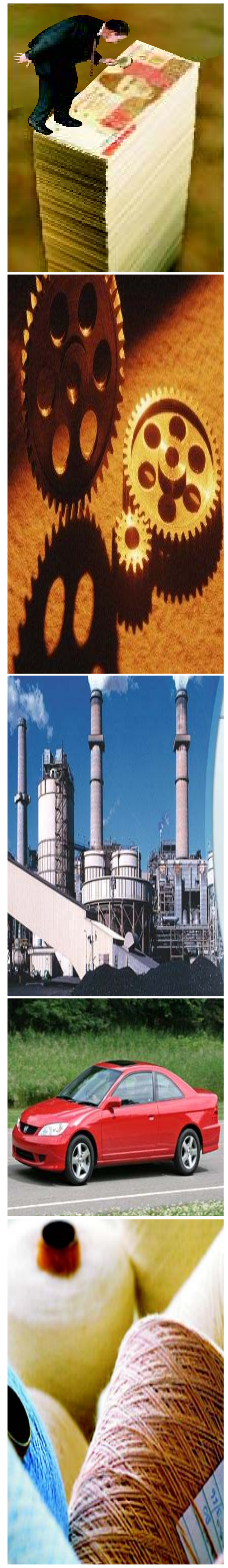
Annual Report

2010



GRAYS LEASING LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Tahir Butt	Chairman
	Mr. Khawar Anwar Khawaja	Vice Chairman
	Mr. Naveed Amin	Chief Executive
	Mr. Neil Douglas James Gray	
	Mr. Khurram Anwar Khawaja	
	Khawaja Zaka-ud-Din	
	Mr. Abdul Rashid Mir	
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.	

VISION

To be one of the most progressive institutions in the financial sector by providing quality service to our clientele in a superior manner, maintaining high ethical and professional standards, striving for continuous improvements and consistent growth to add value to our shareholders and our team of conscientious employees and a fair contribution to the national economy.

MISSION

To develop a client base representing all segments of the economy; emphasis being placed on financial support to medium and small enterprises for their expansion, balancing and modernization requirements.

To endeavor for a lasting relationship with clients and associates on the principles of Mutualism.

To transform the company into a dynamic, profitable and growth oriented institution through an efficient resource mobilization and the optimum utilization thereof.

To provide healthy environment and corporate culture for good governance of the company which ensures exceptional value for clients, personnel and the investors above all.

To implement the best professional standards with due observance of moral and ethical values in all respects of corporate life which will Insha Allah bring social and economic parity and prosperity among Nation and turn Pakistan into a Modern and Liberal Muslim Welfare State.

NOTICE OF THE 15TH ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of the Company will be held on October 29, 2010 at 11:00 am at registered office of the Company located at 701-A, 7th Floor, City Towers, Main Boulevard, Gulberg - II, Lahore to transact the following business:

Ordinary Business

1 To confirm the minutes of the 14th Annual General Meeting held on October 30, 2009

2 To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2010 together with the Directors' and Auditors' reports thereon

3 To appoint auditors and to fix their remuneration. The present auditors Messrs Riaz Ahmed & Company, Chartered Accounts, retire and being eligible, offer themselves to be reappointed.

4 To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

Muhammad Adil Munir
(COMPANY SECRETARY)

Lahore: October 08, 2010

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 23, 2010 to October 29, 2010 (both days inclusive). Physical transfers/CDS Transaction Ids received in order at our Registrar M/s. Hassan Farooq Associates (pvt) Limited, HF House, 7 – G Mushtaq Ahmed Gormani Road, Gulberg II, Lahore, up to the close of business on October 22, 2010 will be considered in time for determination of entitlement of shareholders to attend and vote at the meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at registered office of the Company at least 48 hours before the time of the meeting.

4. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited (“CDC”) will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan

A. For Attending the Meeting

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his identity by showing his original NIC or original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Boards' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.

b. Two persons whose names, addresses and NIC numbers shall be mentioned on the form shall witness the proxy form.

c. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original NIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Boards' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the 15th Annual Report together with the audited financial statements for the year ended June 30, 2010.

OPERATING RESULTS

The operating results of the company for the year are as under:

	Rupees
Total revenue	66,419,780
Total expenses	184,651,319
Loss before tax	118,231,539
Provision for taxation	
Current	(1,429,641)
Deferred	18,182,844
	16,753,203
Loss after tax	101,478,336
Loss per share	**4.72**

KEY OPERATING AND FINANCIAL DATA

Key operating and other financial data for the last six years are being given hereinafter this report.

REVIEW OF OPERATIONS

During the year under review, the company transacted business worth Rupees 6.241 million (Rupees 9.42 million in 2009). Gross investment in finance leases as at June 30, 2010 stands at Rupees 882.821 million against Rupees 1,209.022 million on June 30' 2009, while the net investment stands at Rupees 771.605 million on June 30, 2010 against Rupees 1,048.163 million of the last year. The gross revenue from operations was Rupees 66.420 million (Rupees 106.315 million in 2009). The net loss before and after tax for the current year is Rupees 118.232 million and Rupees 101.478 million as compared to preceding year which was Rupees 74.578 million and Rupees 56.520 million respectively.

The cash flow problems slowed down the recovery and increased stuck-ups. Therefore amount of Rupees 10.401 million was transferred to suspense account and Rupees 100.749 million provided for potential lease losses.

Shareholders' equity of the company is less than Rupees 200 million as on June 30, 2010 due to accumulated losses of Rupees 172.044 million. This is non compliance of minimum equity requirement for a Non-Banking Finance Company to carry on leasing business. The Securities and Exchange Commission of Pakistan by considering the current worst economic situation accorded special forbearance till July 08, 2011, to meet the minimum equity requirement. However Securities and Exchange Commission of Pakistan has withdrawn the permission for raise of further deposit through COI's.

The management of the company has adopted conservative approach during the year under review. Economic crises, law and order situation, high inflation, depressed business opportunities etc have compelled the management to temporarily suspend the business operation. The directors have approved following financial restructuring plan of the company:

- To suspend temporarily leasing operation and fully concentrate on recoveries;
- To settle long outstanding recovery cases/ litigations on priority basis;
- To dispose of following immoveable properties and get offices on rent:
  - a. Karachi office building
  - b. Lahore office building
  - c. Land at Faisalabad
- To restructure human resources;
- To repay bank borrowings, TFC's and COI's;
- Avoid raising deposit through COI's;
- Make final assessment after recoveries, disposal of immovable properties, repayment of debts etc, to meet the minimum equity requirement and working capital need or to take other legal measures in the best interest of shareholders.

The auditors' have qualified their report expressing doubt on the going concern of the company and non equity compliance. The management feels that the company is a going concern as set forth in note # 1.2 to the financial statements and is confident to complete successfully financial restructuring plan of the company.

CREDIT RATING

JCR-VIS has assigned us Medium to Long-Term Entity Rating at BB (Double B) while the Short-Term Entity Rating at B. The outlook on the Entity was considered “Negative”.

FUTURE OUTLOOK

Higher interest rate, power crises, liquidity crunch, unemployment, depressed business atmosphere, recent flood and law and order situations are the major factors affecting the industrial / economic growth. Theoretically, present economic conditions lead a good atmosphere for leasing business but practically the risk of default is much higher. Grays Leasing has also faced severe pressures due to the factors aforesaid, and resultantly, the management of the company has changed its approach and is concentrating on cash flow generation through financial restructuring as discussed earlier.

DIVIDEND

Dear shareholders, you know, the company has been declaring cash dividends almost since start of operations. However, this year the company could not generate profits, therefore no dividend is declared for this year.

CODE OF CORPORATE GOVERNANCE

The Statement of Compliance with best practices of code of Corporate Governance is annexed

CORPORATE AND FINANCIAL FRAMEWORK

In compliance of the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting framework:

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operation, cash flow and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements, except for the changes declared in note 2.1 (d) (i) to the financial statements; and accounting estimates are based on reasonable and prudent judgement.
- International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding in the company as on June 30, 2010 is given herewith.

AUDITORS

The present auditors Messrs Riaz Ahmad and Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

BOARD OF DIRECTORS

During the year, five meetings of the board were held. Attendance of each director is as under:

Name of director		Attended	Leave granted
Mr. Paul Douglas Gray	Chairman	0	5
Mr. Naveed Amin	Chief executive	4	0
Mr. Khawar Anwar Khawaja		5	0
Mr. Abdul Rashid Mir	Resigned	1	0
Mr. Muhammad Tahir Butt		5	0
Mr. Khurram Anwar Khawaja		5	0
Mr. Neil Douglas James Gray		0	5
Mr. Khawaja Zaka-u-Din		1	4

APPOINTMENT OF DIRECTOR AND CHAIRMAN

Mr. Paul Douglas Gray, chairman and director of the company had resigned due to some personal reasons subsequent to balance sheet date. The directors have highly appreciated his contributions and time devoted by him without any remuneration. Mr. Abdul Rashid Mir, former Chief Executive of the company has been co-opted as director in place of Mr. Paul Douglas Gray and Mr. Muhammad Tahir Butt, director of the company has been appointed as chairman with effect from August 21, 2010.

ACKNOWLEDGMENT

I would like to thank the banks and financial institutions for their support, the clients who provided us opportunity to serve them and the company employees at all levels for their dedicated efforts.

ON BEHALF OF THE BOARD

Naveed Amin
Chief Executive

Sialkot: October 06, 2010

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

PROFIT AND LOSS **(Rupees in Thousand)**

	2005	2006	2007	2008	2009	2010
Revenue	96,562	144,387	162,670	147,971	106,315	66,420
Financial charges	44,330	94,099	102,614	110,223	93,533	56,136
Provision for doubtful receivables	1,248	(833)	4,710	13,749	51,173	100,749
Profit / (Loss) before tax	29,672	24,728	23,530	(14,557)	(74,578)	(118,232)
Profit / (Loss) after tax	17,674	14,007	15,458	(15,268)	(56,520)	(101,478)
Dividend	20,000	-	-	-	-	-
Bonus shares	-	-	-	-	-	-

BALANCE SHEET

	2005	2006	2007	2008	2009	2010
Paid up share capital	200,000	200,000	200,000	200,000	215,000	215,000
Shareholders' equity	258,998	253,005	268,470	242,633	202,111	101,581
Borrowings	898,007	884,614	913,707	748,211	413,274	231,289
Net investment in finance lease	1,414,028	1,485,167	1,652,799	1,458,656	1,048,163	771,605
Total assets	1,493,771	1,555,669	1,735,561	1,555,889	1,073,197	674,222

PERFORMANCE INDICATORS

	2005	2006	2007	2008	2009	2010
Profit / (Loss) before tax/Gross revenue	31%	17%	14%	-10%	-70%	-178%
Profit / (Loss) after tax/Gross revenue	18%	10%	10%	-10%	-53%	-153%
Pre tax return on shareholders' equity	11%	10%	9%	-6%	-37%	-116%
After tax return on shareholders' equity	7%	6%	6%	-6%	-28%	-100%
Income / expense ratio	1.44	1.21	1.17	0.91	0.59	0.4
Total borrowings to equity ratio	78:22	78:22	65:35	76:24	67:32	69:31
Interest coverage ratio	1.67	1.26	1.23	0.87	0.20	(1.36)
Earning per share	1.33	0.70	0.77	(0.85)	(2.82)	(4.72)
Break up value per share	12.95	12.65	13.42	12.13	10.28	5.56
Lease disbursement	857,329	602,000	621,000	329,365	9,422	6.241
Number of contracts	262	162	188	119	7	6

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED 30 JUNE 2010

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good 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 independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director.

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, a DFI or an NBFI or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. The Casual vacancy occurred in the Board during the year was filed in accordance with the provisions of Law.

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 corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they 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, have been taken by the Board.

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 Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has approved appointment of head of internal audit, including his remuneration and terms and conditions of employment as determined by the CEO.

10. 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.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. 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.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises three members, who all are non-executive directors.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Board has set up an effective internal audit function .

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

18. 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.

19. We confirm that all other material principles contained in the Code have been complied with.

Naveed Amin
Chief Executive

Lahore: October 06, 2010

RIAZ AHMAD & COMPANY
Chartered Accountants

NEXIA INTERNATIONAL

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 GRAYS LEASING LIMITED ("the Company") for the year ended 30 June 2010, to comply with the Listing Regulations of the respective 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require 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 30 June 2010.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 06 October, 2010

LAHORE

Riaz Ahmad & Company is member of Nexia International,
a worldwide network of independent accounting and consulting firms

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **GRAYS LEASING LIMITED** as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, 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:

Shareholders' equity of the company is less than Rupees 200 million as on 30 June 2010 due to accumulated losses of Rupees 172.044 million. This is non compliance of minimum equity requirement for a non-banking finance company to carry on leasing business. Further, other matters as set forth in note 1.2 to the financial statements may cast significant doubt on the company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Except for the effects of matter stated in the preceeding paragraph, 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 except for the changes as stated in Note 2.1(d)(i) with which we concur;

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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, statement of comprehensive income, 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 30 June 2010 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 06 October, 2010

LAHORE

BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Current assets			
Cash and bank balances	3	14,029,670	16,235,207
Advances and prepayments	4	1,749,426	2,399,419
Other receivables	5	1,936,089	1,236,645
Current maturity of net investment in lease finance	6	512,481,818	672,070,183
		530,197,003	691,941,454
Non - current assets			
Net investment in lease finance	6	67,666,291	280,721,398
Long term investment	7	10,176,986	10,176,986
Property, plant and equipment	8	65,676,164	89,373,230
Long term security deposits		505,732	983,482
		144,025,173	381,255,096
Total assets		674,222,176	1,073,196,550
LIABILITIES			
Current liabilities			
Short term borrowing	9	82,929,886	73,649,195
Accrued and other liabilities	10	3,574,987	6,647,334
Accrued mark up	11	6,918,271	15,695,397
Current maturity of non current liabilities	12	408,993,015	479,089,915
Provision for taxation		8,818,536	14,300,609
		511,234,695	589,382,450
Non - current liabilities			
Deposits on lease contracts	13	33,888,170	141,555,117
Certificates of investment	14	-	1,500,000
Long term financing	15	4,795,930	96,967,816
Liabilities against assets subject to finance lease	16	172,518	681,019
Deferred taxation	17	-	18,182,844
Employee benefit	18	4,527,723	3,845,828
		43,384,341	262,732,624
Total liabilities		554,619,036	852,115,074
NET ASSETS		119,603,140	221,081,476
REPRESENTED BY:			
Authorized share capital			
35,000,000 (2009: 35,000,000) ordinary shares of Rupees 10 each		350,000,000	350,000,000
Issued, subscribed and paid up share capital	19	215,000,000	215,000,000
Statutory reserve	20	58,625,295	58,625,295
Accumulated loss		(172,043,814)	(71,513,998)
Shareholders' equity		101,581,481	202,111,297
Surplus on revaluation of buildings	21	18,021,659	18,970,179
Contingencies and commitments	22		
		119,603,140	221,081,476

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

Chief Executive

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
REVENUE			
Income from lease operations	23	63,118,798	101,747,928
Other income	24	3,300,982	4,567,489
		66,419,780	106,315,417
EXPENDITURE			
Administrative and other operating expense	25	(27,767,086)	(36,187,907)
Financial and other charges	26	(56,135,668)	(93,533,327)
Allowance for potential lease losses	6.2	(100,748,565)	(51,172,568)
		(184,651,319)	(180,893,802)
Loss before taxation		(118,231,539)	(74,578,385)
Provision for taxation	27	16,753,203	18,058,323
Loss after taxation		(101,478,336)	(56,520,062)
Loss per share - basic and diluted	28	(4.72)	(2.82)

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
Loss after taxation	(101,478,336)	(56,520,062)
Other comprehensive Income	-	-
Total comprehensive loss for the year	(101,478,336)	(56,520,062)

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

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(118,231,539)	(74,578,385)
Adjustments for non-cash charges and other items:		
Depreciation	6,068,950	8,304,462
Provision for gratuity	762,895	1,204,480
Financial charges	50,401,771	93,533,327
Allowance for potential lease losses	100,748,565	51,172,568
(Gain) / Loss on sale of property, plant and equipment	5,733,897	(481,539)
Profit on bank deposits and investments	(1,078,196)	(1,302,902)
	162,637,882	152,430,396
Operating profit before working capital changes	44,406,343	77,852,011
(Increase) / decrease in current assets:		
Advances and prepayments	649,993	(526,181)
Other receivables	311,395	738,300
Decrease in accrued and other liabilities	(3,050,311)	(2,532,685)
Cash generated from operations	42,317,420	75,531,445
Financial charges paid	(58,925,829)	(97,960,096)
Income tax paid	(7,944,589)	(726,651)
Gratuity paid	(81,000)	(1,180,603)
Net cash used in operating activities	(24,633,998)	(24,335,905)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in finance leases	271,894,907	410,493,263
Long term loans and advances - net	-	350,000
Property, plant and equipment acquired	(9,900)	(210,240)
Proceeds from sale of property, plant and equipment	11,904,119	1,479,870
Long term security deposits	477,750	(106,000)
Profit on bank deposits and investments	1,078,196	1,302,902
Net cash from investing activities	285,345,072	413,309,795
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing repaid	(186,242,805)	(248,131,166)
Short term borrowings	-	(33,000,000)
Certificates of investment repaid	(2,000,000)	(18,500,000)
Deposits on lease contracts	(81,817,090)	(74,093,647)
Lease rentals paid	(2,137,407)	(2,548,585)
Net cash used in financing activities	(272,197,302)	(376,273,398)
Net increase / (decrease) in cash and cash equivalents	(11,486,228)	12,700,492
Cash and cash equivalents at the beginning of the year (Note 29)	(57,413,988)	(70,114,480)
Cash and cash equivalents at the end of the year (Note 29)	(68,900,216)	(57,413,988)

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		STATUTORY RESERVE	ACCUMULATED LOSS	TOTAL	
	---------------------Rupees---------------------				
Balance as at 30 June 2008	200,000,000	58,625,295	(15,992,367)	42,632,928	242,632,928
Issue of share capital	15,000,000	-	-	-	15,000,000
Transfer from surplus on revaluation of fixed assets - Incremental depreciation - net of deferred taxation	-	-	998,431	998,431	998,431
Total comprehensive loss for the year ended 30 June 2009	-	-	(56,520,062)	(56,520,062)	(56,520,062)
Balance as at 30 June 2009	215,000,000	58,625,295	(71,513,998)	(12,888,703)	202,111,297
Transfer from surplus on revaluation of fixed assets - Incremental depreciation - net of deferred taxation	-	-	948,520	948,520	948,520
Total comprehensive loss for the year ended 30 June 2010	-	-	(101,478,336)	(101,478,336)	(101,478,336)
Balance as at 30 June 2010	215,000,000	58,625,295	(172,043,814)	(113,418,519)	101,581,481

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 The company has accumulated loss and shareholders' equity of Rupees 172.044 million and Rupees 101.581 million respectively as on 30 June 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. Subsequent to balance sheet date 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.

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. By the end of 31 December 2010 the company will fully repay long term loans of Rupees 29.612 million and partially repay amount of Rupees 36 million against Term Finance Certificates. The low geared financial position will provide the company a competitive platform for business operations. The company has entered in to the agreement to sale the Karachi office building at Rupees 12.240 million subsequent to balance sheet date. Further, The Bank of Punjab has extended the short term running finance facility of Rupees 100 million till 31 July 2011.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and Prudential Regulations for Non-Banking Finance Companies (Prudential Regulations). Wherever the requirements of the Companies Ordinance, 1984, NBFC Rules, NBFC Regulations, Prudential Regulations and directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, NBFC Rules, NBFC Regulations, Prudential Regulations and the said directives take precedence.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for buildings which are carried at revalued amounts, recognition of employee retirement benefit at present value and certain financial instruments carried at fair value.

c) Critical accounting estimates and judgments

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 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. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Defined benefit plans - (Note 2.9, Note 18)
b) Provision for taxation - (Note 2.10, Note 17, Note 27)
c) Residual values of property, plant and equipment - (Note 2.6)
d) Revaluation of buildings - (Note 21)

d) Standards and amendments to published approved accounting standards that are effective in current year

i) Changes in accounting policies and disclosures arising from standards and amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009).The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 (Amendment) 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

ii) Other amendment to published approved accounting standards that are effective in the current year

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for its intended use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. The Company's accounting policy on borrowing cost, as disclosed in note 2.18, complies with the above mentioned requirements to capitalize borrowing cost and hence this change has not impacted the company's financial statements.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the company's financial statements and are, therefore, not detailed in these financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2010 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7. The management of the company is in the process of evaluating impacts of the aforesaid standard on the company's financial statements.

There are other amendments resulting from annual Improvements projects initiated by International Accounting Standards Board in April 2009 and May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 24 'Related Party Disclosures', and IAS 36 'Impairment of Assets' that are considered relevant to the company's financial statements. These amendments are unlikely to have a significant impact on the company's financial statements and have, therefore, not been analyzed in detail.

g) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the company's financial statements and are, therefore, not detailed in these financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term borrowings under mark-up arrangements.

2.3 Net Investment in lease finance

Leases where the company transfers substantially all the risks and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in lease finance is stated at an amount equal to the aggregate of the minimum lease payments receivable, including any guaranteed residual value and excluding any unearned income, write-offs and provision for potential lease losses, if any.

2.4 Allowance for potential lease losses

The specific allowance for potential lease losses, if any, is made quarterly in accordance with the Securities and Exchange Commission of Pakistan's Non-Banking Finance Companies and Notified Entities Regulations, 2008. In accordance with the SECP regulations, the company does not recognize income on financial assets which have been classified.

2.5 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

a) Investment at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale.

2.6 Property, plant and equipment

Property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any identified impairment losses. Buildings are stated at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Buildings at Lahore and Karachi were revalued by an independent valuer during the year ended 30 June 2007 on an open market basis. Additions subsequent to revaluation are stated at cost less accumulated depreciation and any identified impairment losses. Land is stated at cost less impairment loss, if any.

Depreciation on all property, plant and equipment is charged to income by applying the reducing balance method whereby the cost or revalued amount of an asset is written off over its estimated useful life. Depreciation is being charged at the rates given in Note 8. Incremental depreciation representing the difference between actual depreciation based on the revalued carrying amount of an asset and equivalent depreciation based on the original carrying amount of the asset is transferred from surplus on revaluation of fixed assets to unappropriated profits. All transfers to / from surplus on revaluation of fixed assets are net of applicable deferred income taxes.

Depreciation on additions to property, plant and equipment is charged from the day the asset is available for use while no depreciation is charged from the day on which asset is disposed of.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

2.7 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.8 Leases

Where the company is the lessee:

Finance lease

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in Note 16.

Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful lives of the assets on a reducing balance method at the rates given in Note 8. Depreciation on leased assets is charged to income.

Depreciation on additions to leased assets is charged from the day in which an asset is acquired while no depreciation is charged from the day on which the asset is disposed of.

Where the company is the lessor:

Operating lease

Assets leased out under operating leases are included in property, plant and equipment as referred to in Note 8. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on accrual basis over the lease term.

2.9 Staff retirement benefits

2.9.1 Defined benefit plan

The company operates a non-funded defined benefit staff gratuity scheme for its permanent employees who have completed the qualifying service period of three years. Provision in respect of the scheme is made in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at 30 June 2010.

Projected Unit Credit method was used for calculating the provision, based on the following:

Discount rate 12 percent per annum.

Expected rate of increase in salary level 11 percent per annum.

The company's policy with regard to actuarial gain / (loss) is to follow minimum recommended approach under IAS-19 'Employee Benefits'.

The company is expected to charge Rupees 645,134 for gratuity in the next financial year.

2.9.2 Employees' compensated absences

The company provides for liability in respect of employees' compensated absences in the year in which these are earned.

2.10 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized 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.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investments, security deposits, net investment in finance leases, advances, other receivables, cash and bank balances, long-term financing, short-term borrowings, deposits on lease contract, accrued mark-up, liabilities against assets subject to finance lease, accrued and other liabilities. Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for “financial instrument at fair value through profit or loss” which is measured initially at fair value.

Financial assets are de-recognized when the company loses control of the contractual rights that comprise the financial asset. The company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item of financial instruments.

2.12 Borrowings

Loans and borrowings from financial institutions and others are initially recorded at the proceeds received together with associated transaction costs. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis. Transaction costs are amortized over the period of agreement using the effective interest rate method.

2.13 Accrued and other liabilities

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.14 Provisions

Provisions are recognized when the company has a 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.15 Certificates of Investment

Certificates of investment are initially recorded at the proceeds received. In subsequent periods, these are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis.

2.16 Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

2.17 Revenue recognition

Mark-up / return on investments and fund placements are recognized on a time proportion basis. The company follows the finance method in accounting for recognition of lease income. Under this method, the unearned lease income, i.e., the excess of aggregate lease rentals and the residual value over the cost of leased asset is deferred and then amortized to income over the term of the lease, by applying the annuity method to produce a constant rate of return on the net investment in lease finance. Income on non-performing loans is recognized on receipt basis in accordance with SECP regulations. Front-end fees, documentation charges and other lease related income are taken to income currently. Additional lease rentals being late payment charges on lease rentals are recognized on receipt basis.

2.18 Borrowing costs

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the qualifying asset, acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to income.

2.19 Related party transactions

Transactions and contracts with the related parties are carried out at an arm’s length price determined in accordance with comparable uncontrolled price method.

2.20 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

2.21 Share capital

Ordinary shares are classified as equity.

2.22 Dividend and other appropriations

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

		2010 Rupees	2009 Rupees
3.	CASH AND BANK BALANCES		
	Cash in hand	24,869	8,017
	With banks:		
	Balance with State Bank of Pakistan	29,698	35,751
	Current accounts	640,574	1,256,385
	Saving accounts (Note 3.1)	13,334,529	14,935,054
		14,029,670	16,235,207

3.1 Cash with banks in saving accounts carry mark-up ranging from 5 % to 6 % (2009: 5% to 6%) per annum.

		2010 Rupees	2009 Rupees
4.	ADVANCES AND PREPAYMENTS		
	Advances - considered good:		
	Advance to employees	416,592	538,507
	Others	468,313	1,234,530
		884,905	1,773,037
	Prepayments	864,521	626,382
		1,749,426	2,399,419
5.	OTHER RECEIVABLES		
	Considered good:		
	Advance income tax	1,934,519	923,680
	Insurance and other claims	1,570	312,965
		1,936,089	1,236,645
6.	NET INVESTMENT IN LEASE FINANCE		
	Lease rentals receivable	582,126,119	826,510,715
	Add: Guaranteed residual value of leased assets	300,694,682	382,511,772
	Gross investment in lease finance (Note 6.1)	882,820,801	1,209,022,487
	Less: Unearned finance income	(111,215,803)	(160,859,286)
	Net investment in lease finance (Note 6.1)	771,604,998	1,048,163,201
	Less: Allowance for potential lease losses (Note 6.2)	(191,456,889)	(95,371,620)
		580,148,109	952,791,581
	Less: Current maturity	(512,481,818)	(672,070,183)
		67,666,291	280,721,398

6.1

	GROSS INVESTMENT		NET INVESTMENT IN LEASE FINANCE	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Not later than one year	798,614,820	888,508,541	512,481,818	672,070,183
Later than one year but not later than five years	84,205,981	320,513,946	259,123,180	376,093,018
	882,820,801	1,209,022,487	771,604,998	1,048,163,201
Less: Unearned finance income	(111,215,803)	(160,859,286)		
	771,604,998	1,048,163,201		

6.1.1 There are no lease contract receivables over five years. The company's implicit rate of return on leases ranges from 5.50 % to 32.18% per annum (2009: 5.50 % to 32.71 % per annum). The agreements are usually for a period of 3 to 6 years (2009: 3 to 6 years). In certain cases, in addition to leased assets the leases are secured against personal guarantees and charge on properties of the lessee.

6.1.2 Analysis of net investment in lease finance in respect of non-performing leases on which mark-up is being suspended is given in note 32.1(b). The non-performing leases are determined in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

		2010 Rupees	2009 Rupees
6.2	ALLOWANCE FOR POTENTIAL LEASE LOSSES		
	Balance as at 01 July	95,371,620	44,199,052
	Add: Provision charged during the year	100,748,565	51,172,568
	Less: Net investment in lease finance written off against provision	4,663,296	-
	Balance as at 30 June	191,456,889	95,371,620

7. LONG TERM INVESTMENT

Held to maturity

Investment in Pakistan Investment Bonds has been made in accordance with Regulation 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.

8 PROPERTY, PLANT AND EQUIPMENT

	OWNED											LEASED	TOTAL
	OWN USE							OPERATING LEASE			TOTAL	OWN USE	
	FREEHOLD LAND	BUILDINGS	FURNITURE AND FIXTURES	VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	SUB TOTAL	MACHINERY	VEHICLES	SUB TOTAL		VEHICLES	
	-----Rupees-----												
At 01 July 2008													
Cost / revalued amounts	11,706,695	54,000,000	1,320,937	3,136,663	2,660,873	2,800,120	75,625,288	26,591,486	2,059,750	28,651,236	104,276,524	7,459,725	111,736,249
Accumulated depreciation	-	(2,717,568)	(604,220)	(1,869,501)	(962,153)	(1,934,778)	(8,088,220)	(3,988,723)	(76,435)	(4,065,158)	(12,153,378)	(2,185,788)	(14,339,166)
Net book value	11,706,695	51,282,432	716,717	1,267,162	1,698,720	865,342	67,537,068	22,602,763	1,983,315	24,586,078	92,123,146	5,273,937	97,397,083
Year ended 30 June 2009											-		
Opening net book value	11,706,695	51,282,432	716,717	1,267,162	1,698,720	865,342	67,537,068	22,602,763	1,983,315	24,586,078	92,123,146	5,273,937	97,397,083
Additions	-	-	48,000	-	17,740	144,500	210,240	-	-	-	210,240	1,068,700	1,278,940
Transfer from leased assets:											-		
Cost	-	-	-	683,550	-	-	683,550	-	-	-	683,550	(683,550)	-
Accumulated depreciation	-	-	-	(404,623)	-	-	(404,623)	-	-	-	(404,623)	404,623	-
	-	-	-	278,927	-	-	278,927	-	-	-	278,927	(278,927)	-
Disposals:											-		
Cost	-	-	-	(1,680,050)	-	-	(1,680,050)	-	-	-	(1,680,050)	(913,841)	(2,593,891)
Accumulated depreciation	-	-	-	1,128,129	-	-	1,128,129	-	-	-	1,128,129	467,431	1,595,560
	-	-	-	(551,921)	-	-	(551,921)	-	-	-	(551,921)	(446,410)	(998,331)
Depreciation charge	-	(2,564,122)	(73,307)	(240,950)	(170,589)	(284,616)	(3,333,584)	(3,390,414)	(396,663)	(3,787,077)	(7,120,661)	(1,183,801)	(8,304,462)
Closing net book value	11,706,695	48,718,310	691,410	753,218	1,545,871	725,226	64,140,730	19,212,349	1,586,652	20,799,001	84,939,731	4,433,499	89,373,230
At 30 June 2009											-		
Cost / revalued amounts	11,706,695	54,000,000	1,368,937	2,140,163	2,678,613	2,944,620	74,839,028	26,591,486	2,059,750	28,651,236	103,490,264	6,931,034	110,421,298
Accumulated depreciation	-	(5,281,690)	(677,527)	(1,386,945)	(1,132,742)	(2,219,394)	(10,698,298)	(7,379,137)	(473,098)	(7,852,235)	(18,550,533)	(2,497,535)	(21,048,068)
Net book value	11,706,695	48,718,310	691,410	753,218	1,545,871	725,226	64,140,730	19,212,349	1,586,652	20,799,001	84,939,731	4,433,499	89,373,230
Year ended 30 June 2010													
Opening net book value	11,706,695	48,718,310	691,410	753,218	1,545,871	725,226	64,140,730	19,212,349	1,586,652	20,799,001	84,939,731	4,433,499	89,373,230
Additions	-	-	-	-	1,900	8,000	9,900	-	-	-	9,900	-	9,900
Transfer from leased assets:													
Cost	-	-	-	3,287,478	-	-	3,287,478	-	-	-	3,287,478	(3,287,478)	-
Accumulated depreciation	-	-	-	(1,554,082)	-	-	(1,554,082)	-	-	-	(1,554,082)	1,554,082	-
	-	-	-	1,733,396	-	-	1,733,396	-	-	-	1,733,396	(1,733,396)	-
Disposals:													
Cost	-	-	-	(458,500)	(171,024)	(198,880)	(828,404)	(26,591,486)	-	(26,591,486)	(27,419,890)	-	(27,419,890)
Accumulated depreciation	-	-	-	358,544	45,893	150,756	555,193	9,226,681	-	9,226,681	9,781,874	-	9,781,874
	-	-	-	(99,956)	(125,131)	(48,124)	(273,211)	(17,364,805)	-	(17,364,805)	(17,638,016)	-	(17,638,016)
Depreciation charge	-	(2,437,322)	(68,843)	(153,854)	(153,921)	(218,520)	(3,032,460)	(1,847,544)	(317,374)	(2,164,918)	(5,197,378)	(871,572)	(6,068,950)
Closing net book value	11,706,695	46,280,988	622,567	2,232,804	1,268,719	466,582	62,578,355	-	1,269,278	1,269,278	63,847,633	1,828,531	65,676,164
At 30 June 2010													
Cost / revalued amounts	11,706,695	54,000,000	1,368,937	4,969,141	2,509,489	2,753,740	77,308,002	-	2,059,750	2,059,750	79,367,752	3,643,556	83,011,308
Accumulated depreciation	-	(7,719,012)	(746,370)	(2,736,337)	(1,240,770)	(2,287,158)	(14,729,647)	-	(790,472)	(790,472)	(15,520,119)	(1,815,025)	(17,335,144)
Net book value	11,706,695	46,280,988	622,567	2,232,804	1,268,719	466,582	62,578,355	-	1,269,278	1,269,278	63,847,633	1,828,531	65,676,164
Annual rate of depreciation (%)	-	5	10	20	10	30		15	20			20	

8.1 Buildings of the company at Lahore and Karachi were revalued by an independent valuer Messer Joseph Lobo (Private) Limited as at 27 June 2007 and 29 June 2007 respectively on open market basis. Had the buildings not been revalued the book value of the buildings as at 30 June 2010 would have been lower by Rupees 27.725 million (30 June 2009 : Rupees 29.185 million).

8.2 The book value of buildings on cost basis is Rupees 18.556 million (30 June 2009 : 19.533 million)

8.3 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed of during the year is as follows:

DESCRIPTION	QTY	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALES PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
		Rupees	Rupees	Rupees	Rupees		
Vehicles							
Motorcycle	1	68,500	57,896	10,604	15,000	Negotiation	Mr. Sohail Ahmed Khan
Suzuki Mehran	1	390,000	300,648	89,352	100,000	Negotiation	Mr. Salman Hamid Ghazi
Computer Equipment							
Computer	6	198,880	150,756	48,124	30,000	Negotiation	Computer Linkers
Office Equipment							
Air Conditioner	3	139,024	37,170	101,854	75,000	Negotiation	Khawaja Sports
Fax Machine	1	8,000	2,181	5,819	8,080	Negotiation	Computer Linkers
Telephone Exchange	1	24,000	6,542	17,458	15,000	Negotiation	Khawaja Sports
Machinery							
Textile Machinery	1	26,591,486	9,226,681	17,364,805	11,661,039	Negotiation	Orix Leasing Limited
		27,419,890	9,781,874	17,638,016	11,904,119		

9. SHORT TERM BORROWING

Secured

This represents running finance facility obtained from The Bank of Punjab. This facility is secured against first pari passu charge of Rupees 134 million over leased assets and related receivables of the company. The markup is payable on quarterly basis at the rate of three months KIBOR plus 3% per annum with a floor of 10% (2009: three months KIBOR plus 3% per annum with a floor of 10%).

	2010 Rupees	2009 Rupees
10. ACCRUED AND OTHER LIABILITIES		
Advance receipt against leases	409,534	962,784
Accrued liabilities	1,542,316	2,811,900
Income tax deducted at source	18,772	40,808
Un-claimed dividend	777,785	777,785
Insurance premium and claims payable	826,580	1,988,937
Others	-	65,120
	3,574,987	6,647,334
11 ACCRUED MARK UP		
Long term financing	2,442,090	8,152,420
Certificates of investments (Note 11.1)	1,375,760	4,265,997
Short term borrowings	3,100,421	3,276,980
	6,918,271	15,695,397

11.1 Mark up on certificates of investment is payable to related parties.

	2010 Rupees	2009 Rupees
12. CURRENT MATURITY OF NON CURRENT LIABILITIES		
Deposits on lease contracts (Note 13)	266,806,512	240,956,655
Certificates of investment (Note 14)	40,000,000	40,500,000
Long term financing (Note 15)	101,612,416	195,683,335
Liabilities against assets subject to finance lease (Note 16)	574,087	1,949,925
	408,993,015	479,089,915
13. DEPOSITS ON LEASE CONTRACTS		
Balance as at 30 June	300,694,682	382,511,772
Less: Current maturity shown under current liabilities (Note 12)	(266,806,512)	(240,956,655)
	33,888,170	141,555,117

13.1 These represent the interest free security deposits received from lessees, at the rates ranging from 0% to 70% (2009: 0% to 70%) of lease amount, against lease contracts and are refundable / adjustable at the expiry / termination of respective leases.

	2010 Rupees	2009 Rupees
14. CERTIFICATES OF INVESTMENT		
Individuals	-	2,000,000
Other (Note 14.2)	40,000,000	40,000,000
	40,000,000	42,000,000
Less: Current maturity shown under current liabilities (Note 12)	(40,000,000)	(40,500,000)
	-	1,500,000

14.1 These certificates carry profit at the rate of 3 month KIBOR plus 1.5% (2009: 6 months KIBOR plus 1.25%) per annum. These certificates will be matured upto October 2010.

14.2 This represents certificates of investment issued to Anwar Khawaja Industries (Private) Limited - associated company.

14.3 Subsequent to balance sheet date as on 09 July 2010, the Securities and Exchange Commission of Pakistan (SECP) has accorded special forbearance to the company for a period of one year to meet the minimum equity requirement as prescribed in NBFC and Notified Entities Regulations, 2008 subject to the condition that the company shall not raise deposits / rollover existing deposits without prior approval of SECP.

		2010 Rupees	2009 Rupees
15.	LONG TERM FINANCING		
	From financial institutions - secured		
	Askari Bank Limited (Note 15.1)	2,950,000	48,300,000
	The Bank of Punjab (Note 15.2)	10,000,000	30,000,000
	National Bank of Pakistan (Note 15.3)	-	16,666,672
	National Bank of Pakistan (Note 15.4)	16,662,416	50,000,000
		29,612,416	144,966,672
	Term finance certificates - secured (Note 15.5)	78,000,000	150,000,000
	Less: Unamortised transaction costs	(1,204,070)	(2,315,521)
		76,795,930	147,684,479
		106,408,346	292,651,151
	Less: Current maturity shown under current liabilities (Note 12)	(101,612,416)	(195,683,335)
		4,795,930	96,967,816

15.1 This represents term finance facility of Rupees 275 million obtained for financing of leasing operations. This facility is secured against first pari passu charge on leased assets and lease rentals (present and future) of Rupees 393 million. Mark up is payable on quarterly basis at the rate of one year KIBOR plus 2% per annum with a floor of 5% per annum (2009: one year KIBOR plus 2% with a floor of 5% per annum). The last installment of Rupees 2.95 million is repayable in July 2010.

15.2 This represents demand finance facility of Rupees 100 million obtained for financing of leasing operations. This is secured against first pari passu charge on leased assets and related receivables for Rupees 134 million. Mark up is payable in arrears on quarterly basis at the rate of three months KIBOR plus 2.9% per annum with a floor of 10% per annum (2009: three months KIBOR plus 2.9% per annum with a floor of 10% per annum). The balance of Rupees 10 million is repayable in 2 equal quarterly installments by December 2010.

15.3 This represents term finance facility of Rupees 100 million obtained for financing of leasing operations. This was secured against first pari passu hypothecation charge on leased assets and respective lease rental receivables of the company to the extent of Rupees 133.33 million. Mark up was payable on quarterly basis in arrears at the rate of three months KIBOR plus 2.50% per annum (2009: three months KIBOR plus 2.50% per annum). The facility has been repaid during the year.

15.4 This represents term finance facility of Rupees 100 million obtained for financing of leasing operations. This is secured against first pari passu hypothecation charge on leased assets and respective lease rental receivables of the company to the extent of Rupees 133.33 million. The mark up is payable on quarterly basis at the rate of three months KIBOR plus 2.25% per annum (2009: three months KIBOR plus 2.25% per annum). The balance of Rupees 16.666 million is repayable in September 2010.

15.5 These represent privately placed term finance certificates issued to financial Institutions to do business as per memorandum and articles of association of the company. These are secured against first pari passu charge of Rupees 320 million over all present and future receivables of the company. Profit on these TFCs is payable on monthly basis at six months KIBOR plus 2.5% per annum with no floor and no cap (2009: six months KIBOR plus 2.5%per annum with no floor and no cap). These are redeemable in 36 equal monthly installments.

		2010 Rupees	2009 Rupees
16.	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
	Present value of minimum lease payments	746,605	2,630,944
	Less: Current maturity shown under current liabilities (Note 12)	(574,087)	(1,949,925)
		172,518	681,019

16.1 The minimum lease payments have been discounted at an implicit interest rate that ranges from 14.91% to 16.74% per annum (2009: 15.01% to 18.20% per annum) to arrive at their present value. The lease agreements carry renewal and purchase option at the end of the lease term. There are no financial restrictions in the lease agreements. Taxes, repairs, replacements and insurance costs are borne by the lessee. The amount of future payments and the period in which they will become due are as under:

	2010			2009		
	MINIMUM LEASE PAYMENTS	FUTURE FINANCE CHARGE	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	FUTURE FINANCE CHARGE	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Not later than 1 year	671,352	97,265	574,087	2,204,223	254,298	1,949,925
Later than 1 year and not later than 5 years	182,539	10,021	172,518	788,345	107,326	681,019
	853,891	107,286	746,605	2,992,568	361,624	2,630,944

17. DEFERRED TAXATION

Deferred tax assets / (liabilities) arising due to:

	2010 Rupees	2009 Rupees
Accelerated tax depreciation	(91,862,761)	(99,739,548)
Surplus on revaluation of buildings	(9,703,977)	(10,214,713)
Tax losses	99,283,674	78,902,602
Minimum tax available for carry forward	7,849,496	12,153,669
Liabilities against asset subject to finance lease	(378,674)	(630,894)
Provision for gratuity	1,584,703	1,346,040
	6,772,461	(18,182,844)
Less: Deferred tax asset not recognised	(6,772,461)	-
	-	(18,182,844)

17.1 The net deferred income tax asset of Rupees 6.772 million has not been recognised in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits will not be probably available against which the temporary differences can be utilised.

18. EMPLOYEE BENEFIT

The amounts recognized in the balance sheet are as follows:

	2010 Rupees	2009 Rupees
Present value of defined benefit obligation (Note 18.1)	1,283,278	3,199,198
Un-recognized actuarial gains	1,171,608	407,130
Benefit due but not paid	2,072,837	239,500
Liability as at 30 June	4,527,723	3,845,828
Net Liability as at 01 July	3,845,828	3,821,951
Charge to profit and loss account (Note 18.2)	762,895	1,204,480
Payments	(81,000)	(1,180,603)
Liability as at 30 June	4,527,723	3,845,828

18.1 The movement in the present value of defined benefit obligation is as follows:

	2010 Rupees	2009 Rupees
Present value of defined benefit obligations	3,199,198	3,705,540
Current service cost	391,450	759,815
Interest cost	383,904	444,665
Benefit paid	(81,000)	(1,180,603)
Benefit due but not paid during the year	(1,833,337)	-
Actuarial gain	(776,937)	(530,219)
	1,283,278	3,199,198

18.2 Charge to profit and loss account:

	2010 Rupees	2009 Rupees
Current service cost	391,450	759,815
Interest cost	383,904	444,665
Actuarial loss	(12,459)	-
	762,895	1,204,480

		2010	2009	2008	2007	2006
18.3	Present value of defined benefit obligation (Rupees)	1,283,278	3,199,198	3,705,540	3,042,989	1,913,438
	Experience adjustment on obligation	(24.29)%	(14.31) %	(2.43) %	(14.63) %	(3.02) %

19 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010 (Number of shares)	2009 (Number of shares)		2010 Rupees	2009 Rupees
21,500,000	19,500,000	Ordinary shares of Rupees 10 each fully paid up in cash	215,000,000	195,000,000
-	2,000,000	Ordinary shares of Rupees 10 each issued as bonus shares	-	20,000,000
21,500,000	21,500,000		215,000,000	215,000,000

19.1 Movement during the year

2010	2009		2010 Rupees	2009 Rupees
21,500,000	20,000,000	At 01 July	215,000,000	200,000,000
-	1,500,000	Ordinary shares of Rupees 10 each issued during the year ended 30 June 2009 as fully paid right shares	-	15,000,000
21,500,000	21,500,000	At 30 June	215,000,000	215,000,000

19.2 Ordinary shares of the company held by associated companies:

	2010 (Number of shares)	2009 (Number of shares)
Grays of Cambridge (Pakistan) Limited	7,999,999	7,999,999
Anwar Khawaja Industries (Private) Limited	3,739,603	3,739,603
Grays of Cambridge International UK	165,823	165,823
	11,905,425	11,905,425

20. STATUTORY RESERVE

This reserve is being maintained as per requirements of Regulation 16 of Part II of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

21. SURPLUS ON REVALUATION OF BUILDINGS

This represents surplus on revaluation of buildings carried in the year ended 30 June 2007 adjusted by incremental depreciation arising out of revaluation and deferred taxation.

	2010 Rupees	2009 Rupees
Opening balance as at 01 July	18,970,179	19,968,610
Transferred to statement of changes in equity - net of deferred taxation	(948,520)	(998,431)
Closing balance as at 30 June	18,021,659	18,970,179

21.1 Incremental depreciation represents the difference between actual depreciation on revalued buildings and equivalent depreciation based on historical cost of buildings.

21.2 Surplus on revaluation of property, plant and equipment can be utilized by the company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

22. Contingencies and commitments

22.1 Contingencies

Nil (2009: Nil)

22.2 Commitments

Nil (2009: Nil)

	2010 Rupees	2009 Rupees
23. INCOME FROM LEASE OPERATIONS		
Finance lease income	50,633,764	91,969,469
Operating lease income	5,425,168	3,415,012
Documentation charges	69,200	45,350
Additional lease rentals	6,990,666	6,318,097
	63,118,798	101,747,928
24. OTHER INCOME		
Income from financial assets		
Processing fee and other charges	2,212,157	2,766,766
Profit on bank deposits	278,196	502,902
Profit on Pakistan investment bonds	800,000	800,000
Mark-up on loan	10,629	16,282
	3,300,982	4,085,950
Income from non-financial assets		
Gain on sale of property, plant and equipment	-	481,539
	3,300,982	4,567,489
25. ADMINISTRATIVE AND OTHER OPERATING EXPENSES		
Salaries, allowances and other benefits (Note 25.1)	11,617,618	17,882,470
Repair and maintenance	811,657	977,002
Rent, rates and taxes	675,930	932,010
Postage and telephone	550,248	834,947
Vehicle running expenses	1,382,273	1,801,704
Utilities	468,430	670,974
Legal and professional	2,463,025	1,747,764
Insurance	271,651	330,292
Fees and subscription	1,409,521	988,253
Traveling and conveyance	633,203	345,168
Printing and stationery	282,791	333,811
Auditor's remuneration (Note 25.2)	535,400	470,300
Entertainment	325,041	318,635
Advertisement	62,140	91,539
Newspapers and periodicals	26,622	23,817
Miscellaneous	182,586	134,759
Depreciation on property, plant and equipment (Note 8)	6,068,950	8,304,462
	27,767,086	36,187,907

25.1 These include Rupees 0.763 million (2009: Rupees 1.204 million) charged in respect of gratuity as referred to in Note 18 and Rupees 0.734 million (2009: Rupees 0.439 million) charged in respect of compensated absences.

	2010 Rupees	2009 Rupees
25.2 Auditor's remuneration		
Audit fee	300,000	250,000
Half yearly review and other sundry certifications	163,300	150,000
Out of pocket expenses	72,100	70,300
	535,400	470,300

26. FINANCIAL AND OTHER CHARGES

	2010 Rupees	2009 Rupees
Financial charges		
Mark up on:		
Long term financing	29,761,869	69,908,585
Short term borrowings	13,939,205	15,377,110
Certificates of investments	5,801,055	7,156,148
Lease liabilities	259,520	624,009
	49,761,649	93,065,852
Other charges		
Long outstanding balances written off	252,499	-
Loss on sale of property, plant and equipment	5,733,897	
Commission and other bank charges	387,623	467,475
	6,374,019	467,475
	56,135,668	93,533,327

27. TAXATION

	2010 Rupees	2009 Rupees
For the year:		
Current (Note 27.1)	(1,429,641)	(461,714)
Deferred	18,182,844	30,065,969
Prior years:		
Current	-	(11,545,932)
	16,753,203	18,058,323

27.1 The company has carry forwardable tax losses of Rupees 283.668 million. Provision for tax in the current year is computed only for minimum tax as required under section 113 of the Income Tax Ordinance, 2001, therefore, it is impracticable to prepare the tax charge reconciliation for the years presented.

28. LOSS PER SHARE - BASIC AND DILUTED

		2010	2009
Loss after taxation	Rupees	(101,478,336)	(56,520,062)
Weighted average number of ordinary shares	Number	21,500,000	20,027,233
Loss per share - basic	Rupees	(4.72)	(2.82)

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

29. CASH AND CASH EQUIVALENTS

	2010	2009
Cash and bank balances (Note 3)	14,029,670	16,235,207
Short term borrowing from banking company (Note 9)	(82,929,886)	(73,649,195)
	(68,900,216)	(57,413,988)

30. 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 with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2010 Rupees	2009 Rupees
Lease rentals received	-	2,323,410
Financial charges paid	7,785,880	7,072,250
Certificates of investments matured during the year	40,000,000	40,000,000
Certificates of investments issued during the year	40,000,000	40,000,000

All transactions with related parties have been carried out on commercial terms and conditions.

31. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits to the Chief executive and executives of the company are as follows:

	2010		2009	
	CHIEF EXECUTIVE	EXECUTIVE	CHIEF EXECUTIVE	EXECUTIVE
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration (Note 31.1)	1,758,868	1,679,174	1,670,508	2,222,917
Bonus / Exgratia	50,000	-	50,000	140,125
House rent	458,667	605,600	501,333	946,017
Utilities	122,647	151,400	125,333	307,567
Medical	125,000	94,375	114,610	44,707
Leave encashment	150,000	196,125	250,000	319,583
	2,665,182	2,726,674	2,711,784	3,980,916
Post employment benefits				
Gratuity	-	87,667	-	333,335
	2,665,182	2,814,341	2,711,784	4,314,251
Number of persons	1	4	1	4

31.1 Included in the managerial remuneration of the chief executive is Rupees 458,868 (2009: Rupees 417,175) being tax borne by the company on his salary.

31.2 The chief executive and certain executives of the company have been provided with company maintained vehicles. Free group life insurance has been provided to chief executive and all executives of the company.

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the company is not exposed to currency risk because there are no receivables and payables in foreign currency at balance sheet date.

(ii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk arises when there is a mismatch in the financial assets and financial liabilities which are subject to interest rate adjustment within a specified period. The company's interest rate risk arises mainly from net investment in finance lease, certificates of investment, liabilities against assets subject to finance lease, long term financing and short term borrowings.

Interest rate gap is the common measure of interest rate risk. A positive gap occurs when more financial assets than financial liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when financial liabilities exceed financial assets subject to rate changes during a prescribed period of time.

At the balance sheet date the interest rate profile of the company's interest bearing financial instruments was:

	2010	2009
	Rupees	Rupees
Fixed rate instruments		
Financial assets:		
Long tern investment	10,176,986	10,176,986
Financial liabilities:		
Certificates of investment	-	500,000

	2010 Rupees	2009 Rupees
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	13,334,529	14,935,054
Net investment in finance lease - net off potential lease losses	580,148,109	952,791,581
Financial liabilities		
Short term borrowing	82,929,886	73,649,195
Certificates of investment	40,000,000	41,500,000
Long term financing	107,612,416	294,966,672
Liabilities against assets subject to finance lease	746,605	2,630,944

Effective interest rates on these financial instruments are disclosed in the respective notes.

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 3.622 million (2009: Rupees 5.550 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. Currently, the company is not exposed to other price risk.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is crucial for the company's business, therefore management carefully manages its exposure to credit risk. The company has established credit policies and procedures to manage credit exposure including evaluation of lease, credit worthiness, credit approvals, assigning credit limits, obtaining securities such as lien on title on leased assets, security deposits, personal guarantees and mortgages over properties. Further, exposure to credit risk is being managed through regular analysis of the ability of lessees and potential lessees to meet repayment obligations. The company has clear policies in place to identify early warning signals and to initiate appropriate and timely remedial actions.

The maximum exposure to credit risk at the reporting date was as follows:

Bank balances	14,004,801	16,227,190
Advances	884,905	1,773,037
Other receivables	1,570	312,965
Net investment in lease finance	580,148,109	952,791,581
Long term investments	10,176,986	10,176,986
Long term security deposits	268,702	343,702
	605,485,073	981,625,461

The company is engaged primarily in leasing operations, therefore its credit risk arises mainly from net investment in finance lease. Classification of net investment in finance leases on the basis of lease neither past due nor impaired, past due but not impaired and impaired is as follows:

Description	2010		2009	
	Personal	Corporate	Personal	Corporate
Net Investment in finance lease	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	12,218,057	100,751,662	1,538,255	203,890,985
Past due up to 89 days but not impaired	12,678,734	124,206,892	14,873,408	273,355,958
Impaired				
Past due 90-179 days	1,248,275	19,886,006	4,161,973	51,173,218
Past due 180-364 days	9,042,535	50,191,222	7,652,781	134,269,806
Past due 365-729 days	2,104,924	122,586,380	10,792,473	147,483,326
Past due 730-1094 days	8,715,157	130,169,091	4,306,014	89,191,479
Past due more than1094 days	2,330,547	175,475,516	2,133,531	103,339,994
	23,441,438	498,308,215	29,046,772	525,457,823
Total	48,338,229	723,266,769	45,458,435	1,002,704,766
Less: Provision for potential lease losses	6,138,986	185,317,903	3,024,677	92,346,943
Net Investment in finance lease - net off potential lease losses	42,199,243	537,948,866	42,433,758	910,357,823

Rentals overdue by 1 day but less than 90 days are considered past due, but not impaired.
Rescheduled leases have been monitored as per Non-Banking Finance Companies and Notified Entities Regulations, 2008 issued by Securities and Exchange Commission of Pakistan before setting to regular status. These cases are being kept under continuous review. Provision for potential lease losses is incorporated in the books of account on the basis of Regulation 25 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, after providing provision against doubtful receivables, credit risk is minimal.

The credit quality of balances with bank can be assessed with reference to external credit ratings of the banks

	Rating			2010	2009
	Short Term	Long term	Agency	(RUPEES IN THOUSAND)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	16,564	16,564
Allied Bank Limited	A1+	AA	PACRA	8,402	8,402
Askari Bank Limited	A1+	AA	PACRA	12,964,326	13,960,149
MCB Bank Limited	A1+	AA+	PACRA	8,829	12,388
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	59,027	210,333
First Women Bank Limited	A2	BBB+	PACRA	7,751	7,751
Bank Al-Habib Limited	A1+	AA+	PACRA	65,846	178,563
The Bank of Punjab	A1+	AA-	PACRA	7,265	20,304
Barclays Bank PLC	P-1	Aa3	Moody's	837,093	1,776,985
				13,975,103	16,191,439

Concentration of risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the company's performance to developments affecting a particular industry or geographic location. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations covering various industrial sectors and segments. Sector-wise break-up of lease portfolio is given below:

a) Sector wise concentration of net investment in finance lease

Lease portfolio	2010		2009	
	Rupees	%	Rupees	%
Industrial sectors				
Chemical, fertilizer and pharmaceuticals	40,827,416	5.29	51,748,272	4.94
Cement	53,813,760	6.97	67,670,817	6.46
Construction	13,344,872	1.73	57,719,226	5.51
Energy, oil and gas	65,697,667	8.51	73,851,279	7.05
Food, tobacco and beverage	24,240,838	3.14	51,643,518	4.93
Leather, footwear and tanneries	4,633,324	0.60	13,513,212	1.29
Paper and board	12,902,177	1.67	14,979,763	1.43
Rubber and plastic	5,329,712	0.69	11,522,895	1.10
Services	48,174,989	6.24	52,272,041	4.99
Steel, engineering and automobiles	24,885,401	3.23	47,453,375	4.53
Sugar and allied	27,493,655	3.56	32,787,873	3.13
Surgical	2,100,731	0.27	2,514,086	0.24
Textile and allied	176,292,635	22.85	225,220,212	21.49
Trading	25,649,065	3.32	26,921,672	2.57
Transport and communication	103,345,471	13.39	144,350,443	13.77
Individuals and others	142,873,285	18.52	173,994,517	16.60
	771,604,998	100.00	1,048,163,201	100.00
Segment by public/private sector				
Public / Government	-	-	-	-
Private	771,604,998	100.00	1,048,163,201	100.00

b) Geographical concentration of net investment in finance lease

The company only does business within Pakistan and geographical exposure is within the Country.

c) Concentration of net investment in finance lease by type of customers.

	2010 Rupees	2009 Rupees
Personal	48,338,229	45,458,435
Corporate	723,266,769	1,002,704,766
	771,604,998	1,048,163,201

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2010, the company had Rupees 17.070 (2009: 26.350) million available borrowing limits from financial institutions and Rupees 14.029 (2009: 16.235) million cash and bank balances. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2010

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	----------R U P E E S----------					
Short term borrowings	82,929,886	84,006,816	84,006,816	-	-	-
Accrued and other liabilities	3,146,681	3,146,681	3,146,681	-	-	-
Accrued mark up	6,918,271	6,918,271	6,918,271	-	-	-
Certificates of investment	40,000,000	41,574,923	41,574,923	-	-	-
Long term financing	107,612,416	114,162,006	70,636,543	37,525,463	6,000,000	-
Liabilities against assets						-
subject to finance lease	746,605	853,891	631,288	40,064	182,539	
	241,353,859	250,662,588	206,914,522	37,565,527	6,182,539	-

Contractual maturities of financial liabilities as at 30 June 2009

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	----------R U P E E S----------					
Short term borrowings	73,649,195	74,637,090	74,637,090	-	-	-
Accrued and other liabilities	5,643,742	5,643,742	5,643,742	-	-	-
Accrued mark up	15,695,397	15,695,397	15,695,397			
Certificates of investment	42,000,000	43,968,410	-	42,174,214	1,794,196	-
Long term financing	294,966,672	318,060,561	124,617,361	87,164,784	100,278,416	6,000,000
Liabilities against assets						
subject to finance lease	2,630,944	2,992,568	1,148,517	1,055,706	645,325	143,020
	434,585,950	460,997,768	221,742,107	130,394,704	102,717,937	6,143,020

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June.

32.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are measured subsequent to initial recognition at fair value are grouped into level 1 to 3 based on the degree to which fair value is observable. These levels are explained as under:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3.

However, the company has no such type of financial instruments which can be grouped in these levels.

The carrying amount less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interst rate that is available to the company for similar financials instruments.

32.3 Financial instruments by categories

	Loans and receivables	Held to maturity	Total
	------------------------ Rupees ------------------------		
As at 30 June 2010			
Assets as per balance sheet			
Cash and bank balances	14,029,670	-	14,029,670
Advances	884,905	-	884,905
Other receivables	1,570	-	1,570
Net investment in lease finance	580,148,109	-	580,148,109
Long tern investment	-	10,176,986	10,176,986
Long term security deposits	268,702	-	268,702
	595,332,956	10,176,986	605,509,942

	Financial liabilities at amortized cost
	------------- Rupees -------------
Liabilities as per balance sheet	
Short term borrowings	82,929,886
Accrued and other liabilities	3,146,681
Accrued mark-up	6,918,271
Certificates of investment	40,000,000
Long term financing	107,612,416
Liabilities against assets subject to finance lease	746,605
	241,353,859

	Loans and receivables	Held to maturity	Total
	------------------------ Rupees ------------------------		
As at 30 June 2009			
Assets as per balance sheet			
Cash and bank balances	16,235,207	-	16,235,207
Advances	1,773,037	-	1,773,037
Other receivables	312,965	-	312,965
Net investment in lease finance	952,791,581	-	952,791,581
Long tern investment	-	10,176,986	10,176,986
Long term security deposits	343,702	-	343,702
	971,456,492	10,176,986	981,633,478

	Financial liabilities at amortized cost
	------------- Rupees -------------
Liabilities as per balance sheet	
Short term borrowings	73,649,195
Accrued and other liabilities	5,643,742
Accrued mark-up	15,695,397
Certificates of investment	42,000,000
Long term financing	294,966,672
Liabilities against assets subject to finance lease	2,630,944
	434,585,950

33 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. It is the policy of the company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Consistent with others in the industry the company monitors the capital structure on the basis of gearing ratio.

The ratio is calculated as borrowings divided by total capital employed. Borrowings represent certificates of investment, borrowings from financial institutions and liabilities against assets subject to finance lease as referred to in Note 9, 14, 15 and 16. Total capital employed includes equity and subordinated loans as shown in the balance sheet, plus borrowings. The gearing ratio as at year ended 30 June 2010 and 30 June 2009 are as follows:

		2010	2009
Borrowings	Rupees	231,288,907	413,246,811
Total equity	Rupees	101,581,481	202,111,297
Total capital employed	Rupees	332,870,388	615,358,108
Gearing ratio	Percentage	69	67

34. Maturities of assets and liabilities

	2010					
	TOTAL	UP TO ONE MONTH	OVER ONE MONTH TO ONE YEAR	OVER ONE YEAR TO FIVE YEAR	OVER FIVE YEAR	NON FIXED MATURITIES
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Cash and bank balances	14,029,670	14,029,670	-	-	-	-
Advances and prepayments	1,749,426	864,521	884,905	-	-	-
Other receivables	1,936,089	-	1,936,089	-	-	-
Net investment in lease finance	580,148,109	279,595,506	232,886,312	67,666,292	-	-
Long tern investment	10,176,986	176,986	-	10,000,000		-
Long term security deposits	505,732	-	-	505,732	-	-
Property, plant and equipment	65,676,164	-	-	-		65,676,164
	674,222,176	294,666,683	235,707,306	78,172,024	-	65,676,164
Liabilities						
Short term borrowings	82,929,886	82,929,886	-	-	-	-
Deposits on lease contracts	300,694,682	171,598,708	95,207,804	33,888,170	-	-
Certificates of investment	40,000,000	-	40,000,000		-	-
Long term financing	106,408,346	17,283,333	84,329,083	4,795,930	-	-
Liabilities against assets subject to						-
finance lease	746,605	67,418	506,669	172,518	-	-
Accrued and other liabilities	3,574,987	3,574,987	-	-	-	-
Accrued mark-up	6,918,271	5,542,511	1,375,760	-	-	-
Provision for taxation	8,818,536	-	8,818,536	-	-	-
Employee benefit	4,527,723	-	-	-	-	4,527,723
	554,619,036	280,996,843	230,237,852	38,856,618	-	4,527,723
Net balance	119,603,140	13,669,840	5,469,454	39,315,406	-	61,148,441
Net Assets	119,603,140					

	2009					
	TOTAL	UP TO ONE MONTH	OVER ONE MONTH TO ONE YEAR	OVER ONE YEAR TO FIVE YEAR	OVER FIVE YEAR	NON FIXED MATURITIES
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Cash and bank balances	16,235,207	16,235,207	-	-	-	-
Advances and prepayments	2,399,419	626,382	1,773,037	-	-	-
Other receivables	1,236,645	-	1,236,645	-	-	-
Net investment in lease finance	952,791,581	187,730,635	484,339,548	280,721,398	-	-
Long tern investment	10,176,986	176,986	-	-	10,000,000	-
Long term security deposits	983,482	-	-	983,482	-	-
Property, plant and equipment	89,373,230	-	-	-	-	89,373,230
	1,073,196,550	204,769,210	487,349,230	281,704,880	10,000,000	89,373,230
Liabilities						
Short term borrowings	73,649,195	73,649,195	-	-	-	-
Deposits on lease contracts	382,511,772	3,977,615	236,979,040	141,555,117	-	-
Certificates of investment	42,000,000	-	40,500,000	1,500,000	-	-
Long term financing	292,651,151	34,016,667	161,666,668	96,967,816	-	-
Liabilities against assets subject to						-
finance lease	2,630,944	144,292	1,805,633	681,019	-	-
Accrued and other liabilities	6,647,334	6,582,214	65,120	-	-	-
Accrued mark-up	15,695,397	14,417,011	1,278,386	-	-	-
Provision for taxation	14,300,609	500,000	5,961,714	7,838,895	-	-
Deferred taxation	18,182,844	-	-	-	18,182,844	-
Employee benefit	3,845,828	-	-	-	-	3,845,828
	852,115,074	133,286,994	448,256,561	248,542,847	18,182,844	3,845,828
Net balance	221,081,476	71,482,216	39,092,669	33,162,033	(8,182,844)	85,527,402
Net Assets	221,081,476					

35. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the company have not proposed any appropriations in the their meeting held on 06 October, 2010.

36. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on 06 October, 2010.

37. CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.

Chief Executive | Director

PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2010

Categories of Shareholders	Shares Held	Percentage (%)
Directors, CEO and their Spouse and minor Children		
Mr. Paul Douglas Gray	40,552	0.19%
Mr. Khawar Anwar Khawaja	1,131,018	5.26%
Mr. Naveed Amin	1,530	0.01%
Mr. Neil Douglas Gray	500	0.00%
Mr. Khawaja Zak-ud-din	21,500	0.10%
Mr. Muhammad Tahir Butt	339,312	1.58%
Mr. Khurram Anwar Khawaja	1,230,333	5.72%
Mrs. Nuzhat Khawar Khawaja	476,312	2.22%
Mrs. Khadeeja Khurram	575,840	2.68%
Mrs. Farogh Tahir butt	282,236	1.31%
	4,099,133	**19.07%**
Associated Companies, Undertakings and Related Parties		
Grays of Cambridge (Pak) Ltd	7,999,999	37.21%
Anwar Khawaja Industries (Pvt) Ltd	3,739,603	17.39%
Grays of Cambridge International U.K	165,823	0.77%
	11,905,425	**55.37%**
NIT and ICP	Nil	Nil
Banks, Development Financial Institutions, Non-Banking Finance Companies	111	0.00%
	111	**0.00%**
Insurance Companies	Nil	Nil
Modarabas and Mutual Funds	Nil	Nil
Joint Stock Companies	**328,384**	**1.53%**
General Public		
Local	5,119,000	23.81%
Foreign	47,947	0.22%
	5,166,947	**24.03%**
TOTAL	**21,500,000**	**100.00%**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS OF GRAYS LEASING LIMITED AS AT JUNE 30, 2010

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
88	1	500	17673
96	501	1000	68210
77	1001	5000	194955
18	5001	10000	129856
11	10001	15000	121295
4	15001	20000	71723
14	20001	25000	306443
4	25001	30000	107322
4	30001	35000	133332
3	35001	40000	112688
8	40001	60000	395440
1	60001	90000	66666
5	90001	100000	487025
4	100001	120000	439156
3	120001	130000	378400
1	130001	160000	140000
3	160001	205000	547489
4	240001	350000	1147245
2	400001	485000	892337
1	485001	900000	575840
3	900001	2500000	3427303
2	2500001	8000000	11739602
356			**21500000**

GRAYS LEASING LTD.

15TH ANNUAL GENERAL MEETING

FORM OF PROXY

This form of Proxy, in order to be effective, must be completed and deposited at the Company's registered office at 701-A, 7th Floor, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

I/We____

of ____________________________________ being a member of **GRAYS LEASING LTD.**

Registered at Folio No. _____________________________ **holder of** _______________

Ordinary shares hereby appointed Mr./Mrs./Miss _________________________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf in the annual general meeting of the Company at 701-A, 7th Floor, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore on October 29, 2010 at 11.00 a.m or at any adjournment thereof.

As witness my/our hand this ____________________________________ day of 2010.

Signed by the said _____________________________________ in the presence of

Date

(Member's Signature)

Affix Rs. 5/- revenue stamp which must be canceled either by signature over it or by some other means

Place

(Witness Signature)