%
Short-term deposits and prepayments	1,450	0.02%	1,346	0.02%	4,602	0.07%
Accrued mark-up	3,525	0.04%	192,312	2.43%	214,003	3.16%
Other receivables	11,457	0.14%	13,734	0.17%	22,143	0.33%
Taxation	30,669	0.37%	113,428	1.43%	532,814	7.87%
Refunds due from the Government	1,709,416	20.80%	1,637,869	20.66%	928,675	13.73%
Investments	3,354,256	40.81%	1,251,729	15.79%	1,084,449	16.03%
Cash and bank balances	2,308,497	28.09%	3,782,632	47.72%	2,477,110	36.61%
<b>Total assets</b>	<b>9,826,433</b>	<b>119.56%</b>	<b>9,470,281</b>	<b>119.48%</b>	<b>8,555,547</b>	<b>126.44%</b>
Current liabilities	1,537,894	18.71%	1,474,583	18.60%	1,717,363	25.38%
Non-current liabilities	69,580	0.85%	69,385	0.88%	71,910	1.06%
<b>Total liabilities</b>	<b>1,607,474</b>	<b>19.56%</b>	<b>1,543,968</b>	<b>19.48%</b>	<b>1,789,273</b>	<b>26.44%</b>
<b>Capital employed</b>	<b>8,218,959</b>	<b>100.00%</b>	<b>7,926,313</b>	<b>100.00%</b>	<b>6,766,274</b>	<b>100.00%</b>
Share capital	214,682	2.61%	214,682	2.71%	214,682	3.17%
Reserves	8,004,277	97.39%	7,711,631	97.29%	6,551,592	96.83%
<b>Capital employed</b>	<b>8,218,959</b>	<b>100.00%</b>	<b>7,926,313</b>	<b>100.00%</b>	<b>6,766,274</b>	<b>100.00%</b>
<b>PROFIT AND LOSS ACCOUNT</b>						
Sales	9,262,626	100.00%	14,779,564	100.00%	10,113,572	100.00%
Cost of goods sold	7,193,257	77.66%	11,988,337	81.11%	8,240,616	81.48%
Gross profit	2,069,369	22.34%	2,791,227	18.89%	1,872,956	18.52%
Distribution cost	125,208	1.35%	98,235	0.66%	82,474	0.82%
Administrative expenses	172,773	1.87%	143,234	0.97%	133,245	1.32%
	1,771,388	19.12%	2,549,758	17.25%	1,657,237	16.39%
Other income	402,283	4.34%	537,742	3.64%	560,447	5.54%
Other operating expenses	149,981	1.62%	212,980	1.44%	152,874	1.51%
	2,023,690	21.85%	2,874,520	19.45%	2,064,810	20.42%
Finance cost	396	0.00%	1,725	0.01%	2,135	0.02%
Profit before taxation	2,023,294	21.84%	2,872,795	19.44%	2,062,675	20.40%
Taxation	651,804	7.04%	957,164	6.48%	703,795	6.96%
<b>Profit after taxation</b>	<b>1,371,490</b>	<b>14.81%</b>	<b>1,915,631</b>	<b>12.96%</b>	<b>1,358,880</b>	<b>13.44%</b>

# Quarterly Analysis

54

(in Rs '000)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Sales	2,814,786	3,537,657	1,822,590	3,923,795	12,098,828
Gross profit	754,135	962,062	507,764	1,124,780	3,348,741
Other Income	52,041	57,910	12,244	31,734	153,929
Profit before tax	676,140	850,550	401,821	949,051	2,877,525
Profit after tax	466,458	527,763	278,771	653,892	1,926,884
Gross Profit %	26.79%	27.19%	27.86%	28.66%	27.68%
Net Profit %	16.57%	14.92%	15.29%	16.66%	15.93%

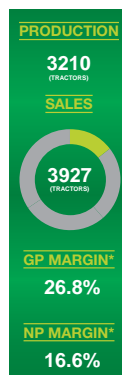
## Analysis of Variation in Results Reported in Interim Financial Statements with the final Accounts

### Quarter 1

Tractor sales took an upturn during the first quarter 2016 mainly on the backdrop of improved seasonal activity. Further, various marketing initiatives and spending towards improved quality of product started showing positive impact during the period under review.

The Company sold 3927 tractors during the first quarter of the year, January – March, 2016, compared with 4867 delivered last year. Lean management and rigorous cost discipline yielded a gross profit percentage of 26.79% compared with 26.14% during the same period last year.

During the quarter the company re-launched its own lube oil brand “AL-Ghazi Premium Oil” to penetrate the market and to ensure presence in this business segment.



## Quarter 2

The positive trend in sales growth that started from the beginning of 2016 continued during the second quarter of the year. 4,808 tractors were delivered by the company during the second quarter of the year 2016, compared with 4,498 delivered during the same period last year. NP % witnessed a decrease mainly due to payment of super tax.

In order to glorify company's presence in high horse power market segment, a new model NH Dabung was launched during the second quarter. The company continued to invest in quality of its product , accordingly various improvements were made in the existing low hp models, strengthening the market position of the company .These improvements resulted in appreciable response from our customer and company managed to achieve the market share of 40% during the quarter.



## Quarter 3

Though the third quarter of the year July-September is usually a slower period for tractor sales, the company continued on its growth trajectory. Company managed to sell 2,426 tractors during the third quarter of the year, compared with 2,131 sold in the same period last year.

The company managed to keep its cost down by being vigilant in procurement and monitoring of expenses, thus maintaining a notable gross profit of 27%.

Federal government in this budget for the year 2016-17 reduced sales tax on tractors from 10% to 5% with effect from June 25, 2016, to the benefit of farming community.



## Quarter 4

The last quarter witnessed an upturn in sales as the company managed to sell 5,045 tractors in the last quarter as compare to 1,889 tractor in same period last year.

Free of cost delivery of tractors on ex-dealership basis and aggressive marketing approach help AGTL to gain average market share of 39%. And the company ended the year with accumulated sale of 16,206 tractors- an increase of 21% from the last year.

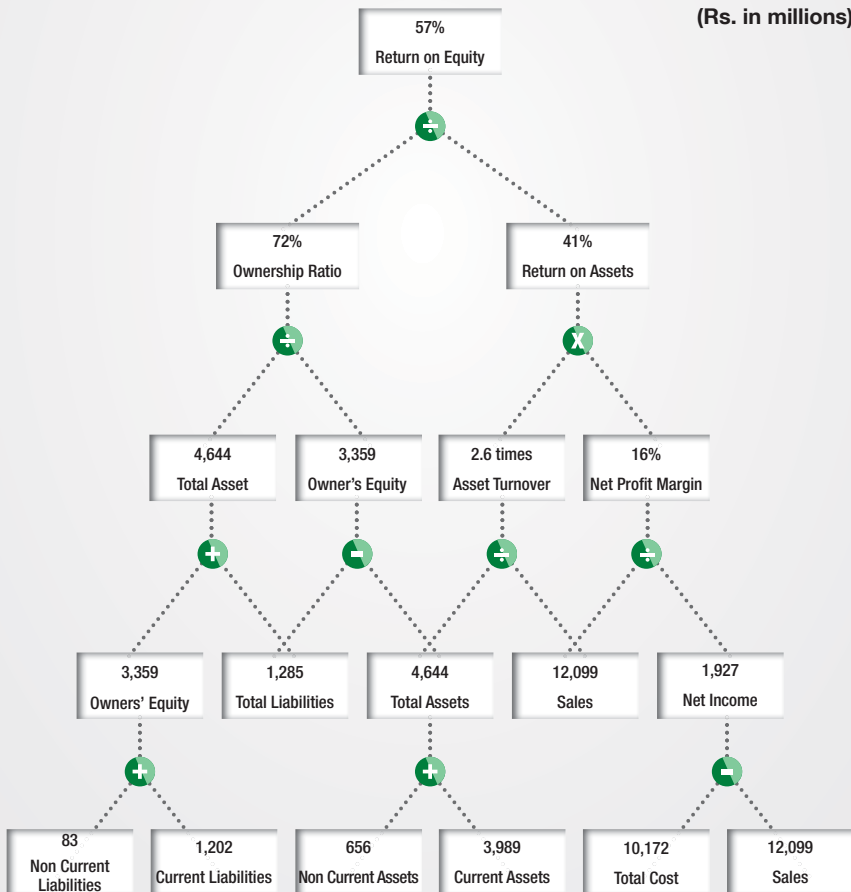


# Dupont Analysis

Total assets decrease by 18% due to decrease in stock, refunds due from government and cash balances at the end of the year, which consequently increase the return on assets to 41% and ownership ratio to 72%.

Sales increased by 26% due to various marketing initiatives and spending toward improved quality of the product which coupled with lower other operating income resulted in net margin of 16% compared to 17% earned in 2015. This resulted in 57% return on equity compared to 27% earned in 2015.

(Rs. in millions)



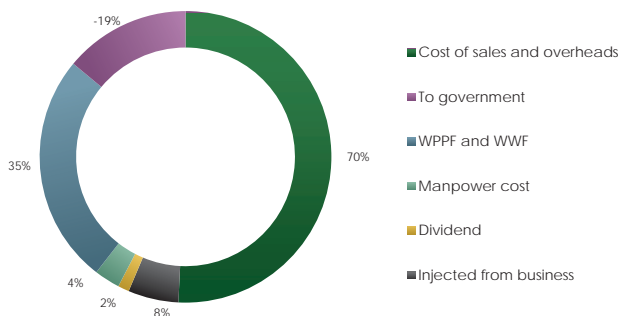
# Direct Cash

## Flow Statement

Rupees '000	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	11,883,942	9,598,785
Cash paid to suppliers / service providers and employees	(7,805,616)	(8,270,210)
Workers Funds	(211,703)	(177,283)
Income tax paid	(835,464)	(862,243)
Sales tax refund / (payment)	198,815	263,121
Retirement benefits	16,632	(27,012)
Loans, deposits and other operating income - net	(7,097)	94,675
	<b>3,239,509</b>	<b>619,833</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(95,875)	(191,609)
Proceeds from disposal of fixed assets	2,910	1,591
Proceeds from disposal of investments	-	1,966,392
Encashment of term deposits - net	900,000	1,595,000
Reurn on bank deposits	181,846	330,894
(Increase) / decrease in long-term loans	(2,064)	126
	<b>986,817</b>	<b>3,702,394</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(4,339,794)	(4,321,698)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(113,468)</b>	<b>529</b>
Cash and cash equivalents at the beginning of the year	1,420,238	1,419,709
<b>Cash and cash equivalents at the end of the year</b>	<b>1,306,770</b>	<b>1,420,238</b>

# Statement of Value Addition

	2016		2015	
	Rs '000	%	Rs '000	%
<b>Wealth Generated</b>				
Sales	12,098,828	99%	9,636,109	95%
Other income	153,929	1%	480,052	5%
	<u>12,252,757</u>	<u>100%</u>	<u>10,116,161</u>	<u>100%</u>
<b>Distribution of Wealth</b>				
Cost of sales & overheads (excluding remuneration)	8,621,360	70%	7,012,270	69.32%
To employees as remuneration	484,057	4%	488,415	5%
To government as tax	950,641	8%	799,763	8%
WPPF and WWF	211,703	2%	177,283	2%
To shareholders as dividend	4,347,315	35%	4,926,957	49%
Cash Injected from business	(2,362,319)	-19%	(3,288,527)	-33%
	<u>12,252,757</u>	<u>100%</u>	<u>10,116,161</u>	<u>100%</u>





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

# Awards for the year 2016

## Best Corporate Report Award

Al Ghazi Tractor Ltd. was awarded 2nd position for “Best Corporate Report Award 2015” in the Engineering Sector.

This award was presented to AGTL by The Joint Committee of The Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).



## Corporate Governance Disclosure Award

Al Ghazi Tractor Ltd. was awarded 1st runnerup position for “Corporate Governance Disclosure 2014”. This award was presented to AGTL by South Asian Federation of Accountants (SAFA).



# Notice of 34<sup>th</sup> Annual General Meeting

Notice is hereby given that the 34th Annual General Meeting of Al-Ghazi Tractors Limited will be held on Thursday, April 25, 2017 at 14:30 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, 2016.
2. To declare the final cash dividend, the directors have recommended a dividend of 250% i.e. Rs. 12.5 per share in addition to interim dividend already paid @ 1000% making a total dividend of 1250% i.e. Rs.62.5 per share.
3. To appoint Auditors for the year ending December 31, 2017 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer themselves for reappointment.

By Order of the Board



SOBIKA ZUBAIR  
COMPANY SECRETARY  
Karachi, March 30, 2017



## NOTES:

1. The share transfer books of the Company will remain closed from April 19, 2017, to April 25, 2017 (both days inclusive). Transfers received at our Share Registrar Office M/s FAMCO Associates (Pvt.) Ltd. situated at 8-F Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk at the close of business on April 18, 2017 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(I) 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: 20%

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, 2017. 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 @ 20% 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.

# Investor Relations

At AGTL we are committed to ensuring that shareholders and investors have easy access to clear, reliable and meaningful information of 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 in English and Urdu. Apart from financial results, the website, [www.alghazitractors.com](http://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.

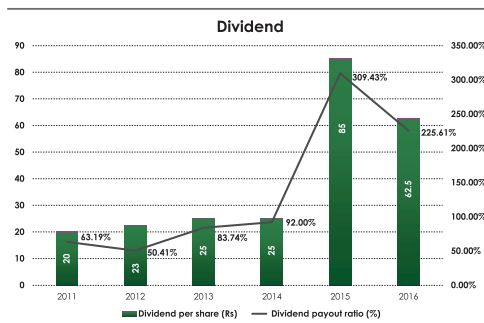
There are 2959 shareholders which are listed as follows:

Al-Futtaim Industries Company	28,992,705 shares	= 50.02%
CNH Industrial N.V.	25,022,379 shares	= 43.16%
Directors	1,050 shares	= 0.002%
Companies and corporations	374,186 shares	= 0.65%
Individual and others	3,573,881 shares	= 6.17%
<b>Total</b>	<b>57,964,201 shares</b>	<b>= 100%</b>

## 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. 3.4 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 Marriott Hotel, Karachi on April 25, 2017 at 14:30 hrs.

## Dividend Payments during the year

Final dividend for the year 2015 was paid on April 29, 2016 @ Rs. 25 per share i.e. 500%.

1st Interim dividend for the year 2016 was paid on June 08, 2016 @ Rs. 25 per share i.e. 500%

2nd Interim dividend for the year 2016 was paid on December 2, 2016 @ Rs. 25 per share i.e. 500%

The 2016 final dividend will be paid by May 25, 2017 to shareholders registered in the books of the Company at the close of business on April 19, 2017. The Board of Directors have recommended final dividend of Rs. 12.5 per share. Thus making a total cash dividend of 1250% i.e. Rs. 62.5 per share for the year 2016.

## 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

2016 Annual Financial Results	<b>February 13, 2017</b>
2016 Annual General Meeting	<b>April 25, 2017</b>
Book closure dates for 2016 Final Dividend	<b>April 19, 2017 to April 25, 2017</b>
Payment of Final Dividend	<b>May 25, 2017</b>
2017 1st Quarterly Results	<b>April 25, 2017</b>
2017 2nd Quarterly Results	<b>August 17, 2017</b>
2017 3rd Quarterly Results	<b>October 24, 2017</b>
Extra Ordinary General Meeting	<b>December 26, 2017</b>
2017 Annual Financial Results	<b>February 13, 2018</b>

Dates are subject to change.

# Pattern of Shareholding

As At December 31, 2016

No. of Shareholders	Size of Shareholding Rs. 5 each		Total Shares Held
	From	To	
945	1	100 Shares	47,794
975	101	500 Shares	289,774
416	501	1,000 Shares	328,095
488	1,001	5,000 Shares	1,045,174
70	5,001	10,000 Shares	517,623
24	10,001	15,000 Shares	306,348
10	15,001	20,000 Shares	167,285
8	20,001	25,000 Shares	186,427
6	25,001	30,000 Shares	163,971
3	30,001	35,000 Shares	96,150
5	40,000	45,000 Shares	211,215
3	50,000	55,000 Shares	151,924
1	65,001	70,000 Shares	68,290
1	100,001	105,000 Shares	100,785
1	130,001	135,000 Shares	130,262
1	135,001	140,000 Shares	138,000
1	25,020,001	25,025,000 Shares	25,022,379
1	28,990,001	28,995,000 Shares	28,992,705
<b>2,959</b>			<b>57,964,201</b>

## Categories of Shareholders

Sr. No.	Categories of Share holders	No. of Shareholders	Shares Held	Percentage
1-	Individuals	574	387,961	0.67%
2-	Financial Institutions	3	3,149	0.01%
3-	Associated Companies	2	54,015,084	93.19%
4-	Others	7	21,012	0.04%
5-	Central Depository Company (b)	2,373	3,536,995	6.10%
		<b>2,959</b>	<b>57,964,201</b>	<b>100.00%</b>

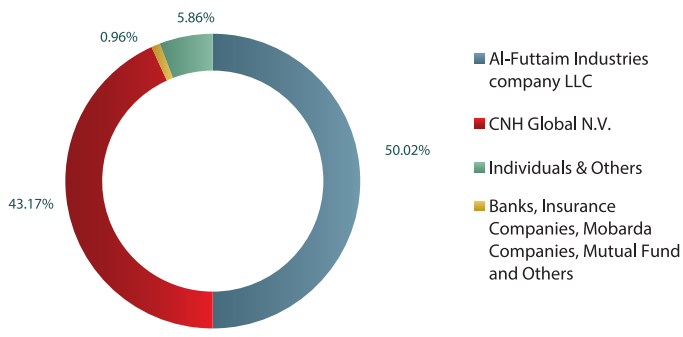
(b) Categories of Account holders and Sub-Account holders as per Central Depository Company of Pakistan as at December 31, 2016

Sr. No.	Categories of Share holders	No. of Shareholders	Shares Held	Percentage
1-	Individuals	2,325	3,005,973	5.19%
2-	Investment Companies	5	57,950	0.10%
3-	Insurance Companies	6	352,312	0.61%
4-	Joint Stock Companies	26	50560	0.09%
5-	Financial Institutions	1	200	0.00%
6-	Modaraba Companies	3	2,275	0.00%
7-	Mutual Fund	2	5,000	0.01%
8-	Others	5	62,725	0.11%
		<b>2,373</b>	<b>3,536,995</b>	<b>6.10%</b>



# Shareholding Information

Categories of Shareholders	No. of Shareholders	No. of Shares Held
<b>Directors, CEO and their spouses and minor children:</b>		
Mr. Muhammad Ali Qaiyum - Independent Director	1	1,050
<b>Associated companies:</b>		
Al-Futtaim Industries Company LLC	1	28,992,705
CNH Industrial N.V.	1	25,022,379
<b>Banks, Development Financial Institution, Non Banking Financial Institut</b>	6	14,699
<b>Insurance Companies</b>	6	352,312
<b>Modaraba Companies</b>	2	2,175
<b>Mutual Fund:</b>		
CDC - Trustee First Capital Mutual Fund	2	5,000
<b>Others</b>	42	180,997
<b>Individuals</b>		
Local	2898	3,392,884
<b>Shareholders holding 5% or more voting interest:</b>		
Al-Futtaim Industries Company LLC	1	28,992,705
CNH Industrial N.V.	1	25,022,379







## Dealer Convention & “Dabung” launch

May, 2016



# 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 2016 are set out below:

### **Key focus areas of the Board during the year 2016 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
- Approving the interim dividend of totaling to Rs. 50 per share and recommending a final dividend of Rs. 12.5 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.

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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 (CEO)	Executive		
M. Ali. Qaiyum	Independent Non-Executive	Chairman	
Kashif Lawai	Executive		
Majid-ul-Ahsan Syed	Non-Executive	Member	Member
Vincent DeLassagne	Non-Executive		Member
Mark Brinn*	Non-Executive		
Damiano Cretarola	Non-Executive	Member	

\*Appointed Board member from October 25, 2016.

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 13 to 15 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.

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

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			3	3
Mohammad Shahid Hussain	4	4				
M. Ali. Qaiyum	4	4	4	4		
Kashif Lawai	4	4	4	4		
Majd-ul-Ahsan Syed	4	3	4	3	3	3
Vincent DeLassagne	4	2				
Mark Brinn*	1	1			1	-
Michele Lombardi*	3	1				
Damiano Cretarola	4	2	4	1		

\*Mr. Mark Brinn was appointed as director in place of Mr. Michele Lombardi from October 25, 2016

## Board Training

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

As required by the Securities and Exchange Commission of Pakistan (SECP), which mandates Board members to require certification, the Chairman, Mr. Charles Lenard Hunt, the CEO, Mr. Shahid Hussain, the CFO, Mr. Kashif Lawai and the independent directors, Mr. M.A. Qaiyum and Mr. Majid-ul-Hasan 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

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.

74

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 2016.

## 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

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

No reportable cases of whistle blowing were raised during 2016.

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 21, 2016. The following were approved by the shareholders:

- ◆ Financial statements for the year ended December 31, 2015;
- ◆ Declaration of final cash dividend @ Rs. 25 per share; and
- ◆ Appointment of M/s A.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.



**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-Ghazi Tractors Limited for the year ended December 31, 2016 to comply with the Code contained in Listing Regulation No. 5.19 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 this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2016.

  
Chartered Accountants  
Karachi

Dated: February 28, 2017

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

# Statement of Compliance

with the Code of Corporate Governance

For the year ended December 31, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of the listing regulations of 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 CCG in the following manner:

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

<b>Category</b>	<b>Names</b>
<b>Independent Director</b>	Mr. M. Ali Qaiyum
<b>Executive Directors</b>	Mr. Mohammad Shahid Hussain Mr. Kashif Lawai
<b>Non-Executive Directors</b>	Mr. Charles Leonard Hunt Mr. Majd-ul-Ahsan Syed Mr. Vincent De Lassagne Mr. Damiano Cretarola Mr. Mark Brinn

The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company( excluding the listed subsidiaries of listed holding companies where applicable).
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 broker of a stock exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurring in the Board on August 29, 2016 was filled up by the directors within 57 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision and mission statement, overall corporate 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, other Executive Director and Non-Executive Director, have been taken by the Board.
  8. The meetings of the Board were presided over by the Chairman. 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. During the year, 3 of the directors attended director training program.
  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 CCG and fully describes the salient matters required to be disclosed.
  12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
  13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
  14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
  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 CCG. 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, employees and stock exchanges.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. The company has complied with the requirements relating to the maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors

Karachi  
Dated: February 13, 2017

  
MOHAMMAD SHAHID HUSSAIN  
Chief Executive Officer

# 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 13 to 15.

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 2016

The Audit Committee met four times during the year. The attendance of the members at these meetings is stated in the table on page 72 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, 2016 and reports that:

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- ♦ The Committee reviewed and approved the quarterly and annual financial statements of the Company and recommended them for approval of the Board;
- ♦ Appropriate accounting policies have been consistently applied and all applicable accounting standards were followed in preparation of the financial statements for the year ended December 31, 2016, 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.

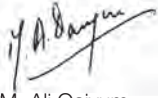
## **External Audit**

- ♦ 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, 2016 and shall retire on the conclusion of the 34th 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 2017. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.



M. Ali Qaiyum  
Chairman, Audit Committee  
February 13, 2017

# 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 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 2016

The Committee met three times during the year. The attendance of the members at these meetings is stated in the table on page 72 of the annual report.



Charles Leonard Hunt  
Chairman, Human Resource and Remuneration Committee  
February 13, 2017

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# 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 2016.**







**First All Pakistan AGTL  
"Tape Ball Cricket Tournament"**



# 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.

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](http://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.

## Enterprise Resource Planning

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.



**During the year 2016, AGTL offices in Lahore, Multan & Dera Ghazi Khan were connected to Head Office Karachi, through a video Conferencing facility resulting in efficient and fast communication among all departments to achieve the Company's objectives.**

## Disaster Recovery Planning

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.

## Safety and Security of IT Record

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.

# 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.







**Financial**  
Statements  
**2016**

# Financial Highlights

**Sales Revenue**

(2015: Rs. 9,636 M)

**+25.6%**

(2016: Rs. 12,099 M)

**Net Profit**

(2015: Rs. 1,592 M)

**+21.0%**

(2016: Rs. 1,927 M)

**Earning Per Share**

(2015: Rs. 27.47)

**+21.0%**

(2016: Rs. 33.24)

**Return on Asset**

(2015: Rs. 24.9 %)

**+66.6%**

(2016: Rs. 41.5 %)

**Return on Equity**

(2015: Rs. 27.51 %)

**+108.6%**

(2016: Rs. 57.4 %)



A.F. FERGUSON &amp; CO.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2016 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.

*Affegun 2/6*  
Chartered Accountants  
Karachi

Dated: 22-March-2017

Engagement Partner: Syed Fahim ul Hisan

**BALANCE SHEET**

AS AT DECEMBER 31, 2016

Rupees '000	Note	2016	2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	3	649,897	612,208
Long-term loans		2,280	216
Long-term deposits		3,538	2,697
		<u>655,715</u>	<u>615,121</u>
<b>CURRENT ASSETS</b>			
Stores and spares	4	18,731	34,340
Stock-in-trade	5	1,408,886	2,115,034
Trade debts	6	279,759	27,759
Loans and advances	7	94,042	62,048
Short-term deposits and prepayments	8	6,119	6,821
Accrued mark-up	9	4,307	61,114
Other receivables	10	40,849	38,411
Taxation		-	70,828
Refunds due from the Government	11	819,138	1,017,953
Investments	12	-	25,000
Cash and bank balances	13	1,316,770	2,330,238
		<u>3,988,601</u>	<u>5,789,546</u>
<b>TOTAL ASSETS</b>		<u><u>4,644,316</u></u>	<u><u>6,404,667</u></u>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	14	289,821	289,821
Reserves	15	3,069,648	5,498,759
		<u>3,359,469</u>	<u>5,788,580</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred staff benefits - compensated absences		41,940	32,892
Staff retirement benefit	31	9,715	2,131
Deferred taxation	16	30,865	31,985
		<u>82,520</u>	<u>67,008</u>
<b>CURRENT LIABILITIES</b>			
Taxation		45,469	-
Trade and other payables	17	1,156,858	549,079
<b>TOTAL LIABILITIES</b>		<u>1,284,847</u>	<u>616,087</u>
<b>COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	18	<u><u>4,644,316</u></u>	<u><u>6,404,667</u></u>

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



Chairman



Chief Executive

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees '000	Note	2016	2015
Sales	20	12,098,828	9,636,109
Cost of goods sold	21	(8,750,087)	(7,136,631)
Gross profit		<u>3,348,741</u>	<u>2,499,478</u>
Distribution cost	22	(162,088)	(111,907)
Administrative expenses	23	(250,336)	(297,194)
		<u>2,936,317</u>	<u>2,090,377</u>
Other income	24	153,929	480,052
Other operating expenses	25	(211,703)	(177,283)
		<u>2,878,543</u>	<u>2,393,146</u>
Finance cost	26	(1,018)	(1,100)
Profit before taxation		<u>2,877,525</u>	<u>2,392,046</u>
Taxation	27	(950,641)	(799,763)
Profit after taxation		<u><u>1,926,884</u></u>	<u><u>1,592,283</u></u>
Earnings per share	28	<u><u>Rs. 33.24</u></u>	<u><u>Rs. 27.47</u></u>

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



Chairman



Chief Executive

**STATEMENT OF COMPREHENSIVE INCOME**

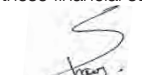
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees '000	2016	2015
Profit after taxation	1,926,884	1,592,283
Other comprehensive income:		
<b>Items that will not be reclassified to Profit or Loss</b>		
Remeasurements of post employment benefit obligations	(8,680)	(11,592)
Impact of deferred tax	-	3,709
	(8,680)	(7,883)
<b>Items that may be subsequently reclassified to Profit or Loss</b>	-	-
Total comprehensive income for the year	1,918,204	1,584,400

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



Chairman



Chief Executive

**CASH FLOW STATEMENT**

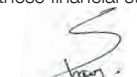
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees '000	Note	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	29	4,079,298	1,534,314
Income tax paid		(835,464)	(862,243)
Increase in long-term deposits		(841)	(908)
Retirement benefits obligations paid		(12,532)	(52,116)
Increase in deferred staff benefits - compensated absences		9,048	786
Net cash inflow from operating activities		3,239,509	619,833
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to fixed assets		(95,875)	(191,609)
Proceeds from disposal of fixed assets		2,910	1,591
Proceeds from disposal of investments		-	1,966,392
Encashment of term deposits - net		900,000	1,595,000
Return on bank deposits received		181,846	330,894
(Increase) / decrease in long-term loans		(2,064)	126
Net cash inflow from investing activities		986,817	3,702,394
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Dividend paid		(4,339,794)	(4,321,698)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(113,468)	529
Cash and cash equivalents at beginning of the year		1,420,238	1,419,709
Cash and cash equivalents at end of the year	30	<u>1,306,770</u>	<u>1,420,238</u>

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



Chairman



Chief Executive

**STATEMENT OF CHANGES IN EQUITY**

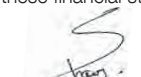
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees '000	Share capital	General reserve	Unappropriated profit	Total
<b>Balance as at January 1, 2015</b>	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)
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
<b>Balance as at January 1, 2016</b>	289,821	1,000,000	4,498,759	5,788,580
Final dividend @ Rs. 25 per share for the year ended December 31, 2015	-	-	(1,449,105)	(1,449,105)
First interim dividend @ Rs. 25 per share for the year ended December 31, 2016	-	-	(1,449,105)	(1,449,105)
Second interim dividend @ Rs. 25 per share for the year ended December 31, 2016	-	-	(1,449,105)	(1,449,105)
Total comprehensive income for the year ended December 31, 2016				
Profit for the year ended December 31, 2016	-	-	1,926,884	1,926,884
Other comprehensive loss for the year ended December 31, 2016	-	-	(8,680)	(8,680)
	-	-	1,918,204	1,918,204
<b>Balance as at December 31, 2016</b>	289,821	1,000,000	2,069,648	3,359,469

The annexed notes 1 to 40 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, 2016

### **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, 16th East Street, Off Korangi Road, 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, 2016 and are considered to be relevant to the Company's operations.

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provides clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The above do not have any significant impact on these financial statements.

### 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, 2016 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

### c) Standards and amendments to published approved accounting standards that are not yet effective

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual periods beginning on or after January 1, 2017. However, these amendments do not have any significant impact on financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further, the new standards are yet to be adopted by the Securities and Exchange Commission of Pakistan.

## 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 PLS savings 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, 2016 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.

Rupees '000		2016	2015
<b>3. FIXED ASSETS</b>			
Property, Plant and Equipment			
Operating assets	3.1	609,838	609,303
Capital work-in-progress	3.2	38,631	2,460
		648,469	611,763
Intangible Assets	3.3	1,428	445
		<b>649,897</b>	<b>612,208</b>

**3.1 Operating assets**

Rupees '000	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							
<b>Net carrying value basis</b>											
<b>Year ended December 31, 2016</b>											
Opening 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
Additions	-	-	4,456	2,052	17,829	1,870	3,418	4,326	23,925	604	58,480
Disposals											
Cost	-	-	-	-	3,704	497	638	795	8,872	33	14,539
Accumulated depreciation	-	-	-	-	(3,704)	(453)	(608)	(795)	(8,872)	(33)	(14,465)
Depreciation charge	-	(824)	(5,626)	(4,417)	(26,503)	(1,612)	(1,324)	(1,851)	(14,289)	(1,425)	(57,871)
<b>Closing net book value</b>	<b>4,334</b>	<b>75,891</b>	<b>158,533</b>	<b>168,234</b>	<b>133,506</b>	<b>9,787</b>	<b>10,673</b>	<b>4,474</b>	<b>37,220</b>	<b>7,186</b>	<b>609,838</b>
<b>Gross carrying value basis</b>											
<b>At December 31, 2016</b>											
Cost	4,334	81,599	228,920	178,395	339,867	14,332	17,443	18,306	89,810	18,496	991,502
Accumulated depreciation	-	(5,708)	(70,387)	(10,161)	(206,361)	(4,545)	(6,770)	(13,832)	(52,590)	(11,310)	(381,664)
<b>Net book value</b>	<b>4,334</b>	<b>75,891</b>	<b>158,533</b>	<b>168,234</b>	<b>133,506</b>	<b>9,787</b>	<b>10,673</b>	<b>4,474</b>	<b>37,220</b>	<b>7,186</b>	<b>609,838</b>
<b>Net carrying value basis</b>											
<b>Year ended December 31, 2015</b>											
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)	(974)	(814)	(1,472)	(12,884)	(1,390)	(45,960)
<b>Closing net book value</b>	<b>4,334</b>	<b>76,715</b>	<b>159,703</b>	<b>170,599</b>	<b>142,180</b>	<b>9,573</b>	<b>8,609</b>	<b>1,999</b>	<b>27,584</b>	<b>8,007</b>	<b>609,303</b>
<b>Gross carrying value basis</b>											
<b>At December 31, 2015</b>											
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)
<b>Net book value</b>	<b>4,334</b>	<b>76,715</b>	<b>159,703</b>	<b>170,599</b>	<b>142,180</b>	<b>9,573</b>	<b>8,609</b>	<b>1,999</b>	<b>27,584</b>	<b>8,007</b>	<b>609,303</b>

**3.1.1** Details of fixed assets disposed off during the year:

Rupees '000	Cost	Accumulated depreciation	Net book value	Sale proceeds
<b>Aggregate of assets disposed of having book value less than Rs. 50,000 each:</b>				
Vehicles	8,872	8,872	-	2,860
Plant and machinery	3,704	3,704	-	-
Computer hardware	795	795	-	6
Office equipment	638	608	30	-
Furniture and fixtures	497	453	44	44
Factory equipment and tools	33	33	-	-
	<b>14,539</b>	<b>14,465</b>	<b>74</b>	<b>2,910</b>

**3.2 CAPITAL WORK-IN-PROGRESS**

Rupees '000	2016				2015			
	Balance as at January 1, 2016	Additions during the year	Transfers - note	Balance as at December 31, 2016	Balance as at January 1, 2015	Additions during the year	Transfers - note	Balance as at December 31, 2015
Civil works	2,460	34,601	(4,456)	32,605	97,128	95,687	(190,355)	2,460
Plant and machinery	-	1,424	(1,129)	295	-	-	-	-
Advances to suppliers - note 3.2.1	-	5,731	-	5,731	-	-	-	-
<b>Total</b>	<b>2,460</b>	<b>41,756</b>	<b>(5,585)</b>	<b>38,631</b>	<b>97,128</b>	<b>95,687</b>	<b>(190,355)</b>	<b>2,460</b>

**3.2.1** Advances to suppliers include Rs. 4.34 million in respect of purchase of vehicles for employees as per terms of employment.

Rupees '000	2016	2015
<b>3.3 INTANGIBLE ASSETS</b>		
<b>Net carrying value basis</b>		
Opening net book value	445	211
Additions	1,224	353
Adjustments - At net book value	-	68
Amortisation	(241)	(187)
Closing net book value	<b>1,428</b>	<b>445</b>
<b>Gross carrying value basis</b>		
Cost	8,378	7,154
Accumulated amortisation	(6,950)	(6,709)
Net book value	<b>1,428</b>	<b>445</b>
Remaining useful life in years	<b>1.8</b>	<b>1.9</b>



Rupees '000	Note	2016	2015
<b>4. STORES AND SPARES</b>			
Stores		5,014	19,957
Spares		13,717	14,383
		<u>18,731</u>	<u>34,340</u>
<b>5. STOCK-IN-TRADE</b>			
Raw materials and components – including in transit Rs. 101.56 million (2015: Rs. 29.96 million)	5.1	1,023,345	1,558,286
Work-in-process	5.2	51,118	131,798
Finished goods – tractors, generators and implements		330,738	420,067
Trading stock – spare parts and implements		3,685	4,883
		<u>1,408,886</u>	<u>2,115,034</u>

5.1 The amount includes raw materials of Rs. 0.46 million (2015: Rs. 13.71 million) held by third parties.

5.2 The amount includes work-in-process of Rs. 6.11 million (2015: Rs. 17.01 million) held by third parties.

Rupees '000	2016	2015
<b>6. TRADE DEBTS – considered good</b>		
Secured	79,832	22,323
Unsecured	199,927	5,436
	<u>279,759</u>	<u>27,759</u>
<b>6.1 The age analysis of trade debts is as follows:</b>		
1 to 6 months	278,232	18,670
6 to 12 months	1,527	4,768
More than 1 year	-	4,321
	<u>279,759</u>	<u>27,759</u>

Rupees '000	Note	2016	2015
<b>7.</b>			
LOANS AND ADVANCES – considered good			
Loans to employees	7.1	4,253	1,367
Advances to suppliers for goods and services		89,789	60,681
		<u>94,042</u>	<u>62,048</u>

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.

Rupees '000	Note	2016	2015
<b>8.</b>			
<b>SHORT-TERM DEPOSITS AND PREPAYMENTS</b>			
Prepayments		5,143	5,622
Other deposits		976	1,199
		<u>6,119</u>	<u>6,821</u>
<b>9.</b>			
<b>ACCRUED MARK-UP</b>			
Mark-up accrued on bank deposits		4,307	61,114
<b>10.</b>			
<b>OTHER RECEIVABLES</b>			
Due from Workers' Profits Participation Fund	10.1	2,942	504
Others	10.2	37,907	37,907
		<u>40,849</u>	<u>38,411</u>
<b>10.1</b>			
Workers' Profits Participation Fund			
At beginning of the year		504	6,028
Allocation for the year		(153,028)	(128,466)
		<u>(152,524)</u>	<u>(122,438)</u>
Less: Amount paid during the year		155,466	122,942
		<u>2,942</u>	<u>504</u>

10.2 This includes Rs. 37.8 million deposited with the Authority under Payment of Wages Act, 1936 in respect of 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. During the year, the court decided the case in favour of the Company and ordered the amount so deposited be returned to the Company immediately. Further, the amount has been recovered subsequent to the year end.

Rupees '000	Note	2016	2015
<b>11. REFUNDS DUE FROM THE GOVERNMENT</b>			
Sales tax	11.1	670,613	853,877
Special excise duty		148,525	164,076
		<u>819,138</u>	<u>1,017,953</u>

- 11.1** In 2015, Deputy Commissioner of Inland Revenue had 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 had 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.

Rupees '000	Note	2016	2015
<b>12. INVESTMENTS</b>			
Held to maturity - Certificate of Investment		52,800	52,800
Less: Provision for impairment		(52,800)	(27,800)
		<u>-</u>	<u>25,000</u>
<b>13. CASH AND BANK BALANCES</b>			
With banks on			
- Current accounts		181,669	172,285
- PLS savings and deposit accounts	13.1	1,051,798	2,074,726
Cash in hand		257	309
Demand drafts in hand		83,046	82,918
		<u>1,316,770</u>	<u>2,330,238</u>

- 13.1** At December 31, 2016, the mark-up rates on PLS savings and deposit accounts range from 2.4% to 6.1% per annum (2015: 4.0% to 8.5% per annum). The term deposits will mature in 2017.

Rupees '000	2016	2015
<b>14. SHARE CAPITAL</b>		
<b>14.1 Authorised Share Capital</b>		
120,000,000 ordinary shares of Rs. 5 each (2015: 120,000,000 ordinary shares of Rs. 5 each)	600,000	600,000

**14.2 Issued, subscribed and paid-up capital**

Ordinary shares of Rs. 5 each			2016	2015
2016	2015		Rupees '000	Rupees '000
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	267,321	267,321
<u>57,964,201</u>	<u>57,964,201</u>		<u>289,821</u>	<u>289,821</u>

**14.4** As at December 31, 2016 Al-Futtaim Industries Company LLC, U.A.E., the holding company and CNH Global N.V., Netherlands, an associated company held 28,992,705 (2015: 28,992,705) and 25,022,379 (2015: 25,022,379) shares of Rs. 5 each respectively.

Rupees '000	2016	2015
<b>15. RESERVES</b>		
Revenue reserve - General	1,000,000	1,000,000
Unappropriated profit	2,069,648	4,498,759
	<u>3,069,648</u>	<u>5,498,759</u>

Rupees '000	2016	2015
<b>16. DEFERRED TAXATION</b>		
Credit / (debit) balance arising on account of		
- accelerated tax depreciation allowances	59,287	54,888
- deferred staff benefits - compensated absences	(12,582)	(10,298)
- staff retirement benefits	-	(3,709)
- provision for impairment on investment	(15,840)	(8,896)
	<u>30,865</u>	<u>31,985</u>
<b>17. TRADE AND OTHER PAYABLES</b>		
Creditors	114,780	52,849
Accrued liabilities	561,110	215,194
Customers' and dealers' advances	49,763	12,649
Unclaimed dividend	61,125	53,604
Deposits	55,295	31,660
Taxes deducted at source	177,622	20,270
Workers' Welfare Fund	58,675	57,983
Royalty payable to CNH Global N.V. - associated company	53,798	36,093
Others	24,690	68,777
	<u>1,156,858</u>	<u>549,079</u>
<b>18. COMMITMENTS</b>		
Commitments for capital expenditure outstanding as at December 31, 2016 amounted to Rs. 44.97 million (2015: Rs. 14.78 million).		
<b>19. UNFUNDED BANKING FACILITIES</b>		
The facilities for opening letters of credit and guarantees as at December 31, 2016 amounted to Rs. 2.33 billion (2015: Rs. 2.10 billion) of which unutilised balance at year end amounted to Rs. 1.93 billion (2015: Rs 1.94 billion).		
The above arrangements are secured by way of pari-passu charge against hypothecation of Company's stock-in-trade and book debts.		

## 20. SALES

Rupees '000	2016			2015		
	Trading goods and others			Trading goods and others		
	Tractors		Total	Tractors		Total
Local sales	12,861,144	174,588	13,035,732	10,545,979	95,859	10,641,838
Export sales	117,858	191	118,049	75,879	23,466	99,345
	<u>12,979,002</u>	<u>174,779</u>	<u>13,153,781</u>	<u>10,621,858</u>	<u>119,325</u>	<u>10,741,183</u>
Less: Commission and discounts	(168,506)	(3,485)	(171,991)	(134,543)	(811)	(135,354)
Sales Tax	(875,448)	(7,514)	(882,962)	(959,800)	(9,920)	(969,720)
	<u>(1,043,954)</u>	<u>(10,999)</u>	<u>(1,054,953)</u>	<u>(1,094,343)</u>	<u>(10,731)</u>	<u>(1,105,074)</u>
	<u>11,935,048</u>	<u>163,780</u>	<u>12,098,828</u>	<u>9,527,515</u>	<u>108,594</u>	<u>9,636,109</u>

Rupees '000	2016	2015
<b>21. COST OF GOODS SOLD</b>		
Manufactured goods		
Raw materials and components consumed	7,854,351	6,700,571
Salaries, wages and benefits	258,566	216,701
Charge for defined benefit plan	4,562	4,834
Charge for defined contribution plan	3,356	2,899
Stores and supplies	109,724	117,248
Royalty and technical fee	111,579	94,662
Insurance	2,203	2,679
Depreciation	27,799	28,287
Fuel, power and electricity	37,540	38,430
Repairs and maintenance	35,059	24,478
Travelling, vehicle running and entertainment	6,243	4,319
Rent, rates and taxes	1,015	2,089
Communication	513	483
Printing and stationery	2,172	1,679
Others	5,468	5,777
Opening stock of work-in-process	131,798	67,229
Closing stock of work-in-process	(51,118)	(131,798)
Cost of goods manufactured	<u>8,540,830</u>	<u>7,180,567</u>
Opening stock of finished goods	420,067	318,342
Closing stock of finished goods	(330,738)	(420,067)
	<u>8,630,159</u>	<u>7,078,842</u>
Trading goods		
Opening stock	4,883	12,337
Purchases	118,730	50,335
	<u>123,613</u>	<u>62,672</u>
Closing stock	(3,685)	(4,883)
	<u>119,928</u>	<u>57,789</u>
	<u>8,750,087</u>	<u>7,136,631</u>

Rupees '000	Note	2016	2015
<b>22. DISTRIBUTION COST</b>			
Salaries, wages and benefits		54,428	51,493
Charge for defined benefit plan		1,540	1,498
Charge for defined contribution plan		1,321	1,022
Insurance		114	105
Depreciation / amortisation		4,424	3,918
Fuel, power and electricity		7,872	6,206
Travelling, vehicle running and entertainment		10,175	9,442
Repairs and maintenance		1,117	642
Rent, rates and taxes		1,021	863
Communication		1,473	1,267
Advertisement and promotion		45,023	28,312
After sales expense		12,716	3,724
Freight charges		19,530	1,363
Legal and professional charges		25	393
Printing and stationery		880	1,209
Others		429	450
		162,088	111,907
<b>23. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits		149,889	199,083
Charge for defined benefit plan		5,334	6,394
Charge for defined contribution plan		4,697	4,491
Insurance		317	271
Depreciation		25,889	13,942
Travelling, vehicle running and entertainment		7,713	8,359
Repairs and maintenance		2,148	3,395
Rent, rates and taxes		3,928	6,436
Communication		6,318	6,538
Auditors' remuneration	23.1	2,646	2,446
Advertising		1,672	2,008
Legal and professional charges		5,398	4,210
Printing and stationery		6,281	6,603
Donation	23.2	119	47
Provision for impairment on investment		25,000	27,800
Others		2,987	5,171
		250,336	297,194

Rupees '000	2016	2015
<b>23.1</b>	<b>Auditors' remuneration</b>	
	1,400	1,300
	Audit fee	
	950	850
	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	
	296	296
	Out of pocket expenses	
	<u>2,646</u>	<u>2,446</u>
<b>23.2</b>	None of the Directors or their spouses had any interest in the donee.	
Rupees '000	2016	2015
<b>24.</b>	<b>OTHER INCOME</b>	
	<b>Income from financial assets</b>	
	125,039	358,022
	Return on PLS savings and deposit accounts	
	-	66,422
	Gain on disposal of investments at fair value through profit and loss account	
	-	1,761
	Others	
	<u>125,039</u>	<u>426,205</u>
	<b>Income from other assets</b>	
	14,997	14,820
	Scrap sales	
	2,836	1,197
	Profit on disposal of fixed assets	
	10,870	12,622
	Discount received	
	187	25,208
	Others	
	<u>28,890</u>	<u>53,847</u>
	<u>153,929</u>	<u>480,052</u>
<b>25.</b>	<b>OTHER OPERATING EXPENSES</b>	
	153,028	128,466
	Workers' Profits Participation Fund	
	58,675	48,817
	Workers' Welfare Fund	
	<u>211,703</u>	<u>177,283</u>



Rupees '000	2016	2015
<b>26. FINANCE COST</b>		
Bank charges and commission	1,018	1,100
<b>27. TAXATION</b>		
Current		
- for the year	885,944	746,598
- prior year	65,817	52,717
Deferred	(1,120)	448
	<u>950,641</u>	<u>799,763</u>
<b>27.1 Relationship between tax expense and accounting profit:</b>		
Accounting profit before tax	2,877,525	2,392,046
Tax at applicable rate of 31% (2015: 32%)	892,033	765,455
Effect of final tax on exports	(7,723)	(5,796)
Effect of income at reduced rate	-	(10,363)
Tax credit	(1,783)	-
Effect of change in tax rate	556	(5,035)
Prior year tax	65,817	52,717
Others	1,741	2,785
	<u>950,641</u>	<u>799,763</u>
<b>28. EARNINGS PER SHARE</b>		
Profit after taxation attributable to ordinary shareholders	1,926,884	1,592,283
Weighted average number of shares in issue during the year (in thousand)	57,964	57,964
Earnings per share	<u>Rs. 33.24</u>	<u>Rs. 27.47</u>
<b>28.1</b>	A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2016 and 2015 which would have any effect on the earnings per share if the option to convert exercised.	

Rupees '000	2016	2015
<b>29. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	2,877,525	2,392,046
Add / (less): Adjustment for non-cash charges and other items		
Depreciation / amortisation	58,112	46,147
Retirement benefits charge	11,436	12,726
Adjustments to fixed assets	-	(389)
Provision for impairment on investment	25,000	27,800
Profit on disposal of fixed assets	(2,836)	(1,197)
Gain on disposal of investments at fair value through profit and loss account	-	(66,422)
Return on bank deposits	(125,039)	(358,022)
	2,844,198	2,052,689
Effect on cash flow due to working capital changes		
Decrease / (increase) in current assets		
Stores and spares	15,609	1,622
Stock-in-trade	706,148	45,315
Trade debts	(252,000)	(13,963)
Loans and advances	(31,994)	16,748
Short-term deposits and prepayments	702	25,398
Other receivables	(2,438)	(32,262)
Refunds due from the Government	198,815	263,121
	634,842	305,979
Increase / (decrease) in current liabilities		
Trade and other payables	600,258	(824,354)
	1,235,100	(518,375)
	4,079,298	1,534,314
<b>30. CASH AND CASH EQUIVALENTS</b>		
Cash in hand	257	309
At banks in		
- Current accounts	181,669	172,285
- PLS savings accounts	1,041,798	1,164,726
	1,223,467	1,337,011
Demand Drafts in hand	83,046	82,918
	1,306,770	1,420,238

**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, 2016.

**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, 2016 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

Rupees '000	2016	2015
<b>31.4 Balance sheet reconciliation as at December 31</b>		
Present value of defined benefit obligation	134,996	112,064
Fair value of plan assets	(125,281)	(109,933)
	<u>9,715</u>	<u>2,131</u>
<b>31.5 Movement in the defined benefit obligation</b>		
Obligation as at January 1	112,064	169,675
Current service cost	11,244	9,584
Interest expense	9,802	12,931
Remeasurement on obligation	8,188	12,911
Benefits paid	(6,302)	(93,037)
Obligation as at December 31	<u>134,996</u>	<u>112,064</u>
<b>31.6 Movement in the fair value of plan assets</b>		
Fair value as at January 1	109,933	139,746
Interest income	9,610	9,789
Remeasurement on plan assets	(492)	1,319
Employer contributions	12,532	52,116
Benefits paid	(6,302)	(93,037)
Fair value as at December 31	<u>125,281</u>	<u>109,933</u>
<b>31.7 Expense recognised in profit and loss account</b>		
Current service cost	11,244	9,584
Interest expense - net	192	3,142
	<u>11,436</u>	<u>12,726</u>

Rupees '000		2016	2015
<b>31.8</b>	<b>Remeasurement recognised in other comprehensive income</b>		
	Experience losses	(8,188)	(12,911)
	Remeasurement of fair value of plan assets	(492)	1,319
	Remeasurements	<u>(8,680)</u>	<u>(11,592)</u>
<b>31.9</b>	<b>Net recognised liability</b>		
	Balance as at January 1	2,131	29,929
	Expense for the year	11,436	12,726
	Employer contributions	(12,532)	(52,116)
	Remeasurement recognised in other comprehensive income	8,680	11,592
	Balance as at December 31	<u>9,715</u>	<u>2,131</u>
<b>31.10</b>	<b>Composition of plan assets:</b>		
		<b>2016</b>	
		<b>Rupees in</b>	<b>2015</b>
		<b>thousand</b>	<b>Rupees in</b>
		<b>%</b>	<b>%</b>
	Term deposits	70,635	56.31
	Others (include bank balance)	54,799	43.69
		<u>125,434</u>	<u>100.00</u>
		<u>108,957</u>	<u>99.11</u>
		<u>981</u>	<u>0.89</u>
		<u>109,938</u>	<u>100.00</u>
<b>31.11</b>	<b>Actuarial assumptions</b>	<b>2016</b>	<b>2015</b>
	Expected rate of increase in salaries		
	- Management staff		
	- Short-term - 1 year	10.0%	9.0%
	- Long-term - more than 1 year	8.0%	9.0%
	- Non-management staff		
	- Short-term - 1 year	10.0%	9.0%
	- Long-term - more than 1 year	8.0%	9.0%
	Discount factor used	8.0%	9.0%
<b>31.12</b>	Pre-Retirement mortality was assumed to be SLIC (2001-05) for males and females, as the case may be, but rated down one year.		
<b>31.13</b>	The Company ensures asset / liability matching by investing in short-term deposits and does not use derivatives to manage its risk.		
<b>31.14</b>	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:

	<b>Impact on defined benefit obligation</b>		
	Change in assumption	Increase in assumption	Decrease in assumption
		Rupees in thousand	
Discount rate at December 31	1%	(9,155)	10,520
Future salary increases	1%	11,031	(9,764)

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**

Rupees '000	2016	2015	2014	2013	2012
As at December 31					
Present value of defined benefit obligation	134,996	112,064	169,675	138,269	117,097
Fair value of plan assets	(125,281)	(109,933)	(139,746)	(137,092)	(125,026)
Deficit / (surplus)	<u>9,715</u>	<u>2,131</u>	<u>29,929</u>	<u>1,177</u>	<u>(7,929)</u>
Experience adjustments					
(Loss) on obligation	(8,188)	(12,911)	(25,106)	(7,893)	(3,627)
(Loss) / gain on plan assets	(492)	1,319	(2,901)	(339)	(3,202)
	<u>(8,680)</u>	<u>(11,592)</u>	<u>(28,007)</u>	<u>(8,232)</u>	<u>(6,829)</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. 12.5 million towards gratuity fund in 2017 (2016: Rs. 10.4 million).

**31.19** The weighted average duration of non-management employees is 5.48 years and of management employees is 9.22 years.

**31.20** Expected maturity analysis of undiscounted retirement benefit plan.

At December 31, 2016	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	15,010	10,623	42,965	75,633	151,451	295,682

### 32. RELATED PARTY TRANSACTIONS

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

Rupees '000		2016	2015
Relationship	Nature of transactions		
i. Holding company:	Dividend paid	1,957,008	1,957,008
ii. Other related parties:	Dividend paid	1,642,094	1,651,477
	Royalty paid	68,983	167,250
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	9,374	8,412
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	12,532	52,116
iii. Key management personnel:	Salaries and other employee benefits	124,984	166,938
	Retirement benefits	7,058	6,609

The outstanding balances of related parties as at December 31, 2016 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:

Rupees '000	Chief Executive		Director		Executives	
	2016	2015	2016	2015	2016	2015
Managerial remuneration	33,000	59,471	11,129	9,677	26,103	22,940
Bonus	5,940	13,038	1,113	1,952	4,270	5,780
House rent	13,200	12,417	2,003	1,742	7,665	5,864
Utilities	6,600	4,426	445	387	1,703	1,308
Retirement benefits	3,715	4,008	685	633	2,658	1,968
Leave passage	6,180	21,158	1,377	2,208	1,889	3,250
Other expenses	-	-	48	48	2,319	1,272
	<u>68,635</u>	<u>114,518</u>	<u>16,800</u>	<u>16,647</u>	<u>46,607</u>	<u>42,382</u>
Number of persons	1	2	1	1	11	10

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 to one independent director was Rs. 650 thousand (2015: 750 thousand).

**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						
<b>FINANCIAL ASSETS</b>							
<b>Loans and receivables</b>							
Loans and advances	-	-	-	4,253	2,280	6,533	6,533
Deposits	-	-	-	-	3,538	3,538	3,538
Trade debts	-	-	-	279,759	-	279,759	279,759
Accrued mark-up	-	-	-	4,307	-	4,307	4,307
Other receivables	-	-	-	37,907	-	37,907	37,907
Cash and bank balances	1,051,798	-	1,051,798	264,972	-	264,972	1,316,770
2016	<u>1,051,798</u>	<u>-</u>	<u>1,051,798</u>	<u>591,198</u>	<u>5,818</u>	<u>597,016</u>	<u>1,648,814</u>
2015	<u>1,805,033</u>	<u>-</u>	<u>1,805,033</u>	<u>678,352</u>	<u>2,913</u>	<u>681,265</u>	<u>2,486,298</u>
<b>FINANCIAL LIABILITIES</b>							
<b>At amortised cost</b>							
Trade and other payables	-	-	-	870,798	-	870,798	870,798
2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>870,798</u>	<u>-</u>	<u>870,798</u>	<u>870,798</u>
2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,177</u>	<u>-</u>	<u>458,177</u>	<u>458,177</u>
<b>Off balance sheet items</b>							
Financial commitments:							
Contracts for capital expenditure							
							44,968
Letters of credit and guarantee							
							403,920
2016							<u>448,888</u>
2015							<u>177,386</u>

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. 1.65 billion (2015: Rs. 2.49 billion) the financial assets exposed to the credit risk amount to Rs. 1.57 billion (2015: Rs. 2.40 billion) which mainly comprise of balances with banks.

The Company places surplus funds with various reputed banks having minimum credit ratings of A-1 as assigned by credit rating agencies. The Company monitors its exposure to a single bank its 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, 2016 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, 2016 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. At December 31, 2016 trade and other payables exposed to foreign currency risk amount to Rs. 39.87 million (2015: Rs. Nil).

The company imports raw materials and components in US Dollar and is exposed to Rupee / US Dollar exchange risk. If the Pakistan Rupee had weakened / strengthened by 4% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 12.4 million (2015: Rs. Nil), mainly as a result of foreign exchange losses / gains on settlement of US Dollar denominated trade payables.

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, 2016, the Company's interest bearing financial assets amounted to Rs. 1.05 billion (2015: Rs. 1.81 billion) and had the interest rate varied by 900 basis points (2015: 900 basis points) with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs. 94.66 million (2015: Rs. 163.81 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.

	2016	2015
<b>36. PLANT CAPACITY AND PRODUCTION</b>		
Plant capacity (single shift) - units	30,000	30,000
Actual production - units	16,005	13,584

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:

Rupees '000	2016	2015
Size of the fund - Total assets	173,478	160,135
Percentage of investments made	98.8%	98.8%
Fair value of investments	171,478	158,135

The cost of above investments amounted to Rs. 107 million (2015: Rs. 108 million).

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

	2016	2015	2016	2015
	Percentage	Percentage	Rupees '000	Rupees '000
Certificate of deposit	53.4%	51.9%	91,517	82,069
Units of mutual funds	25.9%	25.3%	44,494	40,000
Term deposit receipts	17.7%	0.0%	30,269	-
Saving account with bank	3.0%	22.8%	5,198	36,066
			<u>171,478</u>	<u>158,135</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.

	2016	2015
<b>38. NUMBER OF EMPLOYEES</b>		
Number of employees at 31 December	<u>358</u>	<u>349</u>
Average number of employees during the year	<u>356</u>	<u>355</u>

### 39. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on February 13, 2017 have proposed a final cash dividend of Rs. 12.5 per share amounting to Rs. 724.5 million (2015: Rs. 25 per share amounting to Rs. 1,449.1 million) subject to approval of the Company in the forthcoming annual general meeting.

### 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 13, 2017 by the Board of Directors.



Chairman



Chief Executive

# AGTL

## Products Portfolio





**NEW**

**NH - DABUNG**

(85Hp)

**SPECIFICATIONS**

Engine Power	85hp
Operating Weight	2865kg
No. of Cylinders	4
Bore Stroke	104x115mm
Piston Displacement	3,908cc
Maximum Power	@2600rpm 85hp
Maximum Torque	@1600rpm 29.7kgm
Pump	Distributor type fuel injection pump with mechanical speed governer.
Battery	12 volts 108ah
Air Filter	Oil bath with free cleaner
Fuel Filter	02 replaceable cartridges
Fuel Tank Capacity	65litres
Transmission	Gear Box with constant-mesh gears: 8 forward and 2 reverse speeds:
Brakes	Oil immerse Disc Brake
Brakes (Parking)	Manual lever on right side of operator
Steering	Hydrostatic power steering
Driver's Seat	Fully upholstered, with parallelogram suspension, adjustable, foot step for ease
Power Take off	540 rpm (1 3/8" - 6 spline Shaft)@ 2160 engine rpm.
Hyd. Pump	Gear type pump driven from engine crankshaft
Pump Capacity	26.7 l/min
Maximum Lifting Capacity	2,150 kg
Tyre (Front)	7.50-16
Tyre (Rear)	18.4/15-30
D.T.O.	High speed 35mm dia /same speed as engine

## 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.

## 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 (1 318" - 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.

## 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.

## NH 55-56

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



### SPECIFICATIONS

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



## 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 Synchronesh 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



ENERGY EFFICIENT  
**DEISEL GENERATORS**

**OFFSET DISC HARROW**



**ROTAVATOR**



**CULTIVATOR**  
(TINE TILLER)

**MOULD BOARD PLOUGH**



NON REVERSIBLE MB PLOUGH



REVERSIBLE MB PLOUGH



**FRONT - END**

LOADER

**DISC PLOUGH**



**BOOM SPRAYER**



# 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](mailto:sobika.zubair@alghazitractors.com)

Comment / Query : \_\_\_\_\_  
\_\_\_\_\_

Name : \_\_\_\_\_  
Permanent Mailing Address : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Contact Numbers (Tel) : \_\_\_\_\_  
(Fax) : \_\_\_\_\_

Email : \_\_\_\_\_  
Name of Company : \_\_\_\_\_  
(If Applicable)

Designation : \_\_\_\_\_  
(If Applicable)

Company Address : \_\_\_\_\_  
(If Applicable) \_\_\_\_\_  
\_\_\_\_\_





## AL - GHAZI TRACTORS LIMITED

### FORM OF PROXY

I / WE \_\_\_\_\_  
of \_\_\_\_\_  
a member(s) of Al-Ghazi Tractors Limited and holding \_\_\_\_\_  
ordinary shares, as per Register Folio \_\_\_\_\_  
hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_  
to vote for me/us and on my/our behalf at the Annual General Meeting of the  
Company to be held on April 25, 2017 at 14:30 hrs. and at any adjournment  
thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2017.



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.

Fold Here

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## الغازی ٹریکٹرز لمیٹڈ

### پراکسی فارم

میں/ہم  
ساکن  
بحیثیت ممبر (ز) الغازی ٹریکٹرز لمیٹڈ اور حق ملکیت رکھتے ہوئے  
عمومی شیئرز جس کا اندراج رجسٹرڈ فولیو نمبر  
اپنی جانب سے نامزد کرتا ہوں  
ساکن  
اور ان کے ناجانے پر مسمیٰ/مسماں  
کو بطور پراکسی مقرر کرتا/کرتے ہیں تاکہ وہ میری/ہماری جگہ اور میری/ہماری طرف سے  
کمپنی کے سالانہ عام اجلاس بتاریخ 25 اپریل 2017ء بوقت دن 2:30 بجے منعقد ہو رہا ہے، اس میں یا اس کے کسی ملٹوی شدہ  
اجلاس میں شرکت کرے اور ووٹ ڈالے۔

بطور میرے/ہمارے گواہ۔ بتاریخ۔ 2017ء

-/5 روپے مالیت کے ریونیو  
اسٹیپ پر دستخط کریں  
ممبر (ممبرز) کے دستخط

نوٹ:

- 1- اجلاس میں شرکت کرنے اور ووٹ دینے کا استحقاق رکھنے والا کوئی بھی ممبر اجلاس میں اپنی جگہ شرکت کرنے اور ووٹ دینے کے لئے تحریری طور پر پراکسی کا تقرر کر سکتا ہے۔
- 2- پراکسی کی دستاویز پر ممبر یا اس کا انارنی جسے تحریری طور پر اس کی اجازت دی گئی ہو دستخط کریں گے اگر ممبر کوئی کارپوریشن ہے تو اس کی مشترکہ ممبر (اگر کوئی ہو) اس دستاویز پر شہت کی جائے گی۔
- 3- کارآمد ہونے کے لئے ضروری ہے کہ یہ پراکسی کمپنی کے رجسٹرڈ آفس میں اجلاس کے لئے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل ہر طرح سے مکمل صورت میں جمع کرا دیئے جائیں۔



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درست رقم کا ٹکٹ  
چسپاں کریں

کمپنی سیکریٹری  
الغازی ٹریڈرز لمیٹڈ،  
ٹریڈرز ہاؤس، 102-B،  
16 ایسٹ اسٹریٹ، ڈی ایچ اے فیز 1،  
کورنگی روڈ، کراچی۔

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# REJUVENATED TEAM



KARACHI



LAHORE



MULTAN



DGK PLANT

# Glossary

<b>TEAM</b>	<b>DEFINITION</b>
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 Taraqati Bank Limited



QUALITY MANAGEMENT-BRAND STRENGTH