

**HALF YEARLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2008
(UN-AUDITED)**



GRAYS LEASING LIMITED

COMPANY INFORMATION



BOARD OF DIRECTORS	Mr. Paul Douglas Gray Mr. Khawar Anwar Khawaja Mr. Abdul Rashid Mir Mr. Neil Douglas James Gray Mr. Muhammad Tahir Butt Mr. Khurram Anwar Khawaja Khawaja Zaka-ud-Din	Chairman Vice Chairman Chief Executive
AUDIT COMMITTEE	Mr. Khawar Anwar Khawaja Mr. Muhammad Tahir Butt Mr. Khurram Anwar Khawaja	
AUDITORS	Riaz Ahmad & Co. Chartered Accountants 10-B Saint Mary Park Main Boulevard, Gulberg III Lahore.	
MANAGEMENT CONSULTANT	Sarfraz Mahmood (Pvt) Ltd.	
COMPANY SECRETARY/ CHIEF FINANCIAL OFFICER	Mr. Naveed Amin Khawaja	
HEAD OF INTERNAL AUDIT	Mr. Nadeem Ahmad	
LEGAL ADVISOR	Saeed Akhtar Advocate & Corporate Counsel	
REGISTERED AND HEAD OFFICE	701-A, 7 th Floor, City Towers 6-K, Main Boulevard, Gulberg - II, Lahore Tel: (042) 5770382 - 7 Fax: (042) 5770389 E-mail: gll@cyber.net.pk	
BANKERS	Standard Chartered Bank Limited Bank Alfalah Limited The Bank of Punjab The Bank of Khyber Askari Bank Limited MCB Bank Limited Faysal Bank Limited First Women Bank Limited The Royal Bank of Scotland Limited National Bank of Pakistan Allied Bank Limited	
SHARE REGISTRAR	Hassan Farooq Associates (Pvt) Ltd. HF House. 7-G, Mushtaq Ahmed Gurmani Road Gulberg II Lahore.	

We are pleased to present the half yearly accounts for the period ended December 31, 2008 together with report of the Board of Directors of the company and review report by the statutory auditors of the Company.

During the half year ended December 31, 2008, a nominal amount of Rupees 3 million in the form of new lease contract was disbursed as compared to the corresponding period of 2007 in which we have disbursed 61 cases of asset, financing worth Rupees 227 million. Net investment in leases is Rupees 1,136.015 million as on December 31, 2008 as compared to Rupees 1,414.457 million as on June 30, 2008. Due to recent recession which created liquidity crunch, reduction in purchasing power of people, increase in bad portfolio in financial sector, changed the philosophy of financial sector business attitude. During the period under review. the major task was to expedite the recovery on priority basis before the portfolio become bad. We are pleased to inform you that your company is achieving the assigned target accordingly. .

The gross revenue from operations is Rupees 56.656 million as against Rupees 78.321 million in the corresponding period of 2007 and net loss before and after tax is Rupees 69.966 million and Rupees 60.679 million as compared to Rupees 6.425 million and Rupees 5.232 million respectively during the corresponding period of 2007.

The JCR-VIS Credit Rating Company has assigned the company medium to long term entity rating of BBB+ and short term entity rating at A3. The outlook on the entity was considered "negative".

Dear shareholders, as you know that the current recession affected the business community badly and the demand of exportable goods especially the textile goods (a leading exportable product of Pakistan) remarkably declined, This tremendous pressure and uncertain political situation of the country, people are facing cash flow problems which resulted in slow recovery and stuck-ups. By keeping in view the prudent policy an amount of Rupees 19.655 million is transferred to suspense account and Rupees 88.619 million has been provided for potential lease losses. After improvement in socioeconomic circumstances and our recovery based strategy, we expect that recovery situation will improve and we will also succeed to get back on to the track.

At the end, we would like to thank banks and financial institutions for their support and the clients who provided us the opportunity to serve them. We also extend lot of appreciation to company employees at all levels for their efforts.

For and on behalf of the board

A handwritten signature in black ink, appearing to read "Abdul Rashid Mir".

ABDUL RASHID MIR

Chief Executive

Lahore: 27 February 2009

Introduction

We have reviewed the accompanying interim condensed balance sheet of GRAYS LEASING LIMITED as at 31 December 2008 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (herein after referred to as "interim financial information"), for the period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the interim condensed profit and loss account for the quarters ended 31 December 2008 and 31 December 2007 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2008.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The comparatives in the accompanying interim financial information were reviewed / audited by another firm of Chartered Accountants who issued an unqualified review report dated 27 February 2008 and a modified opinion dated 07 October 2008 containing an emphasis of matter paragraph on pending application for renewal of licence to carry on leasing business and non-compliance with minimum equity requirements.

INTERIM CONDENSED BALANCE SHEET


AS AT 31 DECEMBER 2008



	NOTE	Un-audited 31 December 2008 Rupees	Audited 30 June 2008 Rupees
ASSETS			
Current Assets			
Cash and bank balances		22,777,887	28,814,468
Advances, deposits, prepayments, accrued interest and other receivables		6,398,476	20,598,070
Current maturity of non current assets		<u>675,212,989</u>	<u>641,375,043</u>
		704,389,352	690,787,581
Non Current Assets			
Net investment in finance leases	5	<u>460,801,921</u>	<u>773,432,369</u>
Long term investment	6	10,000,000	10,000,000
Property, plant and equipment	7	<u>94,090,557</u>	<u>97,397,083</u>
Long term security deposits		983,482	877,482
		<u>565,875,960</u>	<u>881,706,934</u>
Total Assets		<u>1,270,265,312</u>	<u>1,572,494,515</u>
LIABILITIES			
Current Liabilities			
Short term borrowings		<u>105,948,296</u>	<u>131,928,948</u>
Subordinated loan		-	15,000,000
Accrued and other liabilities		8,214,089	9,150,566
Accrued mark up		14,567,652	20,618,036
Current maturity of non current liabilities		<u>383,197,020</u>	<u>315,231,017</u>
Provision for taxation		289,902	3,016,561
		512,216,959	494,945,128
Non Current Liabilities			
Deferred taxation		<u>38,731,806</u>	<u>48,248,813</u>
Deposits on lease contracts		301,039,012	369,897,867
Certificates of investment		2,000,000	2,000,000
Long term financing	8	<u>176,924,504</u>	<u>372,352,989</u>
Liabilities against assets subject to finance lease		1,832,052	2,020,822
Deferred liability		<u>3,993,191</u>	<u>3,821,951</u>
		524,520,565	798,342,442
Total Liabilities		<u>1,036,737,524</u>	<u>1,293,287,570</u>
NET ASSETS		<u>233,527,788</u>	<u>279,206,945</u>
REPRESENTED BY:			
Authorized share capital			
35,000,000 (30 June 2008: 35,000,000) ordinary shares of Rupees 10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid up share capital	9	215,000,000	200,000,000
Statutory reserves		58,625,295	58,625,295
Unappropriated profit / (Accumulated loss)		<u>(59,562,793)</u>	<u>613,040</u>
Shareholders' equity		214,062,502	259,238,335
Surplus on revaluation of buildings		19,465,286	19,968,610
Contingencies and commitments	10	<u>233,527,788</u>	<u>279,206,945</u>

The annexed notes form an integral part of this interim financial information.


Khawar Anwar Khawaja
 Vice Chairman



Abdul Rashid Mir
 Chief Executive

INTERIM CONDENSED PROFIT & LOSS ACCOUNT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UN-AUDITED)



Note	HALF YEAR ENDED		QUARTER ENDED		
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	
----- Rupees -----					
REVENUE					
Income from lease financing	54,751,693	75,793,717	11,758,842	30,293,594	
Other income	1,903,893	2,526,957	1,404,835	2,033,789	
	<u>56,655,586</u>	<u>78,320,674</u>	<u>13,163,677</u>	<u>32,327,383</u>	
EXPENDITURE					
Administrative and other operating expenses	18,918,390	17,768,798	9,799,427	10,025,391	
Financial and other charges	53,802,238	56,580,819	24,873,935	27,039,683	
Provision for doubtful receivables	53,900,861	10,396,493	46,189,094	9,218,768	
	<u>126,621,489</u>	<u>84,746,110</u>	<u>80,862,456</u>	<u>46,283,842</u>	
LOSS BEFORE TAXATION	(69,965,903)	(6,425,436)	(67,698,779)	(13,956,459)	
Provision for taxation	9,286,746	1,193,525	8,464,476	3,166,179	
LOSS AFTER TAXATION	<u>(60,679,157)</u>	<u>(5,231,911)</u>	<u>(59,234,303)</u>	<u>(10,790,280)</u>	
Earnings per share - basic and diluted	11	(2.99)	(0.26)	(2.88)	(0.54)

The annexed notes form an integral part of this interim financial information.


Khawar Anwar Khawaja
 Vice Chairman

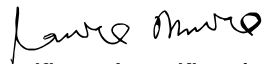

Abdul Rashid Mir
 Chief Executive


INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UN-AUDITED)



	Half year ended	
	31 December 2008	31 December 2007
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(69,965,903)	(6,425,436)
Adjustments for non-cash charges and other items:		
Depreciation	4,195,708	2,923,186
Provision for gratuity	602,240	474,566
Finance charges	53,802,238	56,580,819
Provision for doubtful receivables	53,900,861	10,396,493
Markup on loan to employee	(8,462)	(30,074)
Gain on disposal of property, plant and equipment	(176,482)	(128,476)
Profit on bank deposits and investments	(649,430)	(911,291)
	<u>111,666,673</u>	<u>69,305,223</u>
Operating profit before working capital changes	41,700,770	62,879,787
Decrease/(increase) in advances, prepayments, accrued interest and other receivables	1,878,124	(110,147)
Increase/(decrease) in accrued and other liabilities	(1,007,052)	3,048,093
Cash generated from operations	42,571,842	65,817,733
Financial charges paid	(59,498,776)	(53,348,136)
Income tax paid	(46,143)	(1,688,300)
Gratuity paid	(431,000)	(72,000)
Net cash from / (used in) operating activities	(17,404,077)	10,709,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment in finance leases	234,022,908	2,401,441
Property, plant and equipment acquired	(127,700)	(8,179,763)
Long term security deposits	(106,000)	(131,030)
Sale proceeds of property, plant and equipment	475,000	629,609
Long term loans and advances	350,000	100,000
Profit on bank deposits and investments	657,892	930,960
Net cash from / (used in) investing activities	235,272,100	(4,248,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	(141,857,815)	7,334,534
Short term borrowings - net	(26,123,350)	(45,000,000)
Subordinated loan	(15,000,000)	-
Certificates of investment repaid	(8,500,000)	(19,500,000)
Deposits on lease contracts	(46,368,666)	36,225,841
Lease rentals paid	(1,197,471)	(1,158,467)
Share capital issued	15,000,000	-
Net cash used in financing activities	(224,047,302)	(22,098,092)
Net decrease in cash and cash equivalents	(6,179,279)	(15,637,578)
Cash and cash equivalents at the beginning of the period (Note 12)	(70,114,480)	(42,952,048)
Cash and cash equivalents at the end of the period (Note 12)	(76,293,759)	(58,589,626)

The annexed notes form an integral part of this interim financial information.


Khawar Anwar Khawaja
 Vice Chairman


Abdul Rashid Mir
 Chief Executive

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UN-AUDITED)**



	RESERVES			Total Equity	
	Share Capital	Statutory Reserve	Unappropriated Profit / (Accumulated Loss)		Total
-----Rupees-----					
Balance as at 30 June 2007	200,000,000	58,625,295	9,844,609	68,469,904	268,469,904
Net loss for the half year ended 31 December 2007	-	-	(5,231,911)	(5,231,911)	(5,231,911)
Transfer from surplus on revaluation of buildings					
-Incremental depreciation-net of deferred taxation	-	-	522,282	522,282	522,282
Balance as at 31 December 2007	200,000,000	58,625,295	5,134,980	63,760,275	263,760,275
Net loss for the period	-	-	(5,050,638)	(5,050,638)	(5,050,638)
Transfer from surplus on revaluation of buildings					
-Incremental depreciation-net of deferred taxation	-	-	528,698	528,698	528,698
Balance as at 30 June 2008	200,000,000	58,625,295	613,040	59,238,335	259,238,335
Issue of share capital	15,000,000	-	-	-	15,000,000
Net loss for the half year ended 31 December 2008	-	-	(60,679,157)	(60,679,157)	(60,679,157)
Transfer from surplus on revaluation of buildings					
-Incremental depreciation-net of deferred taxation	-	-	503,324	503,324	503,324
Balance as at 31 December 2008	215,000,000	58,625,295	(59,562,793)	(937,498)	214,062,502

The annexed notes form an integral part of this interim financial information.


Khawar Anwar Khawaja
Vice Chairman


Abdul Rashid Mir
Chief Executive

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 on 31 August 1995. The company's shares are listed on Karachi and Lahore Stock Exchanges. The company is engaged in leasing business and has been classified as a Non-Banking Finance Company (NBFC). Its registered office is situated at 701-A, 7th floor, City Towers, 6-K, Main boulevard, Gulberg-II, Lahore.

2. STATEMENT OF COMPLIANCE

This interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This interim financial information has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). This interim financial information should be read in conjunction with the preceding annual published financial statements of the company for the year ended 30 June 2008.

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this interim financial information are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended 30 June 2008.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of this interim financial information are the same as those applied to the preceding annual published financial statements of the company for the year ended 30 June 2008.

	Un-Audited	Audited
	31 December	30 June
	2008	2008
	Rupees	Rupees
5. Net investment in finance leases		
Lease rentals receivable	1,012,388,274	1,230,042,720
Add: Guaranteed residual value of leased assets	410,236,753	456,605,419
Gross investment in finance leases	<u>1,422,625,027</u>	<u>1,686,648,139</u>
Less: Unearned finance income	197,991,471	227,991,675
Net investment in finance leases	<u>1,224,633,556</u>	<u>1,458,656,464</u>
Less: Allowance for potential lease losses	88,618,646	44,199,052
	<u>1,136,014,910</u>	<u>1,414,457,412</u>
Less: Current portion shown under current liabilities	<u>675,212,989</u>	<u>641,025,043</u>
	<u><u>460,801,921</u></u>	<u><u>773,432,369</u></u>

6. LONG TERM INVESTMENT

Held to maturity

8% Pakistan Investment Bonds (Note 6.1)	<u>10,000,000</u>	<u>10,000,000</u>
---	-------------------	-------------------

6.1 Investment in Pakistan Investment Bonds has been made in accordance with Rule 14(4)(i) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 in order to maintain liquidity against certificates of investment issued by the company. These bonds have a maturity period of 10 years and carry profit at the rate of 8% per annum receivable semi annually.

S Elected Notes to the Interim Condensed Financial Information
FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UN-AUDITED)



	Un-Audited 31 December 2008 Rupees	Audited 30 June 2008 Rupees
7. PROPERTY, PLANT AND EQUIPMENT		
Owned assets (Note 7.1)	88,362,216	92,123,146
Leased assets (Note 7.2)	5,728,341	5,273,937
	<u>94,090,557</u>	<u>97,397,083</u>
7.1 Owned assets		
Opening book value	92,123,146	58,699,316
Add: Cost of additions during the period / year (Note 7.1.1)	119,000	44,014,074
	<u>92,242,146</u>	<u>102,713,390</u>
Less: Book value of vehicles disposed of during the period / year	298,518	1,123,921
	<u>91,943,628</u>	<u>101,589,469</u>
Less: Depreciation charged for the period / year	3,581,412	9,466,323
Closing book value (Note 7.1.2)	<u>88,362,216</u>	<u>92,123,146</u>
7.1.1 Cost of additions during the period / year		
Freehold land	-	11,706,695
Machinery	-	26,591,486
Furniture and fixtures	-	49,700
Office equipment	11,000	94,000
Computer equipment	108,000	538,863
Vehicles	-	5,033,330
	<u>119,000</u>	<u>44,014,074</u>
7.1.2	It includes book value of property, plant and equipment on operating lease amounting to Rupees 22,676,976 (30 June 2008: Rupees 24,586,078).	
7.2 Leased assets		
Opening book value	5,273,937	4,163,711
Add: Cost of vehicles acquired during the period / year	1,068,700	3,416,989
	<u>6,342,637</u>	<u>7,580,700</u>
Less: Book value of vehicles disposed of during the period / year	-	1,066,747
	<u>6,342,637</u>	<u>6,513,953</u>
Less: Depreciation charged for the period / year	614,296	1,240,016
Closing book value	<u>5,728,341</u>	<u>5,273,937</u>
8. LONG TERM FINANCING		
SECURED		
Opening balance	543,966,667	680,791,066
Add: Obtained during the period / year	-	120,000,000
Less: Repaid during the period / year	142,170,920	256,824,399
	<u>401,795,747</u>	<u>543,966,667</u>
Less: Unamortized transaction cost	2,871,245	3,184,350
	<u>398,924,502</u>	<u>540,782,317</u>
Less: Current portion shown under current liabilities	221,999,998	168,429,328
Non-Current Portion	<u>176,924,504</u>	<u>372,352,989</u>
9. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
Opening balance		
18,000,000 ordinary shares of Rupees 10 each fully paid up in cash	180,000,000	180,000,000
2,000,000 ordinary shares of Rupees 10 each issued as bonus shares	20,000,000	20,000,000
	<u>200,000,000</u>	<u>200,000,000</u>
Add: Shares issued during the period		
1,500,000 ordinary shares of Rupees 10 each issued as right shares	15,000,000	-
Closing balance	<u>215,000,000</u>	<u>200,000,000</u>

SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UN-AUDITED)



- 9.1 Time schedule to comply with minimum equity requirement of Rupees 350 million has been extended upto 30 June 2009 by the Securities and Exchange Commission of Pakistan.
- 9.2 The licence of the company to carry out leasing operations has been renewed on 11 February 2009 by the Securities and Exchange Commission of Pakistan.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

Nil (30 June 2008 : Nil)

Commitments

Lease contracts approved but not disbursed as at 31 December 2008 are of Rupees 37,402 million (30 June 2008: Rupees 40,403 million). Commitments for capital expenditures are Rupees Nil (30 June 2008: Rupees 0.12 million).

11. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share.

	Un-Audited	Audited	Un-Audited	Audited
	31 December	30 June	31 December	30 June
	2008	2008	2007	2007
	Rupees	Rupees	Rupees	Rupees
12. CASH AND CASH EQUIVALENTS				
Cash and bank balances	22,777,887	28,814,468	34,071,571	4,583,619
Less: Short term running finance	99,071,646	98,928,948	92,661,197	47,535,667
	<u>(76,293,759)</u>	<u>(70,114,480)</u>	<u>(58,589,626)</u>	<u>(42,952,048)</u>

13. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties is as follows:

(Un-Audited)			
HALF YEAR ENDED		QUARTER ENDED	
31 December	31 December	31 December	31 December
2008	2007	2008	2007
-----Rupees-----			

Associated companies

Certificates of investments issued during the period	40,000,000	3,000,000	40,000,000	3,000,000
Certificates of investments matured during the period	40,000,000	6,000,000	40,000,000	6,000,000
Mark up on certificates of investment	6,801,271	2,973,026	4,538,068	2,316,328
Short term borrowings acquired	6,000,000	-	-	-
Short term borrowings repaid	6,000,000	-	6,000,000	-
Subordinated loan repaid	6,000,000	-	6,000,000	-
Issue of right shares	10,165,610	-	10,165,610	-

Other related parties

Long term loan settled	350,000	-	300,000	-
Issue of right shares	4,829,100	-	4,829,100	-
Lease rentals received	761,085	625,300	92,600	500,240
Mark up on certificates of investment	270,979	-	270,979	-
Remuneration paid to chief executive, directors and executives	4,032,387	4,038,000	1,575,387	2,019,000


14. DATE OF AUTHORIZATION FOR ISSUE

This interim financial information was approved by the Board of Directors and authorized for issue on 27 February 2009.

15. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.


Khawar Anwar Khawaja
 Vice Chairman


Abdul Rashid Mir
 Chief Executive

BOOK POST

**UNDER
POSTAL
CERTIFICATE**

If undelivered please return to:

GRAYS LEASING LIMITED.

REGISTERED AND HEAD OFFICE

701-A, 7th Floor, City Towers

6-K, Main Boulevard, Gulberg-II, Lahore

Tel : (042) 5770382-6

Fax : (042) 5770389