

INTERIM CONDENSED
FINANCIAL INFORMATION
FOR THE QUARTER ENDED

31 MARCH 2011
(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
 Website: 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' REPORT

We are pleased to present the condensed interim financial information for the period ended March 31, 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 31 March 2011, the company's gross revenue from operations is Rupees 26.240 million as against Rupees 52.246 million in the corresponding period of 2010 and net loss before and after tax is Rupees 38.034 million and Rupees 39.107 million as compared to Rupees 63.919 million and Rupees 49.112 million respectively during the corresponding period of 2010. Net investment stands at Rupees 593.350 million as on March 31, 2011 as compared to Rupees 771.605 million as on June 30, 2010. During the period ended 31 March 2011 there is net reversal of Rupees 10.599 million and Rupees 0.452 million against suspense income and potential lease losses respectively, resultantly the equity of the company comes to Rs. 68.482 million, which is less than the mandatory requirement of Rs. 200.00 million. However the shareholders' equity on the basis of estimated realizable (settlement) values of assets and liabilities comes to Rupees 210.234 million.

The license of the company to carry out leasing business 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. The company is required to submit monthly report on the business affairs to SECP and the company will also comply with the minimum equity requirement in the allowed period. At present, the management has suspended the leasing operations of the company. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, this condensed interim financial information has been prepared on the basis of estimated realizable (settlement) values of assets and liabilities respectively in addition to historical cost convention. However efforts are being made to dispose of immovable properties of the company, located at Lahore and Faisalabad.

The JCR-VIS Credit Rating Company has assigned the company medium to long term credit rating of BB (Double B) 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



Naveed Amin
Chief Executive

Lahore: April 27, 2011

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH 2011

	UN-AUDITED		AUDITED
	31 MARCH 2011		30 JUNE 2010
	Book value	Estimated realizable / (settlement) value	Book Value
NOTE	-----Rupees-----		
ASSETS			
Cash and bank balances	6,657,631	6,657,631	14,029,670
Advances and prepayments	821,185	821,185	1,749,426
Other receivables	1,408,771	1,408,771	1,936,089
Investment	-	-	10,176,986
Net investment in lease finance	402,344,669	529,569,828	580,148,109
Security deposits	357,000	357,000	505,732
Property, plant and equipment	49,034,276	49,934,494	65,676,164
TOTAL ASSETS	460,623,532	588,748,909	674,222,176
LIABILITIES			
Accrued and other liabilities	1,442,895	1,442,895	3,574,987
Accrued mark- up	4,842,643	4,842,643	6,918,271
Certificates of investment	-	-	40,000,000
Loans:			
Borrowings	59,005,483	59,005,483	82,929,886
Loan from associated undertaking	40,000,000	40,000,000	-
Financing	29,579,518	29,579,518	106,408,346
Liabilities against assets subject to finance lease	269,044	269,044	746,605
Deposits on lease contracts	238,224,162	238,224,162	300,694,682
Employee benefit	2,498,761	886,822	4,527,723
Provision for taxation	4,264,547	4,264,547	8,818,536
TOTAL LIABILITIES	380,127,053	378,515,114	554,619,036
NET ASSETS	80,496,479	210,233,795	119,603,140
REPRESENTED BY:			
Authorized share capital			
35,000,000 (30 June 2010: 35,000,000) ordinary shares of Rupees 10 each	350,000,000	350,000,000	350,000,000
Issued, subscribed and paid up share capital			
21,500,000 (30 June 2010: 21,500,000) ordinary shares of Rupees 10 each	215,000,000	215,000,000	215,000,000
Statutory reserve	58,625,295	58,625,295	58,625,295
Accumulated loss	(205,142,913)	(205,142,913)	(172,043,814)
Shareholders' equity	68,482,382	68,482,382	101,581,481
Surplus on revaluation of building	12,014,097	-	18,021,659
Net surplus on estimated realizable (settlement) values	-	141,751,413	-
Contingencies and commitments	-	-	-
	80,496,479	210,233,795	119,603,140

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


NAVEED AMIN
Chief Executive


MUHAMMAD TAHIR BUTT
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2011**

	PERIOD ENDED		QUARTER ENDED	
	31 MARCH	31 MARCH	31 MARCH	31 MARCH
	2011	2010	2011	2010
	-----Rupees-----		-----Rupees-----	
REVENUE				
Income from lease operations	22,380,930	50,321,549	8,686,982	19,018,627
Other income	3,859,403	1,924,845	706,045	231,726
	<u>26,240,333</u>	<u>52,246,394</u>	<u>9,393,027</u>	<u>19,250,353</u>
EXPENDITURE				
Administrative and other operating expenses	17,722,678	20,236,466	4,191,392	5,994,224
Financial and other charges	20,987,206	45,137,058	5,591,989	10,972,481
Allowance for potential lease losses	17,612,602	50,792,005	3,769,890	8,862,668
Lease contract receivables written off	7,951,992	-	-	-
	<u>64,274,478</u>	<u>116,165,529</u>	<u>13,553,271</u>	<u>25,829,373</u>
LOSS BEFORE TAXATION	<u>(38,034,145)</u>	<u>(63,919,135)</u>	<u>(4,160,244)</u>	<u>(6,579,020)</u>
Provision for taxation	<u>(1,072,516)</u>	<u>14,807,141</u>	<u>(290,030)</u>	<u>(1,100,963)</u>
LOSS AFTER TAXATION	<u>(39,106,661)</u>	<u>(49,111,994)</u>	<u>(4,450,274)</u>	<u>(7,679,983)</u>
Loss per share - basic and diluted	<u>(1.82)</u>	<u>(2.28)</u>	<u>(0.21)</u>	<u>(0.36)</u>

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


NAVEED AMIN
Chief Executive


MUHAMMAD TAHIR BUTT
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2011**

	PERIOD ENDED		QUARTER ENDED	
	31 MARCH 2011	31 MARCH 2010	31 MARCH 2011	31 MARCH 2010
	-----Rupees-----		-----Rupees-----	
LOSS AFTER TAXATION	(39,106,661)	(49,111,994)	(4,450,274)	(7,679,983)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(39,106,661)</u>	<u>(49,111,994)</u>	<u>(4,450,274)</u>	<u>(7,679,983)</u>

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


NAVEED AMIN
Chief Executive


MUHAMMAD TAHIR BUTT
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2011**

	PERIOD ENDED	
	31 MARCH 2011	31 MARCH 2010
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(38,034,145)	(63,919,135)
Adjustments for non-cash charges and other items:		
Depreciation	2,346,200	4,863,132
Loss on disposal of investments	1,668,970	-
Impairment loss on property, plant and equipment	708,740	-
Provision for gratuity	312,150	677,745
Financial charges	20,987,206	45,137,058
Allowance for potential lease losses	17,612,602	50,792,005
Markup on loan to employees	-	(10,629)
Loss / (gain) on sale of property, plant and equipment	(1,445,129)	(7,101)
Lease contract receivable written off	7,951,992	-
Credit balances written-off	(530,532)	-
Debit balances written-off	30,370	-
Profit on bank deposits and investment	(339,147)	(644,863)
	<u>49,303,422</u>	<u>100,807,347</u>
Operating profit before working capital changes	11,269,277	36,888,212
Decrease in advances, prepayments and other receivables	928,281	636,705
Decrease in accrued and other liabilities	(2,119,726)	(2,529,842)
	<u>10,077,832</u>	<u>34,995,075</u>
Cash generated from operations	10,077,832	34,995,075
Financial charges paid	(22,976,311)	(53,491,311)
Income tax paid	(4,407,180)	(3,785,000)
Gratuity paid	(759,710)	(58,333)
	<u>(18,065,369)</u>	<u>(22,339,569)</u>
Net cash utilized in operating activities	(18,065,369)	(22,339,569)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment in lease finance	152,238,846	195,729,695
Property, plant and equipment acquired	-	(675,533)
Proceeds from sale of property, plant and equipment	13,246,426	20,215,000
Proceeds from sale of PIBs	8,331,030	-
Security deposits	148,732	75,000
Profit on bank deposits, investment	516,133	633,453
	<u>174,481,167</u>	<u>215,977,615</u>
Net cash from investing activities	174,481,167	215,977,615
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from associated undertaking	40,000,000	-
Financing repaid	(76,828,828)	(160,740,418)
Short term borrowings -net	-	12,358,486
Certificate of investment repaid	(40,000,000)	(2,000,000)
Deposits on lease contracts	(62,470,520)	(66,628,969)
Lease rentals paid	(564,086)	(1,619,502)
	<u>(139,863,434)</u>	<u>(218,630,403)</u>
Net cash used in financing activities	(139,863,434)	(218,630,403)
Net increase / (decrease) in cash and cash equivalents	16,552,364	(24,992,357)
Cash and cash equivalents at the beginning of the period	8 (68,900,216)	(57,413,988)
Cash and cash equivalents at the end of the period	8 <u>(52,347,852)</u>	<u>(82,406,345)</u>

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


NAVEED AMIN
Chief Executive


MUHAMMAD TAHIR BUTT
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2011**

	Rupees			
	SHARE CAPITAL	STATUTORY RESERVE	RESERVES ACCUMULATED LOSS	TOTAL EQUITY
Balance as at 01 July 2009 (audited)	215,000,000	58,625,295	(71,513,998)	202,111,297
Transfer from surplus on revaluation of buildings				
- Incremental depreciation - net of deferred taxation	-	-	712,039	712,039
Total comprehensive loss for the period ended 31 March 2010	-	-	(49,111,994)	(49,111,994)
Balance as at 31 March 2010 (un-audited)	215,000,000	58,625,295	(119,913,953)	153,711,342
Transfer from surplus on revaluation of buildings				
- Incremental depreciation - net of deferred taxation	-	-	236,481	236,481
Total comprehensive loss for the period	-	-	(52,366,342)	(52,366,342)
Balance as at 30 June 2010 (audited)	215,000,000	58,625,295	(172,043,814)	101,581,481
Transfer from surplus on revaluation of buildings				
- Incremental depreciation - net of deferred taxation	-	-	6,007,562	6,007,562
Total comprehensive loss for the period ended 31 March 2011	-	-	(39,106,661)	(39,106,661)
Balance as at 31 March 2011 (un-audited)	215,000,000	58,625,295	(205,142,913)	68,482,382

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


NAVEED AMIN
 Chief Executive


MUHAMMAD TAHIR BUTT
 Director

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 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.
- 1.2 During the period ended 31 March 2011, the company has incurred a net loss of Rupees 39.107 million. The company has accumulated losses and shareholders' equity of Rupees 205.143 million and Rupees 68.482 million respectively as on 31 March 2011. 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. 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, the company will submit monthly report on the business affairs to SECP and the company will comply with the minimum equity requirement in the allowed period. At present, the management has suspended the leasing operations of the company. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, this condensed interim financial information has 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 this condensed interim financial information 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 2010 except for the change as mentioned in the note 2.1.2 to this condensed interim financial information.

2.1 Basis of preparation

2.1.1 Statement of compliance

This condensed interim financial information of the company for the period ended 31 March 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 2010.

2.1.2 Accounting convention

This condensed interim financial information has been prepared under historical cost convention except for building which is carried at revalued amount, recognition of employee benefit at present value and certain financial instruments carried at fair value.

Keeping in view of 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 addition to the historical cost convention. 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.

2.1.3 Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments 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 2010.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2011**

	Un-audited	Audited
	31 March 2011	30 June 2010
	-----Rupees-----	
3. NET INVESTMENT IN LEASE FINANCE		
Lease rentals receivable	437,660,511	582,126,119
Add: Guaranteed residual value of leased assets	238,224,162	300,694,682
Gross investment in lease finance	<u>675,884,673</u>	<u>882,820,801</u>
Less: Un-earned finance income	82,534,869	111,215,803
Net investment in lease finance	<u>593,349,804</u>	<u>771,604,998</u>
Less: Allowance for potential lease losses	191,005,135	191,456,889
	<u><u>402,344,669</u></u>	<u><u>580,148,109</u></u>
4. PROPERTY, PLANT AND EQUIPMENT		
Owned assets (Note 4.1)	48,431,976	63,847,633
Leased assets (Note 4.2)	602,300	1,828,531
	<u>49,034,276</u>	<u>65,676,164</u>
4.1 Owned assets		
Opening book value	63,847,633	84,939,731
Add: Cost of additions during the period / year (Note 4.1.1)	-	9,900
Vehicles transferred from leased assets during the period / year (Note 4.2)	1,104,894	1,733,396
	64,952,527	86,683,027
Less: Book value of assets disposed of during the period / year (Note 4.1.2)	13,586,948	17,638,016
	51,365,579	69,045,011
Less: Depreciation charged during the period / year	2,224,863	5,197,378
Less: Impairment loss (Note 4.1.3)	708,740	-
Closing book value (Note 4.1.4)	<u>48,431,976</u>	<u>63,847,633</u>
4.1.1 Cost of additions		
Office equipment	-	1,900
Computer equipment	-	8,000
	<u>-</u>	<u>9,900</u>
4.1.2 Book value of deletions		
Plant and machinery	-	17,364,805
Office equipment	281,348	125,131
Furniture and fixture	109,240	-
Building	11,366,965	-
Vehicles	1,815,120	99,956
Computer equipment	14,275	48,124
	<u>13,586,948</u>	<u>17,638,016</u>
4.1.3 Impairment loss		
Office equipment	28,366	-
Furniture and fixture	422,186	-
Computer equipments	258,188	-
	<u>708,740</u>	<u>-</u>

4.1.4 This includes book value of property, plant and equipment given on operating lease amounting to Rupees 754,950 (30 June 2010: Rupees 1,269,278).

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2011**

	Un-audited 31 March 2011	Audited 30 June 2010
	-----Rupees-----	
4.2 Leased assets		
Opening book value	1,828,531	4,433,499
Less: Vehicle transferred to owned assets during the period / year (Note 4.1)	1,104,894	1,733,396
	<u>723,637</u>	<u>2,700,103</u>
Less: Depreciation charged during the period / year	121,337	871,572
Closing book value	<u>602,300</u>	<u>1,828,531</u>

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. This loan will be repaid upto 02 October 2011.

	Un-Audited 31 March 2011	Audited 30 June 2010
	-----Rupees-----	
6. FINANCING		
Opening balance	107,612,416	294,966,672
Less: Repaid during the period / year	77,612,416	187,354,256
Closing balance	<u>30,000,000</u>	<u>107,612,416</u>
Less: Unamortized transaction cost	420,482	1,204,070
	<u>29,579,518</u>	<u>106,408,346</u>

7. CONTINGENCIES AND COMMITMENTS

There are no reportable contingencies and commitments as at 31 March 2011 (30 June 2010: NIL).

8. CASH AND CASH EQUIVALENTS

	Un-audited 31 March 2011	
	-----Rupees-----	
Cash and bank balances	6,657,631	14,029,670
Less: Short term running finance (borrowings)	59,005,483	82,929,886
	<u>(52,347,852)</u>	<u>(68,900,216)</u>

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 31 March 2011	
	-----Rupees-----	
Certificates of investments issued during the period	-	40,000,000
Certificates of investments matured during the period	-	40,000,000
Mark up on certificates of investment	2,940,681	7,943,352
Loan obtained	40,000,000	-
Mark up on loan	777,978	-
Lease rentals received	389,650	-

10. DATE OF AUTHORIZATION FOR ISSUE

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


NAVEED AMIN
Chief Executive


MUHAMMAD TAHIR BUTT
Director

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