

AL - GHAZI TRACTORS LIMITED



2009 annual report



QUALITY MANAGEMENT - BRAND STRENGTH

SHOWCASE



Incorporated in June 1983, privatized in December 1990, Al-Ghazi Tractors Limited, the subsidiary company of Al-Futtaim group of Dubai, is a story of rollicking success.

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

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

The AGTL plant, an icon of engineering dynamics operates on high efficiency. With Quality Control and Quality Assurance, quality improvement systems exist at every level. One of our mission statement reads: **"Our most enduring competitive edge is the quality of our 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-9001:2008 upto December 30, 2012.

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

AGTL products being a household name with the farmer community, our product profile reflects consumer needs. Price and convenience being the customer's first priority the company's objectives include: focus on all target markets and focus on customers. As many as 82 dealers in every nook and cranny of the country, and over 3000 mechanical workshops dot the country to work as customer care centers.

With mechanization of farming and water conservation high on the agenda of the government, Al-Ghazi Tractors Limited now offers smart irrigation solutions in technical collaboration with world renowned companies. Smart Irrigation Solutions at AGTL now offers Rain Guns, Sprinkler Systems, Drip Irrigation Systems and Centre Pivot Systems. With a large dealer network all over the country, the company is eminently suited to support the whole systems.

AGTL's name is synonymous with stability, brand strength, customer loyalty and profitability. The Top Stock of the automobile industry of Pakistan with market capitalization of fifty 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.

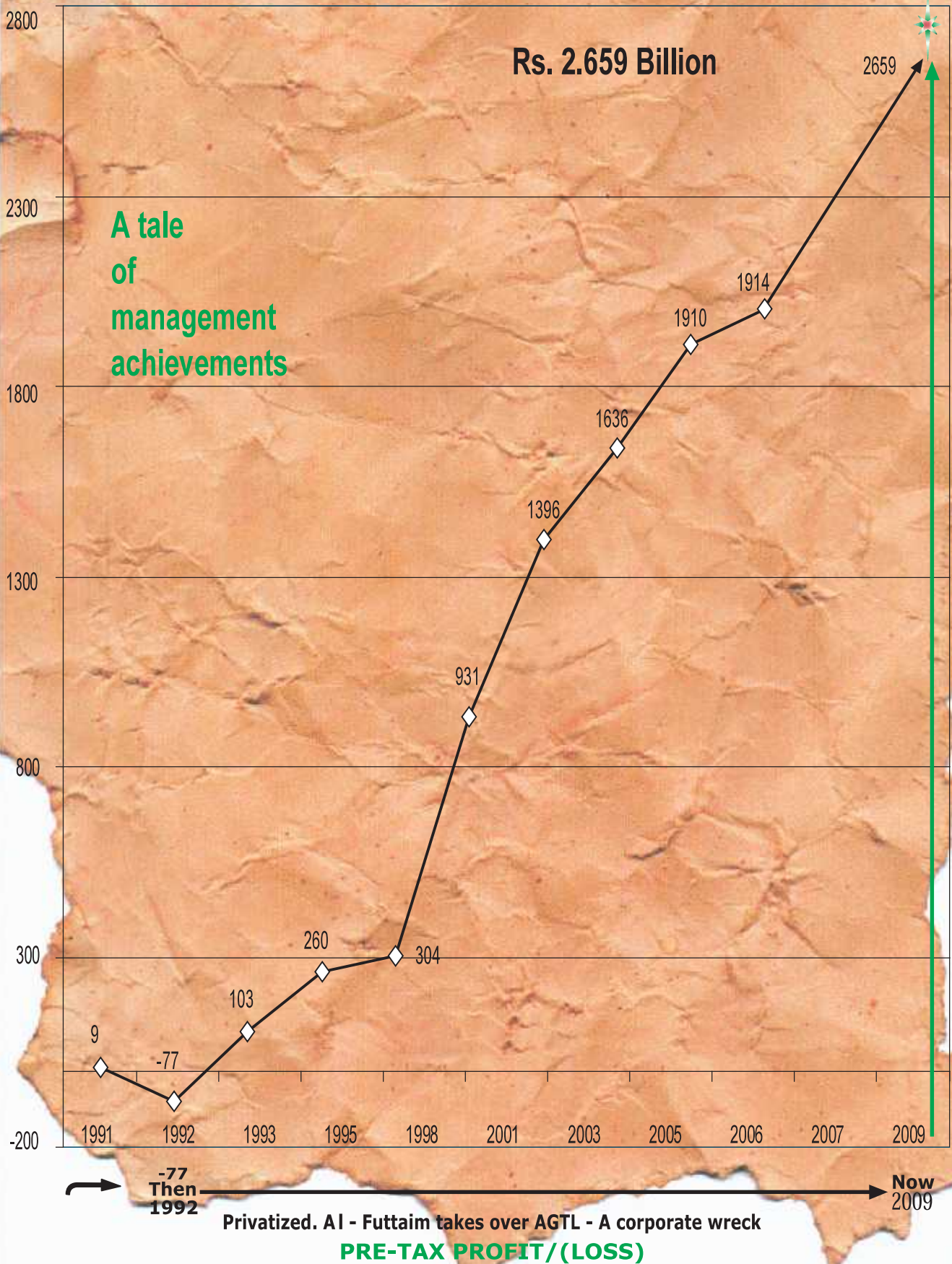
AGTL values the stake holders, customers, employees and the investors. The management works to ensure that all supply chain associates, dealers, shareholders and employees share in the company's growth and prosperity.

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.

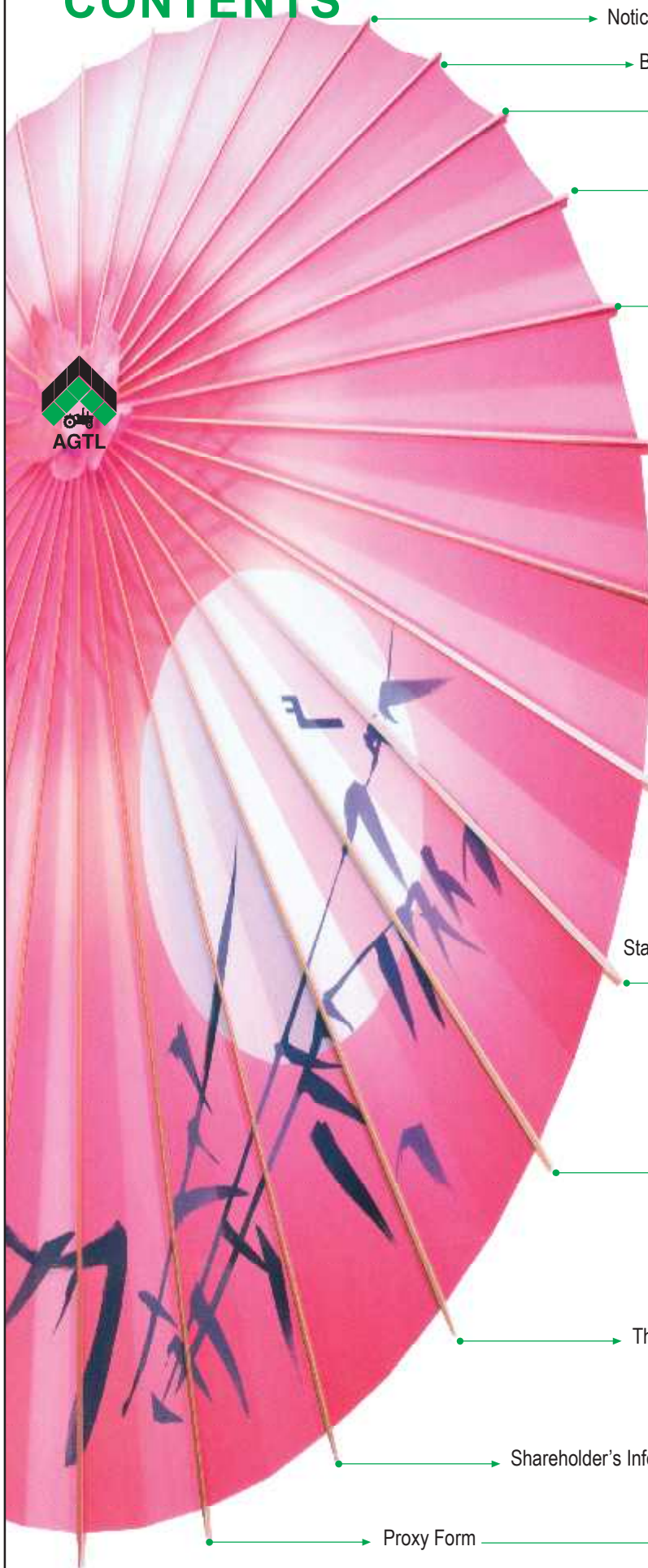
AGTL's long list of accolades received year after year include Top Companies Award of the Karachi Stock Exchange, Corporate Excellence Award of the Management Association of Pakistan, Best Presented Annual Report Awards of ICAP, Best Calendar Awards of NCCA, Excellence Award on Human Resources and Industrial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

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

ALLAH BE PRAISED



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NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Al-Ghazi Tractors Limited will be held on Wednesday, March 24, 2010 at 15:30 hrs. at Marriott Hotel, Karachi to transact the following business:

1. To receive, consider and adopt the Audited Financial Statements, the Directors' Report and the Auditors' Report for the year ended December 31, 2009.
2. To declare the final cash dividend, the Directors have recommended a dividend of Rs. 15 per share in addition to interim dividend already paid @ 100% making a total dividend of 400% i.e. Rs. 20 per share.
3. To appoint Auditors for the year ending December 31, 2010 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer them selves for reappointment.
4. Any other business with permission of the chair.



By Order of the Board

A handwritten signature in black ink, appearing to be 'Sobiqa Muzammil', written over a light-colored background.

SOBIKA MUZAMMIL
COMPANY SECRETARY

Karachi, March 1, 2010

NOTES :

1. A member entitled to attend and vote may appoint a proxy to attend and vote on his/her behalf. No person shall act as a proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right. Proxies, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of the meeting.
2. The share transfer books of the Company will remain closed from March 16, 2010 to March 24, 2010 (both days inclusive). Transfers received at our Share Registrar Office M/s FAMCO Associates (Pvt.) Ltd. situated at Ground Floor, State Life Building, 1-A, I.I. Chundrigar Road, Karachi 74000, at the close of business on March 15, 2010 will be treated in time for the purpose of payment of dividend to the transferees.
3. CDC share holders or their proxies are requested to bring with them copies of their Computerized National Identity Card or Passport along with the participants ID number and their Account Number at the time of attending the Annual General Meeting in order to facilitate their identification.
4. Members are requested to promptly communicate to the Share Registrar of the Company any change in their addresses.
5. Members who have not yet submitted photocopy of their Computerized National Identity Cards are requested to send the same to the Share Registrar of the Company at the earliest.

BOARD OF DIRECTORS

Mr. Charles Leonard Hunt (Chairman)

Mr. Charles Leonard Hunt

Mr. Charles Leonard Hunt is a seasoned automotive professional with over twenty five years of expertise and experience in the automobile industry of UK and USA. He is also Group Director Automotive at Al-Futtaim and chairs various Boards of the Al-Futtaim Group companies. Mr. Hunt joined the AGTL Board on August 4, 2009.



Mr Parvez Ali (CEO & Managing Director)

Mr. Parvez Ali

An engineer by profession, Mr. Parvez Ali, did his Masters in Engineering Administration from the George Washington University in Washington DC. He has been associated with Al-Ghazi from the date of its inception in 1983 – first as General Manager (Technical) and Deputy Managing Director. He was appointed CEO in January 1992. He is also a Certified Director from PICG.



Mr. Kunwar Idris

Mr. Kunwar Idris

Mr. Kunwar Idris, a former provincial minister, retired from the civil service of Pakistan, as Federal Secretary to various ministries and as Chief Secretary. He also served as Chairman, Pakistan Automobile Corporation. He has been Chairman of Al-Ghazi for a number of years.



Mr. Franco Fusignani

Mr. Franco Fusignani

Mr. Franco Fusignani is president and CEO of CNH International SA. He has responsibility for New Holland Agriculture and Case IH, the agricultural brands of CNH, in Africa, Middle East, CIS, Asia, Australia and New Zealand. He was appointed directors on July 16, 2007.



Mr. Mohammad Ali Qaiyum

Mr. Mohammad Ali Qaiyum

Mr. Mohammad Ali Qaiyum is a fellow member of the Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants of Pakistan. With 30 years of extensive experience in finance and audit, he has worked in various audit firms in UK, Oman and Pakistan. Before moving to Al-Ghazi in 2002, he worked for 20 years in Al-Futtaim.



AL-GHAZI TRACTORS LTD



BOARD OF DIRECTORS

Mr. Hadjas Youssef



Mr. Hadjas Youssef

Mr. Hadjas Youssef is Vice President Commercial Development CNH. With an MBA in finance, he is also the CFO for the Pakistan market of CNH. He joined AGTL Board in 2007.

Mr. Pietro Cianci Venturi



Mr. Pietro Cianci Venturi

A mechanical engineer by profession, Mr. Pietro Cianci Venturi joined CNH in 2004. He has worked in CNH international markets in China, Turkey, Uzbekistan, India and Pakistan. Mr. Pietro Cianci Venturi joined the AGTL Board on September 28, 2009.

Mr. Nasir Mahmood



Mr. Nasir Mahmood

With a Masters degree from London, Mr. Nasir Mahmood did his Chartered Accountancy from England and Wales. He has 29 years of wide ranging experience at Senior Management levels in the field of banking and finance, trading, real estate development and audit.

Sobika Muzammil Company Secretary



Ms. Sobika Muzammil

Ms. Sobika Muzammil is an associate member of the Institute of Chartered Accountants of Pakistan and is a Certified Director from PICG.



AL-GHAZI TRACTORS LTD



COMPANY INFORMATION

Bankers

Askari Bank Limited
Habib Bank Limited
Meezan Bank Limited
Faysal Bank Limited
Bank Al-Habib Limited
Hong Kong & Shanghai Bank

Auditors

A.F.Ferguson & Co.
Chartered Accountants
Karachi

Tax Advisors

Saiduddin & Co.
Karachi

Registrar

FAMCO Associates (Private) Limited
Ground Floor, State Life Building 1-A
I.I. Chundrigar Road, Karachi

Registered Office

11th Floor, NICL Building, Abbasi Shaheed Road,
Karachi – 74400
Phones (PABX) (92-21) 35660881-5
Fax : (92-21) 35689387
Email : agtl@alghazitractors.com
Web : www.alghazitractors.com

Board Committees

Audit Committee

Mr. Charles Leonard Hunt
Chairman

Mr. Kunwar Idris
Member

Mr. Nasir Mahmood
Member

Mr. Hadjas Youssef
Member

Corporate Governance, HR and Nominations Committee

Mr. Charles Leonard Hunt
Chairman

Mr. Kunwar Idris
Member

Mr. Hadjas Youssef
Member

Enterprise Risk Management Committee

Mr. Kunwar Idris
Chairman

Mr. Nasir Mahmood
Member

Mr. Hadjas Youssef
Member



AL-GHAZI TRACTORS LTD



PROFILE

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

Start of Production at Dera Ghazi Khan Plant

Auxiliary Plant _____ February, 1984
Main Plant _____ April, 1985
Sheet Metal Plant _____ July, 2006

Production Capacity _____ 30,000+ Tractors per annum in single shift
Total Land Area _____ 90 Acres
Employees _____ 396

Offices

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



AL-GHAZI TRACTORS LTD





to make AGTL a symbol of success

Mission

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

Corporate focus

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

STRATEGIC PLANNING

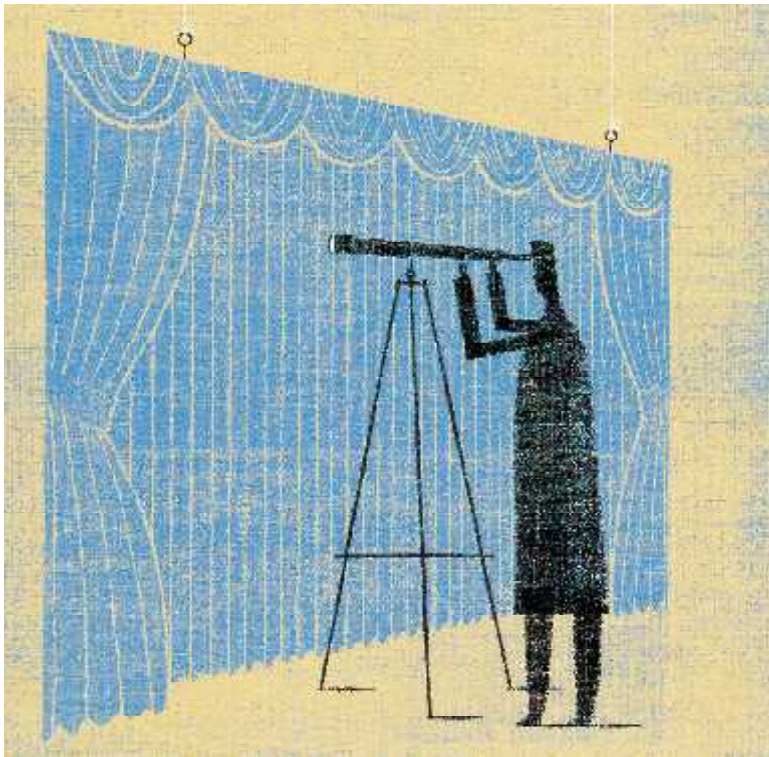
With Company's Vision that sets the destination in sight; the Company's Mission, which is stirring, challenging, believable, and evolved through consensus; Goals, Objectives, Action Plans, Roles and Responsibilities clearly defined, Strategic Planning at Al-Ghazi Tractors Limited, with breakthrough improvements,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

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

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

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

Strategic Planning 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.



AL-FUTTAIM



Omar A. Al-Futtaim



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

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

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

Structured into seven operational divisions; automotive, electronics, engineering and technologies, retail, financial services, general services, real estate and joint ventures, Al-Futtaim maintains a decentralized 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.

The success of Al-Futtaim is attributed to proactively managing change whilst upholding the values of integrity, service and social responsibility. The majority of businesses built on a portfolio of world leading brands, dominate their sector.

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



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

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

CNH employs approximately 31,500 people worldwide and has a network of 11,300 dealers in 170 countries.

Its 40 manufacturing facilities and 27 research and development centers are located throughout Europe, North America, Latin America, and Asia.

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

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

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

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

CNH is a majority-owned subsidiary of Fiat S.p.A., the parent company of the Fiat Group, a public company whose capital stock is listed on the Milan Stock Exchange (FIA.MI).

The Fiat Group is a leading Italian corporation that has been focused on the automotive sector since its foundation over 100 years ago. In addition to the CNH brands, it manufactures the renowned Fiat, Alfa Romeo, Ferrari, Lancia, and Maserati cars, and Iveco trucks and commercial vehicles. It recently expanded to include the Chrysler group in North America.

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



2009 SETTING NEW RECORDS



Record Highest Production = 30,351



Record Highest Sales = 32,732



Record Highest Revenue = Rs. 15.76 billion



Record Highest Profit = Rs. 2.659 billion



Record Highest Dividend = 400%



Record Highest Dividend Payout = Rs. 858.728 million



Record Highest Corporate Tax = Rs. 915 million



Record Highest Equity = Rs. 5.42 billion



KSE Top Companies Awards

1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007.

MAP Corporate Excellence Awards

1994, 1995, 1996, 1997, 1998, 1999, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008.

Best Calendar Awards

1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009.

Employer's Federation Golden Jubilee Awards

- ♦ "Best Management Practices in Human Resources and Industrial Relations"
- ♦ "Excellence in Productivity"



AL-GHAZI TRACTORS LTD





SIX YEAR AT A GLANCE

<u>OPERATING RESULTS</u>		2009	2008	2007	2006	2005	2004
Sales	-units	32,732	24,985	26,364	26,250	22,430	19,243
Production	-units	30,351	27,550	26,380	26,076	22,340	19,135
Sales Revenue		15,764,825	10,107,874	9,081,310	9,022,515	7,739,322	6,735,195
Gross Profit		2,645,814	1,577,787	1,653,486	1,635,047	1,602,548	1,598,485
Depreciation		28,614	27,165	28,054	16,917	15,476	15,482
Operating Profit (before investment income)		2,264,449	1,301,455	1,371,675	1,355,442	1,342,724	1,374,503
Investment Income		394,385	381,486	542,779	554,738	292,832	109,686
Profit before Taxation		2,658,834	1,682,941	1,914,454	1,910,180	1,635,556	1,484,189
Taxation		915,299	569,685	647,044	680,862	574,683	519,404
Profit after Taxation		1,743,535	1,113,256	1,267,410	1,229,318	1,060,873	964,785
Earnings before Investment Income, Tax and Depreciation (EBITDA)		2,293,063	1,328,620	1,399,729	1,372,359	1,358,200	1,389,985
Manpower Cost - Direct		181,697	165,536	143,334	134,537	125,301	108,173
Manpower Cost - Indirect		131,252	108,744	101,822	92,512	84,199	74,480
Total Manpower Cost		312,949	274,280	245,156	227,049	209,500	182,653
Direct Headcount		269	282	295	293	294	305
Indirect Headcount		144	141	141	129	136	140
Total Headcount		413	423	436	422	430	445
<u>OPERATING RATIOS</u>							
Gross profit to Sales	Percentage	16.78%	15.61%	18.21%	18.12%	20.71%	23.73%
Operating profit to Sales	Percentage	14.36%	12.88%	15.10%	15.02%	17.35%	20.41%
Pre-tax profit to Sales	Percentage	16.87%	16.65%	21.08%	21.17%	21.13%	22.04%
Post-tax profit to Sales	Percentage	11.06%	11.01%	13.96%	13.63%	13.71%	14.32%
EBITDA to Sales	Percentage	14.55%	13.14%	15.41%	15.21%	17.55%	20.64%
Fixed Assets Turnover	Times	62.39	42.93	37.08	35.77	48.82	79.32
Total Assets Turnover	Times	2.14	1.43	1.33	1.24	1.07	1.61
Working Capital % of sales	Percentage	-0.50%	10.73%	8.12%	8.26%	8.25%	8.81%
Operating cashflow % of sales	Percentage	1.44%	-12.62%	-0.65%	4.30%	41.35%	21.15%
Direct Manpower cost % of sales	Percentage	1.15%	1.64%	1.58%	1.49%	1.62%	1.61%
Direct Manpower cost % of sales	Percentage	0.83%	1.08%	1.12%	1.03%	1.09%	1.11%
Indirect cost % of sales	Percentage	2.51%	2.88%	3.25%	3.18%	3.40%	3.41%

SIX YEAR AT A GLANCE

FINANCIAL POSITION

	2009	2008	2007	2006	2005	2004
Property, Plant & Equipment	252,695	235,452	244,928	252,243	158,513	84,911
Current Assets	7,124,751	6,840,054	6,581,042	7,025,286	7,056,152	4,059,887
Current Liabilities	1,907,421	2,611,710	2,938,224	3,698,853	4,155,274	1,545,098
Net Working Capital	5,217,330	4,228,344	3,642,818	3,326,433	2,900,878	2,514,789
Other assets	3,225	10,504	1,338	860	30,796	35,354
	5,473,250	4,474,300	3,889,084	3,579,536	3,090,187	2,635,054
Less: Other liabilities	53,331	46,528	37,863	29,656	18,238	18,966
Share holder equity	5,419,919	4,427,772	3,851,221	3,549,880	3,071,949	2,616,088
Represented by:						
Share capital	214,682	214,682	214,682	214,682	214,682	195,165
Reserves	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unappropriated profit	4,205,237	3,213,090	2,636,539	2,335,198	1,857,267	1,420,923
Capital employed	5,419,919	4,427,772	3,851,221	3,549,880	3,071,949	2,616,088

OPERATING CYCLE

Inventory Turnover	Times	8.24	6.46	10.25	9.98	8.84	10.01
Inventory Turnover	Days	44	56	36	37	41	36
Credit Received	Days	36	26	13	15	20	23
Operating Cycle	Days	8	30	23	22	21	13

LIQUIDITY RATIOS

Current Ratio	Times	3.74	2.62	2.24	1.90	1.70	2.63
Quick Ratio	Times	3.08	1.88	2.00	1.70	1.52	2.21

PERFORMANCE RATIOS FOR SHAREHOLDERS

Return on Equity	Percentage	32.17%	25.14%	32.91%	34.63%	34.53%	36.88%
Return on Assets	Percentage	23.62%	15.71%	18.56%	16.89%	14.64%	23.08%
Earning per share (Pre- Tax)	Rs.	61.92	39.20	44.59	44.49	38.09	34.57
Earning per share (Post- Tax)	Rs.	40.61	25.93	29.52	28.63	24.71	22.47
Net Assets per share	Rs.	126.23	103.12	89.70	82.68	71.55	67.02
Dividend- Cash	Rs. Million	858,728	751,387	751,387	751,387	751,387	585,495
%	Percentage	400%	350%	350%	350%	350%	300%
Dividend- Bonus	Rs. Million	0	0	0	0	0	19,517
%	Percentage	0	0	0	0	0	10%
Dividend payout	Percentage	49.25%	67.49%	59.29%	61.12%	70.83%	62.71%
Dividend cover	Times	2.03	1.48	1.69	1.64	1.41	1.59
Price earning ratio	Times	5.86	8.43	9.33	7.63	7.97	7.63
Market price to break up value	Times	1.89	2.12	3.07	2.64	2.75	2.56
Earning Yield (%)	Percentage	17.06%	11.87%	10.72%	13.10%	12.54%	13.10%
Dividend yield	Percentage	8.40%	8.01%	6.35%	8.01%	8.88%	9.04%
Market value per share	Rs.	238.04	218.50	275.45	218.50	197.00	171.5
Share price - High	Rs.	268.75	298.70	298.00	249.90	210.00	209.00
Share price - Low	Rs.	113.56	210.00	199.10	194.00	135.00	146.00
Market capitalisation	Rs. Million	10,221	9,382	11,827	9,382	8,458	6,694

VERTICAL ANALYSIS

	2009 (Rupees '000)	2009 % Of Capital Employed	2008 % Of Capital Employed	2007 % Of Capital Employed	2006 % Of Capital Employed	2005 % Of Capital Employed	2004 % Of Capital Employed
Fixed Assets	252,695	5%	5%	6%	7%	5%	3%
Long Term Loans	3,225	0%	0%	0%	0%	0%	1%
Stock In Trade	1,265,373	23%	44%	18%	21%	25%	25%
Trade Debts	20,292	0%	0%	1%	0%	0%	0%
Loan & Advances	44,737	1%	1%	1%	1%	1%	2%
Other Receivables	2,126,870	39%	24%	11%	16%	16%	14%
Short Term Investments	145,000	3%	10%	26%	15%	25%	36%
Cash and bank balances	3,522,479	65%	76%	114%	145%	163%	78%
Total Assets	7,380,671	136%	160%	177%	205%	235%	159%
Current Liabilities	1,907,421	35%	59%	76%	104%	134%	58%
Deferred Liabilities	53,331	1%	1%	1%	1%	1%	1%
Total Liabilities	1,960,752	36%	60%	77%	105%	135%	59%
Capital Employed	5,419,919	100%	100%	100%	100%	100%	100%
Share Capital	214,682	4%	5%	6%	6%	7%	7%
Reserves	5,205,237	96%	95%	94%	94%	93%	93%
	5,419,919	100%	100%	100%	100%	100%	100%

	2009 (Rupees '000)	2009 % of Sales	2008 % of Sales	2007 % of Sales	2006 % of Sales	2005 % of Sales	2004 % of Sales
Sales	15,764,825	100%	100%	100%	100%	100%	100%
Cost of Sales	13,119,011	83%	84%	82%	82%	79%	76%
Gross Profit	2,645,814	17%	16%	18%	18%	21%	24%
Distribution Cost	87,569	1%	1%	0%	0%	1%	1%
Administrative Expenses	111,270	1%	1%	1%	1%	1%	1%
	2,446,975	15%	14%	17%	17%	19%	22%
Other Operating Income	411,070	3%	4%	6%	6%	4%	2%
Other Operating Expenses	197,057	1%	1%	2%	2%	2%	2%
	2,660,988	17%	17%	21%	21%	21%	22%
Finance Cost	(2,154)	0%	0%	0%	0%	0%	0%
Profit Before Taxation	2,658,834	17%	17%	21%	21%	21%	22%
Taxation	(915,299)	6%	6%	7%	7%	7%	8%
Profit After Taxation	1,743,535	11%	11%	14%	14%	14%	14%

HORIZONTAL ANALYSIS

HORIZONTAL ANALYSIS

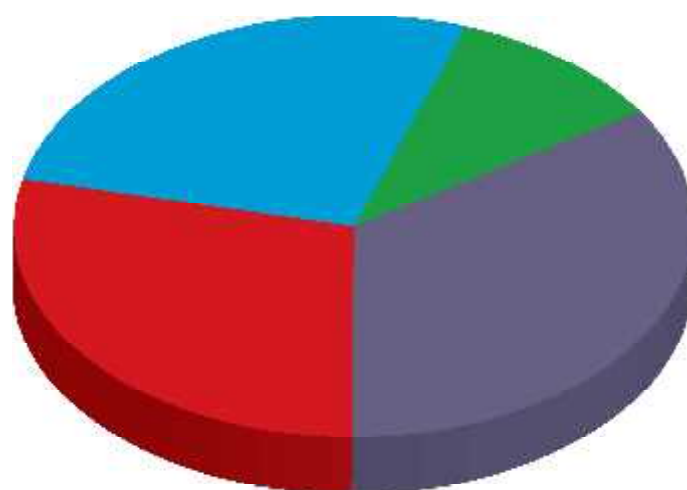
	2009	2009	2008	2007	2006	2005	2004
		Inc./Dec.)	Inc./Dec.)	Inc./Dec.)	Inc./Dec.)	Inc./Dec.)	Inc./Dec.)
BASE YEAR 2003	Rupees ' 000						
Fixed Assets	252,695	41,387	24,144	33,620	40,935	(52,795)	(126,397)
Long Term Loans	3,225	1,900	9,179	13	(465)	6,092	12,548
Stock In Trade	1,265,373	877,731	1,558,430	331,533	351,478	367,814	269,191
Trade Debts	20,292	2,146	(11,003)	6,125	(12,030)	(11,213)	(10,556)
Loan And Advances	44,737	24,143	16,799	(1,004)	2,447	17,721	20,629
Other Receivables	2,126,870	1,843,184	770,003	130,969	304,394	203,161	70,371
Short Term Investments	145,000	(840,902)	(539,142)	32,898	(459,094)	(234,608)	(35,902)
Cash and bank Balances	3,522,479	2,409,209	2,235,727	3,271,281	4,028,851	3,904,037	936,914
Total Assets	7,380,671	4,358,798	4,064,137	3,805,435	4,256,516	4,200,209	1,136,798
Current Liabilities	1,907,421	750,212	1,454,501	1,781,015	2,541,644	2,974,686	366,408
Deferred Liabilities	53,331	35,135	28,332	19,667	11,460	42	770
Total Liabilities	1,960,752	785,347	1,482,833	1,800,682	2,553,104	2,974,728	367,178
Capital Employed	5,419,919	3,573,451	2,581,304	2,004,753	1,703,412	1,225,481	769,620
Share Capital	214,682	19,517	19,517	19,517	19,517	19,517	
Reserves	5,205,237	3,553,934	2,561,787	1,985,236	1,683,895	1,205,964	769,620
	5,419,919	3,573,451	2,581,304	2,004,753	1,703,412	1,225,481	769,620

	2009	2009	2008	2007	2006	2005	2004
		Inc./Dec.)	Inc./Dec.)	Inc./Dec.)	Inc./Dec.)	Inc./Dec.)	Inc./Dec.)
	Rupees ' 000						
Sales	15,764,825	10,304,607	4,647,656	3,621,092	3,562,297	2,279,104	1,274,977
Cost Of Sales	13,119,011	9,165,540	4,576,616	3,474,353	3,433,997	2,183,303	1,183,239
Gross Profit	2,645,814	1,139,067	71,040	146,739	128,300	95,801	91,738
Distribution Cost	87,569	38,855	26,572	18,431	16,438	12,689	4,614
Administrative Expenses	111,270	38,985	19,275	13,560	7,758	7,459	(3,858)
	2,446,975	1,061,227	25,193	114,748	104,104	75,653	90,982
Other Operating Income	411,070	291,828	280,245	439,616	445,418	184,130	2,531
Other Operating Expenses	197,057	93,697	21,393	38,528	38,211	18,340	4,709
	2,660,988	1,259,358	284,045	515,836	511,311	241,443	88,804
Finance Cost	2,154	(3,788)	(3,208)	(2,930)	(3,181)	1,575	303
Profit Before Taxation	2,658,834	1,263,146	287,253	518,766	514,492	239,868	88,501
Taxation	915,299	428,713	83,099	160,458	194,276	88,097	32,818
Profit After Taxation	1,743,535	834,433	204,154	358,308	320,216	151,771	55,683

STATEMENT OF VALUE ADDITION

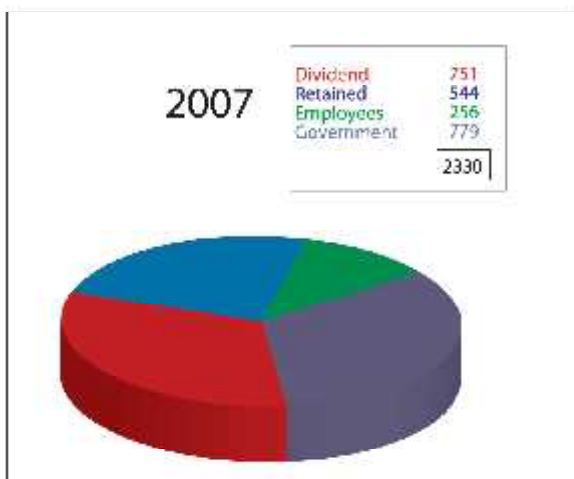
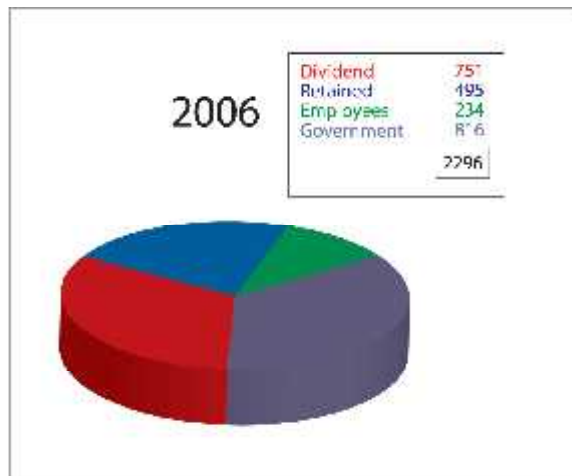
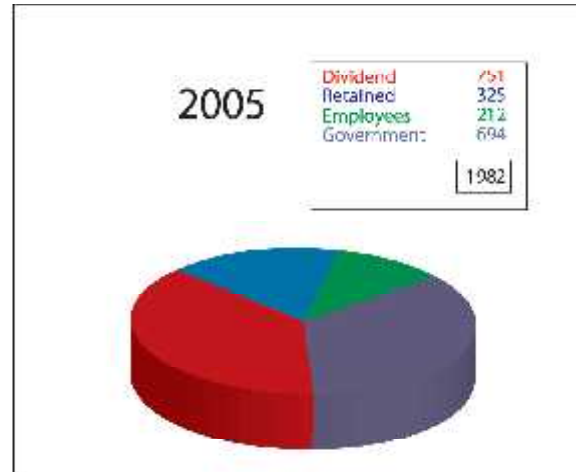
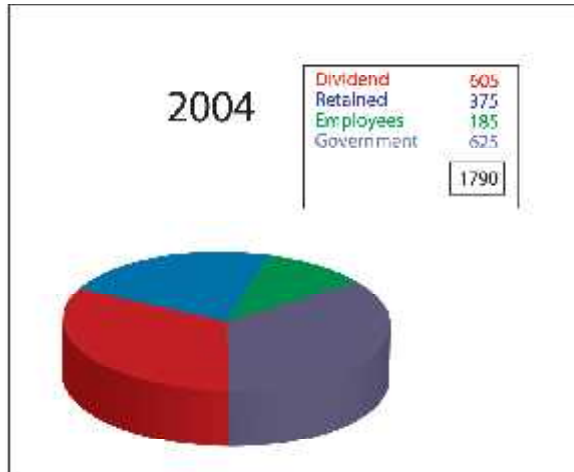
	2009	2008	2007	2006	2005	2004
	Rupees '000					
Net Sales	15,764,825	10,107,874	9,081,310	9,022,515	7,739,322	6,735,195
Cost of sales & Overheads	(12,978,441)	(8,398,222)	(7,310,616)	(7,291,458)	(6,060,462)	(5,066,575)
Other Income	411,070	399,487	558,858	564,660	30,372	121,773
Value Additon During the year	3,197,454	2,109,139	2,329,552	2,295,717	1,982,232	1,790,393
To employees as:						
Remunerations	312,949	274,280	245,156	227,049	209,500	182,653
WPPF	16,296	15,432	10,451	6,540	2,796	2,862
	329,245	289,712	255,607	233,589	212,296	185,515
To government as:						
Tax	915,299	569,685	647,044	680,862	574,683	519,404
WPPF	126,499	74,975	92,366	96,048	85,328	76,904
WWF	54,262	34,346	39,071	38,983	33,576	28,303
	1,096,060	679,006	778,481	815,893	693,587	624,611
To shareholders as dividends	858,728	751,387	751,387	751,387	751,387	605,012
Retained as:						
Depreciation	28,614	27,165	28,054	16,917	15,476	15,482
Equity	884,807	361,869	516,023	477,931	309,486	359,773
	913,421	389,034	544,077	494,848	324,962	375,255
	3,197,454	2,109,139	2,329,552	2,295,717	1,982,232	1,790,393

VALUE ADDITION DURING THE YEAR (RS. IN MILLION)



Dividend	859
Retained	913
Employees	329
Government	1096
Total	3197

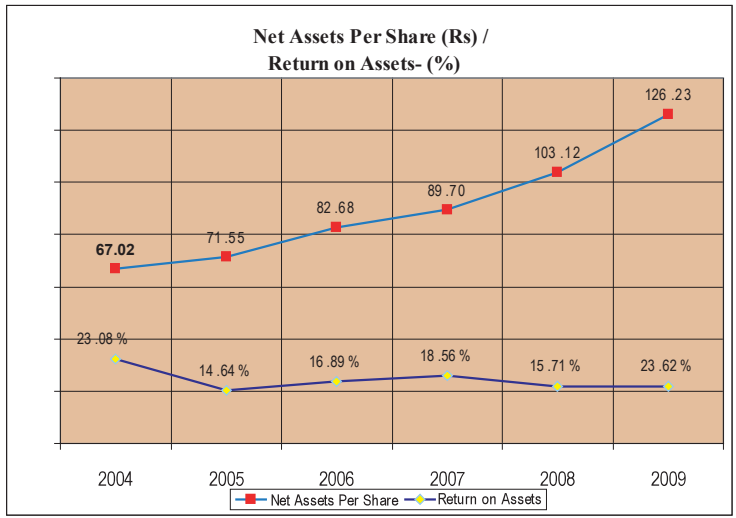
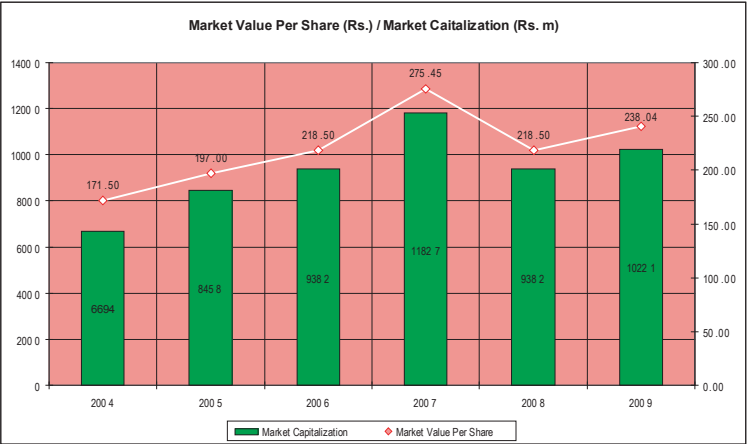
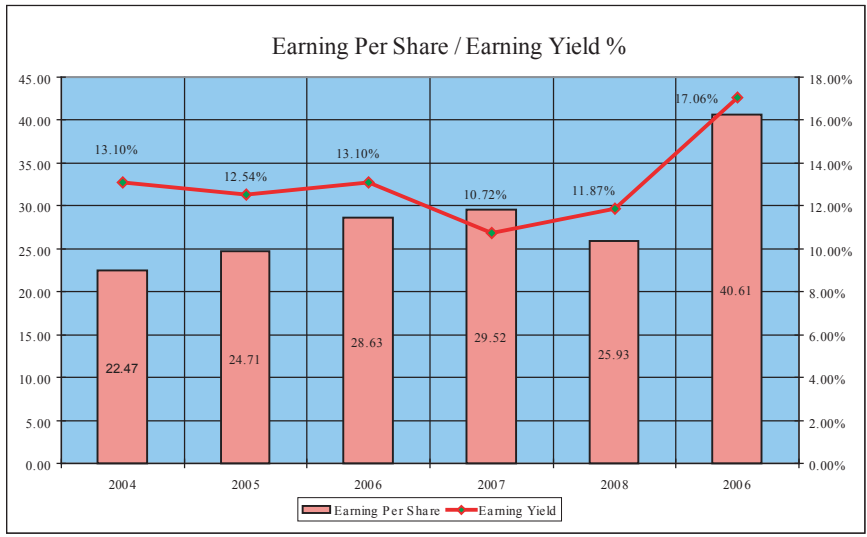
VALUE ADDITION DURING THE YEAR (Rs. IN MILLION)



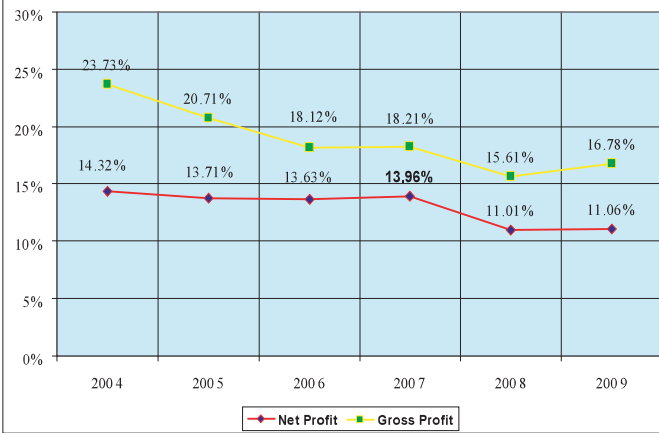
DIRECT CASH FLOW

	2009	2008	2007	2006	2005	2004
	Rupees '000					
Collection	14,363,706	9,418,326	8,083,359	8,705,973	10,322,099	7,418,748
Mfg Cost & Overheads	(11,938,373)	(9,211,052)	(7,557,472)	(7,528,116)	(6,230,365)	(5,456,845)
Other Operating Income	14,324	15,257	14,636	7,171	8,894	8,153
Workers Funds	(176,800)	(230,654)	(139,978)	(120,032)	(111,254)	(102,969)
Sales Tax Refund / (Payment)	(706,711)	(566,922)	76,236	122,327	(201,886)	37,230
Long term Loans and Deposits	7,279	(9,166)	(478)	6,557	6,456	(12,548)
	1,563,425	(584,211)	476,303	1,193,880	3,793,944	1,891,769
Return on investments	384,971	406,903	545,076	388,927	230,589	77,369
Sales of investments-Net	346,938	609,575	(475,000)	229,007	201,321	55,989
	731,909	1,016,478	70,076	617,934	431,910	133,358
Additions to Fixed Assets-Net	(43,496)	(14,945)	(19,296)	(107,897)	(88,753)	(24,651)
Tax paid	(1,328,754)	(700,906)	(535,497)	(828,337)	(568,668)	(480,041)
Dividend Paid	(749,602)	(751,970)	(749,156)	(750,766)	(601,310)	(583,521)
	(2,121,852)	(1,467,821)	(1,303,949)	(1,687,000)	(1,258,731)	(1,088,213)
Net Surplus/(Deficit)for the year	173,482	(1,035,554)	(757,570)	124,814	2,967,123	936,914
Opening Balance	3,348,997	4,384,551	5,142,121	5,017,307	2,050,184	1,113,270
Closing Balance	3,522,479	3,348,997	4,384,551	5,142,121	5,017,307	2,050,184

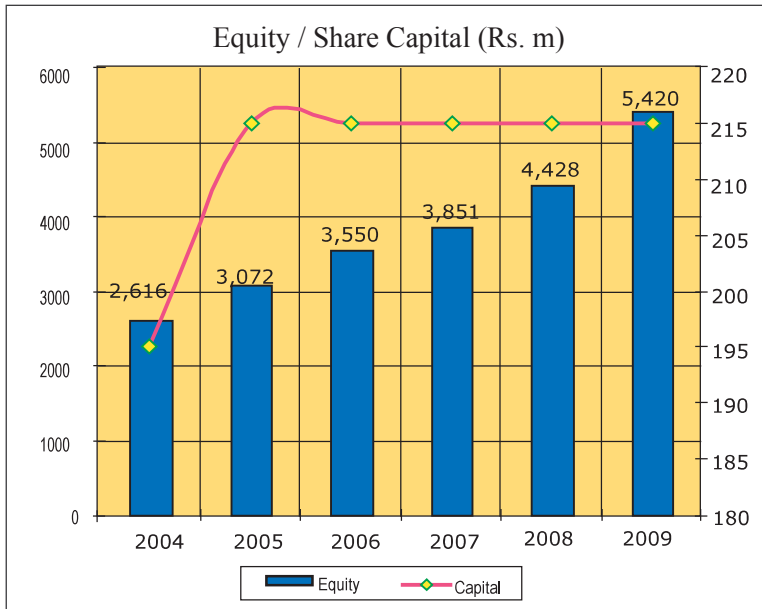




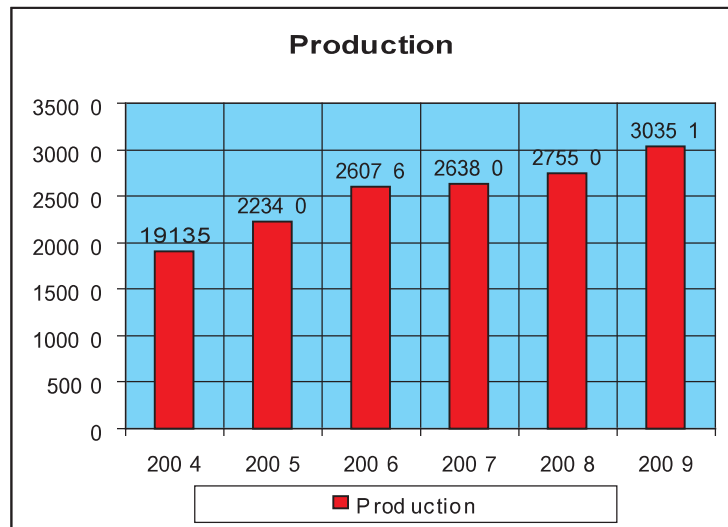
Gross Profit/ Net Profit Margin (%)

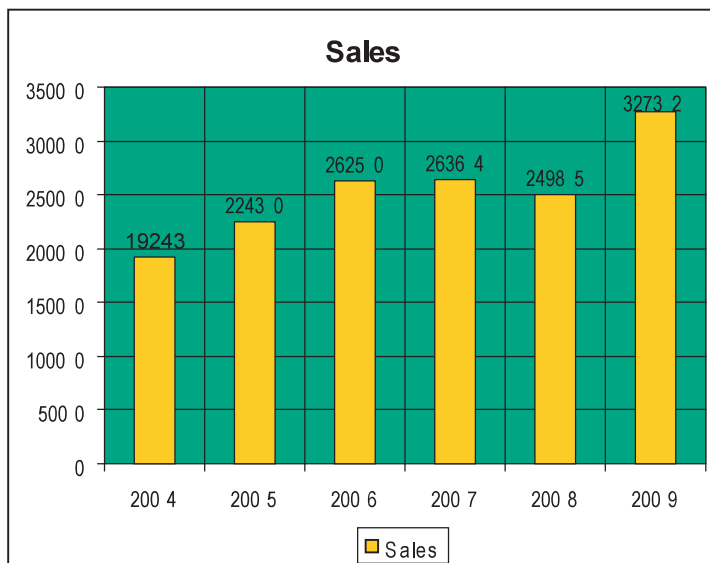
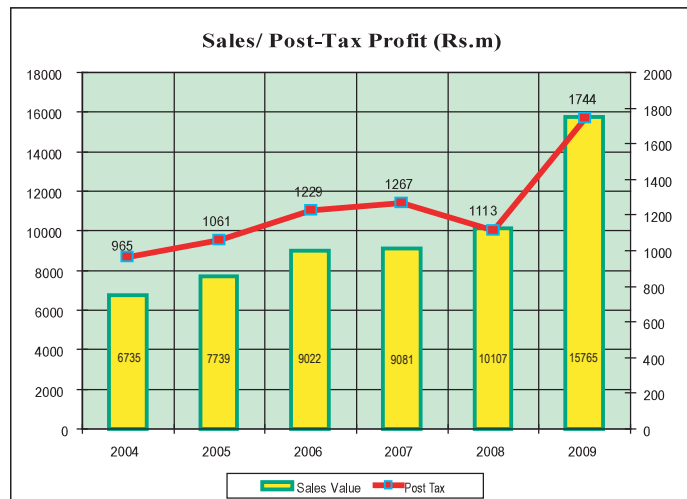
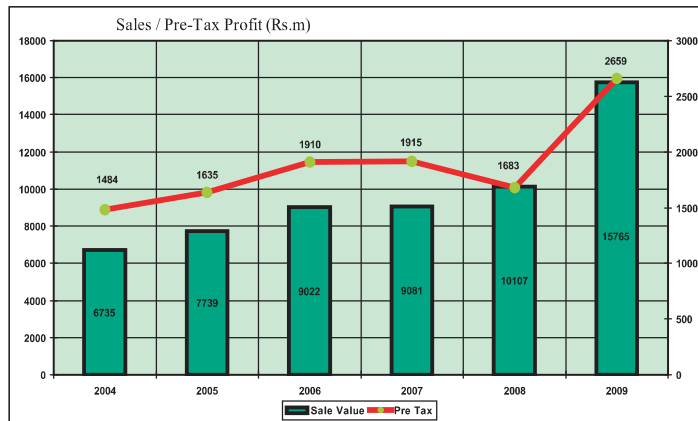


Equity / Share Capital (Rs. m)



Production





CRITICAL SUCCESS FACTORS

1. Team Work
Of all the things that we have built, the most admired is our team work. AGTL workers are happy workers. AGTL invariably has the best work force in the country.
2. Quality
Our most enduring competitive edge is the quality of our tractors. AGTL has over the years supplied 350,000 tractors to the farmers. Almost all are farm worthy and being kept mobile through AGTL's dealer network providing after-sales-support.
3. Cost Controls
We are the lowest cost producer of a quality product. There is sharp focus on cost cuts in all spheres of activity.
4. Financial Strength
The company has a solid financial base with no debts, no bank borrowings.
5. Dealer Network
The company has a strong dealer network in every nook and cranny of the country. Our products are thus a house hold name in the farming community of Pakistan.
6. Corporate Governance
AGTL is a text book case example of good Corporate Governance having complied with all of the provisions of the Code of Corporate Governance.



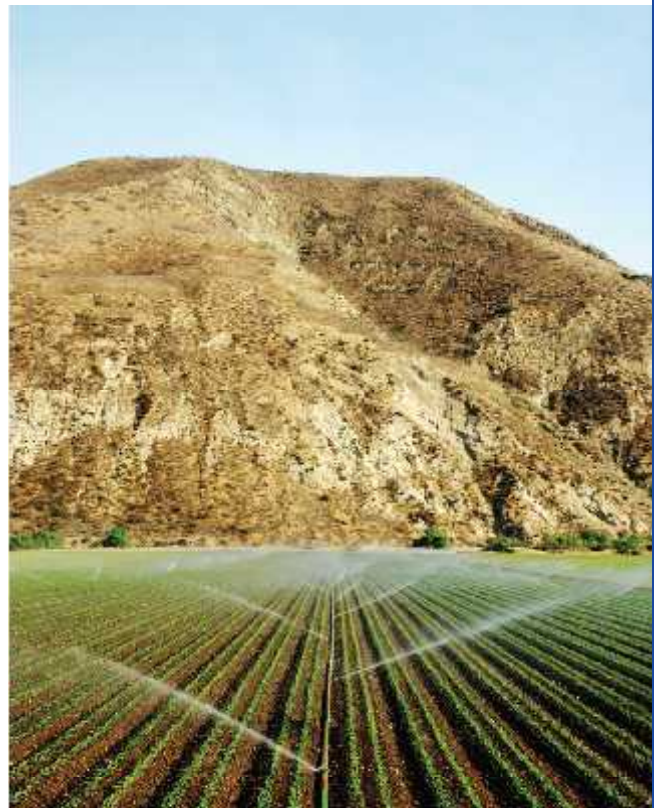
SWOT ANALYSIS - RISKS AND OPPORTUNITIES

Risks

- ☞ Challenges being faced by the economy, current account deficit, power outages, paramount political and geo-strategic issues.
- ☞ Inconsistent policies.
- ☞ Sharp increases in costs of inputs; withdrawal of all subsidies on the directives of IMF especially on electricity, gas etc. This could impact adversely on costs. Selling prices will need to be revised accordingly.

Opportunities

- ☞ Smart irrigation solutions through Drip Irrigation systems
- ☞ Corporate Farming – When it commences it will usher in new opportunities of sales of tractors and allied agricultural machines.



CHAIRMAN'S REVIEW



Mr. Charles Leonard Hunt
Chairman



AL-GHAZI TRACTORS LTD



CHAIRMAN'S REVIEW

The tractor industry in Pakistan has stood firm in spite of global and domestic economic worries. The tractor industry managed to remain resilient, thanks to a number of incentive schemes launched by the government.

OPERATING RESULTS

Working hard and building on opportunities, the Company outperformed its own expectations resulting in manufacturing, sales and earnings recording spurt. The Company ended the year 2009 with record high production, record high sales and record high profit that were backed by inspiration and passion to achieve excel.

30,351 tractors were produced during the year 2009 compared with 27,550 during the year 2008; an increase of 10.16%. Sales recorded an all time high of 32,732 compared with 24,985 tractors sold in 2008; an increase of 31%. These sales also included 2,594 tractors of the Green Tractor Scheme which were produced in 2008 but were not delivered by the Company because of the arbitrary estoppel of the release of the amount of subsidy by the Provincial Government of Punjab in December 2008.

The Company managed to utilize its human, financial and material resources proficiently resulting in success in the ongoing struggle to raise local efficiencies, control spending and cut costs. In view of 92% local content, higher emphasis is placed on making each process efficient so as to drive cost per tractor down. This has resulted in the Company being able to produce a best quality product at lowest cost. The tractors we produce are the cheapest in the whole world in that horse power category.

Even a cursory look at the "Key Operating and Financial Data", the "Horizontal and Vertical Analysis of Financial Statements" reveals that the Company stands on solid foundations backed by sound administrative and financial controls. The Company is free of any borrowings and debts and has strong bank reserves.

PROFIT

Austerity and efficiency and competent Material and Plant utilization have yielded a record high pre-tax profit of Rs. 2.659 billion compared with Rs. 1.683 billion in 2008. This is an increase of 57.9%. Of that Rs. 915 million were paid to the government as corporate tax. The post-tax profit is therefore Rs. 1.744 billion.

The tractor industry in Pakistan has stood firm in spite of global and domestic economic worries.

The Company ended the year 2009 with record high production, record high sales and record high profit that were backed by inspiration and passion to achieve excel.



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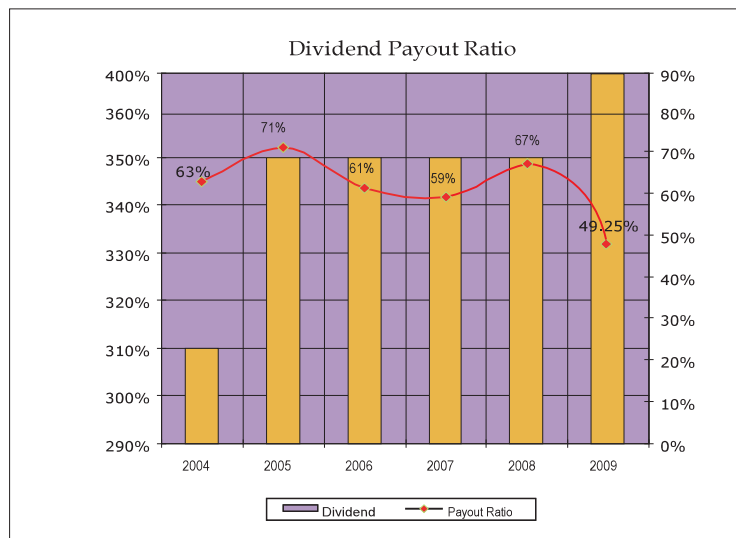
CHAIRMAN'S REVIEW



AL-GHAZI TRACTORS LTD



CHAIRMAN'S REVIEW



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

DIVIDEND

AGTL has a long history of paying rich dividends. The dividend policy of the Company is in the best interest of the Company, the shareholders and the stakeholders. An interim cash dividend of 100% was paid by the Company with the financial results of the half year ended June 30, 2009. The Board of Directors is now pleased to recommend payment of another cash dividend of 300%. Cash dividend for the year 2009 will thus total 400%. With Share Capital of Rs. 214.68 million, this will translate to a total payout of Rs.858.72 million – an impeccable payout by any standard.

Pursuing a sound policy of creating a strong foundation for the growth of the Company, the management has been reinvesting the profit into the business. AGTL's equity now stands at Rs. 5.4 billion. With a market capitalization of over 50 times, the Company's five rupee share is without any doubt the top stock of the Auto and Industrial Engineering sector of Pakistan.

The Financial Statements duly recommended by the Audit Committee of the Board are being authorized by the Board within 45 days of the closure of the year. AGM will be held on March 24, 2010. Dividend will be disbursed as early as possible and certainly before the stipulated time. Payment to non-resident shareholders will be intimated to the State Bank of Pakistan.

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

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CHAIRMAN'S REVIEW



CHAIRMAN'S REVIEW

CORPORATE GOVERNANCE

Corporate Governance at AGTL is based on OECD principles and guide lines of SECP, thus involving a set of relationships between the Company's management, its Board, the Shareholders and other Stakeholders.

Playing a supervisory rather than an executive role, Corporate Governance at AGTL is based on Seven key categories: Discipline, Transparency, Independence, Accountability, Responsibility, Fairness and Social Responsibility.

Through the Board, the management gives explicit priority on Corporate Governance, strives to achieve higher share price – AGTL's share being the highest stock in the Automobile and Industrial Engineering sector of Pakistan – and sticks to clearly defined core business.

Rules and procedures for effective decision making on corporate affairs are clearly defined which therefore provide the structure through which the Company's objectives are set, means of attaining these objectives are made available and performance is monitored. Our Corporate Governance framework protects and facilitates the exercise of shareholder's rights.

Having adopted all of the requirements of the Code of Corporate Governance, the Company is a text book example of good corporate governance. Board continually reviews the Company's Corporate Governance framework, its practices and improvements. All Directors sign a Code of Ethics explicitly emphasizing strict ethical behavior.

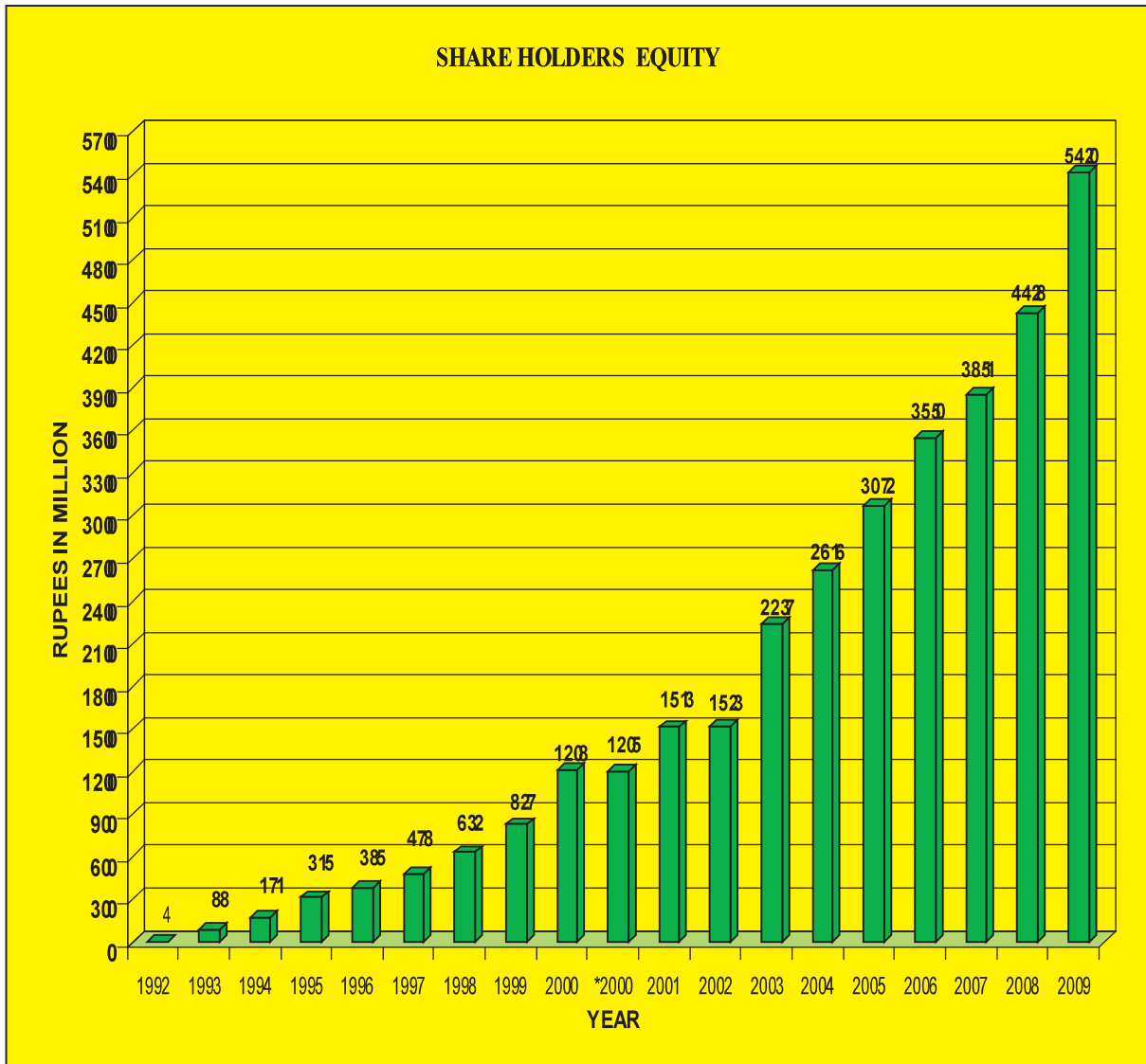
PATTERN OF SHAREHOLDING

The issued Share Capital of the Company is Rs. 214.68 million. With a base price of Rs. 5/- per share, the total number of shares of the Company is 42,936,445.

There are 1,602 shareholders of the Company which are listed as follows:

1)	Al-Futtaim Industries Company Dubai, UAE	21,476,078 shares	=	50.02%
2)	CNH Global NV, Viale Delle Nazioni, Italy	18,535,096 shares	=	43.17%
3)	Joint Stock Companies	157,922 shares	=	0.37%
4)	Public sector companies and corporations	897,766 shares	=	2.09%
5)	Individual and others	1,869,583 shares	=	4.35%
	TOTAL	42,936,445 shares	=	100 %

CHAIRMAN'S REVIEW



In the year 1991-92, when the Company was privatized and bought over by Al-Futtaim, the net equity of the Company hits as low as Rs. 4 million. Subsequently, pursuing a sound policy of creating a strong foundation for the growth of company, the management has been investing the profit it earns every year into the business. The net equity has thus increased from Rs. 4 million to Rs. 5.42 billion.

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

Keynes

CHAIRMAN'S REVIEW

The Company is registered with the CDC and the Company has appointed FAMCO Associates (Pvt) Limited as its Registrar who can be reached at Ground Floor, State Life Building 1-A I.I. Chundrigar Road, Karachi and at telephone Nos. 32422344, 32467406, 32428310.

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

Details of shareholding have been given in this report.

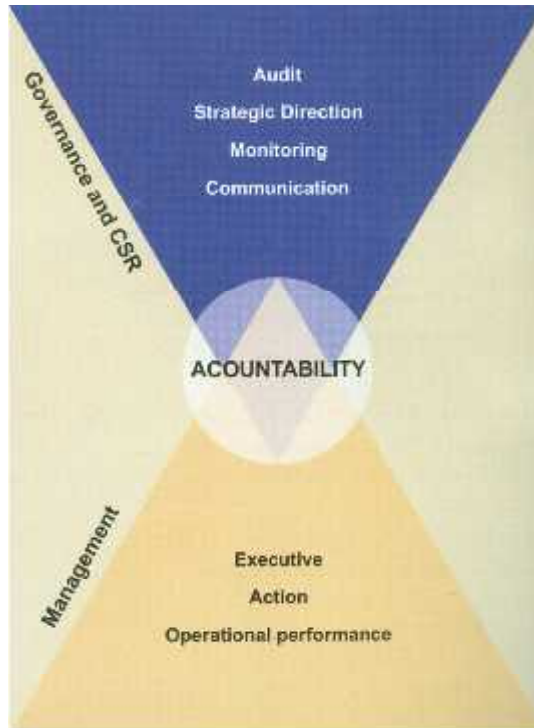
Policies and procedures and other details of the Company as well as the Board are defined in the Company's Memorandum and Articles of Association which is readily available with the Company Secretary and the Corporate Affairs Section.



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CHAIRMAN'S REVIEW



The Board has a right mix of skills and competencies. Together with their qualifications, experience and personal characteristics they are the guiding light of Al-Ghazi Tractors Limited – which is rated as one of the best managed companies of Pakistan.

Role of the Board as well as the management have been clearly defined. Providing general oversight of the business, approval of Corporate Strategy, the Board ensures legal and ethical conduct. In improving good corporate governance, the Board also undertakes to identify management and business risks, pursuit of business opportunities and strategic plans.

THE BOARD

The Board of Directors of the Company comprises of eight Directors. Six of these Directors are non-executive directors, including one Independent Director. Four Directors are foreign nationals. The Board has a right mix of skills and competencies. The Chairman, Mr. Charles Leonard Hunt is a seasoned automotive professional with over twenty five years of expertise and experience in the automobile industry of UK and USA. He is also Group Director Automotive at Al-Futtaim and chairs various Boards of the Al-Futtaim Group companies. CEO, Mr. Parvez Ali; Director, Mr. Franco Fusignani who is also the President of international operations of CNH and chairs various Boards of CNH all over the world; and Mr. Pietro Cianci Venturi are all experienced engineers. Director, Mr. Kunwar Idris, a former minister and a well known personality of the ex-Civil Service of Pakistan is by and large an independent Director; he is also Chairman and Director on the Board of eminent companies of Pakistan. Directors Mr. Hadjas Youssef, who is also the CFO of CNH, Mr. Nasir Mahmood and Mr. M.A. Qaiyum are Chartered Accountants. Company Secretary, Ms. Sobika Muzammil is a Chartered Accountant and "Certified Director" from Pakistan Institute of Corporate Governance (PICG).

Together with their qualifications, experience and personal characteristics they are the guiding light of Al-Ghazi Tractors Limited – which is rated as one of the best managed companies of Pakistan.

CHANGE OF DIRECTORS

Consequent upon the retirement of Mr. Colin D.W. Leitch from Al-Futtaim, he also sought retirement from AGTL. Mr. Charles Leonard Hunt was elected Chairman in his stead.

Mr. Stefano Pampalone also resigned from the Board and was replaced by Mr. Pietro Cianci Venturi.

Role of the Board, the Chairman, the CEO, the CFO, Company Secretary and the Chief Internal Auditor have been clearly defined by the Board in writing. Role of the Board as well as the management have been clearly defined. Providing general oversight of the business, approval of Corporate Strategy, the Board ensures legal and ethical conduct.

The Board has set the Vision, and the Mission of the Company. The Mission Statement has recently been updated and revised. Board sets the Corporate Strategy, Business Strategy and the Financial Strategy with clear identification of what the Company seeks to achieve through its Vision and Mission Statements. In improving good corporate governance, the Board also undertakes to identify management and business risks, pursuit of business opportunities and strategic plans.

CHAIRMAN'S REVIEW

The Board assists in decision making process, allocation of resources and enables the Company to respond to changes in the external and internal environment.

To continually review the effectiveness of Corporate Governance practices with relevance to Company needs, the Board has formed the following Board Committees with clearly defined charters. These committees are composed of non-executive Directors:

- 1) Board Audit Committee
- 2) Enterprise Risk Management Committee
- 3) Corporate Governance, HR, and Nominations Committee.

The Board agenda is always exhaustive and Board exercises responsibilities and controls with due intensity for the overall performance of the Company with particular reference to corporate efficiency.

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

- 1) Business Strategy Committee
- 2) Remunerations Committee
- 3) Succession Planning – Steering Committee
- 4) The Employee & Process Safety Committee
- 5) Environmental Committee
- 6) Risk Management Committee
- 7) Information and Technology Committee

The Board has approved the charter for all these committees and discussions and decisions taken at these meetings are placed before the Board for perusal.

Details of members of the Committees of the Board and the number of meetings held have been included in the Company Secretary's report.

The Board has also approved a "Delegation of Authorities" clearly demarcating the responsibilities and authorities of the Board, the CEO, and his direct reports.

In addition the Board has also approved the following policies with procedures for good governance:

- Company Vehicle Allocation Policy
- Entertainment Policy
- Gratuity and Provident Fund Policy



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The Board agenda is always exhaustive and Board exercises responsibilities and controls with due intensity for the overall performance of the Company with particular reference to corporate efficiency.

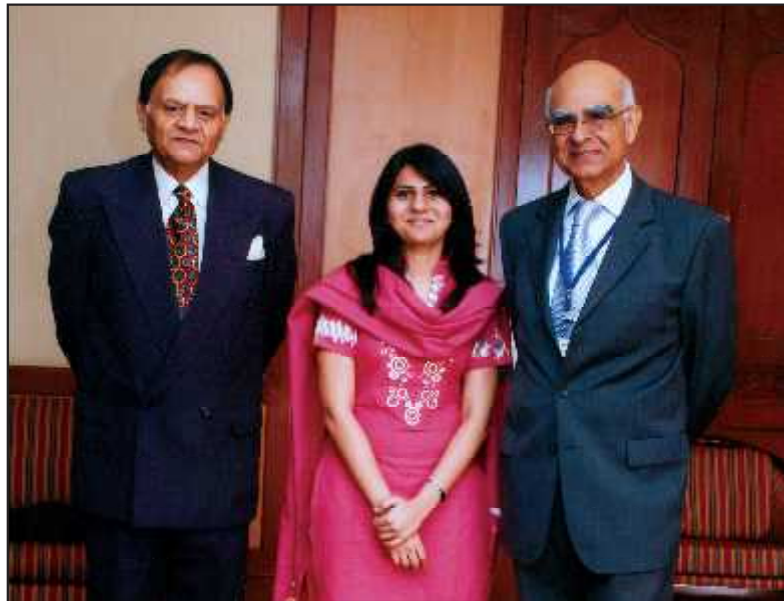
CHAIRMAN'S REVIEW



- Medical Expense Policy
- Leave Fare Assistance & Leave Encashment Policy
- Official Traveling Policy
- Telephone Reimbursement Policy
- Vehicle Running and Maintenance Policy
- Furnishing Policy
- DGK Staff Town Accommodation & Furnishing Policy
- Bonus and Ex-Gratia Policy
- Local Purchase Policy
- Procedure for Recruitment
- Code of Ethics for Employees
- CBA Agreements
- Crisis Response & Security
- Executive Loan Policy
- Fixed Assets Policy
- Health, Safety and Environment Policy
- Succession Planning
- Risk Management Policy
- Suggestion System
- The Company has developed a manual for job description (JD) for each of the job assignments.
- With delegation of authorities fully enforced, all policies and procedures are therefore strictly followed. The Chief Internal Auditor carries out periodic checks to ensure adherence and compliance.
- The Board reviews the Company's corporate governance framework and practices and its improvement.
- The Board endeavours to benchmark its performance with Best Practices. As a matter of policy, the Board undertakes a review and evaluation of its own performance and a review of its relations with the management. Board ensures ample board discussion and advise from the independent Director, who is also a consultant. Board assesses the contribution it is making and specifically reviews areas in which better contribution could be made. In evaluating its performance the Board addresses the following responsibilities. Overseeing the Company's financial performance and allocation of funds, overseeing of management and board selection and succession, overseeing corporate social responsibility, overseeing compliance with law, establishment of standards of corporate conduct, etc.
- The performance of the Chief Executive Officer (CEO) is formally appraised by the Board. CEO's performance is evaluated on the performance of business, accomplishment of objectives with particular reference to profit, goals and corporate success. Performances of key reports to CEO are also placed before the Chairman. A well documented system of performance appraisal is in place for each of the employee.

CHAIRMAN'S REVIEW

- The Board ensures its exposure to key stakeholders. The Board members have had formal presentations by all General Managers of the Company to report on key operating functions. Board members have informally met the staff and the CBA. Board members have held formal meeting with the Dealer's Association and have visited Dealer's workshops. They have also visited the facilities of the supply chain associates.
- Discussion between management and its committees are placed before the Board.
- As part of continuing educating of the Board, members have been counseled on IFC's methodology on Corporate Governance and the Corporate Governance frame work of the SECP.
- In response to KSE's circular number KSE/N-5364 dated October 08, 2009, which mandates Board members to require certification from the CEO, Mr. Parvez Ali and Company Secretary, Ms. Sobika Muzammil, having undertaken the course on Board Development Series have been qualified as "Certified Directors".
- Board meetings were held regularly strictly in accordance with requirements of law.
- A compliance report by the Company Secretary is attached with this report.



CEO, Mr. Parvez Ali, and Company Secretary, Ms. Sobika Muzammil, with President & CEO, PICG, Mr. Fuad Hashimi.



Taken by surprise



CHAIRMAN'S REVIEW

BOARD COMMITTEES

- Corporate Governance, HR and Nominations Committee
To effectively focus on good governance and HR activities of the Company, the Board has set up a Board Corporate Governance, HR and Nominations Committee, with an advisory role making recommendations to the Board for approval. The Committee through the Board Chairman has the following among other objectives:
 - Assess annually the Board's performance and the performance of the Committees of the Board.
 - Establish base salary ranges and general levels of other compensation components, such as perquisites and bonus, ex-gratia or incentive awards of the personnel of the Company.
 - Review the succession plans for the top executives of the Company.
 - Periodically examine the compensation structure of the Company to determine that the Company is rewarding its executive and other personnel in a manner consistent with sound industrial practices.
 - Review, assess and make recommendations to the Board with respect to the code of ethics and conduct of the Company.
 - Establish and review the process for communications by shareholders to the Board.
 - To ensure equal opportunity employment and to ensure not employing the underaged.

The management conducts periodic employee surveys to determine adequacy of remuneration, perks and privileges for its employees.

- Enterprise Risk Management Committee
A Risk Management Committee of the management headed by the CEO had earlier been formed by the Board. The Committee meets regularly as per its charter to cover risks associated with Governance, Internal Controls, Business Impact Analysis, Business Continuity Planning, Insurance, Contract Management, Preventive Maintenance, Supply Chain, Channel Effectiveness, Technology, Intelligence, Credit Risks, Currency/Foreign Exchange Risks, Interest Rate Risk, Liquidity Risk, Infrastructure Risk, Employee/Third Party Fraud, Environment, Health and Safety, Reputation, etc.

The reports of the Committee are placed before the Board for perusal.

The Board is now pleased to form an Enterprise Risk Management Committee of the Board headed by the Independent Director, with non-executive Directors as its members.

The Board is now pleased to form an Enterprise Risk Management Committee of the Board headed by the Independent Director, with non-executive Directors as its members.



CHAIRMAN'S REVIEW

A Risk Assessment procedure is well in place. Information and communication is ample with adequate performance reports on HR, IT Systems, Business Continuity, and Disaster Plan.

The Board ensures that the Chief Internal Auditor has an unfettered access to all of the Company's operations. The Board also ensures that the recommendations of the Chief Internal Auditor once approved by the Board are implemented by the management.

The Committee will formulate strategic objectives and will identify potential events which may affect the Company. It will devise means to mitigate the risks and provide reasonable assurance that the Company's objectives are achieved. The Company in principle follows the COSO approach for investigating both internal and external risks.

The Committee ensures adherence to specified industry guidelines on sourcing of materials as stipulated by law through the Engineering Development Board and the FBR.

While the Chief Internal Auditor acts as a second line of defence and regularly reports on the "Risks", the Board's ERM Committee will provide guidance to investigate them.

A summary of the SWOT/Risk and Opportunities Analysis carried out by the Board has been included in this report along with the Critical Success Factors (CSF).

➤ Board Audit Committee

Internal Audit and control procedures at AGTL are stringent with formal written down charter for the Board Audit Committee, with non-executive Directors as its members.

These cover almost all aspects of and components of the Company to safeguard the objectives of the Company.

A Risk Assessment procedure is well in place. Information and communication is ample with adequate performance reports on HR, IT Systems, Business Continuity, and Disaster Plan.

The Committee carries out periodic evaluation of internal controls. The Chief Internal Auditor is a member on all major committees of the management and scrutinizes all important functions including purchases, cash sheets, scrap sales, related party transactions, etc. The Board ensures that the Chief Internal Auditor has an unfettered access to all of the Company's operations. The Board also ensures that the recommendations of the Chief Internal Auditor once approved by the Board are implemented by the management. Internal Audit Report as well as reports of the Board Audit Committee were provided to external auditors.

The Board of Directors has thus established a system of sound internal controls for financial as well as operational functions which are effectively implemented at all levels of the Company. Details of the members of the Committee and the number of meetings held have been included in the Company Secretary's Report.

CHAIRMAN'S REVIEW

RELATED PARTY TRANSACTIONS

The Board carries out a regular check of all Related Party Transactions. Related party transactions are also thoroughly checked by the Chief Internal Auditor, the Audit Committee of the Board and the external auditors. Records of all transactions are maintained by the Company.

The following related party transactions were made by the Company in the year 2009:

- Under an agreement negotiated between the Company and the principals, M/s. CNH Global NV, in 2004, royalty is paid to the principals for technical support and use of the brand name New Holland. Agreement had been registered with the State Bank of Pakistan in 2004. The terms of the Agreement are considered fair to the Company, and are at arms length.
An amount of Rs. 152.6 million payable to the principals on the tractors sold in the year 2009 was approved for payment. Royalty payments are also audited by the external auditors before forwarding to the State Bank of Pakistan.
- An amount of Rs. 375.83 million was paid to M/s. Al-Futtaim Industries Company LLC on account of dividends.
- An amount of Rs. 324.36 million was paid to M/s. CNH Global NV on account of dividends.
- The Company operates a funded Gratuity scheme through a trust. The gratuity is calculated through actuarial calculations by independent actuary. The total fund value of Gratuity fund as at December 31, 2009 amounted to Rs. 100.51 million.
- The Company also has a Provident Fund which is operated through a trust. The total amount contributed under this head during 2009 was Rs. 4.943 million. Provident Fund value as at December 31, 2009 stood at Rs. 143.5 million.
- Two Executive Directors on the Board received a remuneration of Rs. 44.65 million for the year 2009.
- A Director on the Board (independent), who is also a consultant was paid a remuneration of Rs. 535,000 for the year 2009.
- An amount of Rs. 313.95 million was paid as remuneration/wages to the employees of the Company for the year 2009.
- An amount of Rs. 80,000 was receivable from the principals, M/s. CNH Global NV on account of reimbursement of expenses paid on their behalf for a legal case as on December 31, 2009.
- No amount was payable / receivable from M/s. Al-Futtaim Industries Company LLC as on December 31, 2009.

CHAIRMAN'S REVIEW

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

Information and communication channels are open and approach is interactive with all policies and procedures clearly defined for all grades/levels. An "Employee Handbook" is also available for reference.

Weekly meetings are held with the Collective Bargaining Agent to attend to the requirements of the workers.

Company Secretary is the designated "Complaint Resolution Officer" for any internal conflict resolution. The CEO can also be reached when-ever desired.

INTERNAL CONFLICT – RESOLUTION

The engine of growth of the Company, we believe, is its talented work force. The Company believes in fostering harmonious working atmosphere in the Company. This was recognized when the Employers Federation of Pakistan conferred on AGTL the Corporate Excellence Award on "Human Resources and Industrial Relations" when it celebrated its golden jubilee.

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Information and communication channels are open and approach is interactive with all policies and procedures clearly defined for all grades/levels. An "Employee Handbook" is also available for reference.

Weekly meetings are held with the Collective Bargaining Agent to attend to the requirements of the workers.

A new CBA was elected in February 2009. A new Charter of Demand was negotiated which is valid till mid 2011.

No cases of whistle blowing were reported.

Company Secretary is the designated "Complaint Resolution Officer" for any internal conflict resolution. The CEO can also be reached when-ever desired.



CHAIRMAN'S REVIEW



CHAIRMAN'S REVIEW

CORPORATE SOCIAL RESPONSIBILITY

AGTL has built Corporate Social Responsibility into its Mission Statement. It is a part of the value system of the Company. CSR, we believe, is in essence the creation of a mutually beneficial relationship between the Company and its shareholders which we believe results in not only benefiting the stakeholders, but also increases profitability and shareholder value. With corporate virtue, we believe that doing good is good for business. Beyond philanthropy and charity, CSR, we also believe encompasses enhancing internal processes such as corporate governance, undertaking activities that enhance the value of the Company in the community and the society, its reputation and the brand.

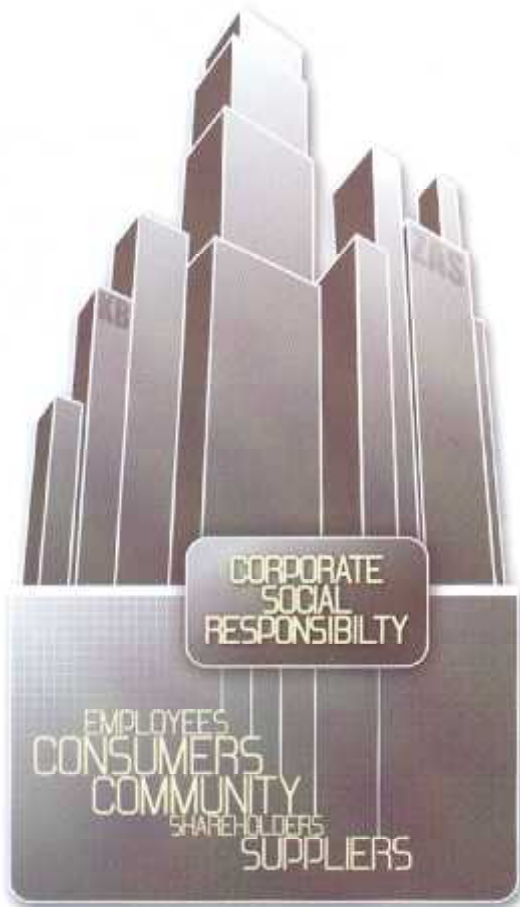
In addition to focusing on productivity, business development, market access, the Company as part of CSR also focuses on Value Chain Analysis, exploring initiatives which have remained untapped. Thus, while the Company as part of its social responsibility continues to be the lowest cost producer of a quality product and has developed a large network for after-sale-service support, it has launched initiatives to offer smart irrigations solutions to offer value addition to agriculture.

Ahead of responding to SRO 983(I)/2009 issued by the SECP which mandates every Company to undertake Corporate Social Responsibility which, in our case, will take effect from the next financial year, the Company has already been engaged in programmes which integrate CSR with business activities viz. Good Governance, Technical and Managerial Competence, Organizational Capacity, Development of Human Resources, Reliability, Accountability, Transparency, Business Ethics, Equal Opportunity Employment, Environmental Management, Industrial Relations, Occupation Safety and Health, Consumer Protection Measures, Rural Development Programmes, etc.

CSR we believe is a smart philosophy of doing business. The Board of directors was, therefore, pleased to allocate Rs. 3 million for CSR activities as good corporate citizen.

The Company has launched scholarship programmes for students of the Agricultural University, Faisalabad, both for their Faisalabad campus and the campus at Dera Ghazi Khan near the AGTL plant. The main aim of the scholarships is to aid those who eagerly seek higher level of education but lack the resources. Apart from goodwill this will benefit the Company with capable work force who could be gainfully employed in the agricultural sector.

The Company is also in the process of setting up a workshop at the University for practical counseling on components of the tractor. The Company is also in the process of setting up model farms for education of the farmers on use of mechanized farming etc.



CHAIRMAN'S REVIEW

HEALTH & SAFETY

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

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

Fire fighting, Bomb disposal, First Aid, Emergency Quick Response drills are undertaken as routine.

There is also stress on spiritual health with a well maintained mosque and facilities of performing Haj and Umra through the CBA Agreement.

A Health and Safety Manual has been drawn up for counseling.



An Emergency Rescue Drill was organized by AGTL at the plant under the D.G. Khan Rescue Management.

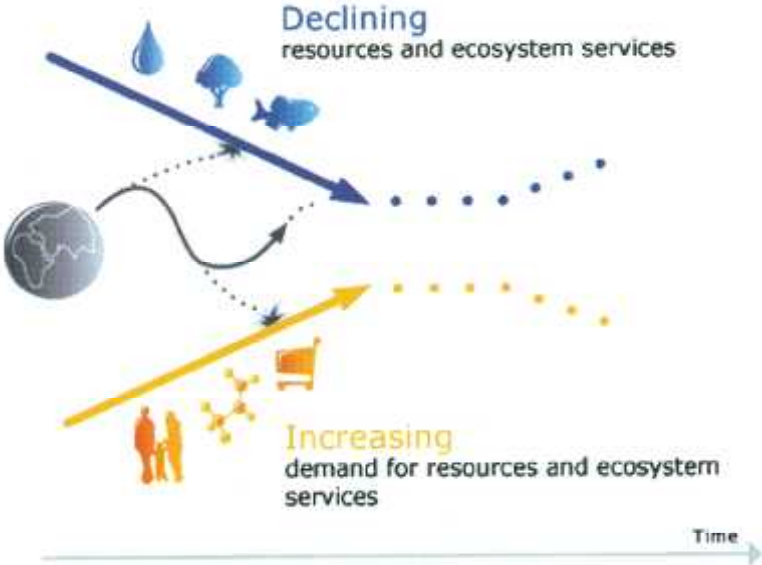
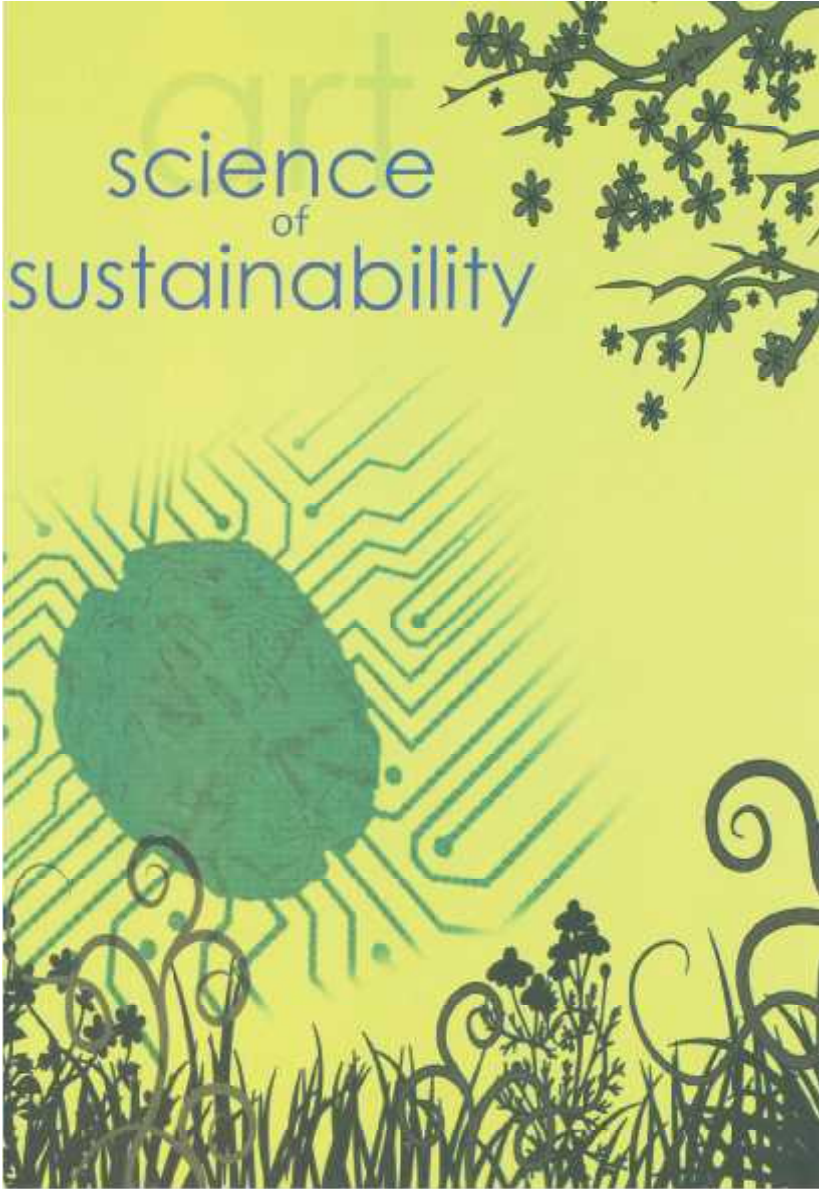
The most commonly used definition of safety culture was coined by the U.K. Health and Safety Commission "The product of individual and group values, attitudes, perceptions, competencies, and patterns of behaviour that determine the commitment to, and the style and proficiency of, an organization's health and safety management". Some researchers are increasingly focusing on attitudes when defining safety, states Glendon et al, while others emphasise that safety culture is expressed through employees' behaviour and work activities.



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Information and communication channels are open and approach is interactive with all policies and procedures clearly defined for all grades/levels. An "Employee Handbook" is also available for reference.

CHAIRMAN'S REVIEW



The Funnel Effect

CHAIRMAN'S REVIEW

ENVIRONMENTAL RESPONSIBILITY

AGTL integrates environmental responsibility into corporate decision making. It is also a part of our agreement with the CBA. The Board has created an Environmental Committee of the management whose reports are placed before the Board for perusal. The Plant and the Staff Town of the Company at Dera Ghazi Khan are an oasis in the desert. By way of environmental responsibility, our policy guideline is as follows:

- Management and labour promote pollution control and prevention through collective bargaining agreement.
- With good housekeeping we apply practical, low cost steps to improve storage and handling of materials, lighting and workstation design thus reducing waste through damage or lost goods and less risk to the health and safety of workers.
- We protect our workers against air and noise pollution by providing personal protection equipment.
- We eliminate work-force hazards such as poor working ventilation, indoor pollution, poor lighting, etc.
- We have discarded the use of all lead based paints.
- We provide clean water to workers and to their homes by installing UV filters on water outlets.
- Our staff town conforms to safe, sound, and sanitary standards.
- We sell waste products like wood and scrap metal that other industries recycle as raw materials.
- We have set up a water recycling plant to treat sewerage.
- We boast of heavy investment in horticulture which has stopped the march of the desert.



CHAIRMAN'S REVIEW

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

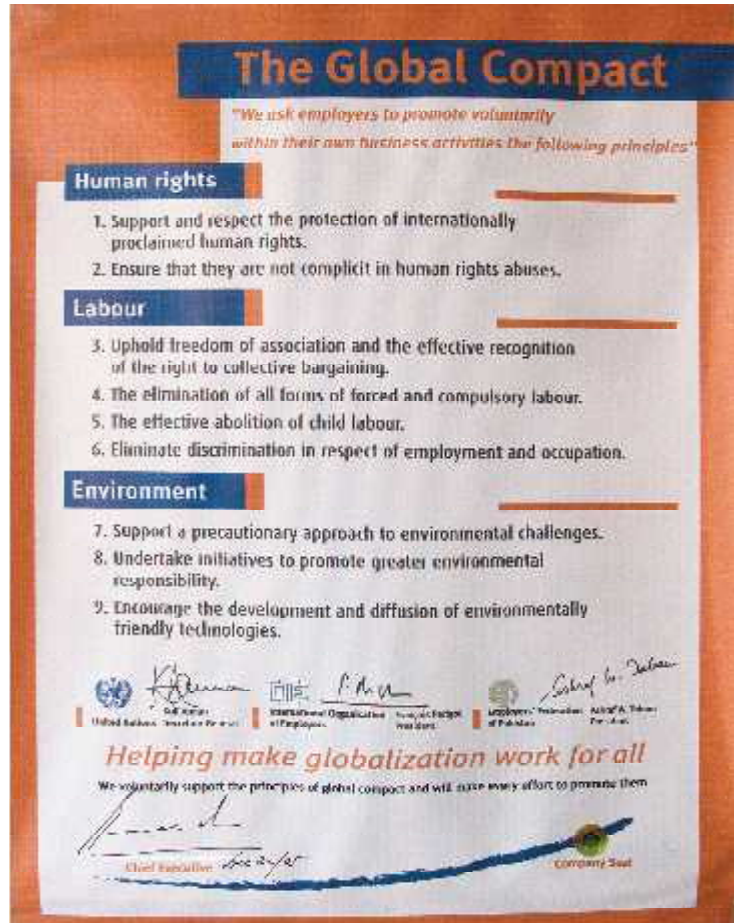
GLOBAL COMPACT

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

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

As signatory, the Company reports progress on the implementation status to Aviva Investors Global Services Limited.

Status Report for the year 2008-2009 was sent recently.



CHAIRMAN'S REVIEW

ALLAH BE PRAISED
EXPLORING NEW HEIGHTS

SETTING NEW SALES RECORD



AL-GHAZI TRACTORS LTD



CHAIRMAN'S REVIEW

MARKET SHARE



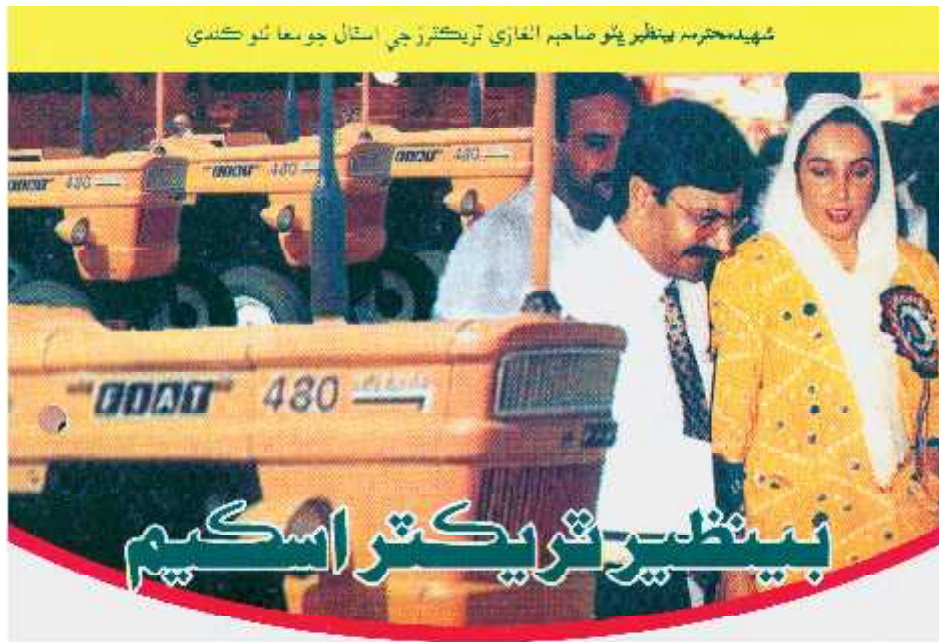
2009 was a bad year for the global economy. For Pakistan's struggling economy it was also gloomy. For the tractor industry though it was exceptionally good. The government of Punjab had launched the Green Tractor Scheme in the year 2008 for supply of 10,000 tractors with a subsidy of Rs. 200,000 per tractor. Deliveries of these tractors also spilled over to the year 2009.

Of the 10,000 tractors subsidized under the Green Tractor Scheme, the Company booked 6,082 tractors with a market share of 60.8%.

The Federal Government launched the Benazir Tractor Scheme in 2009 to supply 10,000 tractors with a subsidy of Rs. 200,000 per tractor through a lucky draw. The scheme was open to all local manufacturers, as well as traders offering imported tractors at zero tariffs. Despite allegations of various hue, the Company booked 4,114 tractors with a market share of 41.14%.

ZTBL loaning also increased this year and the Company supplied 14,398 tractors to ZTBL customers in the year 2009.

While exact figures of production, sales for the industry are not available since most tractor suppliers do not release the correct figures, the Company was distinctly the market leader with deliveries of 32,732 tractors in the year 2009 with a market share of 50% plus.



CHAIRMAN'S REVIEW

RED FLAGS

While the business world has been busy repairing balance sheets all over, the Company's balance sheet for the year 2009 is impressive by any standard. This balance sheet could have been even better, had the Company not suffered financial loss on account of the following red flags:

- There is no sales tax on tractors. Yet under SRO 839(I)/98, tractor manufacturers have been bound by the government to pay input tax of 16% on behalf of the component suppliers and seek refunds.
Under clause 2 of the SRO, refund of the input tax has to be allowed "within 30 days of the filing of the return".
Despite concerted efforts, daily follow-ups at various levels, refund of input tax has not been made by the FBR for almost a year. As of December 31, 2009, a staggering sum of Rs. 1.319 billion was outstanding on this account as receivable.
This is the high price that the Company is paying for the service it is rendering by paying input tax on behalf of the component suppliers.
- Under SRO 655(I)/2009 the government imposed 1% Special Excise Duty on components. Though tractor was given exemption, yet the Company was forced to first pay 1% Special Excise Duty on all purchase and then seek refunds. No refunds have yet been processed.
An amount of Rs. 138 million was therefore receivable from the FBR as of December 31, 2009 on account of Excise duty.
- For ZTBL loanees, the Company delivers the tractors to customers against a Demand Draft issued by ZTBL. Demand Draft is supposed to be a legal tender and should get encashed when presented. This does not happen and Demand Drafts are not honoured in time. An amount of Rs. 1.066 billion was outstanding against ZTBL as on December 31, 2009

These are red flags which hurt the balance sheet of the Company and are disappointing realities.



CHAIRMAN'S REVIEW

NEW INITIATIVES

Farm Mechanization & Water Conservation Projects

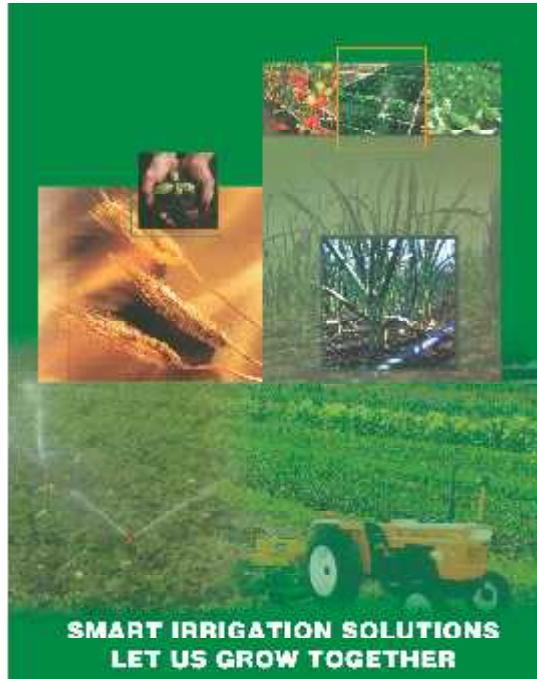
With acute water shortage in the country, the government has accorded priority to Mechanization of Farming, Water conservation projects including Drip Irrigation, Sprinkler Systems, etc. Both the Federal and the Provincial Governments have made allocations in the budgets under these schemes to operate with a subsidy.

AGTL has proactively registered itself with Ministry of Food and Agriculture to undertake these projects. The Company has entered into Technical Collaboration Agreements with some reputed international companies as potential suppliers of technical know-how, machines and equipment. The Company has also signed a Collaboration Agreement with the University of Agriculture, Faisalabad to gainfully draw from the vast expertise of their specialists such as agronomists, research, training, labs and allied services available at the University.

The Company offers "Smart Irrigation Solutions" for water conservation including Rain Guns, Sprinkler Systems, Drip Irrigation Systems and Centre Pivot Systems.

Procedures are being fine tuned by the government, while the Company has already embarked on the new initiative to offer the technology to interested customers. Mechanization of farming, Water Conservation, Corporate Farming, we believe, will be the wave of the future.

With its large dealer network and mechanical workshops all over the country, the Company, we feel is eminently suited to offer the technology as well as the required after-sale-support.



The Company offers "Smart Irrigation Solutions" for water conservation including Rain Guns, Sprinkler Systems, Drip Irrigation Systems and Centre Pivot Systems.

With its large dealer network and mechanical workshops all over the country, the Company, we feel is eminently suited to offer the technology as well as the required after-sale-support.



CHAIRMAN'S REVIEW

DEVELOPMENT PROJECTS

The Company continues to re-engineer the processes, develop new sources of supplies and open new dealerships and workshops in the country.

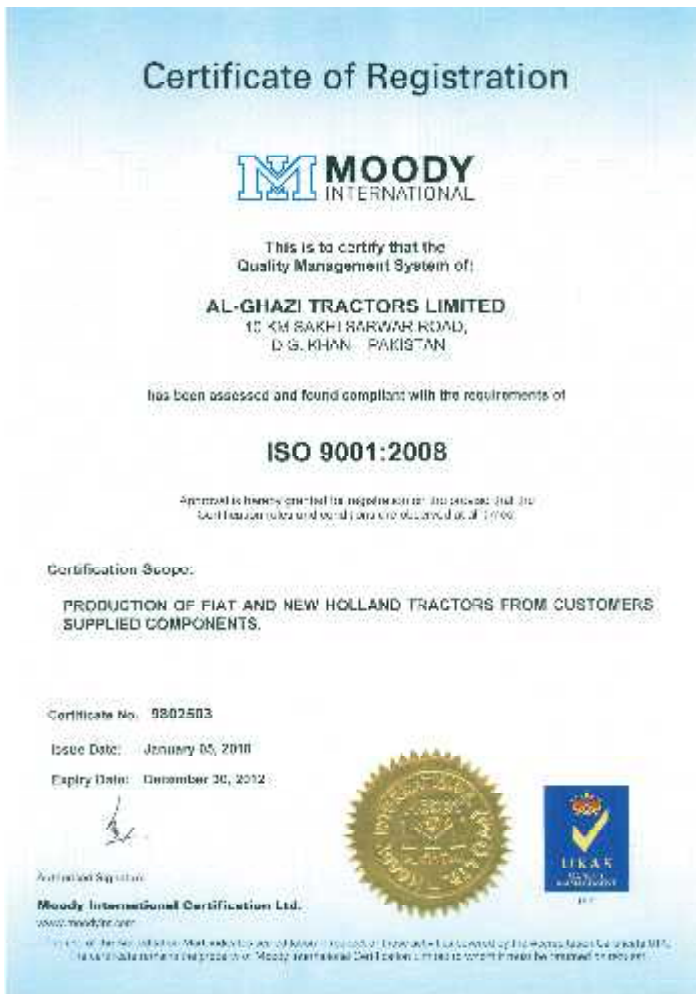
Development activities continue at the manufacturing Plant for improving and increasing capacity and quality. Capacity utilization at the plant was over 100%. With the plant capacity of producing 30,000 tractors in a single shift, the plant produced 30,351 tractors. AGTL products are robust and sturdy – quality being our most competitive edge.

AGTL was the first automobile Company in Pakistan to acquire the ISO 9000 certification. Audited every year, the Company's ISO-9001:2008 certification has been validated upto December 30, 2012.

Activities of the operating departments - Plant, Materials Management, Marketing and MIS - have been included in this report.

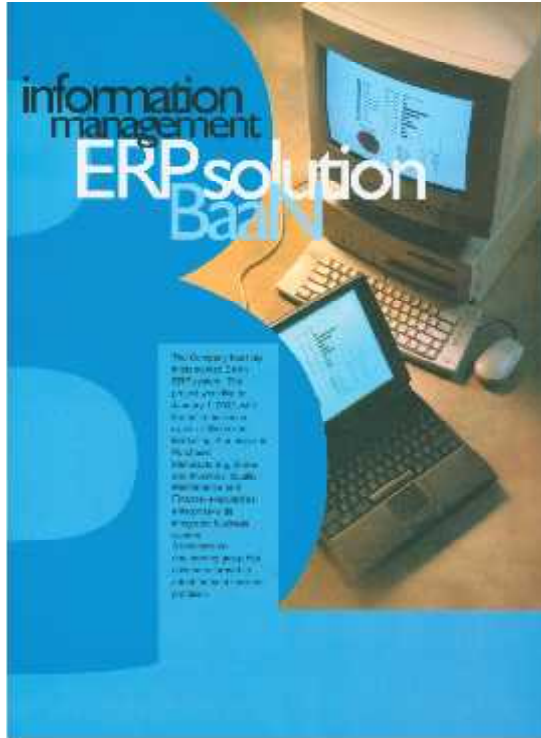
Capacity utilization at the plant was over 100%.
With the plant capacity of producing 30,000 tractors in a single shift, the plant produced 30,351 tractors. AGTL products are robust and sturdy – quality being our most competitive edge.

AGTL was the first automobile Company in Pakistan to acquire the ISO 9000 certification.



NEW SHOW ROOM AT DHARKI

CHAIRMAN'S REVIEW



AGTL was the first automobile Company in Pakistan to implement a complete ERP at all levels of the Company. The project went live on January 1, 2002, with the entire business cycle executed as an enterprise – wide integrated system.

BS 25999 as a guidance standard, we believe, is the best route to effective BCM. BS 25999, we believe, gives a structure within which to systematically analyse all the activity and dependencies within the Company in terms of operational impact.

ERP – MANAGEMENT INFORMATION SYSTEMS

AGTL was the first automobile Company in Pakistan to implement a complete ERP at all levels of the Company. The project went live on January 1, 2002, with the entire business cycle executed as an enterprise – wide integrated system.

The Steering Committee on the IT headed by the CEO ensures broad oversight of the IT in line with business needs. Strategic plans are discussed at the Steering Committee level and reported to the Board.

The management has a written information security policy along with operating procedures of information security.

A robust Business Continuity Planning (BCP) policy has also been put in place to contribute to Business Continuity Management (BCM) programme to mitigate against unexpected interruptions, review of the risks, etc.

BS 25999 as a guidance standard, we believe, is the best route to effective BCM. BS 25999, we believe, gives a structure within which to systematically analyse all the activity and dependencies within the Company in terms of operational impact.

AGTL's IT systems have been audited by the AI-Futtaim IT department and also by the External Auditors as a special assignment.

CHAIRMAN'S REVIEW

PROJECTIONS FOR 2010

It is said that there are signs of gradual economic revival and the country's economy is showing some signs of stabilization with the execution of programmes under the oversight of the IMF.

Pakistan's economy though currently faces some major challenges, such as deceleration in growth, rising inflation, a growing fiscal deficit, widening of trade and current account deficit, power outages and hike in prices of power and gas with the possibility of increasing global commodity and oil prices. Rupee continues to be under pressure. The rupee depreciated by 28% in 2008 and 6.3% in 2009. It is still under pressure viz-a-viz the falling dollar. And then there is the war on terror and the associated law and order situation in the country which raises eyebrows for the business community.

Yet with agricultural sector being prioritized by the government and the assurances of the government to continue with the incentive schemes for tractors, the momentum of progress at AGTL is likely to pick up more pace.

The Green Tractor Scheme of the Government of Punjab for supply of 10,000 tractors is on the cards. The Sindh Government's scheme for supply of 5,000 tractors is also to be launched.

The Federal Government has also assured to launch the second phase of the Benazir Tractor Scheme for 10,000 tractors. These stimulus incentive schemes will contribute to the growth spurt of the tractor industry and predict an upswing.

2009 was an exceptionally good year for the Company. Growth spurt though in large part was triggered by the incentive schemes of the government. But our success is directly related to the sustained efforts of our employees at every level of the Company, who are without any doubt the best workforce in the country.

The Company is also privileged to have the best dealers network in the country, as indeed grateful to our supply chain associates who keep the wheels of assembly line moving with timely supplies of components.



CHAIRMAN'S REVIEW



It is the cumulative efforts of all of our stakeholders who have synergized to rise to our Vision: To make AGTL a symbol of success.

This symbol of success was given ample recognition when the Company received the following accolades in the year 2009:

- The Top Companies Award of the Karachi Stock Exchange.
- The Corporate Excellence Award of the Management Association of Pakistan.
- Best Calendar Award of the NCCA.

Going into the year 2010, as a leaner, fitter Company, AGTL hopes to maintain its privileged position of being the Number One tractor company of Pakistan. Through out the years the Company has been resilient, stayed vibrant and thrived.

For and on behalf of
the Board

Karachi
February 15, 2010

Charles Leonard Hunt
Chairman



DIRECTORS' REPORT



DIRECTORS' REPORT



The Directors of Al Ghazi Tractors Limited are pleased to present their Report together with the Company's Audited Financial Statements for the year ended December 31, 2009.

Operating Results	2009	2008
	Rs in 000's	
Sales	15,764,825	10,107,874
Gross Profit	2,645,814	1,577,787
Profit for the year before taxation	2,658,834	1,682,941
Taxation	915,299	569,685
Profit after tax	1,743,535	1,113,256

The increase in profit is mainly due to higher sales volume as 32,732 tractors were sold as compared to 24,985 tractors sold last year.

Holding Company

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

Corporate Governance

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

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



DIRECTORS' REPORT

- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) There are no significant plans for any corporate re- structuring, business expansion or discontinuance of any part of operations.
- i) The Company has fully complied with the Listing Regulations of the Karachi and Lahore Stock Exchanges.

Appropriation

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

	2009	2008
	Rupees '000	
Profit before tax	2,658,834	1,682,941
Taxation	915,299	569,685
Profit after tax	1,743,535	1,113,256
Unappropriated profit b/f	3,213,090	2,636,539
Profit available for appropriation	4,956,625	3,749,795

Appropriation:

Final dividend paid for the year 2008:

Rs 12.5 per share (2007: Rs 7.5 per share)	536,706	322,023
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Interim dividends paid for the year 2009:

Rs 5 per share (2008: Rs 5 per share)	214,682	214,682
Unappropriated profit c/f	4,205,237	3,213,090

For the year ended December 31, 2009, the Board in its meeting held on February 15, 2010, has proposed a final cash dividend of Rs.15 per share amounting to Rs. 644 million.

Earnings per share

The Basic Earnings per share were Rs. 40.61 in 2009 compared to Rs. 25.93 in 2008.

Statement of value of investments of retirement funds

	Rupees	Year ended
Gratuity fund	80,000,000	June 30, 2008
Provident fund	132,797,000	June 30, 2008

DIRECTORS' REPORT



Key operating and financial data

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

Meetings of the Board of Directors

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

Pattern of Shareholding

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

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

External Auditors

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The directors endorse recommendations of the Audit Committee for the re-appointment of Messrs. A.F. Ferguson & Co. as the auditors for the financial year 2010.

Financial Statements on Website

The financial results of the year 2009 would be placed on the company's website and can be viewed on www.alghazitractors.com

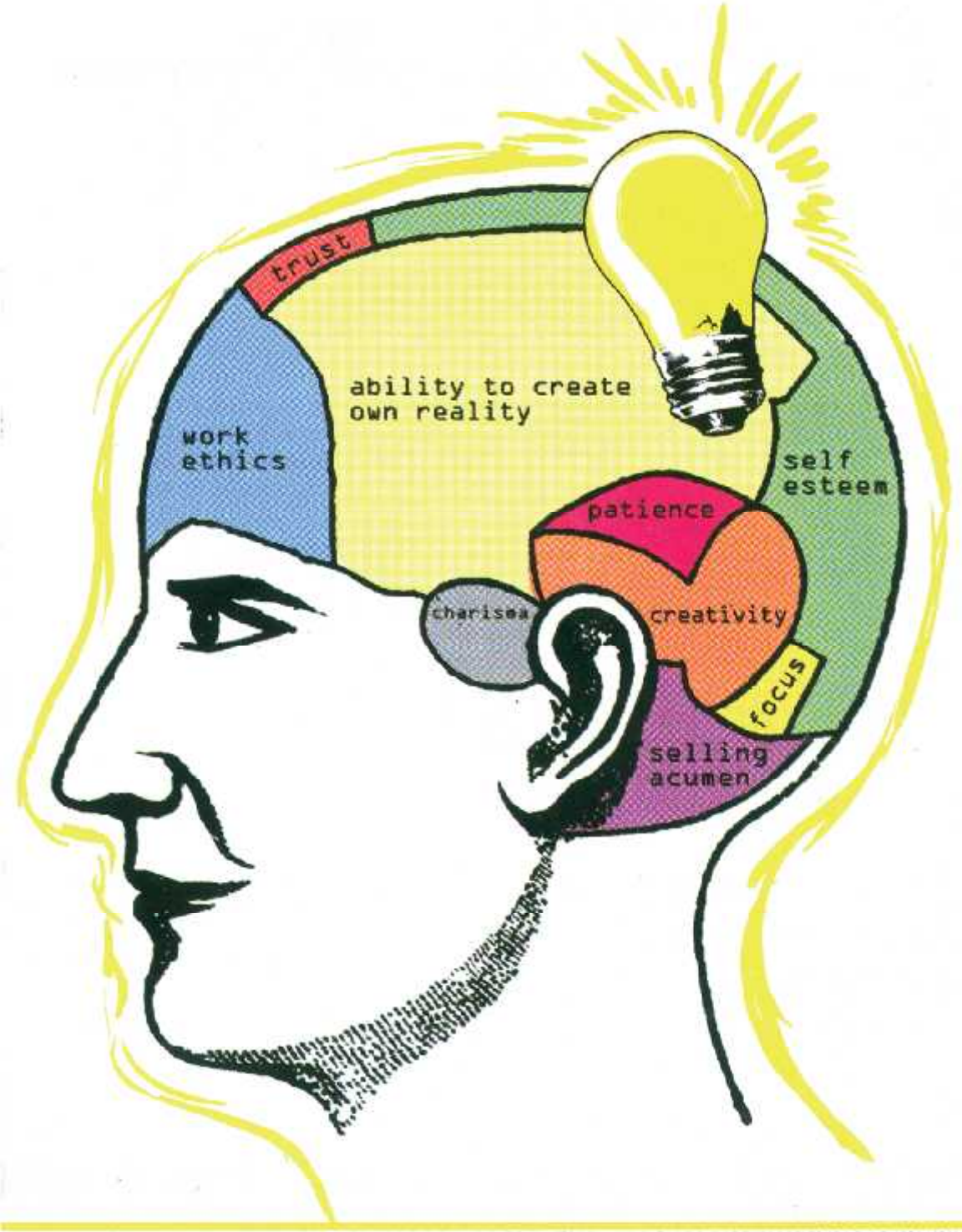
On behalf of the Board

A handwritten signature in black ink, appearing to read 'Parvez Ali', is written over a horizontal line.

Karachi
Dated: February 15, 2010

Parvez Ali
Chief Executive Officer

CORPORATE GOVERNANCE



ROLE AND RESPONSIBILITIES OF THE CHAIRMAN



The Chairman (non-executive) is a member of the Board of Directors of the Company.

Principal 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, its Committees, and meetings of the shareholders in accordance with their terms of reference.
- To establish, in consultation with the CEO, an agenda for each meeting of the Board.
- To seek compliance of the management to implement the decisions of the Board.
- To work closely with the CEO and provide support and guidance for the management on major issues.
- To promote the highest standards of corporate governance.
- To ensure that the Company has an effective and clear communication with its shareholders.
- To ensure that new directors receive appropriate induction into the company.

ROLE AND RESPONSIBILITIES OF CHIEF EXECUTIVE OFFICER (CEO)

INTRODUCTION:

The Chief Executive Officer as the dictionary defines is “the highest ranking executive in a company or organization, responsible for carrying out the policies of the board of directors on a day-to-day basis.” The CEO therefore functions as the main artery between the corporate board members and the various level of the organization.

RESPONSIBILITIES

CEO's major responsibilities are:

- To align the entire company to the Vision, Mission and Strategy evolved by the Boards, such that every one will focus his effort to the success of the company.
- To build a corporate culture and be a role model for the entire organization.
- To set performance standards for the company and promote those stands with confidence.

DUTIES

- 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 organization 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 of 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 company's 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.



ROLE AND RESPONSIBILITIES OF CHIEF EXECUTIVE OFFICER (CEO)

- To provide leadership and develop policies and procedures of the company to ensure compliance of these procedures and policies.
- To develop the 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 values.
- To build effective PR for the company.



ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board, elected by the shareholders, is the ultimate decision making body of the company, except with respect to matters reserved to shareholders. The primary function of the Board is oversight. The Board, in exercising its business judgment, acts as an advisor and counselor to senior management and defines and enforces standards of accountability – all with a view to enabling senior management to execute their responsibilities fully and in the interests of shareholders. The Board of directors have a statutory and fiduciary duty to shareholders to act in good faith and in the best interest of the Company.

The following are the Board's primary responsibilities:

- To formulate a mission statement which would serve as a guide in organizational planning, decision making and strategic planning.
- Reviewing, approving and monitoring the Company's strategic plans and objectives.
- Overseeing the conduct of the Company's business so that it is effectively managed in the long-term interest of shareholders.
- Selecting, evaluating and compensating the Chief Executive Officer (CEO) and planning for CEO succession.
- Monitoring the Company's accounting and financial reporting practices and reviewing the Company's financial and other controls.
- Overseeing the Company's compliance with applicable laws and regulations.
- Overseeing the processes that are in place to safeguard the Company's assets and mitigate risks.
- To set up committees from among the Board members for specific purposes and approving a written charter for the governance of those committees.
- Approve investment plans and capital expenditure.
- Approve Annual and Quarterly Accounts for transmission to shareholders and arrange for shareholders meetings.
- To exercise powers and perform duties conferred upon the Board by the Companies Ordinance 1984 and the Code of Corporate Governance and be legally accountable for all actions of the Company.

In performing its oversight function, the Board is entitled to rely on the advice, reports and opinions of management, counsel, auditors and outside experts.

STATEMENT OF ETHICS AND BUSINESS PRACTICES



CORE VALUES

Al-Ghazi Tractors Limited is a Public Limited Company with 93% foreign shareholding. The Company with its superior performance is recognized by all stakeholders as economically rewarding to all parties, acknowledged as being ethically, socially and environmentally responsible, welcomed by the communities, business, customers in which it operates. It facilitates economic, human resources and community development within a stable operating environment.

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

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

As such the Company has established a defined code of ethics and business practice which are signed by all director are well as employees of the Company.

AUDIT COMMITTEE CHARTER

An Audit Committee has been set up in line with the requirements of Code of Corporate Governance. The Committee reviews financial statements, business plans and internal contracts. The Committee also reviews audit reports issued by the Chief Internal Auditor and ensures management compliance to audit observations.

The salient features of the terms of reference of the Committee are:

1. The Audit Committee will review and discuss with management and the external auditor the annual and quarterly financial statements include the company's disclosures on operating and financial review in the company's Annual and Half Yearly Reports as required by law.
2. The Audit Committee will review and approve the scope of the external auditors.
3. The Audit committee will be apprised by the external auditors of the nature and adequacy of the company's internal controls and internal audit activities and any special audit steps adopted in light of material control deficiencies.
4. Following issuance of external auditors' management letters regarding the annual / half yearly examinations and management's reply thereto, meet with external auditors to review and discuss their findings and recommendations.
5. Discuss with external auditors and management, the accounting principles, policies and reporting practices, underlying the financial statements which are the subject of the external accountants' certification, including a review of: (a) all critical accounting policies and practices to be used; (b) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted difference; and (c) recent and prospective opinions of any relevant accounting standards and their impact on the company's financial statements.
6. Oversee the activities of the internal audit department.
7. Periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the internal audit department's work.
8. Review with the external auditors' litigation, taxation matters and any other legal or regulatory matters that could have a material impact on the company's financial statements.
9. Monitor compliance with the company's corporate policies.



AUDIT COMMITTEE CHARTER

10. Review and approve the related party transactions policy of the company and review and approve related party transactions in accordance with the policy to assure that the principles of arm's length and fair dealing are consistently and correctly applied.
11. To discuss risk assessment and risk management guidelines and policies and the company's significant risk exposures (whether financial, operating or otherwise), as well as the steps management has taken to monitor and control these exposures.
12. Establish and maintain procedures for: (a) the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters; and (b) the submission by employees of the company of concerns regarding questionable accounting or auditing matters.
13. Review with management and the external auditor any material correspondence with regulators or government agencies and any published reports which raise regarding the company's financial statements or accounting policies.



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Chartered Accountants
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Karachi-74000, Pakistan
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE


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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2009.


Chartered Accountants
Karachi

Dated: February 16, 2010



Statement of Compliance with the Code of Corporate Governance



This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Stock Exchanges for the purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Board of Directors has approved the Guidelines, Code and Conduct of Corporate Governance in line with the Code of Corporate Governance of SECP. These have been published in this Annual Report.

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

1. The Company encourages representation of non-executive directors on its Board of Directors. The Board comprises of eight directors and includes six non-executive directors who work with independence.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred in the Board and were filled within 30 days during the year under review.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall strategy and significant policies of the Company. A complete record of particulars of significant corporate policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the meetings, along with agenda and working papers, were circulated seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are fully conversant with their duties and responsibilities.
10. The Board approves appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the 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.



Statement of Compliance with the Code of Corporate Governance



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 Code.
15. The Board has formed a Corporate Governance, HR and Nomination Committee, an Audit Committee and an Enterprise Risk Management Committee comprising of three non-executive directors including the Chairman.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that:
 - I. they have been given a satisfactory rating under the quality control review program of the Institute of Chartered accountants of Pakistan.
 - II. they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and
 - III. 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.
19. 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.
20. 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.
21. We confirm that all other material principles contained in the Code have been complied with. The Company Secretary has conveyed compliance of the Code to the Board of Directors for the year 2009, which will be filed with the SECP along with the Annual Return.

For and on behalf of the Board of Directors



Parvez Ali
Chief Executive Officer

Karachi
Dated: February 16, 2010

FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2009



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also 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 account 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 account and are further in agreement with accounting policies consistently applied except for the changes as stated in note 2.1.1(a), with which we concur,
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.


Chartered Accountants
Karachi

Dated: February 10, 2010

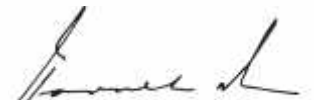
Name of Engagement Partner: Syed Fahim ul Hasan

BALANCE SHEET AS AT DECEMBER 31, 2009

	Note	2009	2008
Rupees '000			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	202,090	200,402
Long-term loans	4	2,858	10,137
Long-term deposits		367	367
		<u>255,920</u>	<u>245,956</u>
CURRENT ASSETS			
Stores, spares and loose tools	5	11,691	14,673
Stock-in-trade	6	1,253,682	1,931,399
Trade debts	7	20,292	7,143
Loans and advances	8	32,012	37,393
Short-term deposits and prepayments	9	12,725	16,113
Accrued mark-up	10	120,201	164,045
Other receivables	11	10,701	9,000
Taxation		530,563	112,809
Refunds due from the Government	12	1,457,265	750,554
Investments	13	145,000	446,760
Cash and bank balances	14	3,522,479	3,348,997
		<u>7,124,751</u>	<u>6,840,054</u>
		<u>7,380,671</u>	<u>7,086,010</u>
SHARE CAPITAL AND RESERVES			
Share capital	15	214,682	214,682
Reserves	16	5,205,207	4,210,090
		<u>5,419,919</u>	<u>4,427,772</u>
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absence		21,871	10,267
Deferred taxation	17	31,400	27,101
CURRENT LIABILITIES			
Trade and other payables	18	1,907,421	2,611,710
COMMITMENTS			
	10		
		<u>7,380,671</u>	<u>7,086,010</u>

AF

The annexed notes 1 to 30 form an integral part of these financial statements.


Chief Executive


Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		Rupee '000	
Sales	21	15,704,025	10,107,074
Cost of goods sold	22	(13,119,011)	(9,550,007)
Gross profit		<u>2,645,814</u>	<u>1,577,787</u>
Distribution cost	23	(87,560)	(75,286)
Administrative expenses	24	(111,270)	(91,560)
		<u>2,446,975</u>	<u>1,410,941</u>
Other operating income	25	411,070	300,497
Other operating expenses	26	(107,067)	(124,753)
		<u>2,660,988</u>	<u>1,685,675</u>
Finance cost	27	(2,154)	(2,734)
Profit before taxation		<u>2,658,834</u>	<u>1,682,041</u>
Taxation	28	(913,299)	(509,000)
Profit after taxation		<u>1,745,535</u>	<u>1,113,230</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>1,745,535</u></u>	<u><u>1,113,230</u></u>
Earnings per share	29	Rs 40.61	Rs 25.93

Aff

The annexed notes 1 to 30 form an integral part of these financial statements.


Chief Executive



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	30	1,553,642	(576,025)
Income taxes paid		(1,328,754)	(700,906)
Increase in deferred staff benefits - compensated absences		2,504	980
Net cash from / (used in) operating activities		227,392	(1,275,951)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(46,025)	(18,338)
Proceeds from disposal of fixed assets		2,520	3,393
Purchase of investments		(400,000)	(1,098,983)
Proceeds from sale of investments		740,930	1,700,550
Return on bank deposits		355,399	349,180
Return on Certificates of Investment (COIs)		29,572	57,723
Decrease / (increase) in long term loans		7,270	(9,166)
Net cash from investing activities		695,692	992,367
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid		(749,602)	(751,970)
Net increase / (decrease) in cash and cash equivalents		173,482	(1,035,554)
Cash and cash equivalents at the beginning of the year		3,340,997	4,384,551
Cash and cash equivalents at the end of the year	14	3,522,470	3,348,007

APC

The annexed notes 1 to 39 form an integral part of these financial statements.


Chief Executive

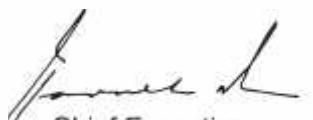

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

	Share capital	General reserve	Unappropriated profit	Total
	← Rupees '000 →			
Balance at January 1, 2006	214,062	1,000,000	2,030,539	3,051,221
Final dividend @ Rs 7.5 per share for the year ended December 31, 2007			(322,023)	(322,023)
Interim dividend @ Rs 5 per share for the year ended December 31, 2008	-	-	(214,682)	(214,682)
Net profit after taxation for the year ended December 31, 2008	-	-	1,113,256	1,113,256
Balance at December 31, 2008	<u>214,682</u>	<u>1,000,000</u>	<u>3,213,090</u>	<u>4,427,772</u>
Final dividend @ Rs 12.5 per share for the year ended December 31, 2008	-	-	(536,706)	(536,706)
Interim dividend @ Rs 5 per share for the year ended December 31, 2009	-	-	(214,682)	(214,682)
Net profit after taxation for the year ended December 31, 2009	-	-	1,743,535	1,743,535
Balance at December 31, 2009	<u><u>214,682</u></u>	<u><u>1,000,000</u></u>	<u><u>4,205,237</u></u>	<u><u>5,419,919</u></u>

AK

The annexed notes 1 to 39 form an integral part of these financial statements.


Chief Executive


Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1904) as a public limited company in June, 1903 and is quoted on Karachi and Lahore Stock Exchanges. The address of registered office of the company is 11th Floor, NIC Building, Abbasi Shaheed Road, Karachi. The company is principally engaged in the manufacture and sale of agricultural tractors, implements and spare parts.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 is provision for staff retirement benefit. Significant estimates relating to staff retirement benefit are disclosed in note 31.

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 judgments made by the company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

AFF

2.1.1 Changes in accounting policies and disclosures

(a) New standard, amendments to published standard and new interpretation effective in current period

IFRS 7 - 'Financial Instruments: Disclosures', introduces new disclosures relating to financial instruments. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

IAS 1 (revised) 'Presentation of financial statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The company has applied IAS 1 (revised) from January 1, 2009 and elected to present one performance statement (i.e. the profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

(b) The other new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or have no significant effect on the company's financial statements and hence are not detailed in these financial statements.

2.2 Overall valuation policy

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

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 lives of the assets as estimated by the management are 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

AGF

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 value 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 value exceeds 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 income 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 law.

Deferred

Deferred income tax is accounted for using the balance sheet 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. Deferred tax is charged or credited in the profit and loss account.

2.7 Stores, spares and loose tools

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

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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.

(iii) Available for sale

These represent non derivative investments that are either designated in this category or not classified in any other category. They are included as non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

Available for sale investments are initially recognised at fair value plus transaction cost, and subsequently at fair value. Changes in fair value are recognised in other comprehensive income.

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2.11 Cash and cash equivalents

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

2.12 Staff retirement benefits

(i) Defined benefit plan

The company operates an approved funded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme. The amount of gratuity is usually dependant on one or more factors such as age, years of service and salary.

The liability recognised in respect of gratuity scheme is the present value of the company's gratuity obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gain or losses.

The gratuity obligation is calculated as at December 31, 2009 by independent actuary using projected unit credit method. The present value of the gratuity obligation is determined by discounting the estimated future cash outflows using interest rates of high quality government securities and that have terms to maturity approximating to the terms of the related gratuity liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the gratuity obligation are charged or credited to profit and loss account over the employees' expected average remaining working lives.

(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

Financial instruments include investments, loans and advances, deposits, trade and other debts, accrued mark-up, cash and bank balances and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.14 Deferred staff benefits - compensated absences

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

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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 using 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 applicable on the balance sheet date. Exchange gains and losses are taken to profit and loss account.

2.18 Revenue recognition

Sales are recorded on dispatch of goods.

Return on deposits and investments is recognised on accrual basis.

Dividend income on investments is recognised when the company's right to receive payments is established.

2.19 Borrowing costs

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

2.20 Dividend distribution

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

	Note	2009	2008
		Rupees '000	
3. FIXED ASSETS			
3.1 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.2	252,605	233,214
Capital work in progress - civil work		-	2,200
Intangible assets	3.3	-	-
		<u>252,605</u>	<u>235,412</u>

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3.2 Operating assets

	LAND		BUILDING		Plant and machinery	Furniture and fixtures	Office equipment	Computer hardware	Vehicles	Factory equipment and tools	Total
	Freehold	Lease hold	on freehold land	on lease hold land							
Rupesa'000											
At January 1, 2008											
Cost	3,824	820	169,000	8,040	100,122	9,172	3,104	12,832	24,228	40,203	242,643
Accumulated amortisation / depreciation	-	(204)	(47,625)	(3,824)	(75,000)	(8,000)	(5,484)	(14,120)	(11,024)	(10,520)	(209,282)
Net book value	3,824	629	111,373	5,113	88,106	1,192	707	1,289	17,612	14,053	244,928
Year ended December 31, 2008											
Opening net book value	3,804	629	111,373	5,113	88,106	1,192	707	1,289	17,612	14,053	244,928
Additions	-	-	1,136	-	6,007	1,625	42	677	6,224	389	16,100
Disposals - note 2.4.1											
Cost	-	-	-	-	-	(1,000)	-	(27)	(1,040)	(42)	(3,119)
Depreciation	-	-	-	-	-	1,311	-	37	7,172	29	8,549
Amortisation / depreciation charge	-	(8)	(3,377)	(224)	(11,521)	(650)	(193)	(591)	(7,919)	(2,382)	(27,165)
Closing net book value	3,824	621	109,132	5,889	82,592	1,992	556	1,075	15,443	12,060	233,214
At December 31, 2008											
Cost	3,824	621	160,132	8,969	106,142	8,311	3,233	13,275	50,116	40,653	409,513
Accumulated amortisation / depreciation	-	(209)	(51,000)	(3,080)	(83,550)	(6,319)	(2,677)	(12,200)	(34,673)	(28,593)	(222,301)
Net book value	3,824	412	109,132	5,889	82,592	1,992	656	1,075	15,443	12,060	233,214
Year ended December 31, 2009											
Opening net book value	3,824	621	109,132	5,889	82,592	1,992	656	1,075	15,443	12,060	233,214
Additions	-	-	740	-	34,148	586	84	398	8,868	3,441	48,265
Disposals - note 2.4.1											
Cost	-	-	-	-	(948)	(691)	(15)	-	(2,539)	(249)	(4,442)
Depreciation	-	-	-	-	948	529	15	-	2,539	243	4,274
Amortisation / depreciation charge	-	(9)	(9,260)	(204)	(10,004)	(780)	(104)	(204)	(9,200)	(5,100)	(26,844)
Closing net book value	3,824	613	109,480	5,685	104,146	1,686	446	670	16,012	13,143	252,695
At December 31, 2009											
Cost	3,824	621	160,672	8,969	199,342	8,206	3,302	13,671	59,440	43,940	499,330
Accumulated amortisation / depreciation	-	(217)	(54,392)	(3,304)	(95,196)	(6,540)	(2,856)	(13,001)	(40,633)	(30,797)	(249,041)
Net book value	3,824	404	106,280	5,665	104,146	1,666	446	670	18,807	13,143	252,695

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3.2.1 Following are the details of fixed assets disposed off:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees '000					
Furniture and fixtures	92	10	82	83	Company policy	Mr. A.K. Baloch Ex-Executive
	92	36	56	57	"	Mr. Farooq Khattak Ex-Executive
Aggregate of assets disposed / write off having book value less than Rs. 50,000 each						
Plant and machinery	948	948	-	1,175		
Furniture and fixtures	507	483	24	24		
Vehicles	2,028	2,028	-	1,100		
Office equipment	15	15	-	7		
Factory equipment and tools	249	243	6	25		
	4,442	4,274	100	2,029		

Note **2009** **2008**
Rupees '000

3.3 INTANGIBLE ASSETS

Cost	0,234	0,234
Accumulated amortisation	(6,234)	(6,234)
Net book value	-	-

4. LONG-TERM LOANS - considered good

Loan to employees	4.1	001	070
Dealer car loans	4.2	2,227	9,467
		2,050	10,137

4.1 These are 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.

4.2 These represent loans given by the company to finance the purchase of cars by dealers. The amount is repayable in 30 monthly installments carrying interest at the rate of 9% per annum and are secured by joint registration of cars in the name of dealers and the company.

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	Note	2009	2008
		Rupees '000	
5. STORES, SPARES AND LOOSE TOOLS			
Stores		5,735	9,294
Spares		5,956	5,379
		<u>11,691</u>	<u>14,673</u>
6. STOCK-IN-TRADE			
Raw materials and components – including in transit Rs 94.12 million (2008: Rs 205.10 million)	6.1	1,167,843	904,500
Finished goods – tractors	0.2	63,332	1,024,712
Trading stock – spare parts and implements		2,507	2,187
		<u>1,233,682</u>	<u>1,931,399</u>

6.1 The above includes raw materials and components of Rs 12.79 million (2008: Rs 13.35 million) held by third parties.

6.2 Finished goods stock includes stocks held by third parties amounting to Rs 0.36 million (2008: Rs 65.85 million).

	2009	2008
	Rupees '000	
7. TRADE DEBTS – considered good		
Secured	914	2,496
Unsecured	10,378	4,647
	<u>20,292</u>	<u>7,143</u>
7.1 The age analysis of trade debts is as follows:		
Not yet due	20,292	7,143
Upto 3 months	-	-
	<u>20,292</u>	<u>7,143</u>

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	Note	2009	2008
		Rupees '000	
9. LOANS AND ADVANCES – considered good			
Loans to employees		1,314	1,377
Dealer car loans		6,683	7,100
Advances to suppliers for goods and services		24,015	28,910
		<u>32,012</u>	<u>37,303</u>
9. SHORT-TERM DEPOSITS AND PREPAYMENTS			
Security deposits		12,308	0,705
Prepayments		417	6,648
		<u>12,725</u>	<u>10,443</u>
10. ACCRUED MARK-UP			
Mark-up accrued on			
- Certificate of Investment (COIs)		5,005	21,450
- Deposit accounts with banks		122,286	142,595
		<u>120,201</u>	<u>104,045</u>
11. OTHER RECEIVABLES			
Due from Al-Futtaim Industries Company LLC - holding company	11.1	-	50
Due from associated companies	11.2	80	326
Workers' Profits Participation Fund	11.3	7,204	0,707
Due from Staff Provident Fund			520
Due from Employees Gratuity Fund	31.1	389	217
Others		3,088	1,929
		<u>10,701</u>	<u>0,838</u>

11.1 There was no outstanding receivable balance from Al-Futtaim Industries Company LLC - the holding company, at the end of any month during the year.

11.2 Maximum aggregate amount due from associated companies, at the end of any month during the year was Rs 326 thousand (2008: Rs 326 thousand).

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	Note	2009	2008
		Rupees '000	
11.3 Workers' Profits Participation Fund			
At the beginning of the year		6,787	(102,387)
Allocation for the year		(142,795)	(90,407)
		<u>(130,008)</u>	<u>(192,794)</u>
Interest on funds utilised in company's business		-	(451)
		<u>(136,008)</u>	<u>(193,245)</u>
Less: Amount paid during the year		143,212	200,032
		<u>7,204</u>	<u>6,787</u>

12. REFUNDS DUE FROM THE GOVERNMENT

Sales tax	12.1	1,319,239	970,910
Special excise duty		138,006	79,638
		<u>1,457,265</u>	<u>750,554</u>

12.1 The company has received refunds from sales tax authorities against bank guarantees amounting to Rs 290 million.

	Note	2009	2008
		Rupees '000	
13. INVESTMENTS			
Held to maturity - Certificates of Investment (COIs)	13.1	145,000	200,000
Investments at fair value through profit and loss account		-	246,760
		<u>145,000</u>	<u>446,760</u>

13.1 The COIs carry mark - up of 13% to 16% per annum (2008: 10.95% per annum) with maturities in 2010.

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14. CASH AND BANK BALANCES

With banks on

- Current accounts - Note 14.1
 - Deposit accounts - Note 14.2 & 14.3
- Demand drafts in hand
- Cash in hand

2009
Rupees '000

2008

2009	2008
1,102,492	757,430
1,479,144	2,361,003
990,531	230,387
312	177
<u>3,572,479</u>	<u>3,348,997</u>

- 14.1 Current account balance includes Rs 1.07 billion (2008: Rs 290.44 million) kept with Zarai Taraqati Bank Limited. The withdrawal from the account is subject to prior authorisation from the bank.
- 14.2 At December 31, 2009 the mark-up rates on PLS savings and term deposit accounts range from 4.10% to 14.5% per annum (2008: 2.7% to 18% per annum). The term deposits will mature in 2010.
- 14.3 Term deposits amounting to Rs 300 million (2008: Rs 270 million) have been held under lien by banks as a security against guarantees issued on behalf of the company.

2009
Rupees '000

2008

15. SHARE CAPITAL

15.1 Authorised Share Capital

60,000,000 ordinary shares of Rs. 5 each

300,000

300,000

15.2 Issued, subscribed and paid up capital

Ordinary shares of Rs 5 each			2009	2008
2009	2008			
4,500,000	4,500,000	Shares allotted for consideration paid in cash	22,500	22,500
38,436,445	38,436,445	Shares allotted as bonus shares	102,182	102,182
<u>42,936,445</u>	<u>42,936,445</u>		<u>124,682</u>	<u>124,682</u>

- 15.3 As at December 31, 2008 and 2009 Al-Futtaim Industries Company LLC, U.A.E., the holding company and CNH Global N.V., Netherlands, an associated company held 21,476,078 and 18,535,006 shares of Rs. 5 each respectively.

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	Note	2009	2008
		Rupees '000	
16. RESERVES			
Revenue reserve - General		1,000,000	1,000,000
Unappropriated profit		4,205,237	3,213,090
		<u>5,205,237</u>	<u>4,213,090</u>
17. DEFERRED TAXATION			
Credit / (debit) balance arising on account of			
Accelerated tax depreciation allowances		39,115	33,939
Deferred staff benefits - compensated absences		(7,655)	(6,778)
		<u>31,460</u>	<u>27,161</u>
18. TRADE AND OTHER PAYABLES			
Creditors		1,364,071	968,405
Accrued liabilities		242,141	00,403
Customers' advance payments	10.1	125,007	1,513,007
Unclaimed dividend		10,228	14,442
Deposits		22,151	20,952
Taxes deducted at source and payable to statutory authority		9,087	4,578
Workers' Welfare Fund		58,153	37,479
Royalty payable to CNH Global N.V.		66,525	49,045
Others		3,698	3,979
		<u>1,907,421</u>	<u>2,611,710</u>

18.1 These represent advances against sale of tractors which carry no mark-up

19. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2009 amounted to Rs 10.07 million (2008: Rs 1.00 million).

20. UNFUNDED BANKING FACILITIES

The facilities for opening letters of credit and guarantees as at December 31, 2009 amounted to Rs 2,625 million (2008: Rs 1,783 million) of which unutilised balance at year end amounted to Rs 1,011 million (2008: Rs 1,428 million).

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

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	2009	2008
	Rupees '000	
21. SALES		
Tractors	15,857,514	10,200,736
Trading goods	105,483	41,151
	<u>15,962,997</u>	<u>10,241,887</u>
Less:		
Commission and discounts	196,951	120,308
Sales tax	11,021	4,015
	<u>196,172</u>	<u>124,013</u>
	<u>15,704,025</u>	<u>10,107,074</u>
22. COST OF GOODS SOLD		
Manufactured goods		
Raw materials and components consumed	11,522,402	9,014,414
Salaries, wages and benefits (Reversal) / charge for defined benefit plan	179,598	161,877
Charge for defined contribution plan	(70)	1,576
Royalty and technical fee	2,160	2,093
Stores and supplies	102,020	90,130
Insurance	166,188	162,038
Depreciation	1,078	845
Fuel, power and electricity	21,235	20,050
Travelling, vehicle running and entertainment	26,894	27,755
Repairs and maintenance	3,352	5,158
Rent, rates and taxes	21,366	17,702
Freight charges	2,070	1,710
Communication	351	775
Printing and stationery	778	849
Others	1,714	1,357
	<u>1,217</u>	<u>1,743</u>
Cost of goods manufactured	582,566	501,774
Opening stock of finished goods	12,105,028	9,516,188
Closing stock of finished goods	1,024,712	9,054
	<u>(83,332)</u>	<u>(1,024,712)</u>
	<u>13,046,408</u>	<u>8,501,130</u>
Trading goods		
Opening stock	2,187	4,520
Purchases	72,023	26,624
	<u>75,110</u>	<u>31,144</u>
Closing stock	(2,507)	(2,187)
	<u>72,603</u>	<u>28,957</u>
<i>ATF</i>	<u>10,119,011</u>	<u>0,500,007</u>

	2009	2008
	Rupees '000	
23. DISTRIBUTION COST		
Salaries, wages and benefits	48,414	41,143
(Reversal) / charge for defined benefit plan	(36)	570
Charge for defined contribution plan	972	865
Insurance	34	32
Depreciation / amortisation	3,454	3,312
Fuel, power and electricity	1,017	881
Travelling, vehicle running and entertainment	7,846	7,242
Repairs and maintenance	229	261
Rent, rates and taxes	470	471
Communication	1,073	1,193
Advertisement and promotion	800	14
After sales expense	17,148	11,199
Dealers' convention	3,503	5,045
Freight charges	457	727
Legal and professional charges	32	207
Printing and stationery	1,747	1,624
Others	397	420
	<u>87,569</u>	<u>75,286</u>
24. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits	80,166	63,616
(Reversal) / charge for defined benefit plan	(66)	1,045
Charge for defined contribution plan	1,802	1,505
Insurance	22	22
Depreciation	3,925	3,803
Travelling, vehicle running and entertainment	6,339	5,340
Repairs and maintenance	896	426
Rent, rates and taxes	7,197	5,635
Communication	5,168	5,394
Auditors' remuneration - Note 24.1	1,759	1,445
Legal and professional charges	2,104	523
Printing and stationery	1,030	1,091
Others	128	915
	<u>111,270</u>	<u>91,560</u>

	2009	2008
	Rupees '000	
24.1 Auditors' remuneration		
Audit fee	750	660
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	829	625
Out of pocket expenses	180	160
	<u>1,750</u>	<u>1,445</u>
25. OTHER OPERATING INCOME		
Income from financial assets		
Return on deposit accounts	335,090	310,199
Return on COIs	14,117	33,752
Revaluation loss on investments at fair value through profit and loss account	-	(7,305)
Gain on disposal of investments at fair value through profit and loss account	45,178	44,840
Others	1,169	1,251
	<u>395,554</u>	<u>382,737</u>
Income from other assets		
Scrap sales	11,023	13,086
Profit on disposal of fixed assets	2,361	2,744
Others	1,232	920
	<u>15,516</u>	<u>16,750</u>
	<u>411,070</u>	<u>399,487</u>
26. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	142,795	90,407
Workers' Welfare Fund	54,262	34,346
<i>AF</i>	<u>197,057</u>	<u>124,753</u>

	2009	2000
	Rupees '000	
27. FINANCE COST		
Interest on Workers' Profits Participation Fund	-	451
Bank charges and commission	2,154	2,283
	<u>2,154</u>	<u>2,734</u>
28. TAXATION		
Current		
- for the year	911,000	562,000
Deferred	4,299	7,005
	<u>915,299</u>	<u>569,685</u>
28.1 Relationship between tax expense and accounting profit:		
Accounting profit before tax	2,658,834	1,682,941
Tax at applicable rate of 35%	930,592	509,029
Effect of income exempt from tax	(15,812)	(13,137)
Effect of permanent differences	519	(6,207)
	<u>915,299</u>	<u>569,685</u>
29. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>1,743,535</u>	<u>1,113,256</u>
Number of ordinary shares outstanding (in thousands) at the end of the year	<u>42,936</u>	<u>42,936</u>
Earnings per share	Rs 40.61	Rs 25.93

A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2009 and 2000 which would have any effect on the earnings per share if the option to convert exercised.

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30. CASH GENERATED FROM / (USED IN) OPERATIONS

2009 **2008**
Rupees '000

Profit before taxation	2,030,034	1,062,941
Add / (less). Adjustment for non-cash charges and other items		
Depreciation / amortisation	20,014	27,105
Gain on disposal of fixed assets	(2,361)	(2,744)
Gain on disposal of investments at fair value through profit and loss account	(45,170)	(44,040)
Revaluation loss on investments at fair value through profit and loss account	-	7,305
Return on bank deposits	(335,090)	(310,199)
Return on Certificates of Investment	(14,117)	(33,752)
Profit before working capital changes	2,200,702	1,326,876
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	2,082	(1,231)
Stock in trade	677,717	(1,222,666)
Trade debts	(13,140)	17,128
Loans and advances	5,381	(17,803)
Short-term deposits and prepayments	3,718	(15,250)
Other receivables	(923)	(7,005)
Refunds due from the Government	(706,711)	(566,922)
	(30,985)	(1,816,749)
Decrease in trade and other payables	(706,075)	(85,152)
	(737,000)	(1,901,901)
	1,553,642	(576,025)

ABC

	2009	2008
	Kupees '000	
31. STAFF RETIREMENT BENEFIT		
31.1 Movement in asset		
Balance as at January 1	(217)	(536)
(Reversal) / charge for the year - Note 31.5	(172)	3,191
Employer contributions	-	(2,072)
Balance as at December 31	<u>(389)</u>	<u>(217)</u>
31.2 Movement in the defined benefit obligation		
Obligation as at January 1	70,005	73,774
Service cost	3,871	4,657
Interest cost	11,410	7,377
Actuarial gains	(118)	(0,072)
Benefits paid	(5,201)	(3,671)
Obligation as at December 31	<u>86,027</u>	<u>76,065</u>
31.3 Movement in the fair value of plan assets		
Fair value as at January 1	05,104	85,400
Expected return on plan assets	14,279	8,550
Actuarial (losses) / gains	(3,753)	1,944
Employer contributions		2,872
Benefits paid	(5,201)	(3,671)
Fair value as at December 31	<u>100,519</u>	<u>95,194</u>
31.4 Balance sheet reconciliation as at December 31		
Present value of obligation	86,027	76,065
Fair value of plan assets	(100,510)	(05,104)
Unrecognised actuarial gains	14,103	10,912
	<u>(389)</u>	<u>(217)</u>
31.5 (Reversal) / charge for the year		
Service cost	3,871	4,657
Interest cost	11,410	7,377
Expected return on plan assets	(14,270)	(8,550)
Actuarial gains recognised during the year	(1,174)	(293)
	<u>(172)</u>	<u>3,191</u>
31.6 Actual return on plan assets	<u>10,526</u>	<u>10,404</u>

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31.7	Key actuarial assumptions used are as follows:	2009	2008
	Expected rate of return on investments	14%	15%
	Expected rate of Increase In salaries		
	- Management staff	12%	13%
	- Non-management staff	12%	13%
	Discount factor used	14%	15%
	Retirement age (years)	60	60

31.8 Comparison of actuarial estimates and experience adjustments for five years:

	2009	2008	2007	2006	2005
	← Rupees '000 →				
Comparison for five years:					
As at December 31					
Present value of defined benefit obligation	86,027	76,065	73,774	66,835	61,980
Fair value of plan assets	(100,519)	(95,194)	(85,499)	(78,760)	(69,459)
Surplus	(14,492)	(10,129)	(11,725)	(11,925)	(7,479)
Experience adjustments					
Actuarial gain on obligation	(118)	(5,072)	(287)	(2,409)	(1,060)
Actuarial (loss) / gain on plan assets	(3,753)	1,044	(873)	2,715	706
	(3,871)	(4,128)	(1,160)	306	(354)

31.9	Composition of plan assets:	2009		2008	
		Rupees '000	%	Rupees '000	%
	Term Deposits	92,223	91.75	82,584	86.75
	Others (Include bank balance)	8,296	8.25	12,610	13.25
		100,519	100	95,194	100

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

31.11 As per actuarial advice, the company is expected to contribute Rs 1.55 million towards gratuity fund in 2010 (2009: Nil).

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32. TRANSACTIONS WITH RELATED PARTIES

Disclosure of transactions between the company and related parties

Relationship	Nature of transactions	2009	2008
		Rupees '000	
i. Holding company:	Dividends paid	375,831	375,831
	Recovery of expenses	00	-
ii. Other related parties:	Dividends paid	324,364	324,364
	Purchase of goods, material and services	-	5,274
	Royalty paid	122,230	92,112
	Recovery of expenses	020	70
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	4,450	4,450
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	-	2,872
iii. Key management personnel:	Salaries and other employee benefits	92,200	60,300
	Retirement benefits	1,900	2,004

The outstanding balances of related parties as at December 31, 2009 are included in trade and other payables and other receivables respectively.

Key management compensation is disclosed in note 33.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	Chief Executive		Director		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees '000					
Managerial remuneration	7,200	5,419	3,174	2,787	9,503	5,995
Bonus and ex-gratia	16,800	12,194	7,407	6,271	20,061	13,128
House Rent	3,240	2,439	1,428	1,254	4,052	2,698
Utilities	720	542	317	279	900	600
Retirement benefits	720	994	317	511	900	1,099
Medical expenses	162	-	175	56	653	628
Leave passage	1,530	1,150	675	500	1,960	1,288
Other expenses	424	478	358	505	1,650	1,085
	<u>20,006</u>	<u>22,219</u>	<u>12,910</u>	<u>12,265</u>	<u>20,591</u>	<u>26,521</u>
number of persons	1	1	1	1	7	5

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

In addition to the above, fee and benefits to one non-executive director paid during the year amounted to Re 535 thousand (2008: Re 528 thousand).

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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 '000						
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances	6,683	2,227	8,910	1,314	631	1,945	10,855
Deposits	-	-	-	12,309	367	12,676	12,676
Trade debts	-	-	-	20,292	-	20,292	20,292
Accrued mark-up	-	-	-	128,281	-	128,281	128,281
Other receivables	-	-	-	3,557	-	3,557	3,557
Cash and bank balances	1,479,144	-	1,479,144	2,043,335	-	2,043,335	3,522,479
Held to maturity investments at amortised cost	145,000	-	145,000	-	-	-	145,000
2009	1,630,827	2,227	1,633,054	2,209,007	999	2,210,006	3,843,130
2008	2,000,103	9,407	2,009,510	1,420,103	1,037	1,421,140	3,430,650
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	1,714,814	-	1,714,814	1,714,814
2009	-	-	-	1,714,814	-	1,714,814	1,714,814
2008	-	-	-	1,056,316	-	1,056,316	1,056,316
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure	-	-	-	10,000	-	10,000	10,000
Letters of credit and guarantees	-	-	-	714,310	-	714,310	714,310
2009	-	-	-	724,380	-	724,380	724,380
2008	-	-	-	356,287	-	356,287	356,287

The effective mark-up rates for the monetary financial assets are mentioned in respective notes to the financial statements

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(ii) Concentrations of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. Out of the total financial assets of Rs 3,040.14 million the financial assets exposed to the credit risk amount to Rs 3,042.83 million which mainly comprise of balances with banks.

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

The company's products are mainly sold against cash or demand drafts issued by Zarai Taraqati 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, 2009 there is no past due or impaired balance and the carrying amount of trade debts relates to independent customers for whom there is no recent history of default.

Loans to employees and dealers are not exposed to any material credit risk. Loans to employees are secured against their retirement benefits while All Pakistan Fiat / New Holland Tractor Dealers Association stand surety for dealer loans.

Other receivables constitute mainly receivables from related parties, therefore, 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 in deposit accounts and the availability of financing through banking arrangements. As at December 31, 2009 there is no maturity mismatch between financial assets and liabilities that expose the company to liquidity risk.

(iv) Market risk

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks included in trade and other payables as at December 31, 2009 amounted to Rs 65.47 million (2008: Rs 43.50 million).

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The company imports raw material in US Dollar and is exposed to Rupee / US Dollar exchange risk. If the Pakistan Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs 6.55 million, mainly as a result of foreign exchange losses / gains on settlement of US Dollar denominated trade payables.

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

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at December 31, 2009, the company's interest bearing financial assets amounted to Rs 1.63 billion and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs 39.64 million.

The sensitivity of 200 basis points movement in interest rates has been used as floating interest rates have moved by an average of 200 basis points per annum.

(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.

36. PLANT CAPACITY AND PRODUCTION

Plant capacity (single shift) - units

Actual production - units

2009 **2008**

30,000 30,000

30,351 27,550

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37. DIVIDEND

The Board of Directors in their meeting held on February 15, 2010 have proposed a final cash dividend of Rs 15 per share amounting to Rs 644.05 million (2008: Rs 12.50 per share amounting to Rs 536.71 million).

38. CORRESPONDING FIGURES

Prior year's figures have been reclassified for the purpose of better presentation and comparison. Major reclassifications made are as follows:

Reclassification from component	Reclassification to component	Amount (Rupee in thousand)
Cash in hand	Demand drafts in hand	230,387
Accrued liabilities	Creditors	386,468

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on February 15, 2010 by the Board of Directors.

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Chief Executive


Director

means ability accountability



THE MANAGEMENT



AL-GHAZI TRACTORS LTD



CORPORATE AFFAIRS DEPARTMENT

The primary responsibility of the Board of Directors is to foster long term success of the Company, consistent with its fiduciary duty to the shareholders. Keeping this in mind, the Board gives utmost importance to best practice of corporate governance.

BOARD COMPOSITION, STRUCTURE AND POLICIES

The Board believes that the quality of the individuals serving on the Board and the overall balance of the Board is more important than the number of members, although the Board believes that there should be a minimum of eight directors to help ensure the proper functioning of the Board. The board currently has six Non-Executive directors. The Chairman of the Board is a Non-Executive Director.

In 2009, Board meetings were held during the months of February, April, August and October. For all Board meetings the agenda was circulated to all the members of the Board at least seven days before the scheduled meeting. The minutes of all Board meetings have been circulated within fourteen days of holding of these meetings.

Details of attendance by each director are as follows:

Board Members	Meeting held	Meeting attended
Mr. Charles Leonard Hunt *	4	2
Mr. Parvez Ali	4	4
Mr. Kunwar Idris	4	4
Mr. Franco Fusingnani	4	2
Mr. Muhammad Ali Qaiyum	4	4
Mr. Hadjas Youssef	4	4
Mr. Pietro Cianci Venturi *	4	1
Mr. Nasir Mahmood	4	2
Mr. Stefano Pampalone **	4	-
Mr. Colin D. W Leitch **	4	2

* appointed during the year

** (resigned during the year)

Various materials have been distributed to the Board members on a continuing basis throughout to keep them informed on an ongoing basis of the performance of the Company.

Board members have unrestricted access to management. The Board and each committee of the Board have the authority to retain independent legal, accounting and other experts and consultants to advise the Board and the committees as they may deem appropriate.

Directors are elected for a period of three years. The term of the present Board will expire in December 2011.

COMMITTEES OF THE BOARD

The Board has established committees to assist it in the performance of its responsibilities. There are currently three Board committees:

Audit Committee: The committee monitors the Company's financial reporting processes and systems of internal control, the independence and the performance of the independent auditors and the performance of the internal auditors.

Four meetings of the committee were held during the year.

Details of attendance by each member are as follows

Board Members	Meetings held	Meetings attended
Mr. Charles Leonard Hunt *	4	2
Mr. Kunwar Idris	4	4
Mr. Hadjas Youssef	4	4
Mr. Nasir Mahmood	4	2
Mr. Colin D. W Leitch **	4	2

* appointed during the year

** (resigned during the year)

The committee also held two meetings with the external auditors.

Corporate Governance, HR and Nominations Committee: The committee is responsible for discharging the Board's responsibilities relating to executive compensation and governance matters. The committee met once in 2009.

Enterprise Risk Management Committee: This is a new committee formed by the Boards in line with good corporate governance.

COMPLIANCE WITH SECRETARIAL PRACTICES

The company has an immaculate record of compliance with all the requirements of SECP and the Sock Exchange.



SOBIKA MUZAMMIL
COMPANY SECRETARY

Members	Risk Management Committee	Succession Planning - Steering Committee	Remunerations Committee	Remunerations Committee Executive	Remunerations Committee (Workers)	Information & Technology Committee	Business Strategy Committee	The Employee & Process Safety Committee	Environmental Committee
Parvez Ali - CEO	✓	✓	✓	✓	✓	✓	✓	✓	✓
M. A. Qaiyum - CFO	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nadeem Ahmed - GM Marketing	✓	✓	✓	✓	✓	✓	✓	✓	✓
Abdul Rasheed - GM Accounts and P&A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Col. (R) Rao Muhammad Younas- GM Plant	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tanveer Ahmed - GM Material Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Faisal Bin Maaz - Chief Internal Auditor	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ilyas Dadi - SM Information Technology									✓
Chairman - CBA									✓



**SYMBOL OF ENGINEERING DYNAMICS
THE AGTL MANUFACTURING PLANT
AT DERA GHAZI KHAN**



AL-GHAZI TRACTORS LTD



MATERIALS MANAGEMENT DEPARTMENT



Tanvir Ahmed
GM (MM)

Materials Management Department in AGTL constantly focuses its activities to strengthen the MISSION of the company: “To be the lowest cost producer of the highest quality”.

Objective of the Materials Management Department is:

“To procure components conforming to quality specifications from the most reliable and cost efficient resources for timely delivery for smooth operations of production line”.

Principal activities of the department are:

- Maintaining and updating the technical and technological records of the product.
- Development of components to achieve local content conforming to the specifications of the principals and hence saving foreign exchange.
- To achieve local content and ensuring supplies conforming to the requirements of Engineering Development Board.
- Development of alternate resources to strengthen supply chain.
- Quality Control and Quality Assurance on component suppliers.
- Effective supply chain management using BaaN-ERP systems
- Management of contracts and supply orders
- Cost control and Cost Analysis.
- Inventory Management.

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

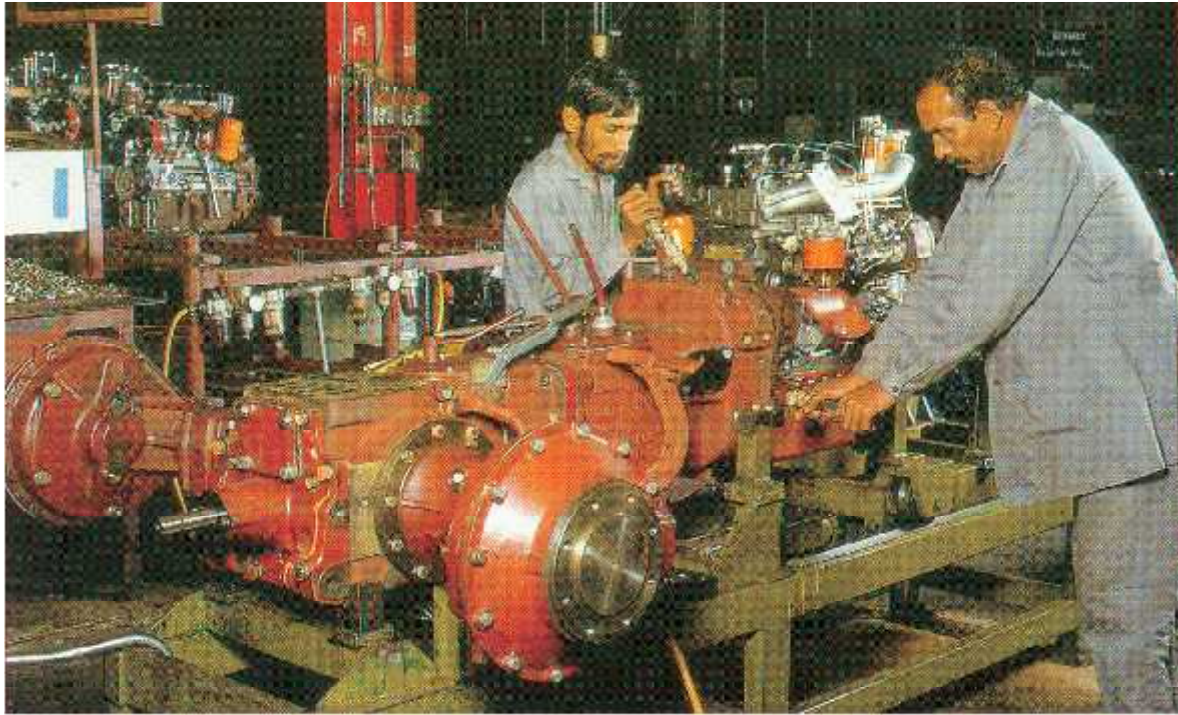
With 270 supply chain associates spread all over Pakistan, 1100+ components have been developed as local content.

With such high level of import substitution, the foreign exchange saving in the year 2009 was Rs. 8.75 billion.

By procuring and timely supply of components conforming to defined quality specifications from most reliable and efficient sources, Material Management Department ensured smooth operations of Production Line which ultimately resulted in record production in the Year 2009.

Running on ERP, the success of the department is the result of technical expertise contributed by highly qualified engineers and technicians working industriously throughout the year.





TRANSMISSION ASSEMBLY LINE



ENGINE ASSEMBLY LINE



AL-GHAZI TRACTORS LTD



PLANT OPERATIONS AT DERA GHAZI KHAN



Col. (R) Rao Muhammad Younus
GM Plant

Established in 1984, the AGTL manufacturing Plant at Dera Ghazi Khan is a hallmark of engineering dynamics which bustles with activity.

The Plant continues to expand to cater to increased requirements of production. Thus a new assembly line was added together with new engine testing facility. A new paint shop was installed. The production capacity of the Plant has thus increased to a throughput of 155 tractors per day.

A Sheet Metal Press Shop fully equipped with presses ranging from 300 to 800 ton's capacities, latest welding techniques, shearing machine, lathes and mechanical presses coupled with high quality in-house testing facilities, have been established for in-house manufacturing of sheet metal parts of the tractor.

AGTL has its own Training Center. Continuous efforts are made to train our workforce on latest technical, administrative, Human Resource, safety and security hazards, with the help of experts of various fields and professions at our own Training Center.

With disciplined focus on all quality management systems, we are committed to remain on par with the best international practices, quality standards, performance requirements and product specifications of CNH and to achieve evaluation through continual improvement for ultimate customer satisfaction. AGTL was the first automobile company in Pakistan to receive the quality certificate – ISO-9000. We have now achieved ISO-9001:2008 registration. Our quality policy is categoric: "Our most enduring competitive edge is the Quality of our Tractors".

The Plant operates on high efficiency with negligible waste. From receipt of material at the Plant upto the production of complete tractors, and distribution all operations are systemized on BaaN ERP.

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

AGTL staff town adjacent to the factory with housing facilities for staff has well maintained amenities of clubs, playgrounds, parks, utility stores and generators for the well being of the families.

The AGTL Primary school in the staff town, equipped with gadgets of learning is an inspiring institute.

The AGTL hospital in the staff town, apart from catering to the staff and their families has been in the forefront of immunization and other activities in the adjoining areas.

No wonder AGTL workers are happy workers.

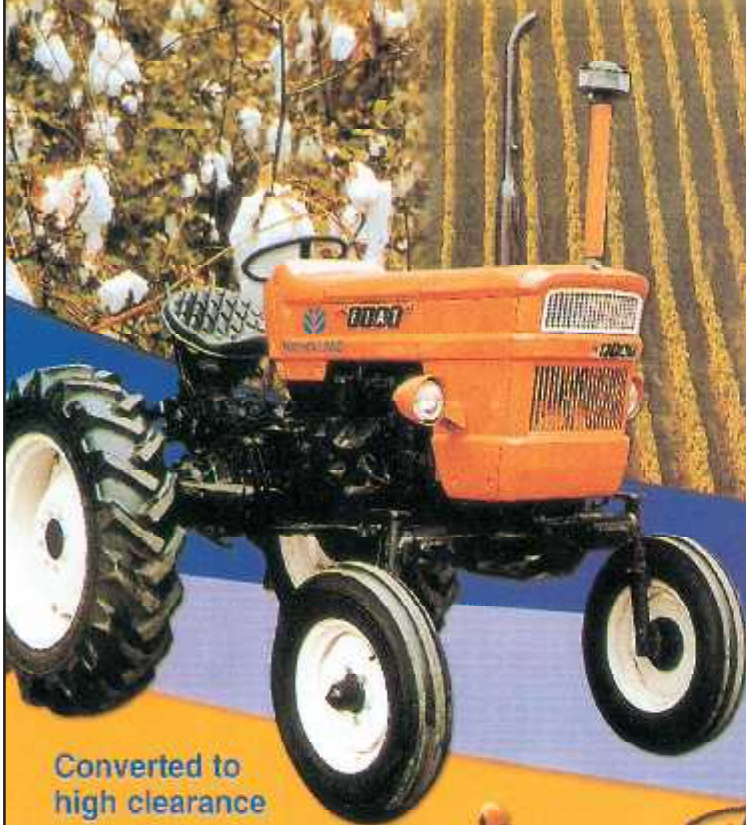


Special Features

New Holland

tractors have a special feature.

They can be converted to high clearance for effective use on harvest, and to low clearance for use in gardens.



Converted to high clearance



Converted to low clearance



Standard



AL-GHAZI TRACTORS LTD



MARKETING DEPARTMENT



Mr. Nadeem Ahmed
GM Marketing



Corporate Marketing Strategy at Al-Ghazi Tractors Limited is based on the hypothesis that we “Create a Customer” by stimulating his need. More than a formal written policy this strategy is instilled in our marketing team who have their own MISSION:

“To foster agriculture mechanization in the country by providing a range of Quality Products that create value by achieving leadership in cost, customer satisfaction and sustainable business generation in challenging and competitive environment.”

Operating from Lahore, the marketing department has established full-fledged Regional offices at four important locations:

- 1) Marketing Centre, Lahore: 10 Km, Sheikhpura Road, Tel: 042-7912226, 7924677
- 2) Marketing Regional Office, Multan: 20 Industrial Estates, Tel: 061-6514057-9
- 3) Marketing Regional Office, Sukkur: Bunglow No. 128, Block – B, Government Employees Cooperative Housing Society, Airport Road TEL: 071-5002852, 071-5630242
- 4) Marketing Regional Office, Islamabad: Flat no.7, 2nd Floor, City Arcade, 1.8 Markaz, Tel: 051-4862524-25

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

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

Spread in every nook and cranny of the country where tractors ply, the company has 82 main and 48 spare parts dealers with a network of over 3000 workshops in the country.

In line with global image of CNH, all the dealerships have been given a homogeneous New Holland dealership look.

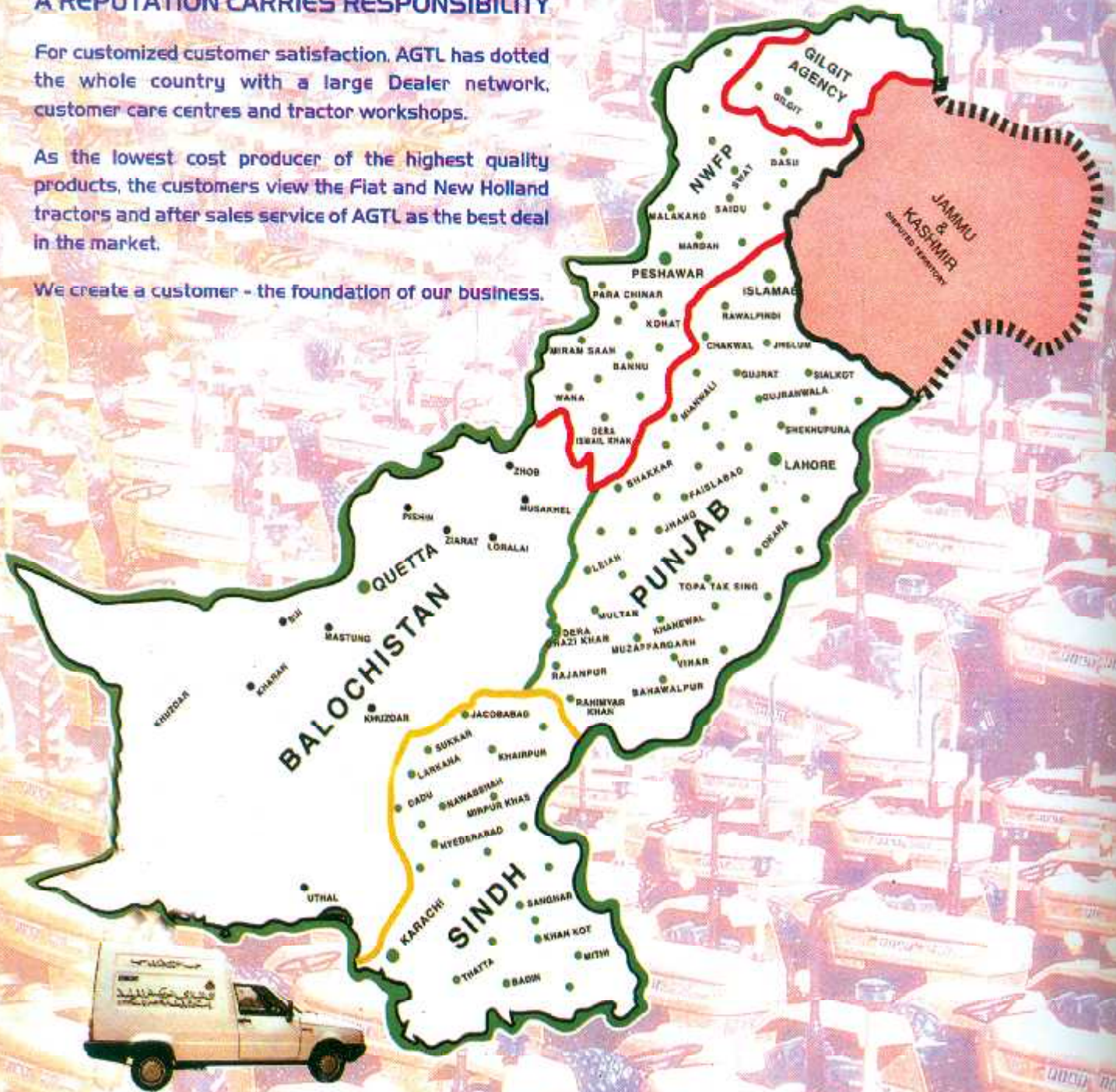
We have dotted the whole country with
Authorised Dealers & Authorised Workshops

A REPUTATION CARRIES RESPONSIBILITY

For customized customer satisfaction, AGTL has dotted the whole country with a large Dealer network, customer care centres and tractor workshops.

As the lowest cost producer of the highest quality products, the customers view the Fiat and New Holland tractors and after sales service of AGTL as the best deal in the market.

We create a customer - the foundation of our business.



AL-GHAZI TRACTORS LTD



Special Features

Tractor fitted with Heating System for cold regions



Tractor as Fork Lifter



New Holland tractors are always cheaper to own and operate. Introduction of special features on tractors such as tractor mounted fork lifter; heating system for cold regions and mechanical sweepers; the high and low clearance tractor; tractor mounted with DTO pump and deep well turbine to draw forth water from underground, tractor with laser levellers, attract special attention of users to such special features - some of which are exclusive to our products.

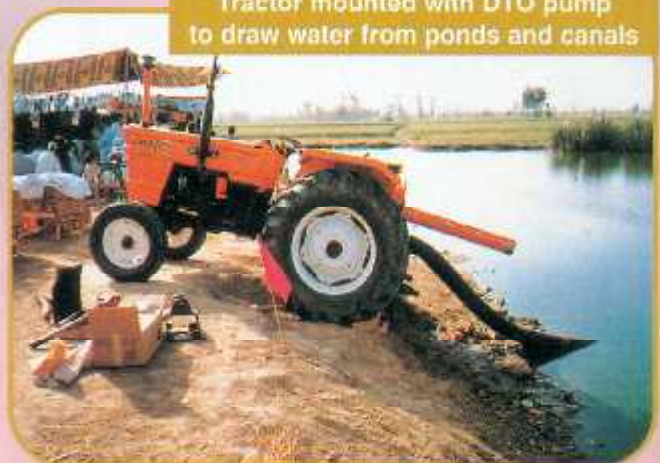
Tractor mounted with Mechanical Sweeper to clear & clean municipal roads



Tractor mounted with deep well turbine can draw water from depths of 800 feet.



Tractor mounted with DTO pump to draw water from ponds and canals



AL-GHAZI TRACTORS LTD



MARKETING DEPARTMENT

While tractors are booked as well as delivered through the dealers, AGTL marketing team of sales executives and engineers are in the front and collaborate throughout the year to jointly achieve the company's MISSION: Brand Strength and Customer Loyalty; to retain market leadership with adherence to corporate focus that is 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.

For the year 2009, the company retained market leadership by achieving the highest sales of 32,732 tractors, thus setting a new national record. The process of involvement of Customers, Dealers and Component Supplies is continuous.

The department keeps up a continuous flow of updates with technical bulletins, Dealer's Meetings and conventions and after-sale-service programmes throughout the year.

Effective communications inform and persuade potential customers. Attractive promotions stimulate action. Messages raising product image, diversified usage and competitive edges were formulated and transmitted effectively through mass campaign. Awareness was created among masses about product strengths.

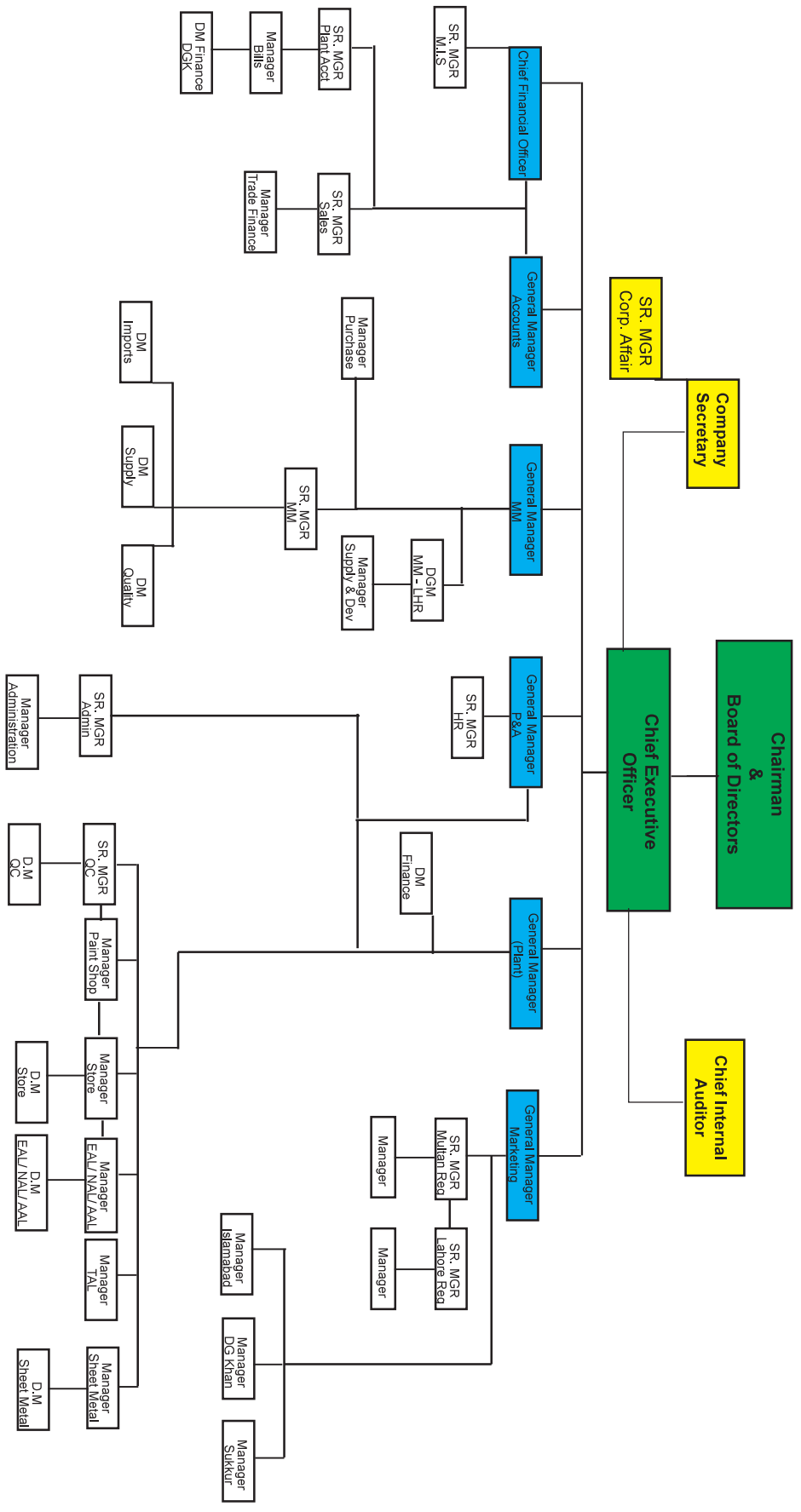
New 3-S dealership were developed at Sahiwal, Gujranwala, Gujrat, Jauharabad, Mianwali, Lahore, Sargodha, Okara, Liaquatpur, T.T. Singh, Lodhran, Layyah, Khairpur, Daharki and Sukkur.

Training programmes were launched through Mechanics Training Programs in collaboration with M/s Shell Pakistan Limited at Regional Offices of Lahore, Multan and Sukkur.

After sales service was provided to all customers, old or new, whereas around 33000 tractors remained on the after sales warranty table all the year. Customer satisfaction was achieved through rendering selfless services round the clock throughout the year. Technical teams and engineers of the department were available at each customer call received directly from the field or through customer care centre.

Marketing is now venturing into a new area of providing smart irrigation solutions on water conservation projects.





HUMAN RESOURCES

“A team of many talents” is how we describe our staff.

Realizing that in the present era of global competition success comes through collective efforts and professional approach of the employees. Company puts maximum emphasis on the strategic human resource management.

Focusing on corporate objectives, best HR practices are a hall mark of our policies and procedures. Starting from the divine principle of right person for the right job, we strive to identify and hire persons having compatible qualification to the job specifications exclusively on merit while providing equal opportunity to all prospective candidates.

We groom our employees to become integral part of our corporate culture. Special care is taken for professional growth and career development of employees. We assign them task to bring out their best.

Annual performance evaluation is considered one of the vital core functions of human resources management. This is done with a view to have two way communications between employee and his supervisor. Meritorious performance and best achievers are rewarded and provided incentive for sustainable performance.

TRAINING

AGTL believes that the engine of growth of the company is its managers and the people who do the work with their knowledge and creativity. Training and development is provided to those where such need is identified. Company has a fully developed Training Centre to cater not only the training needs of the company employees but technical institutes of adjoining areas also get benefit from our training centre. Company also provides internship to graduate and master level students of various institutions. We carry out an apprenticeship program approved by the T.E.V.T.A.

At the AGTL Training Centre, training aids and equipment are augmented by sophisticated devices for simulation which help operators. We also conduct country wide training programmes for tractor mechanics employed all over the country in tractor workshops and customer care centres.



HUMAN RESOURCE

AGTL TEAM

As At December 31, 2009

DEPARTMENT	MANAGERS	EXECUTIVES	WORKERS	TOTAL
MARKETING	29	13	22	64
MATERIAL MANAGEMENT	20	5	5	30
HUMAN RESOURCE AND ADMINISTRATION	12	10	30	52
PRODUCTION	27	23	160	210
FINANCE	24	5	3	32
MIS	6	-	-	6
INTERNAL AUDIT	2	-	-	2
TOTAL	120	56	220	396

AGTL's team of many talents employs Qualified staff:

Master Degree Holders	= 51
Professional Degree Holders	= 34
Bachelor Degree Holders	= 52
Others	=259

SERVICE AND AGE ANALYSIS

AGE ANALYSIS OF MANAGERS

Age Category	%
Under 30 years	18
30-35 years	18
35-40 years	14
40-50 years	24
Over 50 years	26

AGE ANALYSIS OF WORKERS

Age Category	%
Under 30 years	0
30-35 years	0
35-40 years	4
40-50 years	64
Over 50 years	32

SERVICE ANALYSIS OF MANAGERS

Service Category	%
Under 5 years	42
5-10 years	9
10-15 years	11
15-20 years	10
Over 20 years	28

SERVICE ANALYSIS OF WORKERS

Service Category	%
Under 5 years	0
5-10 years	0
10-15 years	1
15-20 years	9
Over 20 years	90

MANAGEMENT INFORMATION SYSTEM

The MIS Department's key objective is to provide timely and accurate reports to its internal customers and to keep abreast with the latest technology and developments in the I.T. field.

The Company places heavy reliance on its BaaN Enterprise Resource Planning Systems (ERP) to achieve this objective. The system is fully integrated incorporating Sales and Distribution, Material Requirement Planning (MRP), Material Management, Manufacturing, Inventory and Finance. A new system of payroll has been developed in house. The hardware in use at AGTL include: IBM RISC Servers, CISCO Routers, 3COM & CISCO Switches and IBM/HP Printers. The system is implemented at all major locations of the company.

Business Re-Engineering:

A Business Re-engineering Group is in place to continuously monitor business processes and changed environments so as to adopt best business practices.

Help-Desk solution has been recently introduced based on ITIL for its internal customers.

Disaster Recovery:

A DRP is in place to ensure minimum down-time in case of a major disaster. Application and data back-ups are taken and stored at different sites to ensure maximum security. In addition, stand-by hardware is also available in case of failure of the main machine.

These arrangements are subjected to regular review by the Risk Management Committee.

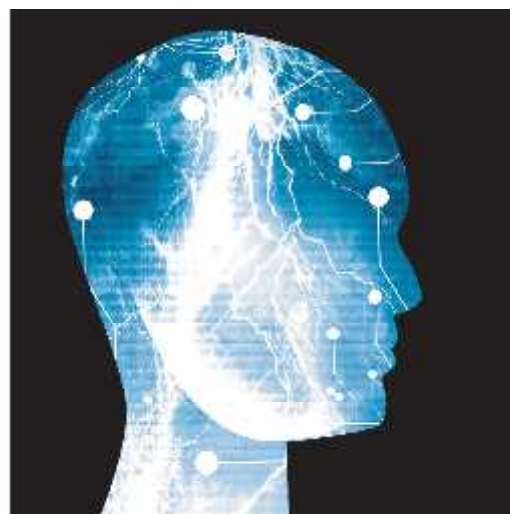
I.T. Security:

In order to safeguard data integrity, a detailed policy on IT Security has been approved by the Board. The objective is to ensure that highest level of security is provided to the system. Access controls are rigidly monitored based on job descriptions.

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



Ilyas Dadi
SM (MIS)



PATTERN OF SHAREHOLDING

As At December 31, 2009

Number of Share Holders	Size of Shareholding Rs. 5 each From	To	Total Shares Held
573	1	100 Shares	22,548
462	101	500 Shares	127,852
173	501	1000 Shares	129,951
300	1001	5000 Shares	611,239
48	5001	10000 Shares	354,818
12	10001	15000 Shares	152,666
9	15001	20000 Shares	165,314
4	20001	25000 Shares	91,436
2	25001	30000 Shares	55,444
3	30001	35000 Shares	94,959
2	35001	40000 Shares	75,500
1	45001	50000 Shares	48,100
2	50001	55000 Shares	104,084
1	55001	60000 Shares	55,513
2	60001	65000 Shares	124,100
2	65001	70000 Shares	137,500
2	75001	80000 Shares	155,474
1	115001	120000 Shares	117,395
1	300001	305000 Shares	301,378
1	18535001	18540000 Shares	18,535,096
1	21475001	21480000 Shares	21,476,078
1,602			42,936,445

Categories of Shareholders

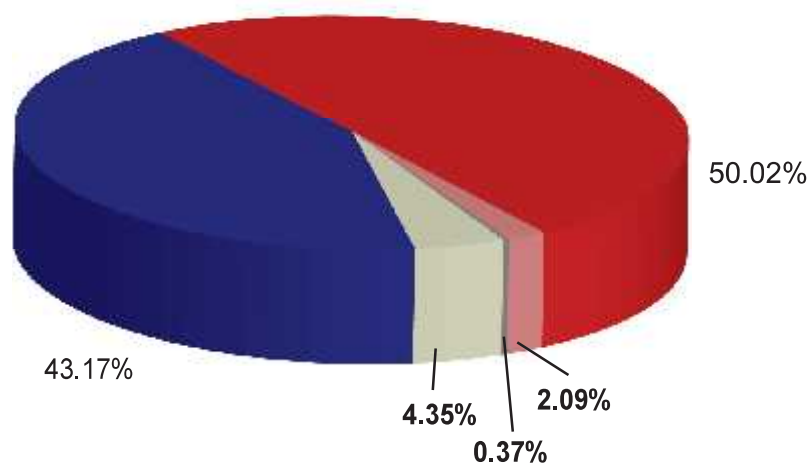
Sr. No.	Categories of Share Holders	Number of Shareholders	Share Held	Percentage
1-	Individuals	688	539,157	1.26%
2-	Joint Stock Companies	1	567	0.00%
3-	Financial Institutions	2	2,198	0.01%
4-	Associated Companies	2	40,011,174	93.19%
5-	Foreign Investors	4	14,671	0.03%
6-	Charitable Trusts	1	154	0.00%
7-	Central Depository Company (b)	904	2,368,524	5.52%
		1,602	42,936,445	100.00%

(b) Categories of Account holders and Sub-Account holders
as per Central Depository Company of Pakistan
as at December 31, 2009

Sr. No.	Categories of Share Holders	Number of Shareholders	Share Held	Percentage
1-	Individuals	854	1,315,755	3.06%
2-	Investment Companies	2	118,395	0.28%
3-	Insurance Companies	5	449,600	1.05%
4-	Joint Stock Companies	25	157,355	0.37%
5-	Financial Institutions	3	108,500	0.25%
6-	Modaraba Companies	3	23,000	0.05%
7-	Mutual Fund	6	166,470	0.39%
8-	Others	6	29,449	0.07%
		904	2,368,524	5.52%

SHAREHOLDING INFORMATION

Categories of Shareholders	No. of Shareholders	No. of Shares Held
Associated companies:		
Al-Futtaim Industries Company LLC	1	21,476,078
CNH Global N.V	1	18,553,096
Directors, CEO and their spouses and minor children:		
Mr. Parvex Ali - CEO	1	275
Joint Stock Companies:		
	26	157,922
Public sector companies and corporations:		
Financial Institutions	5	110,698
Insurance Companies	5	449,600
Investment Companies	2	118,395
Modaraba Companies	3	23,000
Mutual Fund	6	166,470
Charitable Trust	1	154
Others	6	29,449
Individuals & Others:		
Local	1541	1,854,637
Foreign	4	14,671
Shareholders holding 10% or more voting interest:		
Al-Futtaim Industries Company LLC	1	21,476,078
CNH Global N.V	1	18,535,096



- Al-Futtaim Industries Company LLC
- CNH Global N.V
- Individuals & Others
- Joint Stock Companies
- Public Sector

REGISTRAR / SHARE TRANSFER AGENT

In compliance with the requirement of section 204 (A) of Companies Ordinance 1984, FAMCO Associate (Pvt) Ltd has been appointed as Share Registrar of the Company.

The address, contact numbers and timings of FAMCO Associates (Pvt) Limited is given below:

FAMCO Associate (Pvt) Limited
State Life Building 1-A, Ground Floor
I.I Chundrigar Road
Karachi-74000

Telephone No: (92)21-32422344, 32467406, 32428310
Fax: (92)21-32428310

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

Share transfers and all other investor related matters are attended to and processed by our Registrar.

Financial Calendar

The Company follows the period of January 01 to December 31 as the Financial Year.

For the Financial Year 2010, Financial Results will be announced as per the following tentative schedule:

1 st quarter ending March 31, 2010	21 st April 2010
2 nd quarter ending June 30, 2010	Second week of July 2010
3 rd quarter ending September 30, 2010	Last week of October 2010
Year ending December 31, 2010	Second week of February 2011



ANNUAL REPORT SUGGESTION FORM

The Annual Report is the principle communications tool used by the company. We seek improvement in its presentation to achieve excellence in annual corporate reporting.

Does the Chairman's Review provide all informations you need

Yes

No

Do the Financial Results provide all the informations you need

Yes

No

Is the report reader friendly

Yes

No

Have graphical presentations been adequate

Yes

No

Are you satisfied with the disclosures on Corporate Governance

Yes

No

Have information on management activities been adequately covered

Yes

No

Any other information that you will like to get included in future reports

Any comments or suggestions on this report

Name & Title _____

Shareholder _____ Broker _____ Media _____ Potential Shareholder _____

Company _____

Address _____

Telephone # _____ Facsimile # _____ Email address _____

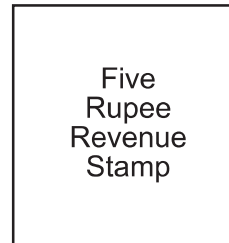
AL - GHAZI TRACTORS LIMITED

FORM OF PROXY

I / WE _____
of _____
a member(s) of Al-Ghazi Tractors Limited and holding _____
ordinary shares, as per Register Folio _____
hereby appoint _____
of _____
or failing him _____
of _____

to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on March 24,2010 at 15:30 hrs. and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2010.



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.

PROJECTION PERFECTION



CEO'S MESSAGE

1st January 2010

Parvez Ali



AL-GHAZI TRACTORS LTD



AGTTL AGTTL AGTTL

THE No.

1

Tractor
Company
in
Pakistan



AL-GHAZI TRACTORS LTD

