



Interim Condensed  
Financial information  
For The quarter ended  

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30 September 2010  
(Un-Audited)

**GRAYS LEASING LIMITED**



## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Muhammad Tahir Butt  
Mr. Khawar Anwar Khawaja  
Mr. Naveed Amin  
Mr. Neil Douglas James Gray  
Mr. Khurram Anwar Khawaja  
Khawaja Zaka-ud-Din  
Mr. Abdul Rashid Mir

Chairman  
Vice Chairman  
Chief Executive

### AUDIT COMMITTEE

Mr. Khawar Anwar Khawaja  
Mr. Muhammad Tahir Butt  
Mr. Khurram Anwar Khawaja

### AUDITORS

Riaz Ahmad and Company  
Chartered Accountants  
10-B Saint Mary Park  
Main Boulevard, Gulberg III  
Lahore.

### COMPANY SECRETARY

Muhammad Adil Munir

### CHIEF FINANCIAL OFFICER

Muhammad Faisal Azam

### HEAD OF INTERNAL AUDIT

Mr. Imran Azhar

### LEGAL ADVISOR

Lexicon Law Firm

### REGISTERED AND HEAD OFFICE

701-A, 7th Floor, City Towers  
6-K, Main Boulevard, Gulberg - II, Lahore  
Tel: (042) 35770382 - 6  
Fax: (042) 35770389  
E-mail: [info@graysleasing.com](mailto:info@graysleasing.com)  
Website: [www.graysleasing.com](http://www.graysleasing.com)

### BANKERS

Standard Chartered Bank (Pakistan) Limited  
Bank Alfalah Limited  
The Bank of Punjab  
Askari Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
Barclays Bank PLC, Pakistan

### SHARE REGISTRAR

Hassan Farooq Associates (Pvt) Ltd.  
HF House 7-G, Mushtaq Ahmed Gurmani Road  
Gulberg II Lahore.

## DIRECTORS' REVIEW

We are pleased to present the un-audited interim condensed financial information for the quarter ended 30 September 2010.

During the quarter ended September 30, 2010, the management has adopted a conservative approach and has not conducted the business operations during the quarter ended 30 September 2010.

The net investment in lease is Rs. 706.261 million as on September 30, 2010 as compared to rupees 996.804 million as on September 30, 2009. The gross revenue from operation is Rupees 10.332 million as against 28.763 million in the corresponding quarter of 2009 and net loss before and after tax is Rupees 11.655 million and 12.178 million respectively as compared to profit of Rupees 0.548 million and Rupees 0.197 million respectively during the corresponding quarter of 2009. Further an amount of Rs 0.811 million has been reversed from suspense account and Rs 0.505 million has been provided for potential lease losses. Further an amount of Rs 7.541 million has been written-off during the current quarter.

The company has accumulated loss and shareholders' equity of Rupees 183.938 million and Rupees 89.688 million respectively as on 30 September 2010. Currently, the company is not in compliance with the minimum equity requirement of Rupees 200 million to carry on leasing business. The license of the company to carry out leasing business was expired on 14 May 2010 and the company applied for renewal of leasing license to Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. As on 09 July 2010 the SECP has accorded special forbearance to the company for a period of one year to meet the minimum equity requirement subject to the conditions that the company will not raise further deposits and rollover existing deposits without prior approval of the SECP, the company will submit monthly report on the business affairs to the SECP and the company will comply with the minimum equity requirement in the allowed period.

The JCR-VIS Credit Rating Company has assigned the company medium to long term entity rating of BB (Double B) and short term entity rating at B, the outlook of entity was considered "negative".

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 have a high regards for the effort of the employees of company at all levels in making the things happen lucratively.

For and on behalf of the board



**Naveed Amin**  
**Chief Executive**

Lahore: 29 October 2010

Interim Condensed Statement Of Financial Position  
As at 30 September 2010

	Note	Un-audited 30 September 2010 Rupees	Audited 30 June 2010 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances		2,053,345	14,029,670
Advances, deposits, prepayments and other receivables		5,022,324	3,685,515
Current maturity of non current assets		458,906,734	512,481,818
		465,982,403	530,197,003
<b>Non Current Assets</b>			
Net investment in finance leases	3	55,392,194	67,666,291
Long term investment	4	10,176,986	10,176,986
Property, plant and equipment	5	63,755,123	65,676,164
Long term security deposits		505,732	505,732
		129,830,036	144,025,173
<b>Total Assets</b>		595,812,438	674,222,176
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short term borrowings		79,435,897	82,929,886
Certificates of investment		40,000,000	40,000,000
Accrued and other liabilities		3,542,870	3,574,987
Accrued mark up		7,320,484	6,918,271
Current maturity of non current liabilities		325,260,208	368,993,015
Provision for taxation		9,281,789	8,818,536
		424,841,248	471,234,695
<b>Non Current Liabilities</b>			
Deposits on lease contracts		20,201,602	33,888,170
Long term financing		-	4,795,930
Liabilities against assets subject to finance lease		-	172,518
Deferred liability		3,284,393	4,527,723
		63,485,995	83,384,341
<b>Total Liabilities</b>		488,327,243	554,619,036
<b>NET ASSETS</b>		107,485,195	119,603,140
<b>REPRESENTED BY:</b>			
Authorized share capital			
35,000,000 (30 June 2008: 35,000,000) ordinary shares of Rupees 10 each		350,000,000	350,000,000
Issued, subscribed and paid up share capital		215,000,000	215,000,000
Statutory reserves		58,625,295	58,625,295
Unappropriated profit / (Accumulated loss)		(183,937,634)	(172,043,814)
Shareholders' equity		89,687,661	101,581,481
Surplus on revaluation of buildings		17,797,534	18,021,659
<b>Contingencies and commitments</b>	6	-	-
		107,485,195	119,603,140

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

  
NAVEED AMIN  
Chief Executive

  
MUHAMMAD TAHIR BUTT  
Director

Interim Condensed Statement of Comprehensive Income  
For the quarter ended 30 September 2010

	Note	Quarter ended (Un-Audited)	
		30 September 2010 Rupees	30 September 2009 Rupees
<b>REVENUE</b>			
Income from lease financing		9,382,976	28,504,950
Other income		948,986	257,599
		10,331,962	28,762,549
<b>EXPENDITURE</b>			
Administrative and other operating expenses		5,266,622	6,846,259
Financial and other charges		8,673,995	19,936,816
Provision for doubtful receivables / written-off		8,046,037	1,431,283
		21,986,654	28,214,358
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		(11,654,692)	548,191
Provision for taxation	8	(463,253)	(350,940)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		(12,117,945)	197,251
Other comprehensive income		-	-
<b>Total comprehensive income / (loss) for the quarter</b>		(12,117,945)	197,251
Earnings per share - basic and diluted		(0.56)	0.01

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

  
NAVEED AMIN  
Chief Executive

  
MUHAMMAD TAHIR BUTT  
Director

Interim Condensed Statement of Cash Flows  
For the quarter ended 30 September 2010

	Quarter ended (Un-Audited)	
	30 September 2010 Rupees	30 September 2009 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	(11,654,692)	548,191
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	934,932	1,802,506
Provision for gratuity	157,358	232,665
Finance charges	8,673,995	19,936,816
Provision for doubtful receivables	8,046,037	1,431,283
Markup on loan to employee	-	(5,061)
Gain on disposal of property, plant and equipment	(312,579)	-
Profit on bank deposits and investments	(46,175)	(516,409)
	17,453,568	22,881,800
<b>Operating profit before working capital changes</b>	5,798,876	23,429,991
Decrease/(increase) in advances, prepayments and other receivables	187,250	644,761
Increase/(decrease) in accrued and other liabilities	(93,043)	(7,923,210)
<b>Cash generated from operations</b>	5,893,083	16,151,542
Financial charges paid	(15,844,899)	(26,327,934)
Income tax paid	(1,463,133)	(1,500,000)
Gratuity paid	(1,400,688)	-
<b>Net cash from / (used in) operating activities</b>	(12,815,637)	(11,676,392)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investment in finance leases	65,344,091	51,358,891
Property, plant and equipment acquired	-	(587,999)
Sale proceeds of property, plant and equipment	1,298,688	-
Profit on bank deposits and investments	46,175	516,409
<b>Net cash from / (used in) investing activities</b>	66,688,954	51,287,301

Interim Condensed Statement of Cash Flows  
For the quarter ended 30 September 2010

	Quarter ended (Un-Audited)	
	30 September 2010 Rupees	30 September 2009 Rupees
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing	(42,334,553)	(61,582,335)
Short term borrowings - net	-	23,637,824
Certificates of investment repaid	-	(18,500,000)
Deposits on lease contracts	(19,888,637)	(13,853,336)
Lease rentals paid	(132,463)	(137,471)
<b>Net cash used in financing activities</b>	<b>(62,355,653)</b>	<b>(70,435,318)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,482,336)</b>	<b>(30,824,409)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(68,900,216)</b>	<b>(57,413,988)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(77,382,552)</b>	<b>(88,238,397)</b>

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

  
NAVEED AMIN  
Chief Executive

  
MUHAMMAD TAHIR BUTT  
Director

Interim Condensed Statement Of Changes In Equity  
For the quarter ended 30 September 2010 (Un-audited)

	Share Capital	RESERVES			Total Equity
		Statutory Reserve	Unappropriated Profit / (Accumulated Loss)	Total	
-----Rupees-----					
<b>Balance as at 30 June 2009</b>	215,000,000	58,625,295	(71,513,998)	(12,888,703)	202,111,297
Net profit for the period	-	-	197,251	197,251	197,251
Transfer from surplus on revaluation of buildings -Incremental depreciation-net of deferred taxation	-	-	239,079	239,079	239,079
<b>Balance as at 30 September 2009</b>	215,000,000	58,625,295	(71,077,668)	(12,452,373)	202,547,627
Net loss for the period	-	-	(101,675,587)	(101,675,587)	(101,675,587)
Transfer from surplus on revaluation of buildings -Incremental depreciation-net of deferred taxation	-	-	709,441	709,441	709,441
<b>Balance as at 30 June 2010</b>	215,000,000	58,625,295	(172,043,814)	(113,418,519)	101,581,481
Net loss for the period	-	-	(12,117,945)	(12,117,945)	(12,117,945)
Transfer from surplus on revaluation of buildings -Incremental depreciation-net of deferred taxation	-	-	224,125	224,125	224,125
<b>Balance as at 30 September 2010</b>	215,000,000	58,625,295	(183,937,634)	(125,312,339)	89,687,661

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

  
NAVEED AMIN  
Chief Executive

  
MUHAMMAD TAHIR BUTT  
Director

Selected Notes To and Forming Part Of The  
Interim Condensed Financial Information  
For the quarter ended 30 September 2010 (Un-Audited)

**1. Legal status and nature of business**

- 1.1** 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.

**Going concern assumption**

- 1.2** The company has accumulated loss and shareholders' equity of Rupees 183.938 million and Rupees 89.688 million respectively as on 30 September 2010. Currently, the company is not in compliance with the minimum equity requirement of Rupees 200 million to carry on leasing business. The license of the company to carry out leasing business was expired on 14 May 2010 and the company applied for renewal of leasing license to Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. On 09 July 2010 the SECP has accorded special forbearance to the company till to meet the minimum equity requirement subject to the conditions that the company will not raise further deposits and rollover existing deposits, the company will submit monthly report on the business affairs to the SECP and the company will comply with the minimum equity requirement in the allowed period.

Keeping in view the depressed economic situation, instable political, law and order situation, slow recovery of lease finance etc, the management has temporarily suspended the leasing operations. At present, the management is more concerned to enhance the cash flows of the company through recoveries of investment in lease finance and disposal of immovable properties for repayment of finances. Further the low geared financial position will provide the company a competitive platform for business operations.

These financial statements has been prepared on going concern basis. The management is confident to get maximum benefit of the aforesaid financial restructuring to enable the company for compliance of all legal and financial requirements to carry on the business operations on going concern basis. These financial statements do not include any adjustment relating to the realisation of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as going concern.

**2. Accounting policies**

- a)** The financial statements have been prepared and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and the International Accounting Standard (IAS) 34-'Interim Financial Reporting'.
- b)** 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 2010.
- c)** Judgments 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 2010.

Selected Notes To and Forming Part Of The  
Interim Condensed Financial Information  
For the quarter ended 30 September 2010 (Un-Audited)

	Un-audited 30 September 2010 Rupees	Audited 30 June 2010 Rupees
<b>3 Net investment in finance leases</b>		
Lease rentals receivable	523,505,053	582,126,119
Add: Guaranteed residual value of leased assets	280,806,045	300,694,682
Gross investment in finance leases	804,311,098	882,820,801
Less: Unearned finance income	(98,050,191)	(111,215,803)
Net investment in finance leases	706,260,907	771,604,998
Less: Allowance for potential lease losses	(191,961,979)	(191,456,889)
	514,298,928	580,148,109
Less: Current portion shown under current liabilities	(458,906,734)	(512,481,818)
	55,392,194	67,666,291
<b>4. LONG TERM INVESTMENT</b>		
<b>Held to maturity</b>		
8% Pakistan Investment Bonds (Note 4.1)	10,176,986	10,176,986

- 4.1** 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.

Selected Notes To and Forming Part Of The  
Interim Condensed Financial Information  
For the quarter ended 30 September 2010 (Un-Audited)

	Un-audited 30 September 2010 Rupees	Audited 30 June 2010 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Owned assets (Note 5.1)	62,018,770	63,847,633
Leased assets (Note 5.2)	1,736,353	1,828,531
	63,755,123	65,676,164
<b>5.1 Owned assets</b>		
Opening book value	63,847,633	84,939,731
Add: Cost of additions / transfers during the period / year (Note 5.1.1)	-	1,743,296
	63,847,633	86,683,027
Less: Book value of assets disposed of during the period / year	986,109	17,638,016
	62,861,524	69,045,011
Less: Depreciation charged for the period / year	842,754	5,197,378
Closing book value (Note 5.1.2)	62,018,770	63,847,633
<b>5.1.1 Cost of additions / transfers during the year</b>		
Furniture and fixtures	-	9,900
Vehicles (Transfers from leased assets)	-	1,733,396
	-	1,743,296
<b>5.1.2</b> It includes book value of property, plant and equipment on operating lease amounting to Rupees 1,736,353 (30 June 2010: Rupees 1,828,531).		
<b>5.2 Leased assets</b>		
Opening book value	1,828,531	4,433,499
Add: Cost of vehicles acquired during the period / year	-	-
	1,828,531	4,433,499
Less: Book value of vehicles transferred to owned assets during the period/year	-	1,733,396
	1,828,531	2,700,103
Less: Depreciation charged for the period / year	92,178	871,572
Closing book value	1,736,353	1,828,531
<b>6. CONTINGENCIES AND COMMITMENTS</b>		
<b>Contingencies</b>		
Nil (30 June 2009 : Nil)		
<b>Commitments</b>		
Nil (30 June 2009 : Nil)		
<b>7. TRANSACTIONS WITH RELATED PARTIES</b>		
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 30 September 2010 Rupees	Un-audited 30 September 2009 Rupees
Mark up on certificates of investment	-	4,153,388
<b>8. Taxation</b>		
The provision for taxation is as per section 113 of the Income Tax Ordinance, 2001.		
<b>9. DATE OF AUTHORIZATION FOR ISSUE</b>		
This interim financial information was approved by the Board of Directors and authorized for issue on <u>29 Oct 2010</u> .		
<b>10. CORRESPONDING FIGURES</b>		
Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.		

  
NAVEED AMIN  
Chief Executive

  
MUHAMMAD TAHIR BUTT  
Director

## **BOOK POST**

*If undelivered please return to:*

### **GRAYS LEASING LIMITED.**

REGISTERED AND HEAD OFFICE

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