The Bulwark of Agriculture

Agri Sector Needs An Emergency Recovery Plan

AL-GHAZI TRACTORS LTD

Annual Report 2010

AL FUTTAIM AGTL NEWHOLLAND

QUALITY MANAGEMENT-BRAND STRENGTH

AL-GHAZI TRACTORS LTD

SHOWCASE

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

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

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

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

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

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

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

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

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

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.

Contents

AL-GHAZI TRACTORS LIMITED

Notice of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting of **Al-Ghazi Tractors Limited** will be held on Thursday, March 24, 2011 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, 2010.

2. To declare the final cash dividend, the Directors have recommended a dividend of Rs. 12.5 per share in addition to interim dividend already paid @ 150% making a total dividend of 400% i.e. Rs. 20 per share.

3. To appoint Auditors for the year ending December 31, 2011 and to fix their remuneration. The retiring Auditors M/s. A. F. Ferguson & Co. being eligible, offer them selves for reappointment.

4. Any other business with permission of the chair.

By Order of the Board

SOBIKA MUZAMMIL
COMPANY SECRETARY
Karachi, March 1, 2011

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, 2011, to March 24, 2011 (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 74400, at the close of business on March 15, 2011 will be treated in time for the purpose of payment of dividend to the transferees.

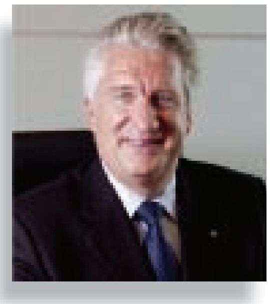
3. CDC share holders or their proxies are requested to bring with them copies of their Computerized National Identity Card or Passport along with the participants ID number and their Account Number at the time of attending the Annual General Meeting in order to facilitate their identification.

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.

AL-GHAZI TRACTORS LIMITED

Profile of the Board of Directors



Mr. Charles Leonard Hunt

Non-executive Chairman

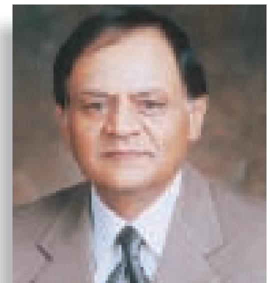
Mr. Charles Leonard Hunt is a seasoned automotive professional with over twenty five of expertise and experience in the automobile industry of UK and USA. He is also Group Director Automotive at Al-Futtaim and chairs various Board of the Al-Futtaim Group companies.

Date of appointment: August 4, 2009

Other engagements

Chairman
Associated Motorways , Sri Lanka

Director
Toyota Egypt, Egypt
Toyota Automotive Industries, Egypt



Mr. Parvez Ali

CEO and Managing Director

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 is also a Certified Director from PICG.

Date of appointment: January 20, 1992

Mr. Kunwar Idris

Non-executive Director

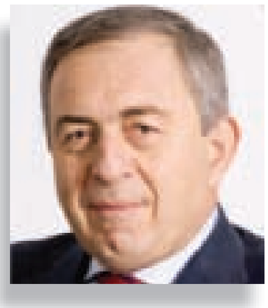
Mr. Kunwar Idris, retired from the civil service of Pakistan, as Federal Secretary to various ministries and as Chief Secretary. He also served as Chairman, Pakistan Automobile Corporation.

Date of appointment: December 9, 1993

Other engagements

Chairman
Hinopak Motors, Pakistan

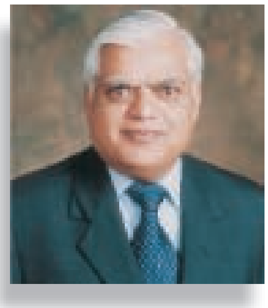
Director
Orix Leasing, Pakistan
Pakistan security Printing Corporation, Pakistan



Mr. Franco Fusignani
Non-executive Director

Mr. Franco Fusignani is president and CEO of CNH International SA. He has responsibility for New Holland Agriculture and Case IH, the agricultural brand of CNH, in Africa, Middle East, CIS, Asia, Australia and New Zealand.

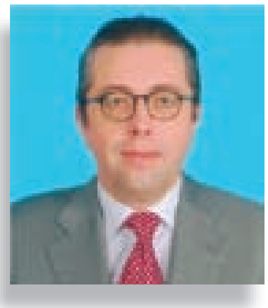
Date of appointment: July 16, 2007



Mr. Mohammad Ali Qaiyum
Executive Director

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

Date of appointment: May 14, 1998



Mr. Hadjas Youssef
Non-executive Director

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.

Date of appointment: October 8, 2007

Mr. Pietro Cianci Venturi
Non-executive Director

A mechanical engineer by profession, Mr. Cianci Venturi joined CNH in 2004. He has worked in CNH international markets in China, Turkey, Uzbekistan, India and Pakistan.

Date of appointment: September 28, 2009

Mr. Nasir Mahmood

Non-executive Director

With a Masters degree from London, Mr. Nasir Mahmood did his Chartered Accountancy from England and Wales. He has 30 years of wide ranging experience at Senior Management levels in the field of banking and finance, trading, real estate development and audit.

Date of appointment: February 21, 2005

Ms. Sobika Muzammil

Company Secretary

Ms. Sobika Muzammil is an associate member of the Institute of Chartered Accountants of Pakistan and Certified Internal Auditor from the Institute of Internal Auditors – USA. She is also a Certified Director from PICG.

Company Information

Registered and Head Office
11th Floor, NICL Building,
Abbasi Shaheed Road,
Karachi – 74400

Tel : +92 21 35660881-5
Fax : +92 21 35689387
Email : agtl@alghazitractors.com
Website : www.alghazitractors.com

Plant
Sakhi Sarwar Road, P.O. Box 38,
Dera Ghazi Khan

Tel : +92 64 2463750
+92 64 2463812
+92 64 2020750-51
Fax : +92 64 2462117

Bankers
Askari Bank Limited
Habib Bank Limited
Meezan Bank Limited
Faysal Bank Limited
Bank AL-Habib Limited
HSBC Bank Middle East Limited

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

Tel : +92 21 32422344
+92 21 32467406
Fax : +92 21 32428310

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

Tax And Legal Advisors
Saiduddin & Co.
Karachi

AGTL

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	388

Offices

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

Corporate Vision

To make AGTL a symbol of success

Mission

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

Corporate focus

The 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.

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 decentralised approach, giving individual businesses flexibility and versatility to maintain a competitive stance. This benefits employees, providing a clearly defined work culture where individuals are empowered with authority and responsibility for their work.

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 business.

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

CNH employs approximately 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 throughput 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**.

SWOT Analysis
Risk and Opportunities 2011

Risks

The country lives in a state of trauma! Following the floods, the economy is water logged. Presently bank loaning for tractors has been suspended.

Inconsistent government and government policies.

Sharp increases in costs of inputs; withdrawal of all subsidies on the directives of IMF especially on electricity, gas etc. as well as imposition of General Sales Tax on tractors – which currently are exempted from payment of all duties and taxes. This could impact adversely on costs. Selling prices will need to be revised accordingly despite government's stress on price hold.

Opportunities

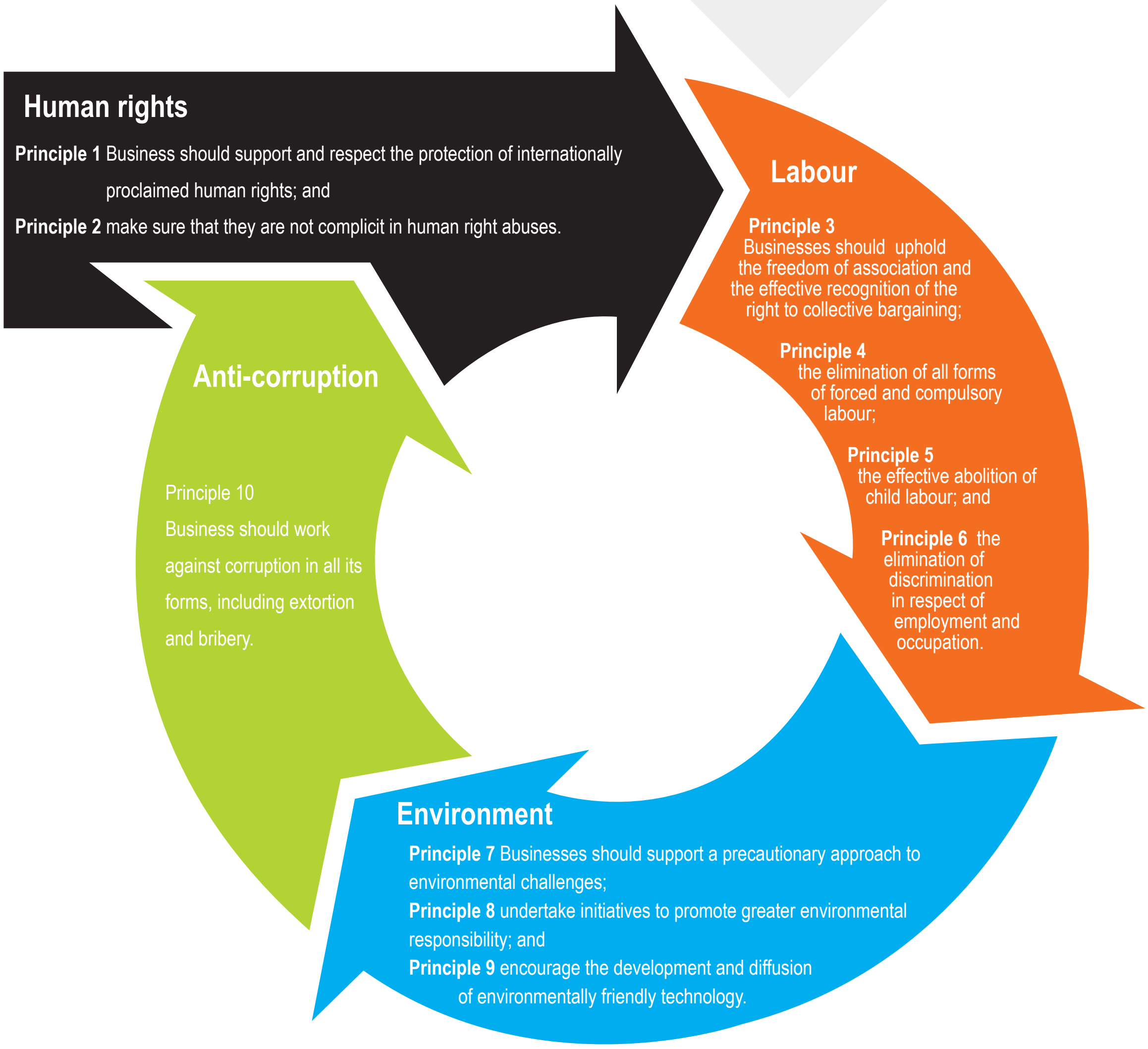
Smart irrigation solutions through Drip Irrigation systems which had been suspended last year are likely to be revived.

Incentive schemes for tractor are likely to be re-launched. This would revive sale of tractors.

Global Compact

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

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



Six Years at a Glance

OPERATING RESULTS		2010	2009	2008	2007	2006	2005
Sales -units		29,164	32,732	24,985	26,364	26,250	22,430
Production -units		29,020	30,351	27,550	26,380	26,076	22,340
		←		Rupees '000			→
Sales Revenue		14,936,034	15,764,825	10,107,874	9,081,310	9,022,515	7,739,322
Gross Profit		2,948,515	2,645,814	1,577,787	1,653,486	1,635,047	1,602,548
Depreciation		31,801	28,614	27,165	28,054	16,917	15,476
Operating Profit (before investment income)		2,599,412	2,264,449	1,301,455	1,371,675	1,355,442	1,342,724
Investment Income		300,701	394,385	381,486	542,779	554,738	292,832
Profit before Taxation		2,900,113	2,658,834	1,682,941	1,914,454	1,910,180	1,635,556
Taxation		991,241	915,299	569,685	647,044	680,862	574,683
Profit after Taxation		1,908,872	1,743,535	1,113,256	1,267,410	1,229,318	1,060,873
Earnings before Investment Income, Tax and Depreciation (EBITDA)		2,631,213	2,293,063	1,328,620	1,399,729	1,372,359	1,358,200
Manpower Cost - Direct		190,253	181,697	165,536	143,334	134,537	125,301
Manpower Cost - Indirect		139,280	131,252	108,744	101,822	92,512	84,199
Total Manpower Cost		329,533	312,949	274,280	245,156	227,049	209,500
Direct Headcount		264	269	282	295	293	294
Indirect Headcount		140	144	141	141	129	136
Total Headcount		404	413	423	436	422	430
OPERATING RATIOS							
Gross profit to Sales	Percentage	19.74%	16.78%	15.61%	18.21%	18.12%	20.71%
Operating profit to Sales	Percentage	17.40%	14.36%	12.88%	15.10%	15.02%	17.35%
Pre-tax profit to Sales	Percentage	19.42%	16.87%	16.65%	21.08%	21.17%	21.13%
Post-tax profit to Sales	Percentage	12.78%	11.06%	11.01%	13.96%	13.63%	13.71%
EBITDA to Sales	Percentage	17.62%	14.55%	13.14%	15.41%	15.21%	17.55%
Fixed Assets Turnover	Times	40.51	62.39	42.93	37.08	35.77	48.82
Total Assets Turnover	Times	1.95	2.14	1.43	1.33	1.24	1.07
Working Capital % of sales	Percentage	3.57%	-0.50%	10.73%	8.12%	8.26%	8.25%
Operating cashflow % of sales	Percentage	10.37%	1.44%	-12.62%	-0.65%	4.30%	41.35%
Direct Manpower cost % of sales	Percentage	1.27%	1.15%	1.64%	1.58%	1.49%	1.62%
Indirect Manpower cost % of sales	Percentage	0.93%	0.83%	1.08%	1.12%	1.03%	1.09%
Indirect cost % of sales	Percentage	2.87%	2.51%	2.88%	3.25%	3.18%	3.40%

Six Years at a Glance

FINANCIAL POSITION		2010	2009	2008	2007	2006	2005
		←		Rupees '000			→
Property, Plant & Equipment		368,671	252,695	235,452	244,928	252,243	158,513
Current Assets		7,256,621	7,124,751	6,840,054	6,581,042	7,025,286	7,056,152
Current Liabilities		1,241,289	1,907,421	2,611,710	2,938,224	3,698,853	4,155,274
Net Working Capital		6,015,332	5,217,330	4,228,344	3,642,818	3,326,433	2,900,878
Long-term investments		40,000	0	0	0	0	0
Other assets		862	3,225	10,504	1,338	860	30,796
		40,862	3,225	10,504	1,338	860	30,796
		6,424,865	5,473,250	4,474,300	3,889,084	3,579,536	3,090,187
Less: Other liabilities		62,144	53,331	46,528	37,863	29,656	18,238
Share holder equity		6,362,721	5,419,919	4,427,772	3,851,221	3,549,880	3,071,949
Represented by:							
Share capital		214,682	214,682	214,682	214,682	214,682	214,682
Reserves		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unappropriated profit		5,148,039	4,205,237	3,213,090	2,636,539	2,335,198	1,857,267
Capital employed		6,362,721	5,419,919	4,427,772	3,851,221	3,549,880	3,071,949
OPERATING CYCLE							
Inventory Turnover	Times	10.30	8.24	6.46	10.25	9.98	8.84
Inventory Turnover	Days	35	44	56	36	37	41
Debtors Turnover	Days	3	0	1	1	0	0
Credit Received	Days	33	36	26	13	15	20
Operating Cycle	Days	6	9	31	23	22	22
LIQUIDITY RATIOS							
Current Ratio	Times	5.85	3.74	2.62	2.24	1.90	1.70
Quick Ratio	Times	4.98	3.08	1.88	2.00	1.70	1.52
PERFORMANCE RATIOS FOR SHAREHOLDERS							
Return on Equity	Percentage	30.00%	32.17%	25.14%	32.91%	34.63%	34.53%
Return on Assets	Percentage	24.90%	23.62%	15.71%	18.56%	16.89%	14.64%
Earning per share (Pre- Tax)	Rs.	67.54	61.92	39.20	44.59	44.49	38.09
Earning per share (Post- Tax)	Rs.	44.46	40.61	25.93	29.52	28.63	24.71
Net Assets per share	Rs.	148.19	126.23	103.12	89.70	82.68	71.55
Cash dividend	Rs. 000	858,728	858,728	751,387	751,387	751,387	751,387
%	Percentage	400%	400%	350%	350%	350%	350%
Dividend payout	Percentage	44.99%	49.25%	67.49%	59.29%	61.12%	70.83%
Dividend cover	Times	2.22	2.03	1.48	1.69	1.64	1.41
Price earning ratio	Times	5.11	5.86	8.43	9.33	7.63	7.97
Market price to break up value	Times	1.53	1.89	2.12	3.07	2.64	2.75
Earning Yield (%)	Percentage	19.59%	17.06%	11.87%	10.72%	13.10%	12.54%
Dividend yield	Percentage	8.81%	8.40%	8.01%	6.35%	8.01%	8.88%
Dividend ratio	Years	11.35	11.90	12.49	15.74	12.49	11.26
Market value per share	Rs.	227.00	238.04	218.50	275.45	218.50	197.00
Share price - High	Rs.	264.00	268.75	298.70	298.00	249.90	210.00
Share price - Low	Rs.	194.25	113.56	210.00	199.10	194.00	135.00
Market capitalisation	Rs. Million	9,747	10,221	9,382	11,827	9,382	8,458

AGTL

Horizontal Analysis

BASE YEAR 2004	2010	2010	2009	2008	2007	2006	2005
		Increase /(Decrease)					
	Rupees ' 000						
Fixed assets	368,671	283,760	167,784	150,541	160,017	167,332	73,602
Long-term investments	40,000	40,000	-	-	-	-	-
Long-term loans and deposits	862	(13,011)	(10,648)	(3,369)	(12,535)	(13,013)	(6,456)
Stock-in-trade	1,082,871	426,038	608,540	1,289,239	62,342	82,287	98,623
Trade debts	264,063	256,473	12,702	(447)	16,681	(1,474)	(657)
Loan and advances	22,109	(19,114)	(9,211)	(3,830)	(21,633)	(18,182)	(2,908)
Short-term deposits and prepayments	11,476	1,616	2,865	6,583	(8,667)	(6,703)	935
Accrued mark-up	54,884	30,838	104,235	139,999	202,951	222,240	60,949
Other receivables	57,967	(81,875)	(129,081)	(130,004)	(137,009)	(139,530)	(130,980)
Taxation	339,456	339,456	530,563	112,809	-	78,457	-
Refunds due from the Government	979,537	799,228	1,276,956	570,245	3,323	79,559	201,886
Investments	1,331,464	381,464	(805,000)	(503,240)	68,800	(423,192)	(198,706)
Cash and bank balances	3,112,794	1,062,610	1,472,295	1,298,813	2,334,367	3,091,937	2,967,123
Total assets	7,666,154	3,507,483	3,222,000	2,927,339	2,668,637	3,119,718	3,063,411
Current liabilities	1,241,289	(282,328)	383,804	1,088,093	1,414,607	2,175,236	2,608,278
Non-current liabilities	62,144	43,178	34,365	27,562	18,897	10,690	(728)
Total liabilities	1,303,433	(239,150)	418,169	1,115,655	1,433,504	2,185,926	2,607,550
Capital employed	**6,362,721**	**3,746,633**	**2,803,831**	**1,811,684**	**1,235,133**	**933,792**	**455,861**
Share capital	214,682	19,517	19,517	19,517	19,517	19,517	19,517
Reserves	6,148,039	3,727,116	2,784,314	1,792,167	1,215,616	914,275	436,344
Capital employed	**6,362,721**	**3,746,633**	**2,803,831**	**1,811,684**	**1,235,133**	**933,792**	**455,861**

	2010	2010	2009	2008	2007	2006	2005
		Increase / (Decrease)					
	Rupees ' 000						
Sales	14,936,034	8,200,839	9,029,630	3,372,679	2,346,115	2,287,320	1,004,127
Cost of goods sold	11,987,519	6,850,809	7,982,301	3,393,377	2,291,114	2,250,758	1,000,064
Gross profit	2,948,515	1,350,030	1,047,329	(20,698)	55,001	36,562	4,063
Distribution cost	92,605	39,277	34,241	21,958	13,817	11,824	8,075
Administrative expenses	121,174	52,747	42,843	23,133	17,418	11,616	11,317
	2,734,736	1,258,006	970,245	(65,789)	23,766	13,122	(15,329)
Other operating income	381,640	259,867	289,297	277,714	437,085	442,887	181,599
Other operating expenses	214,939	106,870	88,988	16,684	33,819	33,502	13,631
	2,901,437	1,411,003	1,170,554	195,241	427,032	422,507	152,639
Finance cost	1,324	(4,921)	(4,091)	(3,511)	(3,233)	(3,484)	1,272
Profit before taxation	2,900,113	1,415,924	1,174,645	198,752	430,265	425,991	151,367
Taxation	991,241	471,837	395,895	50,281	127,640	161,458	55,279
Profit after taxation	**1,908,872**	**944,087**	**778,750**	**148,471**	**302,625**	**264,533**	**96,088**

Vertical Analysis

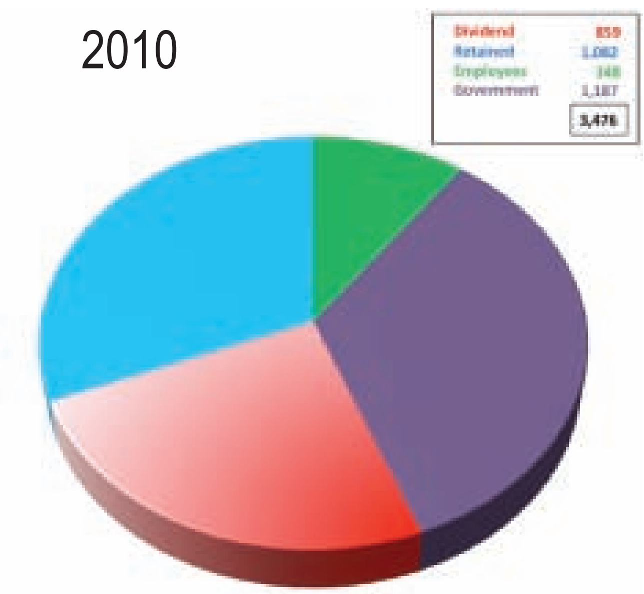
	2010 (Rupees 000)	2010	2009	2008	2007	2006	2005
		% of Capital Employed					
Fixed assets	368,671	5.79%	4.66%	5.32%	6.36%	7.11%	5.16%
Long-term investments	40,000	0.63%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-term loans and deposits	862	0.01%	0.06%	0.24%	0.03%	0.02%	0.24%
Stock-in-trade	1,082,871	17.02%	23.35%	43.95%	18.67%	20.82%	24.59%
Trade debts	264,063	4.15%	0.37%	0.16%	0.63%	0.17%	0.23%
Loans and advances	22,109	0.35%	0.59%	0.84%	0.51%	0.65%	1.25%
Short-term deposits and prepayments	11,476	0.18%	0.23%	0.37%	0.03%	0.09%	0.35%
Accrued mark-up	54,884	0.86%	2.37%	3.70%	5.89%	6.94%	2.77%
Other receivables	57,967	0.91%	0.20%	0.22%	0.07%	0.01%	0.29%
Taxation	339,456	5.34%	9.79%	2.55%	0.00%	2.21%	0.00%
Refunds due from the Government	979,537	15.39%	26.89%	16.95%	4.77%	7.32%	12.44%
Investments	1,331,464	20.93%	2.68%	10.09%	26.45%	14.84%	24.46%
Cash and bank balances	3,112,794	48.92%	64.99%	75.64%	113.85%	144.85%	163.33%
Total assets	7,666,154	120.49%	136.18%	160.04%	177.28%	205.03%	235.10%
Current liabilities	1,241,289	19.51%	35.19%	58.98%	76.29%	104.20%	134.50%
Non-current liabilities	62,144	0.98%	0.98%	1.05%	0.98%	0.84%	0.59%
Total liabilities	1,303,433	20.49%	36.18%	60.04%	77.28%	105.03%	135.10%
Capital employed	**6,362,721**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Share capital	214,682	3.37%	3.96%	4.85%	5.57%	6.05%	6.99%
Reserves	6,148,039	96.63%	96.04%	95.15%	94.43%	93.95%	93.01%
Capital employed	**6,362,721**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

	2010 (Rupees 000)	2010	2009	2008	2007	2006	2005
		% of Sales					
Sales	14,936,034	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of goods sold	11,987,519	80.26%	83.22%	84.39%	81.79%	81.88%	79.29%
Gross profit	2,948,515	19.74%	16.78%	15.61%	18.21%	18.12%	20.71%
Distribution cost	92,605	0.62%	0.56%	0.74%	0.74%	0.72%	0.79%
Administrative expenses	121,174	0.81%	0.71%	0.91%	0.95%	0.89%	1.03%
	2,734,736	18.31%	15.52%	13.96%	16.52%	16.51%	18.88%
Other operating income	381,640	2.56%	2.61%	3.95%	6.15%	6.26%	3.92%
Other operating expenses	214,939	1.44%	1.25%	1.23%	1.56%	1.57%	1.57%
	2,901,437	19.43%	16.88%	16.68%	21.11%	21.20%	21.23%
Finance cost	1,324	0.01%	0.01%	0.03%	0.03%	0.03%	0.10%
Profit before taxation	2,900,113	19.42%	16.87%	16.65%	21.08%	21.17%	21.13%
Taxation	991,241	6.64%	5.81%	5.64%	7.13%	7.55%	7.43%
Profit after taxation	**1,908,872**	**12.78%**	**11.06%**	**11.01%**	**13.96%**	**13.63%**	**13.71%**

AGTL

Statement of Value Addition

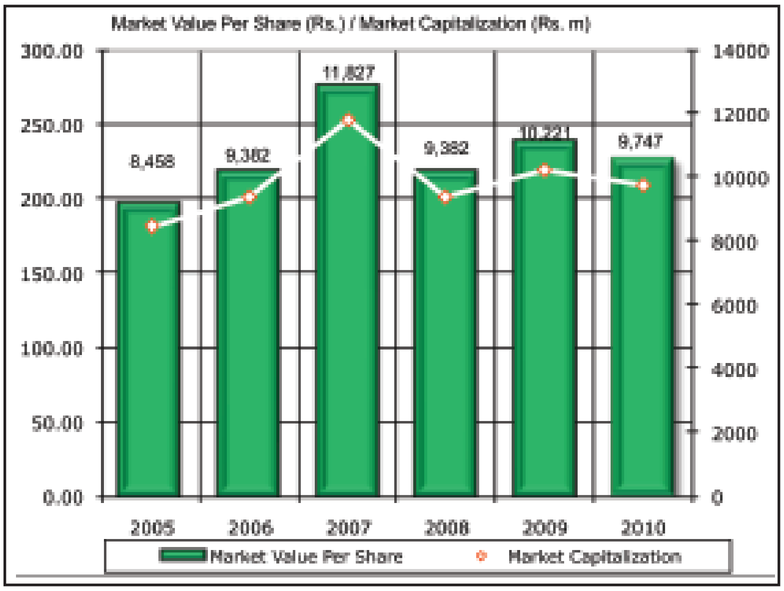
	2010	2009	2008	2007	2006	2005
	Rupees '000					
Sales	14,936,034	15,764,825	10,107,874	9,081,310	9,022,515	7,739,322
Cost of sales & overheads	(11,841,288)	(12,978,440)	(8,398,222)	(7,310,616)	(7,291,458)	(6,060,462)
Other income	381,640	411,070	399,487	558,858	564,660	303,372
Value addition during the year	**3,476,386**	**3,197,455**	**2,109,139**	**2,329,552**	**2,295,717**	**1,982,232**
To employees as:						
Remunerations	329,533	312,949	274,280	245,156	227,049	209,500
WPPF	18,872	16,296	15,432	10,451	6,540	2,796
	348,405	329,245	289,712	255,607	233,589	212,296
To government as:						
Tax	991,241	915,299	569,685	647,044	680,862	574,683
WPPF	136,881	126,499	74,975	92,366	96,048	85,328
WWF	59,186	54,262	34,346	39,071	38,983	33,576
	1,187,308	1,096,060	679,006	778,481	815,893	693,587
To shareholders as dividends	858,728	858,728	751,387	751,387	751,387	751,387
Retained as :						
Depreciation	31,801	28,614	27,165	28,054	16,917	15,476
Equity	1,050,144	884,808	361,869	516,023	477,931	309,486
	1,081,945	913,422	389,034	544,077	494,848	324,962
	3,476,386	**3,197,455**	**2,109,139**	**2,329,552**	**2,295,717**	**1,982,232**

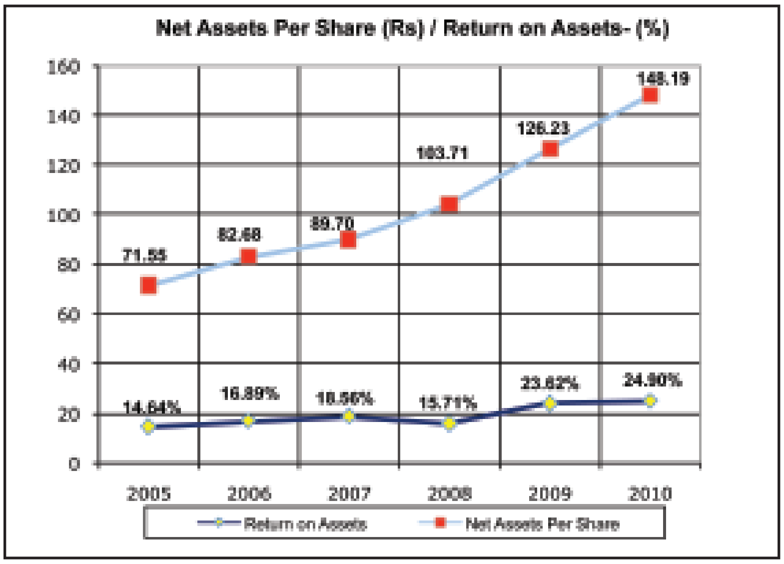


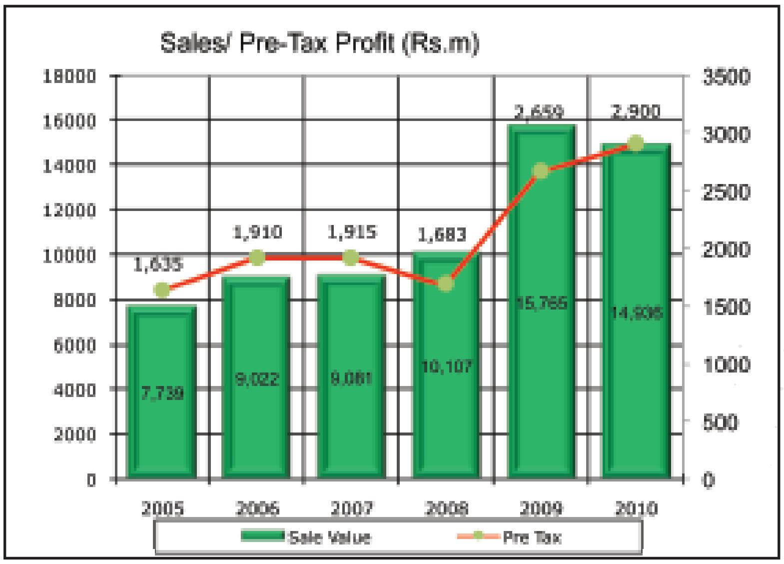
Direct Cash Flow

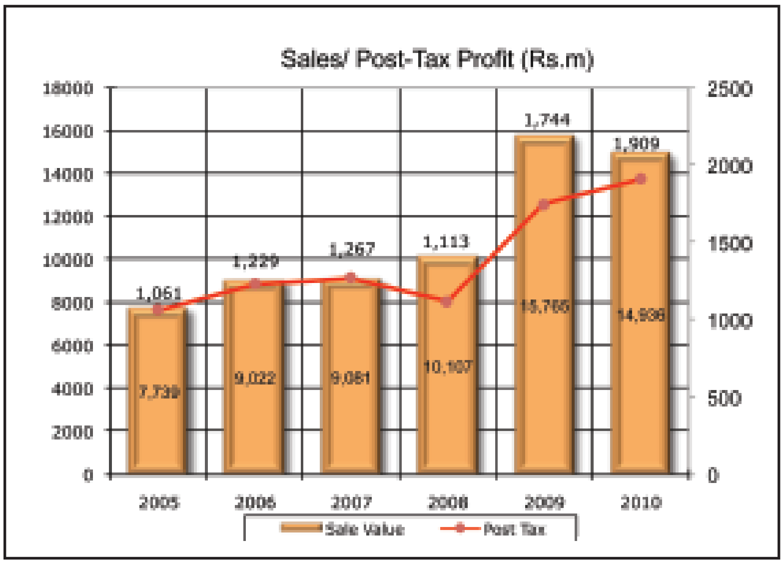
	2010	2009	2008	2007	2006	2005
	Rupees '000					
Cash receipts from customers	14,687,678	14,363,706	9,418,326	8,083,359	8,705,973	10,322,099
Cash paid to suppliers / service providers and employee	(12,691,907)	(11,936,219)	(9,201,531)	(7,554,460)	(7,525,355)	(6,222,848)
Workers Funds	(220,949)	(176,800)	(237,441)	(139,978)	(120,032)	(111,254)
Other operating income	77,342	14,324	15,257	14,636	7,171	8,894
Sales tax refund / (payment)	477,728	(706,711)	(566,922)	76,236	122,327	(201,886)
Finance costs paid	(1,324)	(2,154)	(2,734)	(3,012)	(2,761)	(7,517)
Loans, deposits and deferred benefits - net	16,049	7,279	(9,166)	(478)	6,557	6,456
	2,344,617	1,563,425	(584,211)	476,303	1,193,880	3,793,944
Return on investments	298,473	384,971	406,903	545,076	388,927	230,589
Purchase of investments-net	(1,150,839)	346,938	609,575	(475,000)	229,007	201,321
Additions to fixed assets - net	(144,180)	(43,496)	(14,945)	(19,296)	(107,897)	(88,753)
	(996,546)	688,413	1,001,533	50,780	510,037	343,157
Tax paid	(793,855)	(1,328,754)	(700,906)	(535,497)	(828,337)	(568,668)
Dividend paid	(963,901)	(749,602)	(751,970)	(749,156)	(750,766)	(601,310)
Net (decrease)/increase in cash and cash equivalents	(409,685)	173,482	(1,035,554)	(757,570)	124,814	2,967,123
Opening Balance	3,522,479	3,348,997	4,384,551	5,142,121	5,017,307	2,050,184
Closing Balance	3,112,794	3,522,479	3,348,997	4,384,551	5,142,121	5,017,307

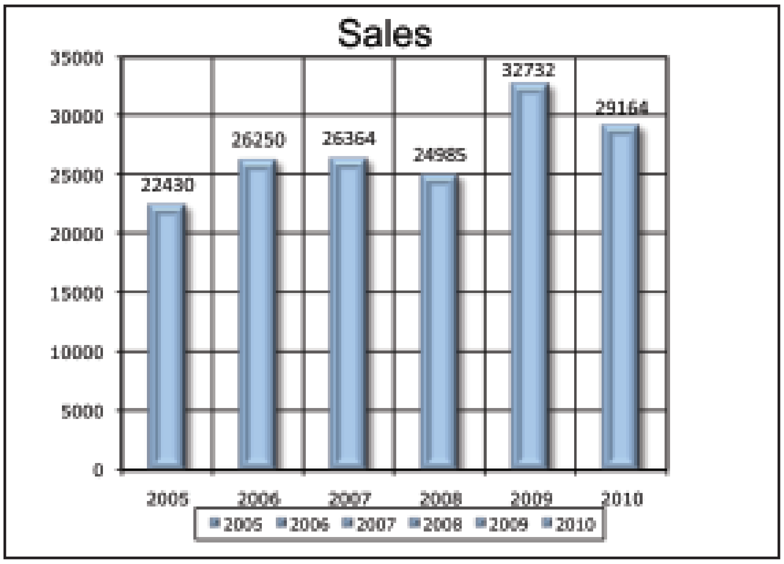

Earning Per Share/Earning Yield %
50.00
45.00
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
12.54%
13.10%
10.72%
11.87%
17.06%
19.59%
24.71
28.63
29.52
25.93
40.81
44.46
2005
2006
2007
2008
2009
2010
Earning Per share
Earning Yield

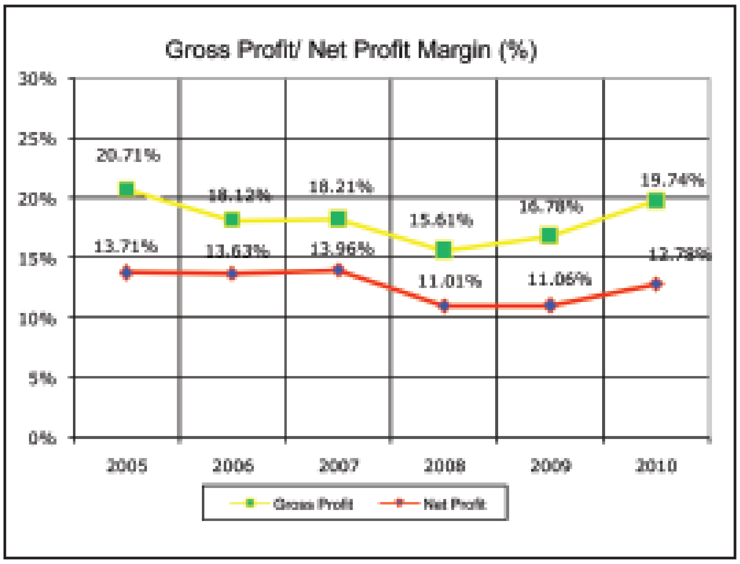

Market Value Per Share (Rs.) / Market Capitalization (Rs. m)
300.00
250.00
200.00
150.00
100.00
50.00
0.00
14000
12000
10000
8000
6000
4000
2000
0
8,458
9,382
11,827
9,382
10,221
9,747
2005
2006
2007
2008
2009
2010
Market Value Per Share
Market Capitalization

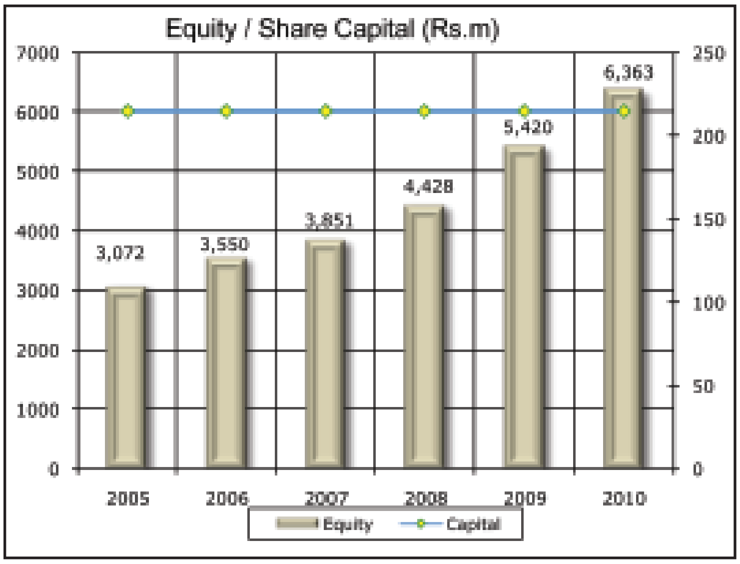

Net Assets Per Share (Rs) / Return on Assets- (%)
160
140
120
100
80
60
40
20
0
71.55
82.68
89.70
103.71
126.23
148.19
14.64%
16.89%
18.56%
15.71%
23.62%
24.90%
2005
2006
2007
2008
2009
2010
Return on Assets
Net Assets Per Share

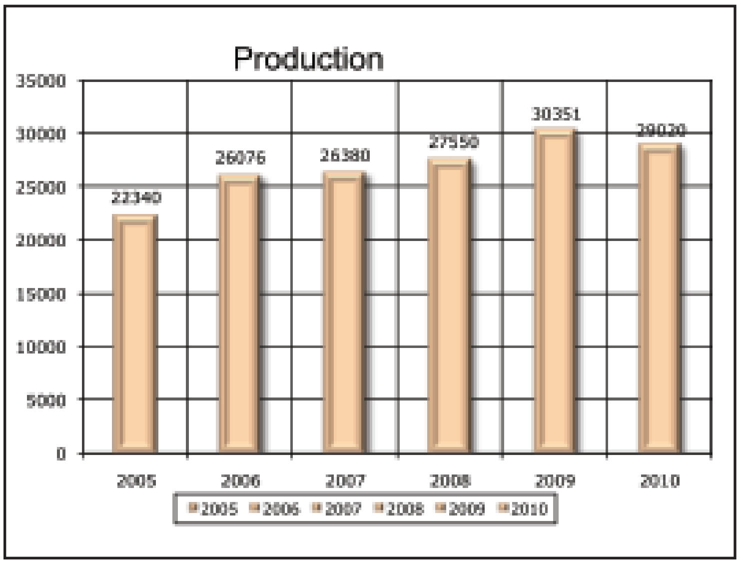

Sales/ Pre-Tax Profit (Rs.m)
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
3500
3000
2500
2000
1500
1000
500
0
1,635
1,910
1,915
1,683
2,659
2,900
7,739
9,022
9,081
10,107
15,765
14,936
2005
2006
2007
2008
2009
2010
Sale Value
Pre Tax


Sales/ Post-Tax Profit (Rs.m)
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
2500
2000
1500
1000
500
0
1,061
1,229
1,267
1,113
1,744
1,909
7,739
9,022
9,081
10,107
15,765
14,936
2005
2006
2007
2008
2009
2010
Sale Value
Post Tax


Sales
35000
30000
25000
20000
15000
10000
5000
0
22430
26250
26364
24985
32732
29164
2005
2006
2007
2008
2009
2010
2005 2006 2007 2008 2009 2010


Gross Profit/ Net Profit Margin (%)
30%
25%
20%
15%
10%
5%
0%
20.71%
18.12%
18.21%
15.61%
16.78%
19.74%
13.71%
13.63%
13.96%
11.01%
11.06%
12.78%
2005
2006
2007
2008
2009
2010
Gross Profit
Net Profit


Equity / Share Capital (Rs.m)
7000
6000
5000
4000
3000
2000
1000
0
250
200
150
100
50
0
3,072
3,550
3,851
4,428
5,420
6,363
2005
2006
2007
2008
2009
2010
Equity
Capital


Production
35000
30000
25000
20000
15000
10000
5000
0
22340
26076
26380
27550
30351
29020
2005
2006
2007
2008
2009
2010
2005 2006 2007 2008 2009 2010

Chairman's Review

Following the cataclysmic floods that devastated the country in the third quarter of the year 2010, our dilemma was hardly unique. Described as Pakistan's worst natural disaster, the floods inundated in particular the South of Punjab, destroying roads, structures, crops and reaching the gates of the AGTL plant at Dera Ghazi Khan. With access roads and bridges washed away, the factory waterlogged, the plant had to be closed with prolonged spell of production losses, and the resultant proliferating opportunity loss of sales. A vague sense of uncertainty continued to prevail for months as millions slept in the open all around the factory with staring destruction.

With patience and drive, however, and the ability to digest the frustration of the closure of the plant, the company was able to master the critical challenge posed by the calamity. Though revenue fell, but earnings and operating margins were strong. The management was able to steer the company and fulfill its growth potential to display once again its profits going up in a straight line thus setting a new record despite such overwhelming odds.

General overview of Performance of the Company

29,020 tractors were produced during the year 2010, compared with 30,351 produced during the year 2009. 29,164 tractors were sold during the year 2010, compared with 32,732 delivered in 2009. The contagion of the production loss was arrested with remarkable gains in efficiency, thus recording an impressive growth in the profit margins. For the year 2010 the company has earned a record high pre-tax profit of Rs. 2.9 billion compared with Rs. 2.659 billion earned in the year 2009. This is a resounding financial success in a calamitous year and an evidence of management's success in improving margins despite the disarray, aggravated further by rising energy and raging commodity prices. Of the Rs. 2.9 billions pre-tax profit earned in 2010, Rs. 991 million were as corporate tax. The post-tax profit for the year 2010 is therefore Rs. 1.909 billion.

An interim cash dividend of 150% that is Rs. 7.5 per share was paid by the company with the financial results of the half year ended June 30, 2010. With a sound financial base, the Board of Directors is now pleased to recommend a further cash dividend of 250%, thus bringing the total cash dividend for the year 2010 to 400%, which will total a payment of Rs.859 million. Pursuing a policy of creating a strong foundation for growth, Rs.1,050 million will be retained for investment in the company. The equity of the company will thus rise to Rs. 5.8 billion. The company is free of any debts or borrowings. It has cash reserves of Rs. 3.113 billion and a market capitalization of Rs. 9.7 billion.

Backed by sound administrative and financial controls as well as adherence to all norms of good corporate governance, the company has been rated as "Strong" in a Global Survey of the world's fifty largest tractors manufacturing companies of the world, conducted recently by PLIMSOLL of UK.

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

These Financial Statements duly recommended by the Audit Committee of the Board are being authorized by the Board within 45 days of the closure of the year. AGM will be held on March 24, 2011. Dividend will be disbursed before the stipulated time. Payment to non-resident shareholders will be intimated to the State Bank of Pakistan for early repatriation.

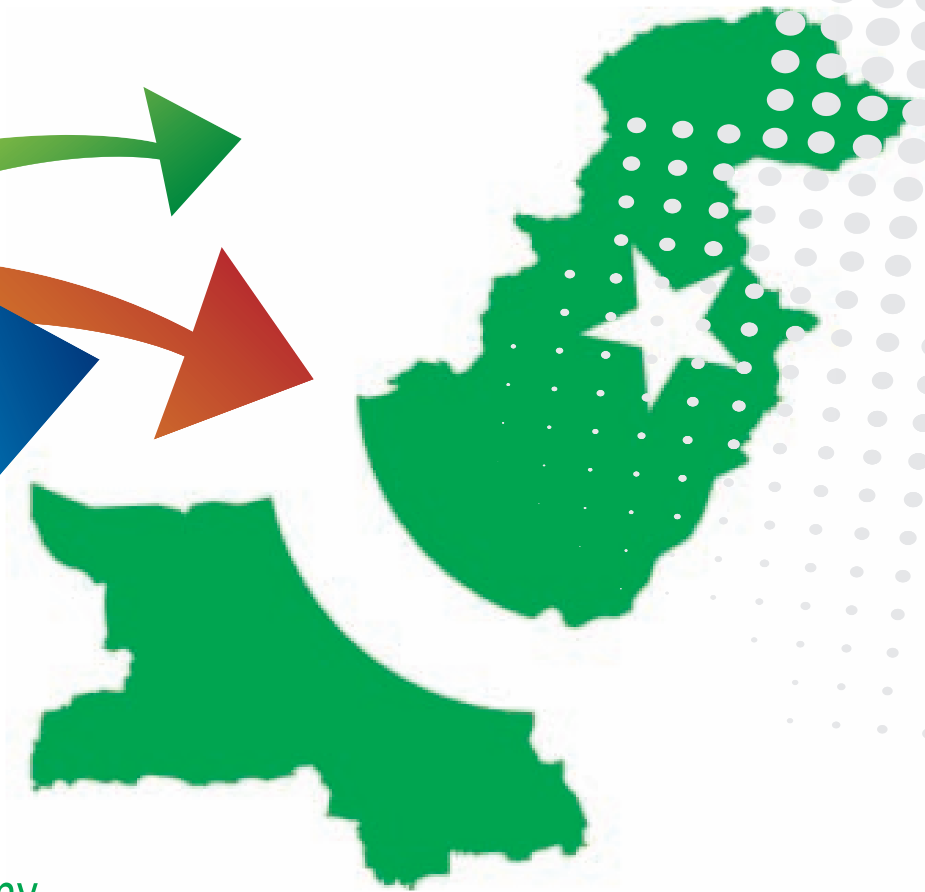
The Financial Statements of the company are being placed on the Company's website at www.alghazitractors.com.

The company is registered with the CDC and has appointed FAMCO 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.

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.



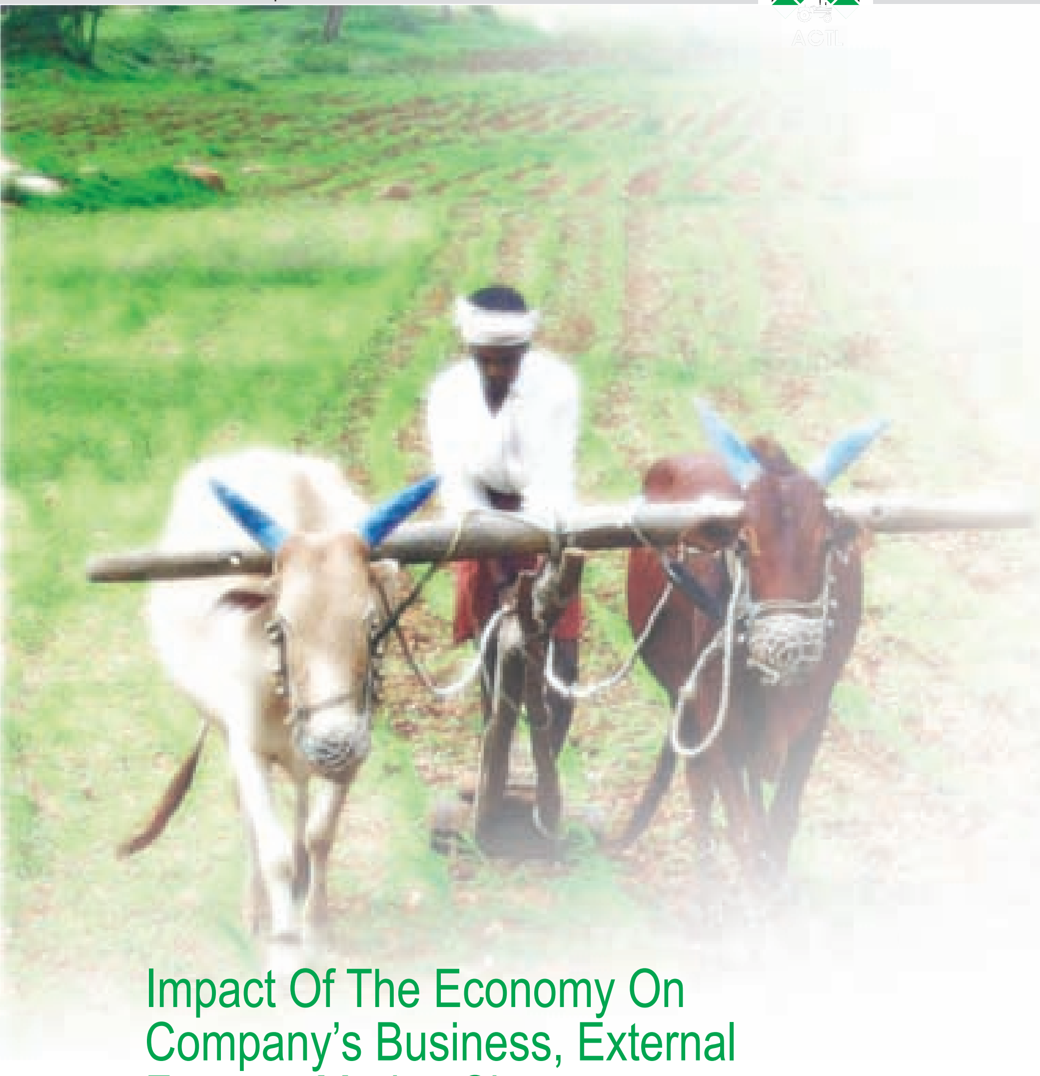
The Economy

The best summation of Pakistan's economy today is that it is like a can kicked down the road. And that is bad news. Economists are peddling dire warnings proselytizing nightmarish vision of the future. But there are other less apocalyptic, perhaps more plausible, but still quite unpleasant scenarios that could result from multiple equilibria. Pakistan's economic problems are both structural and cyclical. We are hit by economic uncertainty as well as political uncertainty. The telltale signs of financial crisis are everywhere. With growth weakening, deficit is deep.

The State Bank of Pakistan in its recent Financial Stability Review 2009-10 has warned of long-term risks to growth and financial stability. "Structural weakness in the process of revenue generation, significant rigidities in government spending and the expansion of the quasi-fiscal operations have added to the financial burden" says the State Bank Report.

The target for GDP growth has been scaled down by the government from 4.5% to less than 2%. Large Scale manufacturing and Agriculture sector have registered negative growth in the current fiscal. Power outages, gas shortage, repeated hikes in electricity rates – up by 67% in 2010, price spiral with double digit inflation, bad governance, plague the business environment. Fighting economic odds, the economy seems to face prolonged spell of stagflation. Natural disaster of flash floods, extremism and absence of public policy that will support economic advance inflict the economy. Investors therefore remain skittish.

Foreign investment has registered a steep fall. The need is to place the economy on a trajectory of growth by designing a growth oriented public policy which is consistent.



Impact Of The Economy On Company's Business, External Factors, Market Share

What markets crave for is clarity. "A standstill policy implementation, severe disruption tied to massive flooding and continued security problems have constrained economy activity" in Pakistan, says the World Bank's latest report: Global Economic Prospects 2011. No one knows how the economy and the inconsistent policies will play out for the business as indeed for the company.

The Government of Pakistan in its federal budget had made allocations for water conservation projects including Drip Irrigation, Sprinkle systems. Massive plans were announced describing these projects as wave of the future to conserve water. The schemes were to operate with a subsidy. AGTL had proactively registered itself with the Ministry of Food and Agriculture to offer "Smart Irrigation Solutions" for water conservation. The company also signed as many as three agreements with renowned international companies for transfer of technology. Agreement was also signed with the University of Agriculture, Faisalabad, to gainfully draw from their expertise. Suddenly the scheme was abandoned and the allocation of billions of rupees for the scheme were allowed to lapse.

Similarly the Federal Government in its budget had assured to launch phase II of the Benazir Tractor Scheme for the year 2010 – 11 to subsidize supply of 10,000 tractors. The scheme seems to have been abandoned. These tricky shifts in the policies of the government dampen sentiments and jeopardize intelligent planning.

While the Banks in Pakistan are in good health, credit for tractor sales is anemic. ZTBL, the agricultural development bank looks like a potential contagion. The principal bank that once accounted for 99% of tractor sales in Pakistan has slammed its door shut for tractor loans since April 2010. As floods raged, non-performing loans also kept mounting. With default on payments, commercial banks are also showing little appetite for providing credit to the farmers. Tractor sales will thus get squeezed by little or no credit from the banks as well as the estoppel of incentive scheme for supply of tractors which had created spurt the last year.

Estoppel of loans from the Banks especially to the flood affected regions where company's business gravitates, closure of the plant because of severe damage to the access roads and infrastructure, which retarded production and sales also told on the company's market share for the year 2010. While exact figures of sales from local manufacturers, which officially number over two dozen, and imports of CBU tractors are not known, AGTL's market share shrank from the traditional 50% plus.

The grayish silver lining, though, in this darkish economy is the substantial increases in the support prices of major crops. With gains in farm prices for crops, the farmers are willing to invest and buy tractors with their own money.

Outlook 2011
Investors await climate change
Economy may face stagflation
Economic indicators show dim performance
2010 a nerve-shattering year for industry
State Bank warning
State Bank Governor Dr Shahid Kardar has told the Senat
Committee on Finance and Economic Affairs, whic
Senator Ahmed Ali, that the federal deficit
Erratic policies hurting investment
Economy on the edge of precipice, says minister
By Khaleeq Kiani
SPI-based inflation up by 22.5pc
Inconsistent policy blamed for lack of investment
Hafeez says fiscal deficit may top 8pc of GDP
By Our Staff Reporter
Pakistan ranked fifth most unstable country
Govt in state of fiscal emergency: FBR
Financial stability review 2009-10
SBP warns of long-term risks to growth, financial stability

Govt fails to restart agri activities in flood-hit areas

زرعی قرضوں کا نظام درست کیے بغیر زرعی ترقی کا خواب کبھی شرمندہ تعبیر نہ ہوگا

Hundreds of Punjab villages devastated

Dawn Report

DERA GHAZI KHAN, Aug
: The swollen Indus devasta-
ed hundreds of villages,
washed away standing crops
and displaced hundreds of
thousands of people in
184km-long riverine belt in
Dera Ghazi Khan district on

Agriculture credit share a mere five per cent

Pakistan on verge of agricultural catastrophe: UN

Flood devastates vast areas in Punjab

By Tariq Birmani and Tehseen Raza

DERA GHAZI KHAN/ MUZAFFARGARH, Aug 5:

Flood ravages towns and villages in south Punjab

By Tehseen Raza, Irfanul Haq and Tariq Birmani

Projects in flood-hit areas shelved

By Khaleeq Kiani

Farmers see livelihoods wiped out by floods

Agriculture may need 2 years for recovery, says ADB

ISLAMABAD, Sept 20: Pakistan's agri

NPLs mount on farm loans

By Shahid Iqbal

Crops on 1.72m acres destroyed in Punjab

By Ahmad Fraz Khan

LAHORE

Flood threatens DG Khan villages

Dawn Report

Warnings that flood – drought cycle is going to become more and more frequent, Pakistan needs to strengthen its agricultural sector, in fact to re-energize it. In the medium and longer terms agriculture is the answer to improve food security both for internal consumption as well as for exports where there is abundant demand. Floods have left behind a fertile land. There is need to conduct a land fertility survey of flood-effected areas. There is need to help farmers preserve flood waters. Small – scale farmers need access to indispensible means of production and technologies such as tractor, the bulwark of agriculture, as well as implements. The farmers need both technical and financial solutions as well as policy tools to enhance farm productivity.

Agriculture is as much a matter of timing as that of money. According to a report, "Banks provide farm loans to about 1.4 million growers or one fifth of an estimated seven million potential borrowers". According to State Bank of Pakistan "the share of the agriculture sector in bank credit has been a mere 4.9%", which was disappointing given the importance and potential of the sector. The State Bank has urged the "banks to understand the needs of the economy and improve their penetration in the sector". State Bank asked the Banks to "develop a comprehensive agricultural finance policy, dedicated human resources, simplified procedures and other prerequisites for building lending portfolios and timely provision of credit to farmers." Most of the small and medium – sized growers have no access to agricultural loans and they borrow from informal sources at exorbitant rates of interest. Banks ought to extend larger amounts of loans to enable flood hit farmers to buy tractors and implements.

As people pick up the pieces of their lives from the wreckage left behind by the floods, the confluence of favorable prices for crops, better yields on account of new soil, and direct compensation from the government, indicate that tractor sales are picking up. The growing power of the customers to buy on cash gives resurgence of inspiration to the company for higher sales in the year 2011. There could be a dramatic improvement in demand for tractors if the government were to harness the opportunity to attain food security. The real acceleration in demand will come if Banks begin to give credit for tractors, the essential prime mover of agriculture.

Business Risks & Challenges

Perhaps the gravest risk or even threat to businesses in Pakistan has always been the inconsistency of what is otherwise declared "consistent policies" of the governments. Policies are changed without assigning any notice to suit the wishes and desires of those whose case has to be accommodated. Cronies are always there who dressed in the name of national interest get the policies reversed in utter disregard to all the norms. The tractor industry for long has been a victim of such abuse with schemes which suffered national as well as international disgrace. Import of tractors by the ADBP, now ZTBL, under the Awami Tractor Scheme is still a live case with the accountability court which allegedly caused huge losses to the national exchequer. The ramblings of the case were heard in Swiss Courts. Yet the ZTBL has again announced plans to import CBU tractors from China. While ZTBL, the principal bank for supporting agriculture, has stopped extending credit for tractors to local tractor manufactures, it is over stepping its mandate by planning to indulge into direct import of tractors.

Following the judgment of the Sindh High Court and the Supreme Court which "quashed" previous government's scheme to allow import of 10,000 tractors at zero tariffs to select business, calling the scheme to lack transparency and which smacked of subjectively, arbitrariness and favoritism, the government went a step further and changed the whole of the import policy to allow unlimited import of fully built up tractors at zero tariffs, while components if imported by bona fide tractor manufacturers operating under deletion programs and tariff systems were subject to punitive duties. While there are over 25 tractor manufacturers on the approved list of the government who got their projects approved through the Ministry of Industries and the Engineering Development Board, cronies and fly-by-night operators are now working to change the existing rules to seek "unprecedented preferential treatment" in the name of "new entrants" and "competition". With over 25 approved tractor manufacturers there is no case for "new entrants" to be given new relaxation by re-writing the existing rules of business and by annulling the Tariff Based System which was announced with such fanfare and assurances of consistency. What is being proposed to favor cronies is totally discriminatory and smacks of favoritism. Moves to allow import of 100% components of CKD at zero tariffs to new entrants in utter disregard to the existing policy will jeopardize competition and destroy the local vending industry.

The company with its superior product, superior workforce and superior corporate governance, has withstood such tricky shifts in the policies. Without being indifferent to such arbitrary elements of decision making and cultivating a healthy potential, the management has the ability to steer the company in an industry that is subjected to such abrupt changes almost every year. Driven by a deep blend of confidence, the company had withstood the previous onslaught of the Awami tractor schemes; schemes to allow import of built up tractors at zero tariffs to select pressure groups; schemes to open wholesale imports of CBU at zero tariffs; schemes to reverse, and roll back deletion programs to favor cronies; etc. Despite the troughs and the upheavals purposefully created to punish a flourishing industry, AGTL continues to be a stable, predictable company which is so well admired by the corporate world even at global level.

Business Process Reengineering and Development Activities

The company has raised its capacity to producing 30,000 tractors in a single shift. Should acceleration in the demand come, as is projected once banks commence their loaning for tractors, the company has enough capacity to deliver 60,000 tractors per annum. A new engine testing facility has been added to balance the increased assembly of engines. A new sheet metal paint booth has been erected to replace the old structure. More and more dies have been developed to meet the increased demand for sheet metal components being manufactured by the company in-house. The in-house assembly line for hydraulic lift assembly is being refurbished. The existing models of tractors have been upgraded. Development activities for the year 2011 include utilizing the Sheet Metal plant for assembly of some implements. A renewed effort is being made to set up a section for sale of spare parts despite the menace of competing with smuggled spurious components which flood the market.

The plant is also busy reengineering to further upgrade the tractor models being produced by the company. These changes are being well received by the market. With enquires being received for the New Models in the 75 hp category, the 70 – 56 tractors is being launched in the market.

Company's Contribution and Responsibilities of Human Resources

The company works not only for profit maximization but apart from the shareholders, it caters for other stakeholders as well such as the society, the government, suppliers, environment, the community, with special focus on its employees – the Human Resources, which does not depreciate over time.

The company believes in healthy respect for the employees and invests in their future. AGTL is proactive in offering ample employment at what is a less developed area of Pakistan at Dera Ghazi Khan where the company's plant is located. The plant is state-of-the art with an adjacent Staff Town with amenities which cause an envy – housing, hospital, furnishings, school, school buses, recreation centre, clubs sports, security and a twenty four – seven facility of electrical power generation and fresh water.

The company has its own Training Centre for in-house training of all of the employees with a roaster of training programs for all trades and management. For employees the company's focus is on what it can give to the employees as against what it can get from the employees. Relations between the management and the CBA are most cordial at best with weekly meetings. The Chairman CBA is also an important member of the Remuneration Committee formed by the Board. The company offers what may be called cradle-to-grave facilities for its workers. In return the company has a workforce that works as an engaged team and feels accountable towards performing.

The principle at the core of AGTL's HR is to know them, grow them, inspire them, involve them and reward them. The rate of turnover at the worker's level is zero. AGTL is indeed blessed with a superior workforce – one that puts emphasis on work and quality production. All these factors impact AGTL's superior performance, thus maximizing shareholder's value.

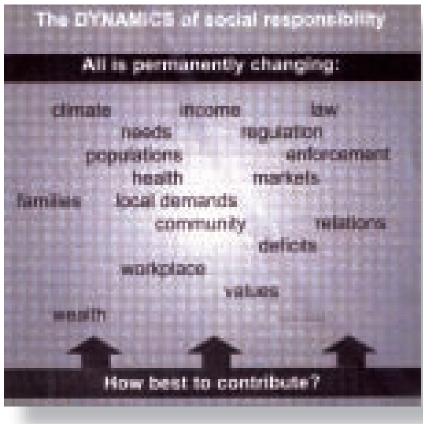
Details of HR activities have been given in the section of management discussions. Information regarding different segments and units of the company and review of operations of each department have given in the "Management Discussions" pages of the report.

Corporate Social Responsibility

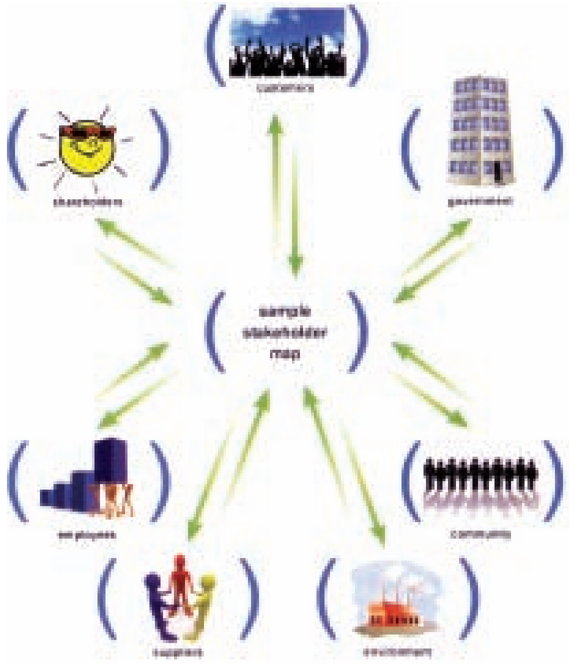
AGTL enjoys a stature in the community, which in turn is an important driver of our role as a good corporate citizen. Engaging the stake holders, we consider, is crucial for ensuring sustainability of the company. Engaged shareholders, customers, community, government, and environment make up a cohesive trellis on which the company builds its CSR activities.

CSR agenda is essentially supposed to be pro poor. In the context of Pakistan where a bulk of the population lives below the bare minimum poverty line, the company exhibits strong social responsibility by providing direct and indirect employment to thousands of homes in the less developed area of Pakistan in Dera Ghazi Khan. It not only provides equal opportunity employment to people in a remote area, it also provides goods and services and a host of allied services which gravitate around the AGTL factory in Dera Ghazi Khan. The company has brought about a whole scale transformation in the society at Dera Ghazi Khan with its sight on being a good corporate citizen.

In the age of crooked bookkeeping and executive excess, AGTL stands out as a model of good corporate governance. AGTL is a rule – respecting company with honest tax compliances, respect for competition, fair labor practices and staying close to customer's expectations. AGTL delivers solid products which rate high in terms of quality. Offering the lowest prices in the whole world for their horsepower ranges through capability and commitment of the workforce, the company is contributing to the financial well being of the farmer.

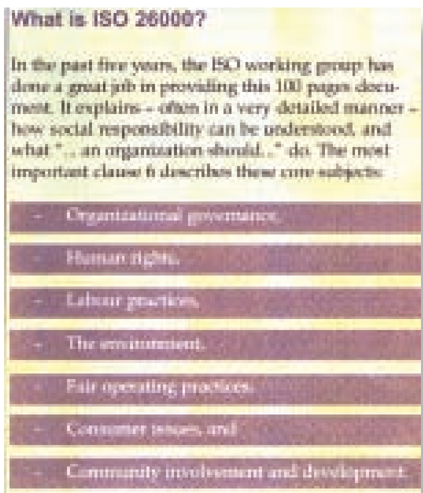


Corporate sustainability is the new and developing corporate management paradigm. People – Planet – and Profit is the new orchestration. While recognizing that corporate growth and profitability are important, it also requires the companies to pursue societal goals. Strategizing CSR for sustainability, the company has made efforts to integrate corporate citizenship into management policies and operations. Environmental responsibility has been built into the agreement with CBA.



The company was in the forefront along with its dealers to help the needy hit by the floods. In every district the Company dealers had set up camps to rehabilitate the flood affectees offering food supplies, support for reconstruction of dwellings, free medical camps etc.

Following the signing of an agreement with University of Agriculture, Faisalabad, for “Smart Irrigation Solutions” the company had made allocations to setup model farms equipped with drip and sprinkler systems for the benefit of educating the farmers. Alas the whole scheme for which allocations were made in the federal budget was dropped, spoiled further by the floods. AGTL however launched a scheme to provide scholarships for students of the Agriculture University for both the Faisalabad and Dera Ghazi Khan Campus. The company also sponsored the visit of one of their doctoral degree candidates to visit Turkey for a seminar on water conservation. The company has also set up a Display Room in the University of Agriculture, Faisalabad which displays all of the components of a tractor together with operational diagrams of the tractor assemblies for first hand knowledge of the students.


What is ISO 26000?

In the past five years, the ISO working group has done a great job in providing this 100 pages document. It explains – often in a very detailed manner – how social responsibility can be understood, and what "... an organization should..." do. The most important clause 6 describes these core subjects:

- Organizational governance,
- Human rights,
- Labour practices,
- The environment,
- Fair operating practices,
- Consumer issues, and
- Community involvement and development.

AGTL has also signed up with AIESEC Global Internship Program that “enables organizations to source high-potential students from 107 countries of the world” for “both short-term and long-term human resource needs”. The company has initiated an intern from Sri Lanka to make a beginning.

The company will continue to integrate corporate citizenship as a primary social responsibility by allowing the paradigm of CSR to permeate all operations and processes in the company. The company aspires to adhere to ISO 26000 on Social Responsibility.

Corporate Governance - The Board

Inefficient Board oversight has always been a problem despite all the rules established to check poor governance. SECP is in the process of revising the code of Corporate Governance to incorporate international business best practices. While it may augur well to incorporate clauses from international codes, there is a need to evolve an indigenous equilibrium based on objective realities of the domestic business environment. Is the corporate world in Pakistan ready to rise to the behavioral dynamics of International codes of Corporate Governance?

At AGTL, Board Directors do not consider their directorship as a mere ancillary avocation. With a blend of executive and non-executive directors, Board of Directors at AGTL is a vibrant body. All possess industry expertise to allow them to better guide the company's business. Board of Directors is responsible for not just the bottom line but values ethical practices, good corporate behavior, trust of shareholders and discharge of social responsibility. At AGTL adhering to corporate governance is not just a box-checking compliance but the Board focuses on adding values to company's assets and working with the management as well as stakeholders to build a successful company and to enhance shareholder value.

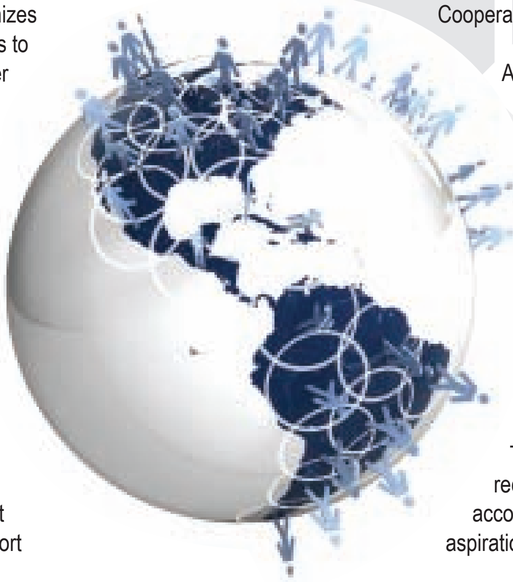
Merit Badges

While the management continues to drive the company to straight years of increased profits, the company continued to garner accolades during the year 2010 as well.

Global recognition was conferred on the company when it was awarded the BID International Quality Crown Award at a convention held in London. The award recognizes and encourages the contribution of companies to quality, continuous improvement and customer satisfaction as well as improving relations with employees, suppliers and all those associated with the company.

At a Quality Summit held in Geneva, Association Otherways, a member of the American Management Association awarded the Platinum Technology Award for Quality and Best Trade Name to AGTL. The International Award rewards companies which have distinguished themselves in the field of Quality and Excellence.

AGTL's Annual Report 2009 received the Best Presented Accounts Award for its Annual Report 2009 from SAFA – The South Asian Federation of Accountants, the Apex body of SAARC – the South Asian Association of Regional Cooperation.



AGTL also received the KSE Top Companies Award. The Joint Committee of the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan awarded AGTL for Best Presented Accounts for the year 2009. The company was also conferred the Management Excellence Award of the Management Association of Pakistan. AGTL's calendar for the year 2009 was declared the Best Calendar of the year by National Council of Culture and Arts.

These merit badges are a global and national recognition of AGTL's superior workforce. These accomplishments serve as a foundation for future aspirations.

Acknowledgment

In its considerable achievements and success, the company acknowledges the support extended to us from all of our stakeholders, and the shareholders – the government, Banks, the Engineering Development Board, our associates the suppliers and the dealers, our partners, the CNH, with whom we have a technical collaboration agreement. And above all the AGTL workforce which works as an engaged team to earn global recognition.

For and on behalf of the Board

Charles Leonard Hunt
Chairman

Karachi
February 14, 2011

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, 2010.

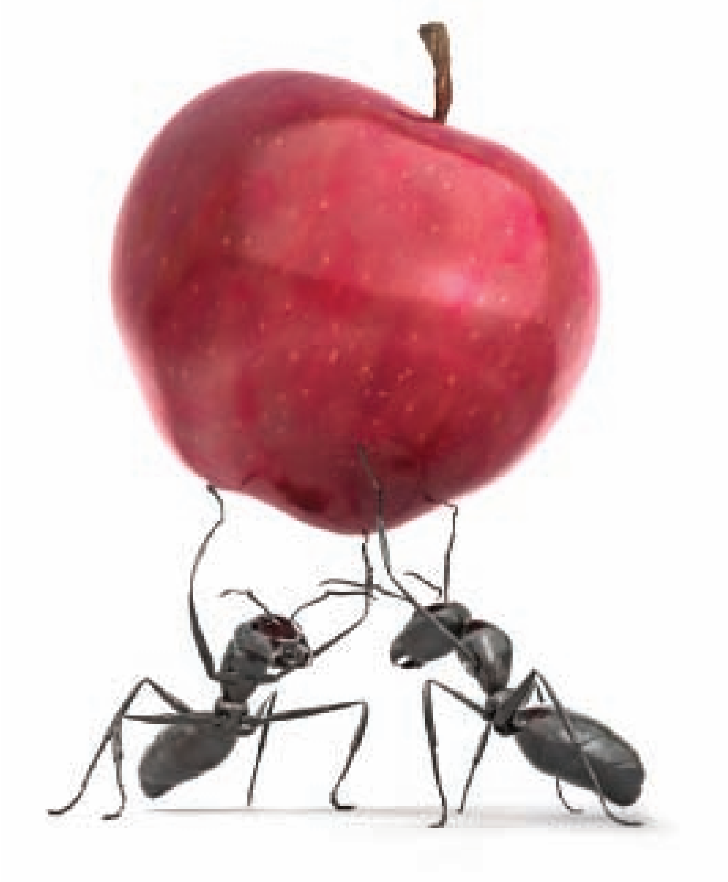
Operating Results	2010	2009
	Rupees '000	
Sales	14,936,034	15,764,825
Gross Profit	2,948,515	2,645,814
Profit for the year before taxation	2,900,113	2,658,834
Taxation	991,241	915,299
Profit after tax	1,908,872	1,743,535

The increase in profit is mainly due to increase in gross profit margin from 16.8% in 2009 to 19.7% in 2010.

Holding Company

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

Corporate Governance



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

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

b) Proper books of accounts have been maintained.

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

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

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

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

g) 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.

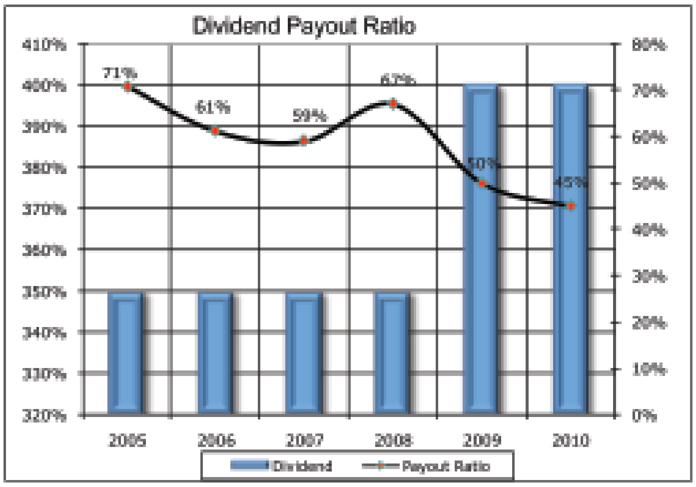
Appropriation

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

	2010	2009
	Rupees '000	
Profit before tax	2,900,113	2,658,834
Taxation	991,241	915,299
Profit after tax	1,908,872	1,743,535
Unappropraited profit b/f	4,205,237	3,213,090
Profit available for appropriation	6,114,109	4,956,625

Appropriation:

Final dividend paid for the year 2009:		
Rs 15 per share (2008: Rs 12.5 per share)	644,047	536,706
Interim dividend paid for the year 2010:		
Rs 7.5 per share (2009: Rs 5 per share)	322,023	214,682
Unappropraited profit c/f	5,148,039	4,205,237



For the year ended December 31, 2010, the Board in its meeting held on February 14, 2011, has proposed a final cash dividend of Rs. 12.5 per share amounting to Rs. 536 million.

Earnings per share

The Basic Earnings per share were Rs. 44.46 in 2010 compared to Rs. 40.61 in 2009.

Statement of value of investments of retirement funds

	Rupees	Year ended
Gratuity fund	80,000,000	June 30, 2009
Provident fund	126,485,489	June 30, 2009

Key operating and financial data

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

Meetings of the Board of Directors

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

Pattern of Shareholding

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

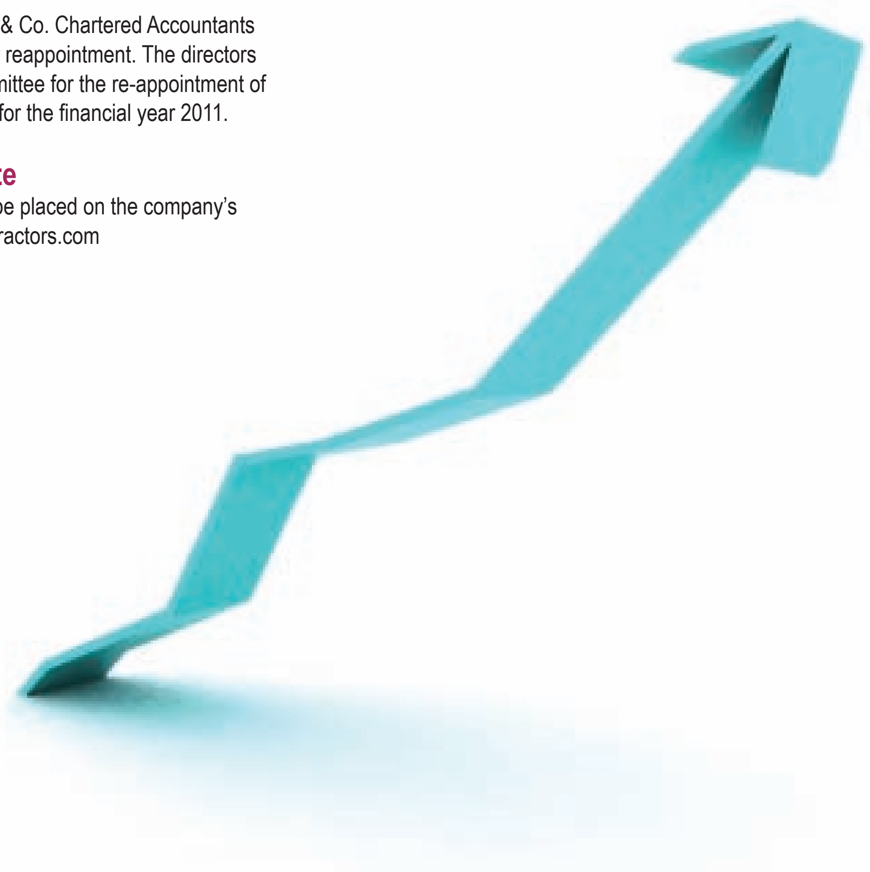
The Directors, Chief Financial Officer, the Company Secretary and their spouses and minor children have not traded in company's shares during the year.

External Auditors

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants retire and, being eligible, offer themselves for reappointment. 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 2011.

Financial Statements on Website

The financial results of the year 2010 would be placed on the company's website and can be viewed on www.alghazitractors.com



On behalf of the Board

Charles Leonard Hunt
Chairman

Karachi
Dated: February 14, 2011

Shareholders and Investors Information

SHARE REGISTRAR

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

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

Tel : 92 21 32422344
92 21 32467406
Fax : 92 21 32428310
Timings: 8:30 am to 1:00 pm &
2:00 pm to 3:30 pm

STOCK EXCHANGE LISTING

Al-Ghazi Tractors Limited is listed on Karachi and Lahore Stock Exchanges. The symbol code for dealing in shares of the company is **AGTL**.

FINANCIAL CALENDAR

The company follows the period of January 1 to December 31 as the financial year.

For the financial year 2011, financial results will be announced as per the following tentative schedule:

1st quarter ending March 31, 2011	Third week of April 2011
2nd quarter ending June 30, 2011	Second week of August 2011
3rd quarter ending September 30, 2011	Third week of October 2011
Year ending December 31, 2011	Second week of February 2011

ANNUAL AND QUARTERLY REPORTS

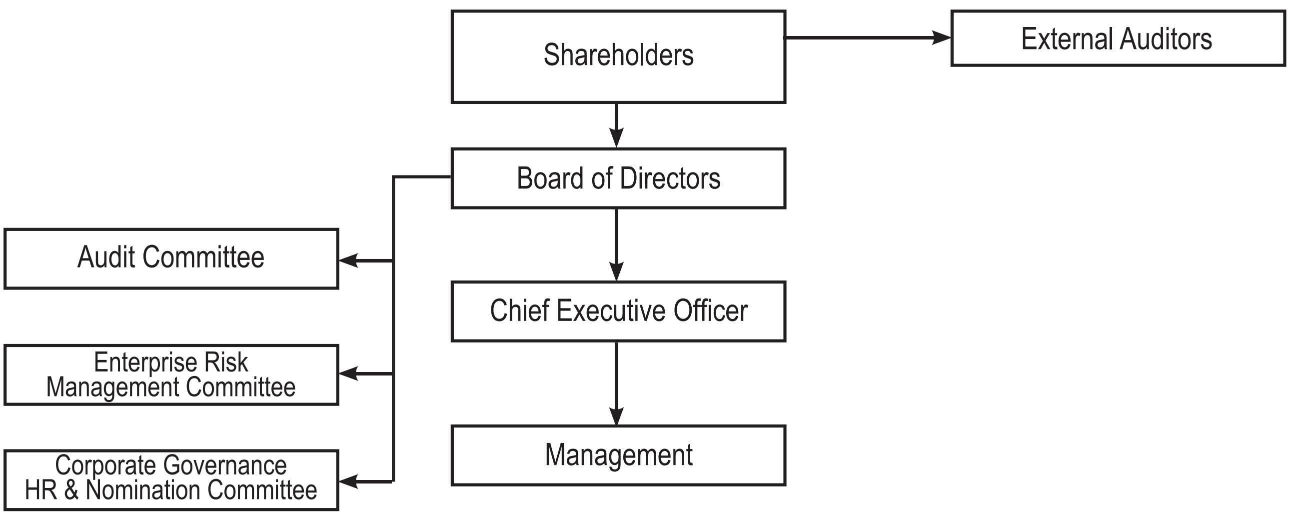
Annual and quarterly financial statements of the company are available at the company's website www.alghazitractors.com or printed copies can be obtained by writing to the Company Secretary.

Corporate Governance

Corporate Governance at Al-Ghazi Tractors Limited (AGTL) is based on Organisation of Economic Co-operation and Development (OECD) principles and guide lines of Securities and Exchange Commission of Pakistan (SECP). Playing a supervisory rather an executive role, Corporate Governance at AGTL is based on seven key categories: Discipline, Transparency, Independence, Accountability, Responsibility, Fairness and Social Responsibility.

Al-Ghazi Tractors Limited strives to be at the forefront of best practices in Corporate Governance. We are committed to continuous review and improvement of our Corporate Governance philosophy.

The company operates within a comprehensive governance framework, which is set out in the diagram below. The Board of Directors is responsible and accountable for the management of the affairs of the company, conduct of business and maintenance of prudent risk management and soundness of the company.



The report below covers the company's extent of adoption of the Code of Corporate Governance jointly issued by the Securities and Exchange Commission of Pakistan (SECP) and Karachi and Lahore Stock Exchange.

Corporate Goveranance Principle	Adoption Status	AGTL's Extent of Adoption
Effective representation of independent non-executive directors, including those representing minority groups	Adopted	The company encourages minority groups to contest director election by giving adequate notice of the election.
Executive directors are not more than 75% of the elected directors	Adopted	Only two of the eight Directors are executive directors (including the CEO). Chairman's and CEO's roles are not vested in one person.
Signed declaration of awareness of duties and powers	Adopted	All directors of the company have made written declaration as to their awareness of duties and powers.
Eligibility to act as a director	Adopted	All directors file a declaration that they are qualified and eligible to act as director of the company, based on the principles laid down by the SECP.
Stock Broker not to be appointed as a director	Adopted	No director or their spouse is engaged in the business of stock brokerage.
Tenure of office of directors	Adopted	Directors are appointed for a period of three years. The next Board election is schedule for December 2011. No casual vacancy arouse during 2010.
Code of ethics and business practices	Adopted	The company has developed a code of business conduct and ethics for all employees and directors, which addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protecting and proper use of the company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc. The code is signed by the directors and employees annually.
Board responsibilities	Adopted	The Board of Directors has collective responsibility for the success of the company. The Board formulates strategy and ensures the implementation of same by the management, led by the CEO. The CEO is directly responsible for business operations and supported by the management of the company. The non-executive directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board. Through the above process the Board ensures that the integrity of financial information, financial controls and systems of risk management are robust and the company complies with all applicable laws and regulations.

AGTL

Internal control system	Adopted	The Board is responsible for establishing a sound framework of internal controls and monitoring its effectiveness on a continuous basis. Through such an effective framework, the company manages business risks and ensures that the financial information on which business decisions are made and published is reliable. The system of internal control is evaluated by the Audit Committee. In the year 2010, the Board of Directors expressed satisfaction with the effectiveness of the system of internal controls in all reviews of the Committee.
Division of responsibilities of the Chairman and CEO	Adopted	The Chairman of the company is a non-executive director. The functions of the Chairman and CEO are clearly separated in order to ensure a balance of power and authority, such that no individual has unfettered powers of the decision. The roles and responsibilities of the Chairman and CEO are clearly defined in writing as a policy.
Chairman of the Board to preside over meetings of the Board	Adopted	All meetings of the company are presided by the non-executive Chairman.
Meetings of the Board to be held at least every quarter	Adopted	During the year five Board meetings were held, ensuring that atleast one meeting was held in every quarter of the financial year.
Adequate time for Board meetings	Adopted	The Board papers were sent to the directors at least a week before the respective Board meeting, giving adequate time for directors to study the related papers and prepare for a meaningful discussion at the meeting.
Circulation of the minutes of the meetings of the Board	Adopted	Minutes of the meetings of the Board are circulated to all directors within 14 days of the meeting.
Information placed before the Board of Directors	Adopted	The Board was provided with timely and appropriate information by the management by way of Board papers and proposals. The Board sought additional information as and when necessary. Information placed before the Board during 2010 include: • annual forecast, cash flow projections, capital budget; • annual and quarterly results; • management letter issued by the external auditors; • status of legal cases; • minutes of management committee meetings; • promulgation and amendments in laws and regulations

AGTL

Related party transactions	Adopted	All related party transactions are placed before the Board and the Audit Committee. The management ensures that all transactions are at arm's length. The company maintains party wise record of transactions entered into with related parties.
Training for Directors	Adopted	Directors recognize the need for continuous training and expansion of knowledge and undertake such professional development as they consider necessary in assisting them to carry out their duties as Directors. During the year, directors attended a training course related to the applicable laws and regulations in Pakistan.
Certification of directors under "the Board Development Series"	Adopted	The CEO and Company Secretary had undertaken the course on Board Development Series in 2009 and have been qualified as "Certified Directors".
Appointment of CFO, Company Secretary and Head of Internal Audit	Adopted	The appointment, remuneration and conditions of employment of CFO, Company Secretary and Head of Internal Audit are determined by the CEO and approved by the Board of Directors.
Qualification of CFO	Adopted	Mr. M.A. Qaiyum, the CFO of the company, is a fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Pakistan (ICAP)
Qualification of Company Secretary	Adopted	Ms. Sobika Muzammil, the Company Secretary of the company, is an associate member of the Institute of Chartered Accountants of Pakistan and is a Certified Director from PICG.
CFO and Company Secretary to attend Board meetings	Adopted	The CFO and Company Secretary attend meetings of the Board of Directors. The CFO is an elected director on the Board and is therefore entitled to cast a vote at the meeting.
Directors' report to the shareholders	Adopted	The Directors' report given on pages 38 to 40 of this annual report covers all areas of this section.
Trading in shares by directors, CEO, CFO, Company Secretary	Adopted	The directors, CEO, CFO, Company Secretary and their spouses and minor children did not trade in the share of the company.

Quarterly financial statements of the company	Adopted	The quarterly financial statements of the company along with the directors' review are available on the company's website within one month of close of the quarter.
Limited review of the second quarterly financial statements	Adopted	The second quarterly financial statements are reviewed by our external auditors A.F.Ferguson & Co.
Adequate notice of AGM and dispatch of annual report to shareholders	Adopted	The primary modes of communication between the company and the shareholders are the Annual Report and AGM. Information is received by the shareholders prior to the AGM giving them an opportunity to exercise the prerogative to raise any issues relating to the business of the company. The Annual Report including financial statements and the notice of the meeting are sent to shareholders at least 21 days prior to the date of the AGM.
Dissemination of information to Securities and Exchange Commission of Pakistan (SECP) and stock exchanges.	Adopted	All material information is immediately sent to the SECP and the stock exchanges by the Company Secretary.
CEO and CFO to present the financial statements to the Board for approval	Adopted	The CEO and CFO present the financial statements, duly endorsed by them, to the Board of Directors for consideration and approval. The Board then authorises the financial statements for circulation and issuance. The second and the annual financial statements are initialed by the external auditors before presenting it to the Audit Committee and the Board.
Secretarial Compliance Certificate by the Company Secretary	Adopted	The Company Secretary furnishes a Secretarial Compliance Certificate as part of the annual return filed with the Registrar.
Disclosure of interest of Director, CEO or executive holding company's shares	Adopted	No director, CEO, or executive purchased or sold any shares of the company during the year. A closed period is determined by the Company Secretary prior to the announcement of interim / final results and material decision.
Auditors not to hold shares of the company	Adopted	The external auditors, A.F.Ferguson & Co. does not hold shares of the company.

Composition of Audit Committee	Adopted	The Audit Committee of AGTL is comprised of four non-executive directors. The names of members of Audit Committee are disclosed on page 51.
Meetings of Audit Committee	Adopted	The Audit Committee met prior to the approval of interim and annual results of the company.
Attendance at Audit Committee meetings	Adopted	The CFO, Head of internal audit and representative of the external auditors attend Audit Committee meetings at which issues related to accounts and audit are discussed.
Terms of reference of the Audit Committee	Adopted	The Audit Committee is guided by the Committee Charter which sets out authority and responsibility of the said committee. The Audit Committee monitors and reviews the effectiveness of AGTL's Internal Audit function. The head of Internal Audit reports to the Audit Committee. The Audit Committee Charter is included on page 51.
Secretary of Audit Committee and minutes of the meeting	Adopted	The Board Secretary functions as the Secretary to the Audit Committee. Minutes of the meeting are circulated within 14 days of the meeting.
Need for internal audit function	Adopted	An in-house internal audit function has been developed by the company.
Appointment and rotation of external auditors	Adopted	The Audit Committee monitors and reviews the external auditors' independence, objectivity and effectiveness of the audit process taking into account relevant professional and regulatory requirements. The Committee also decides whether to appoint the external auditors to provide non-audit services. The Audit Committee has the primary responsibility for making recommendations on appointment, re-appointment or removal of the external auditor. The concerned Partner of the audit firm is rotated every five years.
Statement of compliance with Corporate Governance	Adopted	Statement of compliance endorsed by the CEO and reviewed by the external auditors is given on page 56.

Board Composition And Meetings

The Board of Directors of the company comprise of eight Directors led by a non-executive director. Six of these Directors are non-executive directors, including one independent director. Four directors are foreign nationals. Collective skills, experience and approach of the directors to run the business are appropriate for driving the company forward and achieving the company's goals.

Board meetings are scheduled well in advance to ensure, that the Directors can manage their time commitments. All directors are provided with supporting papers and relevant information at least seven days before the meetings, giving them adequate time to study the papers and prepare for a meaningful discussion at the meeting. In addition, all directors have unrestricted access to the Chairman, Chief Executive Officer and the management to discuss any issues.

Details of attendance by each director are as follows:

Names	Directorship Status	Board	Audit Committee	Corporate Governance HR & Nomination Committee	Enterprise Risk Management Committee
Number of meetings held	-	5	4	1	1
Mr. Charles Leonard Hunt	Non-executive Chairman	2	1	-	-
Mr. Parvez Ali	CEO	5	-	-	-
Mr. M.A.Qaiyum	Executive Director	5	-	-	-
Mr. Kunwar Idris	Non-executive Director	5	4	1	1
Mr. Franco Fusignani	Non-executive Director	1	-	-	-
Mr. Hadjas Youssef	Non-executive Director	5	4	1	1
Mr. Nasir Mahmood	Non-executive Director	4	3	-	1
Mr. Pietro Cianci Venturi	Non-executive Director	2	-	-	-

Roles & Responsibility of the Chairman & The Chief Executive Officer (CEO)

The roles and responsibilities of the Chairman and CEO are clearly defined and described below;

Duties of the Chairman are:

- To lead and oversee the Board of Directors.
- To facilitate an open flow of information between the management and the Board, thus to involve the Board in the process of effective decision making for the company.
- To lead critical evaluation of the company's management, practices, and adheres 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 the 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.

Duties of the CEO are:

- To align the entire company to the Vision, Mission and Strategy evolved by the Board, such that every one will focus his efforts 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 standards with confidence.
- To manage the day-to-day operations of the company's business, strategic planning, budgeting, financial reporting and risk management.
- To build good relationship between and among the employees of the company, the government, the supply chain associates, the dealers and other stakeholders of the company.
- To provide strategic leadership to the orgainsation 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.
- To provide leadership and develop policies and procedures of the company to ensure compliance of these procedures and policies.
- To build an effective PR for the company.

Board Committees

Audit Committee

Committee composition

The Audit Committee comprises of four non-executive directors. The Committee is chaired by the Chairman of the Board Mr. Charles Leonard Hunt.

Members of the Audit Committee are;

Mr. Charles Leonard Hunt – Chairman
Mr. Kunwar Idris
Mr. Hadjas Youssef
Mr. Nasir Mahmood

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

Meetings

The Audit Committee met four times during the year. Attendance by the Committee members is given in the table on page 48. The CEO and CFO also attended these meetings by invitation.

Terms of Reference

The Audit Committee of the company 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 including 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.
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 issues regarding the company's financial statements or accounting policies.

Enterprise Risk Management Committee

Composition

The Board Risk Management Committee comprises of three non-executive directors.

Mr. Kunwar Idris – Chairman
Mr. Hadjas Youssef
Mr. Nasir Mahmood

Meetings

The Committee met once during the year. The CEO also attended the meeting by invitation.

Attendance at the meeting is given in the table on page 48. The discussion and conclusions reached at the meeting are recorded in minutes and circulated to the Board of Directors for information and advice.

Terms of Reference

- Consider the overall risk management framework for the company and review its effectiveness in meeting sound corporate governance principles, and keep the Board informed of all significant risks of the company.
- Review findings / observations of Management's Risk Management Committee.
- Discuss with management major credit, market, liquidity and operational risk exposures and the steps management has taken to monitor and control such exposures.
- To determine the company's risk strategy, the types and amounts of acceptable risk and risk-return tradeoffs.
- To report to the Board on any material changes to the risk profile of the company.
- Review the effectiveness of the system for monitoring compliance with laws and regulations affecting the company and the results of management's investigation and follow-up of any instances of non-compliance.
- The Committee is authorized to seek any information it requires from any employee of the company.
- The Committee is authorized to take independent professional advice as it considers necessary.

Corporate Governance, HR and Nominations Committee

The Corporate Governance, HR and Nominations Committee comprises three non-executive directors appointed by the Board

Following directors serve on the Committee
Mr. Charles Leonard Hunt – Chairman
Mr. Kunwar Idris
Mr. Hadjas Youssef

Meetings

The Committee met once during the year. Attendance at the meeting is given in the table on page 48.

Terms of Reference

1. Discharge the Board's responsibilities relating to compensation of executive officers and governance matters.
2. Review and assess adequacy of the Charter of the Corporate Governance, HR and Nomination Committee.
3. Assess annually the Board's performance and the performance of the committees of the Board.
4. Review, assess and make recommendations to the Board regarding corporate governance guidelines including director responsibilities, directors access to management, director orientation and continuing education and annual performance of the Board and committees.
5. Approve goals relevant to Chief Executive Officer's compensation.
6. Evaluate the Chief Executive Officer's performance in light of the goals of the company.
7. 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.
8. Review the succession plans for the top executives of the company.
9. Periodically examine the compensation structure of the company to determine that the company is rewarding its executives and other personnel in a manner consistent with sound industrial practices.
10. Review, assess and make recommendations to the Board with respect to the Code of ethics and conduct of the company.
11. Establish and review the process for communications by the shareholders to the Board.
12. That the Corporate Governance, HR and Nominations Committee shall report to the Board.

Management Committees

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

- Business Strategy Committee
- Remunerations Committee
- Succession Planning - Steering Committee
- The Employee & Process Safety Committee
- Environmental Committee
- Risk Management Committee
- Information and Technology Committee

A.F. FERGUSON & CO.

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PRICEWATERHOUSECOOPERS

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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 Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company 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 Regulations No. 35 of the Karachi and Lahore Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2010.

Chartered Accountants
Karachi

Dated: February 21, 2011

AGTL

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore 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 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 NBFI or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year ended December 31, 2010.
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 in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the meetings, along with agenda and working papers, were circulated seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Board had previously arranged an orientation course of the Code of Corporate Governance for its directors to apprise them of their role and responsibilities.
10. There was no new appointment of CFO, Company Secretary or Head of Internal Audit during the year.
11. The Directors’ Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom including the chairman are non-executive directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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.

For and on behalf of the Board of Directors

Karach i
Dated: February 14, 2011

Parvez Ali
Chief Executive Officer

AGTL

Management Discussions

Materials Management Department

The prime focus of Materials Management Department in AGTL is to strengthen the MISSION of the company: **To be the lowest cost producer of highest quality tractors.**

Objective of the Materials Management Department are:
To procure components conforming to the quality specifications from the most reliable and cost effective resources for timely delivery and adequate requirements for smooth operations of production line.

Foremost focus in Material Management Department is on driving down the costs of materials which is the major constituent of the cost of sales.

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.
- 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, where its vendor base gravitates, and Multan for swift liaison with its supply chain associates.

With 300 supply chain associates spread all over Pakistan supplying 1300+ components, the company has achieved the following local content as of December 2010:

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

With such high level of import substitution the foreign exchange saving in the year 2010 was Rs. 9.5 Billion.

In order to meet anticipated future demand and to further improve the quality of components 13 new vendors were inducted in 2010.

Two new variants in model 480S were introduced in 2010 to target Haulage Segment of market by increasing the speed of the tractors and by providing Power Steering.

The development of CNH model 70-56 is also in progress; scheduled to be launched in 2011.

Despite unfavorable situation created by the flash floods in the country that damaged the infrastructure resulting in disturbing the supply line, Material Management Department with its efforts ensures the smooth operations of production lines to maximize production.

Soaring raw material prices in the local as well as international market and increasing trends in costs of energy in the country are the challenges experienced in recent years. Material Management Department, in spite of all these hurdles, is effortlessly working on bringing the costs of materials down by alternate sourcing and providing economic volumes to its supply chain associates.

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

The Plant

Since January, 1984, the AGTL plant at Dera Ghazi khan with its fully integrated assembly line laid out on a conveyor system feeder lines for engine, hydraulic lift control, sheet metal parts and transmission assembly has been manufacturing quality tractors based on ISO 9001:2008 standards. Validated upto December 2012 AGTL's certification of registration from Moody International rates AGTL's Quality Management systems to "Production of Fiat and New Holland Tractors from customer supplied components".

As many as 350,000 tractors manufactured by the AGTL plant now serve the country as the bulwark of agriculture. With a capacity to produce 115 tractors in an 8 hour shift, the plant can be geared to operate double shifts and rise to the requirements of increasing the throughput to much more than the declared installed capacity of producing 30,000 tractors per annum in a single shift.

With a view to obviating any constraints on operation, the technology in the plant is continually upgraded and refurbished.

The year 2010 saw the addition of the following to accelerate production as well as improvement in the quality of the products:

- Extension of Engine Testing facility with latest dynamometers coupled with digital electronic control panels, to further enhance the production of engines
- Fabrication of a new paint shop to further improve the quality of paint to sheet metal parts
- Production of sheet metal parts has been enhanced many a times by addition of new machines, coupled with high quality in-house testing facilities
- Keeping in view the customers preferences the plant has upgraded its product by:
  - Converting the higher hp models to Disc Brakes replacing the band type brakes
  - Power Steering system has been introduced on the lower hp tractors

Employing the most dedicated workforce that produces the most cost effective quality tractors, AGTL plant is proud of the Company receiving the International Crown Quality Award from BID International as well as the Platinum Technology Award for Quality and Best Trade Name from Association Otherways. The plant will rise to the commitment made by the Company to the charter on Quality adhering to the Seven Principles of the QC 100 Total Quality Management Model of BID.

HR Function

In present age of rapid social, cultural and technological development, the importance of human resource holds the key to the development and progress of a company. We believe in a human resource system which is tailored to and is in sync with the demands of business strategy of the company.

Vision:

With the vision of implementing best HR practices, we are committed not only to hire the right talent but to focus on inducting employees at grass root level (hence providing fresh talent) and to provide an opportunity of growth to our existing team members. Senior positions are filled by first providing opportunity to existing talent through internal advertisements and promotion.

We are an equal opportunity employer.

Performance Evaluation:

We believe and deploy a fair and impartial performance evaluation system for employees by using balanced score card system to protect bias. Employee's evaluation doesn't end here; it rather originates the grooming needs of employees which eventually are fulfilled through Training & Development.

Training:

AGTL has an in-house Training Centre at our plant in D.G. Khan for in-house trainings. An initiative of ATC 2011 (Annual Training Calendar – 2011) for in-house training program has been launched and spread over the year to meet employees training needs internally. It comprises of courses on the subjects of Leadership, Business Communications, Professional Grooming, Spoken English and Presentation Skills. The Training Centre focuses, more particularly, on on-the-job training to employees gainfully utilizing the plant assembly line for first hand training. Engineers, technicians

and mechanics of the AGTL Dealers spread throughout the country regularly visit the Training Centre for on-the-job training.

As many as 12 Apprentices are also employed by the company under the apprenticeship program approved by the T.E.V.T.A.

In addition to in-house training, company executives are also sent to seminars, training programmes at various institutions in the country. Counselors are also invited to deliver lectures, and training at the Training Centre.

Succession Planning:

Succession planning is part of the Corporate Governance Committee of the Board of Directors of the company as well as the Committee of the Management reporting to the Board.

We aim to provide a better positioning of the company's key employees through an effective succession planning. The denominator is meeting company's needs through proper screening and to always keep all key positions with willing and potential people and their successors.

Employee Relation:

As part of best Employees Relations, we have introduced an EAP (Employees Assistance Program) that provides counseling and referral services to employees whose personal problems / professional issues may be affecting their work. HR encourages referring employees to the EAP when it is identified that an employee's personal matters have begun to negatively impact on his or her work performance. The services offered in this program are Counseling, Personal Grievances, Behavioral Health Assistance, Career Advisory Services, Advise on Personal Issues (Which are affecting employee's performance at work), Advise on Harassment Cases, Pre Retirement Planning, etc.

IR Practices:

With the aim of implementing best IR practices as per labor laws, HR works in close liaison with the CBA and holds weekly meetings with them for addressing employee's issues and to resolve them on priority. These meetings are held at all levels upto the CEO and the Chairman. Chairman CBA is also a member of the Remunerations Committee which reports to the Board of Directors.

Corporate Social Responsibility:

As part of Corporate Social Responsibility, we offer internship program for students from overseas through Aiesec. A recent internship has been awarded to a candidate from the Democratic Socialist Republic of Sri Lanka. The company also offers scholarships to students of University of Agriculture, Faisalabad both for its Faisalabad and D.G. Khan campus.

Health, Safety And Environment:

The strength of the organization in managing health, safety and environment is clearly depicted from shaping policy to practice in the shape of application of best practices, technical expertise in OSH, risk control measures, safety trainings, dissemination of health & safety information and continual improvement.

The AGTL staff town adjacent to the plant at D.G. Khan with 60 units of family accommodation and 3 bachelor barracks having 50 rooms for bachelor residences and offers amenities which cause envy to the visitors.

Clubs, sports facilities, primary school, parks, hospital, Fair Price Shops, transportation, security, round-the-clock facility of standby generators, clean water, and horticulture have made the AGTL Staff Town an oasis in the desert.

HR Cares:

As a role of taking CARE of AGTL employees; HR has launched a soft campaign named 'HR Cares'.
Objective of this campaign is to keep the team members aware of information which is helpful for their professional and personal life. The information keeps them taking care of them selves in a better way. It also includes activities that refresh minds and cheer them up in a sophisticated and professional way and thus add more "LIFE" to employee's lives at AGTL.

HR continues to upgrade and update the company's website at www.alghazitractors.com

AGTL

AGTL Team
as of December 31, 2010

DEPARTMENT	MANAGERS	EXECUTIVES	WORKERS	TOTAL
Marketing	25	14	23	62
Material Management / Purchase	21	5	5	31
Human Resources and Administration	13	10	28	51
Production	28	24	153	205
Finance / Corporate Affairs	24	4	3	31
MIS	6	0	0	6
Internal Audit	2	0	0	2
Total	119	57	212	388

AGTL'S team of many talents employs Qualified staff:

Masters Degree Holders	=54
Professional Degree Holders	=35
Bachelor Degree Holders	=55
Others	=244

SERVICE AND AGE ANALYSIS

AGE ANALYSIS OF MANAGERS

Age Category	%
Under 30 years	17
30 - 35 years	15
35 - 40 years	17
40 - 50 years	24
Over 50 years	27

AGE ANALYSIS OF WORKERS

Age Category	%
Under 30 years	0
30 - 35 years	0
35 - 40 years	1
40 - 50 years	65
Over 50 years	33

SERVICE ANALYSIS OF MANAGERS

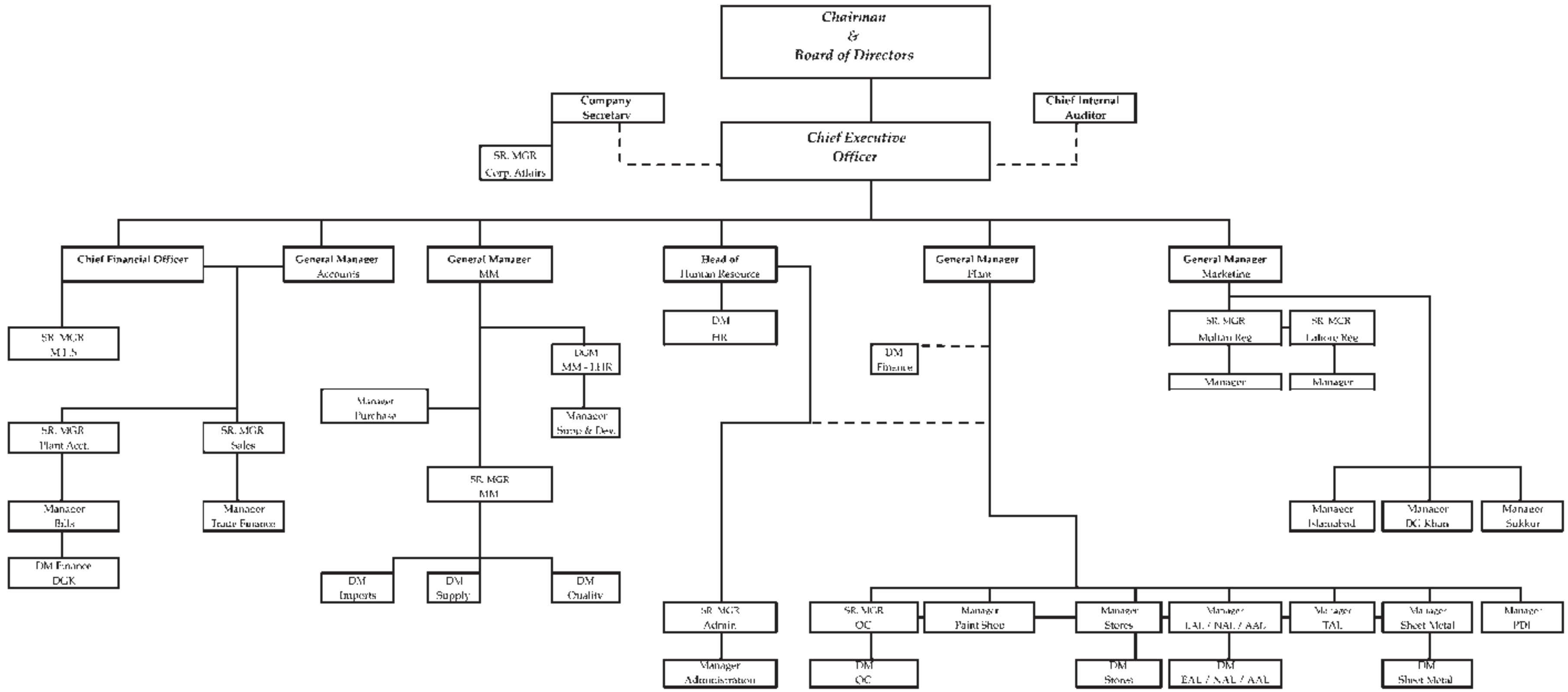
Service Category	%
Under 5 years	30
5 - 10 years	22
10 - 15 years	11
15 - 20 years	8
Over 20 years	30

SERVICE ANALYSIS OF WORKERS

Service Category	%
Under 5 years	0
5 - 10 years	0
10 - 15 years	0
15 - 20 years	0
Over 20 years	99

AGTL

ORGANOGRAM 2010-2011



AGTL Marketing

At AGTL, marketing team is determined to identify and explore each and every opportunity available to sell the tractor. We are committed to customize our products according to customers' requirements. So far our brand has spread to every corner of the country as a result of industrious efforts on the part of whole marketing team. Product development, market segmentation, market penetration, infrastructure improvement, after sale services were the hallmark of activities of AGTL's marketing.

To keep our leading role in tractor industry in Pakistan, AGTL's marketing team continues to look forward to explore new opportunities and to integrate the existing ones. We look to the future with new options and plans to broaden our customer base.

Our team of many talents will continue to work with full zeal; enthusiasm and motivation to further improve performance standards. We are quite confident that the AGTL will rise to the expectations of our valued customers.

STRUCTURE

In AGTL, marketing setup is based on Marketing Head Office and Regional Offices. Marketing Head Office controls all marketing activities through its Regional offices and Distribution center.

- Number of Regional Offices = 4
- Distribution Centre = 1
- Number of Main Dealers = 86
- Number of Workshops = 2000
- Number of Parts Dealers = 48

STRENGTHS

- **Robust and sturdy product:**

Price and convenience being customer's first priority, all efforts are made to rise the expectation of the customer by providing sturdy products at the most competitive price backed up by emulative after sales services at the door step of the customer.

- **Brand Loyalty:**

AGTL Marketing Team uses after-sale service as a tool to create the brand loyalty among the NH users.

- **Dedicated and professional team:**

The AGTL Marketing Team is fully charged and capable to face the challenges posed by dynamic business environment up to the best of their abilities and competencies.

- **Strong dealers net-work:**

Customer focus is central to our business. For customized customer satisfaction, we have dotted the whole country with a large Dealer network, customer care centers and tractor workshops. More and more workshops are being added every year to each dealership so as to have service facility in every village where the NH tractors are being used.

MAJOR ACTIVITIES

- In spite of the fact that ZTBL ceased lending and a handsome volume of business went out of our reach, marketing and dealer`s team with synchronized and dedicated efforts managed sales through cash customers.

- After sales service was provided to all customers, old or new, whereas around 33000 tractors remained on the after sales warranty table during the year. Entire 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.

- Development of new standard 3-S Dealership Setups and up gradation of authorized workshops at all locations throughout the country.

- The department keeps a regular flow of updates with technical bulletins, dealers meetings, conventions and after-sale-service programs throughout the year.

- During the havoc of floods in year 2010, marketing team established camps in affected areas to provide relief and to assist in rehabilitation of the flood victims.

- 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 media campaigns. Awareness was created among masses about product strengths.

- Development and supply of agricultural implements like back hoe, front end loader, front and rear blades and farm trolleys fitted with tractors was made to various departments and work is in progress to increase the level and pace of implement`s development and supply during the year 2011.

Management Information system

A management information system (MIS) is a process that provides the information necessary to manage an organization effectively and efficiently. At Al-Ghazi the MIS department supplies Management with facts, supports the overall decision-making process, and enhances job performance throughout the company. At the most senior level, MIS provides the data and information to help the board and management make strategic decisions. At other levels, MIS allows management to monitor the organization's activities and distribute information to internal customers and members of management.

The company places heavy reliance on its Enterprise Resource Planning System (BaaN) which is implemented at all major locations of the company. The system is fully integrated incorporating Sales and Distribution, Material Requirement Planning (MRP), Material Management, Manufacturing, Inventory and Finance. New applications relating to Payroll, Warranty Stock / Claims, and Non Component Purchases have been developed in house. The hardware in use at AGTL include: IBM RISC Servers, CISCO Routers, 3COM and CISCO Switches and IBM/HP Printers.

In addition, MIS department sets policies, procedures, and controls to govern database management and report creation to help ensure the effectiveness and usefulness of the system.

A Business Re-engineering Group continuously monitors business processes and changed environments to adopt best business practices.

The company gives high importance to Disaster recovery and a DRP is in place, which ensures minimum down- time, in case of a major disaster. Application and data back-ups are maintained at different sites to ensure maximum security. Back-up hardware is also available in case of failure of the main server.
These arrangements are subjected to regular review by the Risk Management Committee.

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

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

Health and Safety

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

From production of products which can be used "safely" by the customers, Health and Safety Policy covers an action plan for occupational safety, occupational illness, conforming to labour laws for physical and psychological health of employees, friendly working hours, provision of comprehensive insurance to all, hospital facilities at the plant, ambulance services, 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.

Environmental Responsibility

AGTL integrates environmental responsibility into corporate decision making. It is also a part of our agreement with 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 work station design thus reducing waster through damage or lost goods and less risk to health and safety of workers.
- We protect our workers against are 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 dessert.

Financial Statements

for the year ended December 31, 2010

A.F. FERGUSON & CO.

A member firm of PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 32426682-6 / 32426711-5
Facsimile: (021) 32415007 / 32427938

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Ghazi Tractors Limited as at December 31, 2010 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 accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2010 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 21, 2011

Name of Engagement Partner: Ali Muhammad Mesia

Lahore Office: 23-C Aziz Avenue, Canal Bank, Gulberg V, P. O. Box 39, Lahore, Pakistan Tel: (92-42) 35715864-71 Fax: (92-42) 35715872
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AGTL

BALANCE SHEET AS AT
December 31, 2010

	Note	2010	2009
		Rupees '000	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	3	368,671	252,695
Long-term investment	4	40,000	-
Long-term loans		495	2,858
Long-term deposits		367	367
		409,533	255,920
CURRENT ASSETS			
Stores, spares and loose tools	5	9,749	11,691
Stock-in-trade	6	1,073,122	1,253,682
Trade debts	7	264,063	20,292
Loans and advances	8	22,109	32,012
Short-term deposits and prepayments	9	11,476	12,725
Accrued mark-up	10	54,884	128,281
Other receivables	11	57,967	10,761
Taxation		339,456	530,563
Refunds due from the Government	12	979,537	1,457,265
Investments	13	1,331,464	145,000
Cash and bank balances	14	3,112,794	3,522,479
		7,256,621	7,124,751
		7,666,154	7,380,671
SHARE CAPITAL AND RESERVES			
Share capital	15	214,682	214,682
Reserves	16	6,148,039	5,205,237
		6,362,721	5,419,919
NON-CURRENT LIABILITIES			
Deferred staff benefits - compensated absences		24,405	21,871
Deferred taxation	17	37,739	31,460
CURRENT LIABILITIES			
Trade and other payables	18	1,241,289	1,907,421
COMMITMENTS	19		
		7,666,154	7,380,671

The annexed notes 1 to 38 form an integral part of these financial statements.

Chairman

Chief Executive

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED

December 31, 2010

	Note	2010	2009
		Rupees '000	
Sales	21	14,936,034	15,764,825
Cost of goods sold	22	(11,987,519)	(13,119,011)
Gross profit		2,948,515	2,645,814
Distribution cost	23	(92,605)	(87,569)
Administrative expenses	24	(121,174)	(111,270)
		2,734,736	2,446,975
Other operating income	25	381,640	411,070
Other operating expenses	26	(214,939)	(197,057)
		2,901,437	2,660,988
Finance cost	27	(1,324)	(2,154)
Profit before taxation		2,900,113	2,658,834
Taxation	28	(991,241)	(915,299)
Profit after taxation		1,908,872	1,743,535
Earnings per share	29	Rs 44.46	Rs 40.61

The annexed notes 1 to 38 form an integral part of these financial statements.

Chairman

Chief Executive

AGTL

CASH FLOW STATEMENT FOR THE YEAR ENDED

December 31, 2010

	Note	2010	2009
		Rupees '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	2,339,720	1,553,642
Income tax paid		(793,855)	(1,328,754)
Increase in deferred staff benefits - compensated absences		2,534	2,504
Net cash from operating activities		1,548,399	227,392
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(148,797)	(46,025)
Proceeds from disposal of fixed assets		4,617	2,529
Purchase of investments		(1,300,000)	(400,000)
Proceeds from sale of investments		149,161	746,938
Return on bank deposits		283,386	355,399
Return on Certificates of Investment (COIs)		15,087	29,572
Decrease in long-term loans		2,363	7,279
Net cash (used in) / from investing activities		(994,183)	695,692
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid		(963,901)	(749,602)
Net (decrease) / increase in cash and cash equivalents		(409,685)	173,482
Cash and cash equivalents at the beginning of the year		3,522,479	3,348,997
Cash and cash equivalents at the end of the year	14	3,112,794	3,522,479

The annexed notes 1 to 38 form an integral part of these financial statements.

Chairman

Chief Executive

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

December 31, 2010

	Share capital	General reserve	Unappropriated profit	Total
	Rupees '000			
Balance at January 1, 2009	214,682	1,000,000	3,213,090	4,427,772
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	214,682	1,000,000	4,205,237	5,419,919
Final dividend @ Rs 15 per share for the year ended December 31, 2009	-	-	(644,047)	(644,047)
Interim dividend @ Rs 7.5 per share for the year ended December 31, 2010	-	-	(322,023)	(322,023)
Net profit after taxation for the year ended December 31, 2010	-	-	1,908,872	1,908,872
Balance at December 31, 2010	214,682	1,000,000	5,148,039	6,362,721

The annexed notes 1 to 38 form an integral part of these financial statements.

Chairman

Chief Executive

AGTL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

December 31, 2010

1. THE COMPANY AND ITS OPERATIONS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The matter involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements 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 judgements made by the company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.1.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards effective in 2010 but not relevant

Certain standards, amendments and new interpretations to existing approved accounting standards are effective from the current year. However, these did not affect the financial statements, therefore, these have not been detailed here.

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

i- IAS 1 (Amendment) 'Presentation of Financial Statements' is effective for the accounting periods beginning on or after January 01, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. There are no items of other comprehensive income, therefore, no impact is expected on the company's financial statements.

ii- IAS 24 (Revised) 'Related Party Disclosures' is effective for the accounting periods beginning on or after January 01, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have a material impact on the company's financial statements.

iii- IFRS 7 (Amendment) 'Financial Instruments: Disclosures' is effective for the accounting periods beginning on or after January 01, 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the financial instruments disclosures in the company's financial statements.

iv- IFRIC 14 (Amendment) 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction' is effective for the accounting periods beginning on or after January 01, 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the company's 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 life of the assets as estimated by the management is as follows:

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

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

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

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

2.4 Impairment

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

2.5 Loans, deposits and other debts

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

2.6 Taxation

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

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

2.7 Stores, 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.

2.8 Stock-in-trade

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

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

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

2.9 Trade Debts

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

2.10 Investments

Investments of the company are classified into the following categories :

(i) Held to maturity

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

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

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

2.11 Cash and cash equivalents

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

2.12 Staff retirement benefits

(i) Defined benefit plan
The company operates an approved funded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme. 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 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 recognition methods adopted for each of the financial instruments is disclosed in the relevant notes of accounting policies.

2.14 Deferred staff benefits - compensated absences

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

2.15 Trade and other payables

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

2.16 Provisions

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

2.17 Foreign currencies

Assets and liabilities in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating to those 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 despatch of goods to customers.
Return on deposits and investments is recognised on accrual basis.

2.19 Borrowing costs

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

2.20 Dividend distribution

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

	Note	2010	2009
		Rupees '000	

3. FIXED ASSETS

3.1 PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
Operating assets	3.2	360,293	252,695
Capital work-in-progress - civil work		8,378	-
Intangible assets	3.3	-	-
		368,671	252,695

3.2 Operating assets

	LAND		BUILDING								
	Freehold	Lease hold	on freehold land	on lease hold land	Plant and machinery	Furniture and fixtures	Office equipment	Computer hardware	Vehicles	Factory equipment and tools	Total
	Rupees'000										
Net carrying value basis											
Year ended December 31, 2010											
Opening net book value	3,854	613	106,480	5,665	104,146	1,666	446	670	16,012	13,143	252,695
Additions	-	80,688	25,812	809	12,138	1,021	400	625	15,802	3,124	140,419
Deletions - note 3.2.1											
Cost	-	-	(8,612)	-	(5,790)	(707)	-	(8)	(16,122)	(2,452)	(33,691)
Accumulated depreciation	-	-	8,612	-	5,611	656	-	8	15,609	2,175	32,671
	-	-	-	-	(179)	(51)	-	-	(513)	(277)	(1,020)
Depreciation / amortisation charge	-	(483)	(3,458)	(228)	(14,634)	(730)	(86)	(586)	(9,124)	(2,472)	(31,801)
Closing net book value	3,854	80,818	128,834	6,246	101,471	1,906	760	709	22,177	13,518	360,293
Gross carrying value basis											
At December 31, 2010											
Cost	3,854	81,518	178,072	9,778	205,690	8,520	3,702	14,288	56,125	44,517	606,064
Accumulated depreciation / amortisation	-	(700)	(49,238)	(3,532)	(104,219)	(6,614)	(2,942)	(13,579)	(33,948)	(30,999)	(245,771)
Net book value	3,854	80,818	128,834	6,246	101,471	1,906	760	709	22,177	13,518	360,293
Net carrying value basis											
Year ended December 31, 2009											
Opening net book value	3,854	621	109,132	5,889	82,592	1,992	556	1,075	15,443	12,060	233,214
Additions	-	-	740	-	34,148	586	84	396	8,868	3,441	48,263
Deletions											
Cost	-	-	-	-	(948)	(691)	(15)	-	(2,539)	(249)	(4,442)
Accumulated depreciation	-	-	-	-	948	529	15	-	2,539	243	4,274
	-	-	-	-	-	(162)	-	-	-	(6)	(168)
Depreciation / amortisation charge	-	(8)	(3,392)	(224)	(12,594)	(750)	(194)	(801)	(8,299)	(2,352)	(28,614)
Closing net book value	3,854	613	106,480	5,665	104,146	1,666	446	670	16,012	13,143	252,695
Gross carrying value basis											
At December 31, 2009											
Cost	3,854	830	160,872	8,969	199,342	8,206	3,302	13,671	56,445	43,845	499,336
Accumulated depreciation / amortisation	-	(217)	(54,392)	(3,304)	(95,196)	(6,540)	(2,856)	(13,001)	(40,433)	(30,702)	(246,641)
Net book value	3,854	613	106,480	5,665	104,146	1,666	446	670	16,012	13,143	252,695

3.2.1 Details of fixed assets disposed of during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees '000					
Vehicle	524	44	480	524	Insurance Claim	EFU General Insurance Limited 206, Kashif Centre Shahrah-e-Faisal Karachi
Aggregate of assets disposed of having book value less than Rs. 50,000 each:						
Furniture and fixtures	360	309	51	40		
Vehicles	15,598	15,565	33	4,050		
Factory equipment and tools	29	29	-	3		
	16,511	15,947	564	4,617		
Asset destroyed due to fire - Note 25.1						
Building	8,612	8,612	-			
Plant and machinery	5,790	5,611	179			
Furniture and fixture	347	347	-			
Computer hardware	8	8	-			
Factory equipment and tools	2,423	2,146	277			
	17,180	16,724	456			
	33,691	**32,671**	**1,020**			

	Note	2010	2009
		Rupees '000	

3.3 INTANGIBLE ASSETS

		2010	2009
Computer software - cost		6,234	6,234
Accumulated amortisation		(6,234)	(6,234)
Net book value		-	-

4. LONG-TERM INVESTMENT

	Note	2010	2009
Held to maturity - Certificates of Investment (COIs)	4.1	100,000	145,000
Current maturity of investment	13	(60,000)	(145,000)
		40,000	-

4.1 The COI(s) carry mark - up of 7% per annum (2009: 13% to 16% per annum) and maturing in 2012.

	Note	2010	2009
		Rupees '000	

5. STORES, SPARES AND LOOSE TOOLS

	Note	2010	2009
Stores		8,066	5,735
Spares		1,683	5,956
		9,749	11,691

6. STOCK-IN-TRADE

	Note	2010	2009
Raw materials and components – including in transit Rs 154.87 million (2009: Rs 94.12 million)	6.1	1,036,672	1,167,843
Finished goods – tractors		34,496	83,332
Trading stock – spare parts and implements		1,954	2,507
		1,073,122	1,253,682

6.1 The above includes raw materials and components of Rs 14.89 million (2009: Rs 12.79 million) held by third parties.

	2010	2009
	Rupees '000	

7. TRADE DEBTS – considered good

	2010	2009
Secured	236,827	914
Unsecured	27,236	19,378
	264,063	20,292

7.1 The age analysis of trade debts is as follows:

	2010	2009
Not yet due	-	20,292
1 to 6 months	264,063	-
	264,063	20,292

	Note	2010	2009
		Rupees '000	

8. LOANS AND ADVANCES – considered good

	Note	2010	2009
Loans to employees	8.1	1,201	1,314
Dealer car loans	8.2	2,158	6,683
Advances to suppliers for goods and services		18,750	24,015
		22,109	32,012

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

8.2 This represents current portion of loans given by the company to finance the purchase of cars by dealers. The amount is repayable in 36 monthly installments by April 2011 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.

	Note	2010	2009
		Rupees '000	

9. SHORT-TERM DEPOSITS AND PREPAYMENTS

	2010	2009
Security deposits	4,535	12,308
Prepayments	6,941	417
	11,476	12,725

10. ACCRUED MARK-UP

	2010	2009
Mark-up accrued on		
- Certificates of Investment (COIs)	344	5,995
- Deposit accounts with banks	54,540	122,286
	54,884	128,281

11. OTHER RECEIVABLES

	Note	2010	2009
Due from Al-Futtaim Industries Company LLC - holding company	11.1	29	-
Due from associated companies	11.2	-	80
Workers' Profits Participation Fund	11.3	14,247	7,204
Due from Employees Gratuity Fund	31.1	-	389
Insurance claim receivable	25.1	39,000	-
Others		4,691	3,088
		57,967	10,761

11.1 Maximum aggregate due from Al-Futtaim Industries Company LLC - the holding company, at the end of any month during the year was Rs. 29 thousand.

11.2 There was no amount due from associated companies, at the end of any month during the year.

	Note	2010	2009
		Rupees '000	

11.3 Workers' Profits Participation Fund

At the beginning of the year		7,204	6,787
Allocation for the year		(155,753)	(142,795)
		(148,549)	(136,008)
Less: Amount paid during the year		162,796	143,212
		14,247	7,204

12. REFUNDS DUE FROM THE GOVERNMENT

Sales tax		762,091	1,319,259
Special excise duty		217,446	138,006
		979,537	1,457,265

13. INVESTMENTS

Held to maturity - Certificates of Investment	4	60,000	145,000
Investments at fair value through profit and loss account	13.1	1,271,464	-
		1,331,464	145,000

13.1 These represent investments in open ended quoted mutual funds. The fair value of these investments is based on quoted market price prevailing at the balance sheet date.

	Note	2010	2009
		Rupees '000	

14. CASH AND BANK BALANCES

With banks on			
- Current accounts		813,408	1,162,492
- Deposit accounts	14.1 & 14.2	2,270,368	1,479,144
Demand drafts in hand		28,746	880,531
Cash in hand		272	312
		3,112,794	3,522,479

14.1 At December 31, 2010 the mark-up rates on PLS savings and term deposit accounts range from 5% to 13% per annum (2009: 4.19% to 14.5% per annum). The term deposits will mature in 2011.

14.2 Term deposits amounting to Rs 227 million (2009: Rs 300 million) have been held under lien by banks as a security against guarantees issued on behalf of the company.

	2010	2009
	Rupees '000	
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 2010	2009		2010	2009
4,500,000	4,500,000	Shares allotted for consideration paid in cash	22,500	22,500
38,436,445	38,436,445	Shares allotted as bonus shares	192,182	192,182
42,936,445	42,936,445		214,682	214,682

15.3 As at December 31, 2009 and 2010 Al-Futtaim Industries Company LLC, U.A.E., the holding company and CNH Global N.V., Netherlands, an associated company held 21,476,078 and 18,535,096 shares of Rs. 5 each respectively.

	2010	2009
	Rupees '000	
16. RESERVES		
Revenue reserve - General	1,000,000	1,000,000
Unappropriated profit	5,148,039	4,205,237
	6,148,039	5,205,237

AGTL

	2010	2009
	Rupees '000	

17. DEFERRED TAXATION

	2010	2009
Credit / (Debit) balance arising on account of		
- accelerated tax depreciation allowances	46,281	39,115
- deferred staff benefits - compensated absences	(8,542)	(7,655)
	37,739	31,460

18. TRADE AND OTHER PAYABLES

	2010	2009
Creditors	813,688	1,364,071
Accrued liabilities	130,393	242,141
Customers' and dealers' advances	120,782	125,367
Unclaimed dividend	18,397	16,228
Deposits	23,065	22,151
Taxes deducted at source	10,636	9,087
Workers' Welfare Fund	59,186	58,153
Royalty payable to CNH Global N.V. - associated company	59,870	66,525
Due to Employees Gratuity Fund - note 31.1	423	-
Others	4,849	3,698
	1,241,289	1,907,421

19. COMMITMENTS

Commitments for capital expenditure outstanding as at December 31, 2010 amounted to Rs 7.64 million (2009: Rs 10.07 million).

20. UNFUNDED BANKING FACILITIES

The facilities for opening letters of credit and guarantees as at December 31, 2010 amounted to Rs 2,325 million (2009: Rs 2,625 million) of which unutilised balance at year end amounted to Rs 1,736 million (2009: Rs 1,911 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.

		2010	2009
		Rupees '000	
21.	**SALES**		
	Tractors	14,967,667	15,857,514
	Trading goods	166,449	105,483
		15,134,116	15,962,997
	Less:		
	Commission and discounts	177,134	186,851
	Sales tax	20,948	11,321
		198,082	198,172
		14,936,034	15,764,825
22.	**COST OF GOODS SOLD**		
	Manufactured goods		
	Raw materials and components consumed	11,220,970	11,522,462
	Salaries, wages and benefits	187,119	179,598
	Charge / (Reversal) for defined benefit plan	862	(70)
	Charge for defined contribution plan	2,272	2,169
	Stores and supplies	190,753	166,188
	Royalty and technical fee	143,985	152,626
	Insurance	1,199	1,078
	Depreciation	23,574	21,235
	Fuel, power and electricity	33,693	28,894
	Repairs and maintenance	23,334	21,366
	Travelling, vehicle running and entertainment	3,413	3,352
	Rent, rates and taxes	2,091	2,070
	Freight charges	-	351
	Communication	364	778
	Printing and stationery	2,069	1,714
	Others	2,087	1,217
	Cost of goods manufactured	11,837,785	12,105,028
	Opening stock of finished goods	83,332	1,024,712
	Closing stock of finished goods	(34,496)	(83,332)
		11,886,621	13,046,408
	Trading goods		
	Opening stock	2,507	2,187
	Purchases	100,345	72,923
		102,852	75,110
	Closing stock	(1,954)	(2,507)
		100,898	72,603
		11,987,519	13,119,011

	2010	2009
	Rupees '000	

23. DISTRIBUTION COST

	2010	2009
Salaries, wages and benefits	48,983	48,414
Charge/ (Reversal) for defined benefit plan	383	(36)
Charge for defined contribution plan	1,016	972
Insurance	28	34
Depreciation / amortisation	4,126	3,454
Fuel, power and electricity	1,222	1,017
Travelling, vehicle running and entertainment	7,327	7,846
Repairs and maintenance	319	229
Rent, rates and taxes	517	476
Communication	1,061	1,073
Advertisement and promotion	1,006	806
After sales expense	18,404	17,148
Dealers' convention	4,000	3,503
Freight charges	1,190	457
Legal and professional charges	67	32
Printing and stationery	2,257	1,747
Others	699	397
	92,605	87,569

24. ADMINISTRATIVE EXPENSES

	2010	2009
Salaries, wages and benefits	86,072	80,166
Charge/ (Reversal) for defined benefit plan	727	(66)
Charge for defined contribution plan	2,099	1,802
Insurance	21	22
Depreciation	4,101	3,925
Travelling, vehicle running and entertainment	7,973	6,339
Repairs and maintenance	366	896
Rent, rates and taxes	7,433	7,197
Communication	6,413	5,168
Auditors' remuneration - Note 24.1	1,891	1,759
Legal and professional charges	2,043	2,104
Printing and stationery	1,997	1,830
Others	38	128
	121,174	111,270

		2010	2009
		Rupees '000	
24.1	Auditors' remuneration		
	Audit fee	1,000	750
	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	685	829
	Out of pocket expenses	206	180
		1,891	1,759

25. OTHER OPERATING INCOME

	Note	2010	2009
Income from financial assets			
Return on deposit accounts		215,640	335,090
Return on COIs		9,436	14,117
Revaluation gain on investments at fair value through profit and loss account		71,464	-
Gain on disposal of investments at fair value through profit and loss account		4,161	45,178
Others		487	1,169
		301,188	395,554
Income from other assets			
Scrap sales		16,712	11,923
Profit on disposal of fixed assets		4,053	2,361
Insurance claim against assets destroyed by fire	25.1	59,000	-
Less: assets destroyed by fire -	25.1		
- net book value of fixed assets	25.1	(456)	-
- cost of raw materials and components	25.1	(4,470)	-
- cost of stores and spares	25.1	(6,234)	-
		47,840	-
Provision for Workers' Welfare Fund written back		5,009	-
Discount received		5,100	-
Others		1,738	1,232
		80,452	15,516
		381,640	411,070

25.1 On April 17, 2010 a fire broke out at the company's factory located at Dera Ghazi Khan. Consequently a part of the company's factory premises was affected by the incident which resulted in destruction of certain items of fixed assets, raw materials and components and stores and spares. An insurance claim of Rs 59 million was acknowledged by the insurance company in respect of the destroyed assets. During the year Rs 20 million has been received against the insurance claim and the balance received subsequently.

		2010	2009
		Rupees '000	
26.	**OTHER OPERATING EXPENSES**		
	Workers' Profits Participation Fund	155,753	142,795
	Workers' Welfare Fund	59,186	54,262
		214,939	197,057
27.	**FINANCE COST**		
	Bank charges and commission	1,324	2,154
28.	**TAXATION**		
	Current		
	- for the year	983,529	911,000
	- prior year	1,433	-
	Deferred	6,279	4,299
		991,241	915,299
28.1	Relationship between tax expense and accounting profit:		
	Accounting profit before tax	2,900,113	2,658,834
	Tax at applicable rate of 35%	1,015,040	930,592
	Effect of prior year	1,433	-
	Effect of income at reduced rate	(26,053)	(15,812)
	Effect of permanent differences	821	519
		991,241	915,299
29.	**EARNINGS PER SHARE**		
	Profit after taxation attributable to ordinary shareholders	1,908,872	1,743,535
	Number of ordinary shares outstanding (in thousands) at the end of the year	42,936	42,936
	Earnings per share	Rs 44.46	Rs 40.61

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 2010 which would have any effect on the earnings per share if the option to convert exercised.

30. CASH GENERATED FROM OPERATIONS

	2010	2009
	Rupees '000	
Profit before taxation	2,900,113	2,658,834
Add / (less): Adjustment for non-cash charges and other items		
Depreciation / amortisation	31,801	28,614
Profit on disposal of fixed assets	(4,053)	(2,361)
Net book value of fixed assets destroyed by fire	456	-
Gain on disposal of investments at fair value through profit and loss account	(4,161)	(45,178)
Revaluation gain on investments at fair value through profit and loss account	(71,464)	-
Return on bank deposits	(215,640)	(335,090)
Return on COIs	(9,436)	(14,117)
	2,627,616	2,290,702
Effect on cash flow due to working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	1,942	2,982
Stock-in-trade	180,560	677,717
Trade debts	(243,771)	(13,149)
Loans and advances	9,903	5,381
Short-term deposits and prepayments	1,249	3,718
Other receivables	(47,206)	(923)
Refunds due from the Government	477,728	(706,711)
	380,405	(30,985)
Decrease in current liabilities		
Trade and other payables	(668,301)	(706,075)
	(287,896)	(737,060)
	2,339,720	1,553,642

		2010	2009
		Rupees '000	

31. STAFF RETIREMENT BENEFIT

31.1 Movement in asset

	2010	2009
Balance as at January 1	(389)	(217)
Charge / (Reversal) for the year - Note 31.5	1,973	(172)
Employer contributions	(1,161)	-
Balance as at December 31	423	(389)

31.2 Movement in the defined benefit obligation

	2010	2009
Obligation as at January 1	86,027	76,065
Service cost	4,740	3,871
Interest cost	11,885	11,410
Actuarial gains	(2,397)	(118)
Benefits paid	(2,274)	(5,201)
Obligation as at December 31	97,981	86,027

31.3 Movement in the fair value of plan assets

	2010	2009
Fair value as at January 1	100,519	95,194
Expected return on plan assets	14,073	14,279
Actuarial losses	(1,669)	(3,753)
Employer contributions	1,161	-
Benefits paid	(2,274)	(5,201)
Fair value as at December 31	111,810	100,519

31.4 Balance sheet reconciliation as at December 31

	2010	2009
Present value of obligation	97,981	86,027
Fair value of plan assets	(111,810)	(100,519)
Unrecognised actuarial gains	14,252	14,103
	423	(389)

31.5 Charge / (Reversal) for the year

	2010	2009
Service cost	4,740	3,871
Interest cost	11,885	11,410
Expected return on plan assets	(14,073)	(14,279)
Actuarial gains recognised during the year	(579)	(1,174)
	1,973	(172)

31.6 Actual return on plan assets

	2010	2009
Actual return on plan assets	12,404	10,526

		2010	2009
31.7	Key actuarial assumptions used are as follows:		
	Expected rate of return on investments	14%	14%
	Expected rate of increase in salaries		
	- Management staff	12%	12%
	- Non-management staff	12%	12%
	Discount factor used	14%	14%
	Retirement age (years)	60	60

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

	2010	2009	2008	2007	2006
	Rupees '000				
Comparison for five years:					
As at December 31					
Present value of defined benefit obligation	97,981	86,027	76,065	73,774	66,835
Fair value of plan assets	(111,810)	(100,519)	(95,194)	(85,499)	(78,760)
Surplus	(13,829)	(14,492)	(19,129)	(11,725)	(11,925)
Experience adjustments					
Actuarial gain on obligation	(2,397)	(118)	(6,072)	(287)	(2,409)
Actuarial (loss) / gain on plan assets	(1,669)	(3,753)	1,944	(873)	2,715
	(4,066)	(3,871)	(4,128)	(1,160)	306

	2010		2009	
31.9 Composition of plan assets:	Rupees '000	%	Rupees '000	%
Term Deposits	99,694	89.16	92,223	91.75
Others (include bank balance)	12,116	10.84	8,296	8.25
	111,810	100.00	100,519	100.00

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

31.11 As per actuarial advice, the company is expected to contribute Rs 2 million towards gratuity fund in 2011 (2010: 1.55 million).

31.12 The information in note 31 is based on actuarial valuation.

32. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2010	2009
		Rupees '000	
i. Holding company:	Dividends paid	483,212	375,831
	Recovery of expenses	-	50
ii. Other related parties:	Dividends paid	417,040	324,364
	Royalty paid	116,619	122,230
	Recovery of expenses	80	326
	Contribution to Al-Ghazi Tractors Limited Staff Provident Fund	5,387	4,943
	Contribution to Al-Ghazi Tractors Limited Employees' Gratuity Fund	1,161	-
iii. Key management personnel:	Salaries and other employee benefits	100,671	82,299
	Retirement benefits	3,235	1,938

The outstanding balances of related parties as at December 31, 2010 are included in trade and other payables and other receivables respectively.

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	
	2010	2009	2010	2009	2010	2009
	Rupees '000					
Managerial remuneration	8,400	7,200	3,561	3,174	12,244	9,503
Bonus and ex-gratia	18,900	16,800	8,012	7,407	25,683	20,061
House Rent	3,780	3,240	1,602	1,428	5,509	4,052
Utilities	840	720	356	317	1,224	900
Retirement benefits	1,128	720	483	317	1,624	900
Medical expenses	-	162	64	175	953	653
Leave passage	1,785	1,530	756	675	2,672	1,962
Other expenses	663	434	497	356	3,170	1,550
	35,496	30,806	15,331	13,849	53,079	39,581
Number of persons	1	1	1	1	10	7

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

In addition to the above, fee and benefits to one non-executive director paid during the year amounted to Rs 538 thousand (2009: Rs 535 thousand).

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(i) Financial assets and liabilities by category and their respective maturities

	Interest / Mark-up bearing			Non interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees '000						
FINANCIAL ASSETS							
Loans and receivables							
Loans and advances	2,158	-	2,158	1,201	495	1,696	3,854
Deposits	-	-	-	4,535	367	4,902	4,902
Trade debts	-	-	-	264,063	-	264,063	264,063
Accrued mark-up	-	-	-	54,884	-	54,884	54,884
Other receivables	-	-	-	43,720	-	43,720	43,720
Cash and bank balances	2,270,368	-	2,270,368	842,426	-	842,426	3,112,794
Investments							
- Held to maturity at amortised cost	60,000	40,000	100,000	-	-	-	100,000
- At fair value through profit and loss	-	-	-	1,271,464	-	1,271,464	1,271,464
2010	2,332,526	40,000	2,372,526	2,482,293	862	2,483,155	4,855,681
2009	1,630,827	2,227	1,633,054	2,209,087	998	2,210,085	3,843,139
FINANCIAL LIABILITIES							
At amortised cost							
Trade and other payables	-	-	-	1,050,685	-	1,050,685	1,050,685
2010	-	-	-	1,050,685	-	1,050,685	1,050,685
2009	-	-	-	1,714,814	-	1,714,814	1,714,814
Off balance sheet items							
Financial commitments:							
Contracts for capital expenditure							7,642
Letters of credit and guarantee							588,873
2010							596,515
2009							724,380

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

(ii) Concentrations of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. Out of the total financial assets of Rs. 4.856 billion (2009: Rs. 3.843 billion) the financial assets exposed to the credit risk amount to Rs. 4.855 billion (2009: Rs. 3.843 billion) which mainly comprise of balances with banks.

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

The company's products are mainly sold against cash or demand drafts issued by Zarai Taraqiati Bank Limited (ZTBL) and certain other commercial banks. Hence, the company believes that it is not exposed to credit risk against tractor sales. As of December 31, 2010 there is no past due or impaired balance and the carrying amount of trade debts relates to independent customers for whom there is no recent history of default.

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

Other receivables are not exposed to any significant credit risk.

Deposits have been placed mainly with government institutions, hence exposed to no significant credit risk.

The management does not expect any losses from non-performance by these counterparts.

(iii) Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The company manages liquidity risk by maintaining sufficient cash and balances with banks. As at December 31, 2010 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, 2010 amounted to Rs 36.94 million (2009: Rs 65.47 million).

The company imports raw materials and components in US Dollar and is exposed to Rupee / US Dollar exchange risk. If the Pakistan Rupee had weakened / strengthened by 10% against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs 3.69 million (2009: 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, 2010, the company's interest bearing financial assets amounted to Rs 2.37 billion (2009: Rs. 1.63 billion) and had the interest rate varied by 100 basis points with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs. 20.03 million (2009: Rs. 19.82 million).

(v) Fair values of the financial instruments

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

35. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders. The capital structure of the company is equity based with no financing through long term or short term borrowings.

36. PLANT CAPACITY AND PRODUCTION

	2010	2009
Plant capacity (single shift) - units	30,000	30,000
Actual production - units	29,020	30,351

37. DIVIDEND

The Board of Directors in their meeting held on February 14, 2011 have proposed a final cash dividend of Rs 12.50 per share amounting to Rs 536.71 million (2009: Rs 15 per share amounting to Rs 644.05 million).

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 14, 2011 by the Board of Directors.

Chairman

Chief Executive

Pattern of Shareholding

As At December 31, 2010

Number of Shareholders	Size of Shareholding Rs. 5 each From	To		Total Shares Held
606	1	100	Shares	23,129
465	101	500	Shares	130,071
176	501	1000	Shares	131,727
292	1001	5000	Shares	597,456
52	5001	10000	Shares	371,184
12	10001	15000	Shares	148,928
6	15001	20000	Shares	108,325
5	20001	25000	Shares	118,146
1	25001	30000	Shares	27,835
5	30001	35000	Shares	160,458
3	35001	40000	Shares	111,500
1	45001	50000	Shares	48,100
2	50001	55000	Shares	104,084
1	55001	60000	Shares	55,513
3	60001	65000	Shares	189,100
1	65001	70000	Shares	67,500
3	75001	80000	Shares	230,837
1	300001	305000	Shares	301,378
1	18535001	18540000	Shares	18,535,096
1	21475001	21480000	Shares	21,476,078
1,637				42,936,445

Categories of Shareholders

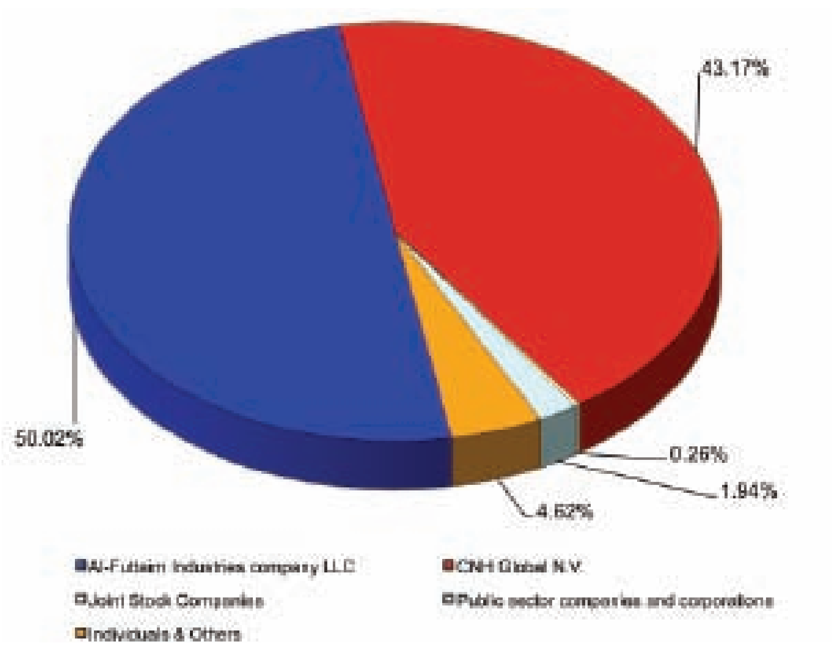
Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	665	460,727	1.07%
2-	Joint Stock Companies	1	567	0.00%
3-	Financial Institutions	2	2,198	0.01%
4-	Associated Companies	2	40,011,174	93.19%
5-	Foreign Investors	4	14,671	0.03%
6-	Charitable Trusts	1	154	0.00%
7-	Central Depository Company (b)	962	2,446,954	5.70%
		1,637	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, 2010

Sr. No.	Categories of Share holders	Number of Shareholders	Shares Held	Percentage
1-	Individuals	910	1,507,945	3.51%
2-	Investment Companies	1	1,000	0.00%
3-	Insurance Companies	5	449,600	1.05%
4-	Joint Stock Companies	22	109,730	0.26%
5-	Financial Institutions	4	131,263	0.31%
6-	Modaraba Companies	3	35,565	0.08%
7-	Mutual Fund	9	175,803	0.41%
8-	Others	8	36,048	0.08%
		962	2,446,954	5.70%

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	18,535,096
Directors, CEO and their spouses and minor children:		
Mr. Parvez Ali - CEO	1	275
Joint Stock Companies :	23	110,297
Public sector companies and corporations:		
Financial Institutions	6	133,461
Insurance Companies	5	449,600
Investment Companies	1	1,000
Modaraba Companies	3	35,565
Mutual Fund	9	175,803
Charitable Trusts	1	154
Others	8	36,048
Individuals & Others		
Local	1574	1,968,397
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



AGTL

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 24,2011 at 15:30 hrs. and at any adjournment thereof.

As witness my/our hand this_____day of ________2011.

Five Rupee Revenue Stamp

Signature of Member(s)

Important:

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

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AFFIX
CORRECT
POSTAGE

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

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B I D   B u s i n e s s   I n i t i a t i v e   D i r e c t i o n s

Principles of the QC100 Total Quality Management Model

Commitment of AL-GHAZITRACTORS LTD. to Quality

Our company accepts quality as a factor of development to become more competitive.

Al-Ghazitractors Ltd.,is committed to publicizing this Quality Culture with employees, suppliers, clients and the community, supported by the QC100 Total Quality Management Model, the principles of which are the following:

1. Quality is a consequence of valuing customer satisfaction and obtaining positive business results.
2. Meet the quality levels established in the company in accordance with the QC100 Points of Quality.
3. Encourage participation and teamwork for decision making.
4. Satisfy the needs of our clients and meet their expectations.
5. Provide human resources, both technical and economic, to achieve continuous improvement and respect for the environment.
6. Manage human resources in our company to achieve the maximum potential.
7. Make employees aware of the importance of concentration on the most profitable areas of activity, to achieve the best business results.

The achievement of these seven principles by Al-Ghazitractors Ltd. will foster improvement for clients, employees, suppliers and all of the other persons who make up the company.

London, November 29, 2010

General Manager
Al-Ghazitractors Ltd.

Accolades -- Extravaganza 2010

map Management Association of Pakistan

Corporate Excellence Award

+

KSE
The Karachi Stock Exchange
(Guarantee) Limited
Top Companies Award

+

NCCA PAKISTAN

Best Calender Award

+

ICAP / ICMAP

Best Annual Report Award

International Quality
Crown Award
London 2010

+

SAARC

SAFA

An Apex Body of SAARC

Best Presented Accounts
Awards 2009

+

The Platinum Technology
Award for Quality & Best
Trade Name