

**INTERIM CONDENSED
FINANCIAL INFORMATION
FOR THE QUARTER ENDED**

**30 SEPTEMBER 2011
(UN-AUDITED)**



GRAYS LEASING LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Khawar Anwar Khawaja Mr. Muhammad Tahir Butt Mr. Neil Douglas James Gray Mr. Khurram Anwar Khawaja Khawaja Zaka-ud-Din Mr. Abdul Rashid Mir Mr. Omer Khawar Khawaja	Chairman Chief Executive
AUDIT COMMITTEE	Mr. Khawar Anwar Khawaja Mr. Khurram Anwar Khawaja Mr. Omer Khawar 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	M. Avais Ibrahim	
HEAD OF INTERNAL AUDIT	Mr. Muhammad 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 Website: www.graysleasing.com	
BANKERS	Standard Chartered Bank (Pakistan) Limited The Bank of Punjab Askari Bank Limited National Bank of Pakistan Barclays Bank PLC, Pakistan Allied Bank of Pakistan MCB Bank Limited First Women Bank Limited Bank Al-Habib Limited	
SHARE REGISTRAR	Hassan Farooq Associates (Pvt) Ltd. HF House 7-G, Mushtaq Ahmed Gurmani Road Gulberg II Lahore.	

DIRECTORS' REPORT

We are pleased to present the condensed interim financial information for the period ended 30 September 2011, together with report of the Board of Directors of the company and review report by the statutory auditors of the Company.

During the period ended 30 September 2011, the company's gross revenue from operations is Rupees 5.535 million as against Rupees 10.332 million in the corresponding period of 2010 and net loss before and after tax is Rupees 2.498 million and Rupees 2.677 million as compared to Rupees 11.655 million and Rupees 12.118 million respectively during the corresponding period of 2010. Net investment stands at Rupees 506.324 million as on 30 September 2011 as compared to Rupees 547.058 million as on June 30, 2011. During the period ended 30 September 2011 there is net increase of Rupees 1.221 million and reversal of Rupees 0.413 million against suspense income and potential lease losses respectively, resultantly the equity of the company comes to Rs. 72.756 million, which is less than the mandatory requirement of Rs. 350.00 million. However the shareholders' equity on the basis of estimated realizable (settlement) values of assets and liabilities comes to Rupees 214.508 million.

The company is not in compliance with the minimum equity requirement of Rupees 350 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. SECP accorded special forbearance to the company for a period of one year (from 9 July 2010 to 8 July 2011) 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 SECP. During this period of one year, the company could not meet the minimum equity requirement and applied to SECP for further extension of forbearance period up to 30 June 2012. In response of this request SECP has demanded comprehensive equity injection plan and financial projections of the company for next three years. Correspondence with SECP in this regard is in process. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in this condensed interim financial information have been presented in the order of liquidity.

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

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

For and on behalf of the board



Muhammad Tahir Butt
Chief Executive

Lahore: 27 October 2011

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2011

		UN-AUDITED		AUDITED
		30 SEPTEMBER 2011		30 JUNE 2011
		Book value	Estimated realizable / (settlement) value	Book Value
NOTE		-----Rupees-----		
ASSETS				
		211,494	211,494	11,190,481
		884,402	884,402	800,928
		2,112,944	2,112,944	2,100,581
	3	316,217,319	389,190,204	358,172,407
		241,000	241,000	347,000
	4	13,640,135	13,836,412	15,475,219
		<u>333,307,294</u>	<u>406,476,455</u>	<u>388,086,616</u>
LIABILITIES				
		2,899,369	2,899,369	2,819,632
		3,479,904	3,479,904	3,420,391
		52,800,267	52,800,267	62,377,860
	5	6,087,423	6,087,423	6,087,423
	6	-	-	11,907,379
		-	-	172,518
		189,717,117	189,717,117	219,469,257
		1,559,504	676,050	2,570,925
		4,007,287	4,007,287	3,828,263
		<u>260,550,871</u>	<u>259,667,417</u>	<u>312,653,648</u>
		<u>72,756,423</u>	<u>146,809,038</u>	<u>75,432,968</u>
NET ASSETS				
REPRESENTED BY:				
Authorized share capital				
		350,000,000	350,000,000	350,000,000
Issued, subscribed and paid up share capital				
		215,000,000	215,000,000	215,000,000
		58,625,295	58,625,295	58,625,295
		(200,868,872)	(200,868,872)	(198,192,327)
		<u>72,756,423</u>	<u>72,756,423</u>	<u>75,432,968</u>
		-	74,052,615	-
		<u>72,756,423</u>	<u>146,809,038</u>	<u>75,432,968</u>

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



MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	QUARTER ENDED	
	30 SEPTEMBER 2011	30 SEPTEMBER 2010
	NOTE -----Rupees-----	
REVENUE		
Income from lease operations	2,684,379	9,382,976
Other income	2,851,009	948,986
	<u>5,535,388</u>	<u>10,331,962</u>
EXPENDITURE		
Administrative and other operating expenses	(3,654,698)	(5,266,622)
Financial and other charges	(3,157,293)	(8,673,995)
Allowance for potential lease losses	(1,220,918)	(8,046,037)
	<u>(8,032,909)</u>	<u>(21,986,654)</u>
LOSS BEFORE TAXATION	<u>(2,497,521)</u>	<u>(11,654,692)</u>
Provision for taxation	(179,024)	(463,253)
LOSS AFTER TAXATION	<u>(2,676,545)</u>	<u>(12,117,945)</u>
Loss per share - basic and diluted	<u>(0.12)</u>	<u>(0.56)</u>

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



MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
 DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	PERIOD ENDED	
	30 SEPTEMBER 2011	30 SEPTEMBER 2010
	-----Rupees-----	
LOSS AFTER TAXATION	(2,676,545)	(12,117,945)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(2,676,545)</u>	<u>(12,117,945)</u>

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


MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
 DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	PERIOD ENDED	
	30 SEPTEMBER	30 SEPTEMBER
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,497,521)	(11,654,692)
Adjustments for non-cash charges and other items:		
Depreciation	138,930	934,932
Provision for gratuity	48,180	157,358
Financial charges	2,788,343	8,673,995
Allowance for potential lease losses	1,220,918	8,046,037
Loss / (gain) on sale of property, plant and equipment	(533,744)	(312,579)
Profit on bank deposits and investment	(30,623)	(46,175)
	<u>3,632,004</u>	<u>17,453,568</u>
Operating profit before working capital changes	1,134,483	5,798,876
Decrease in advances, prepayments and other receivables	(83,474)	187,250
Decrease in accrued and other liabilities	79,737	(93,043)
	<u>1,130,746</u>	<u>5,893,083</u>
Cash generated from operations	1,130,746	5,893,083
Financial charges paid	(2,728,831)	(15,844,899)
Income tax paid	(12,363)	(1,463,133)
Gratuity paid	(1,059,601)	(1,400,688)
Net cash utilized in operating activities	<u>(2,670,049)</u>	<u>(12,815,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment in lease finance	40,734,170	65,344,091
Property, plant and equipment acquired	(8,250)	-
Proceeds from sale of property, plant and equipment	2,238,148	1,298,688
Security deposits	106,000	-
Profit on bank deposits, investment	30,623	46,175
Net cash from investing activities	<u>43,100,691</u>	<u>66,688,954</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	-	(42,334,553)
Financing repaid	(11,907,376)	-
Deposits on lease contracts	(29,752,140)	(19,888,637)
Lease rentals paid	(172,518)	(132,463)
Net cash used in financing activities	<u>(41,832,034)</u>	<u>(62,355,653)</u>
Net increase / (decrease) in cash and cash equivalents	(1,401,392)	(8,482,336)
Cash and cash equivalents at the beginning of the period	8 (51,187,379)	(68,900,216)
Cash and cash equivalents at the end of the period	8 <u>(52,588,771)</u>	<u>(77,382,552)</u>

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


MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
 DIRECTOR

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	RESERVES			TOTAL	TOTAL EQUITY
	SHARE CAPITAL	STATUTORY RESERVE	ACCUMULATED LOSS		
	-----Rupees-----				
Balance as at 01 July 2010 (audited)	215,000,000	58,625,295	(172,043,814)	(113,418,519)	101,581,481
Transfer from surplus on revaluation of buildings					
- Incremental depreciation - net of deferred taxation	-	-	224,125	224,125	224,125
Total comprehensive loss for the period ended 31 March 2010	-	-	(12,117,945)	(12,117,945)	(12,117,945)
Balance as at 30 September 2010 (un-audited)	215,000,000	58,625,295	(183,937,634)	(125,312,339)	89,687,661
Transfer from surplus on revaluation of buildings					
- Incremental depreciation - net of deferred taxation	-	-	456,919	456,919	456,919
- Disposal of buildings - net of deferred taxation	-	-	17,340,615	17,340,615	17,340,615
Total comprehensive loss for the period	-	-	(32,052,227)	(32,052,227)	(32,052,227)
Balance as at 30 June 2011 (audited)	215,000,000	58,625,295	(198,192,327)	(139,567,032)	75,432,968
Transfer from surplus on revaluation of buildings					
Total comprehensive loss for the period ended 31 March 2011	-	-	(2,676,545)	(2,676,545)	(2,676,545)
Balance as at 30 September 2011 (un-audited)	215,000,000	58,625,295	(200,868,872)	(142,243,577)	72,756,423

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


MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
DIRECTOR

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Grays Leasing Limited (the company) is a public limited company incorporated in Pakistan 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. It 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 During the quarter ended 30 September 2011, the company has incurred a net loss of Rupees 2.677 million. The company has accumulated losses and shareholders' equity of Rupees 200.869 million and Rupees 72.756 million respectively as on 30 September 2011. Currently, the company is not in compliance with the minimum equity requirement of Rupees 350 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. SECP accorded special forbearance to the company for a period of one year (from 9 July 2010 to 8 July 2011) 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 SECP. During this period of one year, the company could not meet the minimum equity requirement and applied to SECP for further extension of forbearance period up to 30 June 2012. In response of this request SECP has demanded comprehensive equity injection plan and financial projections of the company for next three years. Correspondence with SECP in this regard is in the process. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realizable (settlement) values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the company for the year ended 30 June 2011.

2.1 Basis of preparation

a) Statement of compliance

This condensed interim financial information of the company for the period ended 30 September 2011 has been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with audited annual published financial statements of the company for the year ended 30 June 2011.

b) Accounting convention

Keeping in view the fact that the company may not be able to continue as going concern, this condensed interim financial information is prepared on the basis of realisable / settlement values of assets and liabilities respectively. In realisable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. Realisable / settlement values of assets and liabilities respectively as disclosed in the balance sheet are based on the management's best estimate.

c) Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgements made by the management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended 30 June 2011.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	Un-audited	Audited
	31 March 2011	30 June 2011
	-----Rupees-----	
3. NET INVESTMENT IN LEASE FINANCE		
Lease rentals receivable	397,628,484	410,958,643
Add: Guaranteed residual value of leased assets	189,717,117	219,469,257
Gross investment in lease finance	<u>587,345,601</u>	<u>630,427,900</u>
Less: Un-earned finance income	81,021,548	83,369,677
Net investment in lease finance	<u>506,324,053</u>	<u>547,058,223</u>
Less: Allowance for potential lease losses	190,106,734	188,885,816
	<u><u>316,217,319</u></u>	<u><u>358,172,407</u></u>
4. PROPERTY, PLANT AND EQUIPMENT		
Owned assets (Note 4.1)	13,640,135	14,911,555
Leased assets (Note 4.2)	-	563,664
	<u>13,640,135</u>	<u>15,475,219</u>
4.1 Owned assets		
Opening book value	14,911,555	63,847,633
Add: Cost of additions during the period / year (Note 4.1.1)	8,250	24,000
Vehicles transferred from leased assets during the period / year (Note 4.2)	549,765	1,105,337
	<u>15,469,570</u>	<u>64,976,970</u>
Less: Book value of assets disposed of during the period / year (Note 4.1.2)	1,704,404	47,172,516
	<u>13,765,166</u>	<u>17,804,454</u>
Less: Depreciation charged during the period / year	125,031	2,774,041
Less: Impairment loss (Note 4.1.3)	-	118,858
Closing book value	<u>13,640,135</u>	<u>14,911,555</u>
4.1.1 Cost of additions		
Computer equipment	-	24,000
Office equipment	8,250	
	<u>8,250</u>	<u>24,000</u>
4.1.2 Book value of deletions		
Office equipment	-	772,700
Furniture and fixture	-	109,272
Building	-	44,457,974
Vehicles	1,704,404	1,818,282
Computer equipment	-	14,288
	<u>1,704,404</u>	<u>47,172,516</u>
4.1.3 Impairment loss		
Office equipment	-	39,203
Furniture and fixture	-	45,701
Computer equipments	-	33,954
	<u>-</u>	<u>118,858</u>

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

	Un-audited	Audited
	30 September 2011	30 June 2011
	-----Rupees-----	
4.2 Leased assets		
Opening book value	563,664	1,828,531
Less: Vehicle transferred to owned assets during the period / year (Note 4.1)	549,765	1,105,337
	13,899	723,194
Less: Depreciation charged during the period / year	13,899	159,530
Closing book value	-	563,664

5. LOAN FROM ASSOCIATED UNDERTAKING

This represents unsecured loan obtained from Anwar Khawja Industries (Private) Limited - associated company. This facility carries mark up at the rate of 3 months kibar + 1.50 % per annum.

	Un-Audited	Audited
	30 September 2011	30 June 2011
	-----Rupees-----	
6. FINANCING		
Opening balance	12,000,000	106,408,346
Less: Repaid during the period / year	12,000,000	94,408,346
Closing balance	-	12,000,000
Less: Unamortized transaction cost	-	92,651
	-	11,907,349

7. CONTINGENCIES AND COMMITMENTS

There are no reportable contingencies and commitments as at 30 September 2011 (30 June 2011: NIL).

8. CASH AND CASH EQUIVALENTS

	Un-audited	
	30 September 2011	30 September 2010
	-----Rupees-----	
Cash and bank balances	211,494	11,190,481
Less: Short term running finance (borrowings)	52,800,267	62,377,860
	(52,588,771)	(51,187,379)

9. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS AND OTHER RELATED PARTIES

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


	Un-audited	
	30 September 2011	30 September 2010
	-----Rupees-----	
Mark up on loan	777,978	-
Mark up on certificates of investment	-	4,153,388

10. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on 27 October 2011.

11. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, no significant rearrangements or reclassifications have been made. Except for the presentation of assets and liabilities in balance sheet.


MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
DIRECTOR

BOOK POST

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