ANNUAL REPORT

2011

GRAYS

GRAYS LEASING LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Khawar Anwar Khawaja	Chairman
	Mr. Muhammad Tahir Butt	Chief Executive
	Mr. Neil Douglas James Gray	
	Mr. Khurram Anwar Khawaja	
	Khawaja Zaka-ud-Din	
	Mr. Abdul Rashid Mir	
	Mr. Omer Khawar Khawaja	
AUDIT COMMITTEE	Mr. Khawar Anwar Khawaja	
	Mr. Khurram Anwar Khawaja	
	Mr. Omer Khawar Khawaja	
AUDITORS	Riaz Ahmad and Company Chartered Accountants 10-B Saint Mary Park Main Boulevard, Gulberg III Lahore.	
COMPANY SECRETARY	Muhammad Adil Munir	
CHIEF FINANCIAL OFFICER	M. Avais Ibrahim	
HEAD OF INTERNAL AUDIT	Mr. Muhammad Imran Azhar	
LEGAL ADVISOR	Lexicon Law Firm	
REGISTERED AND HEAD OFFICE	701-A, 7th Floor, City Towers 6-K, Main Boulevard, Gulberg - II, Lahore Tel: (042) 35770382 - 6 Fax: (042) 35770389 E-mail: info@graysleasing.com Website: www.graysleasing.com	
BANKERS	Standard Chartered Bank (Pakistan) Limited The Bank of Punjab Askari Bank Limited National Bank of Pakistan Barclays Bank PLC, Pakistan Allied Bank of Pakistan MCB Bank Limited First Women Bank Limited Bank Al-Habib Limited	
SHARE REGISTRAR	Hassan Farooq Associates (Pvt) Ltd. HF House 7-G, Mushtaq Ahmed Gurmani Road Gulberg II Lahore.	

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 16TH ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of the Company will be held on October 27, 2011 at 12:15 pm 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 Extra - Ordinary General Meeting held on January 05, 2011

2 To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2011 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 Accountants, retire and being eligible, offer themselves to be reappointed.

4 To elect seven directors of the company for a period of three years as fixed by the Board of Directors under section 178(1) of the Companies Ordinance, 1984. Following are the names of retiring directors;

1. Mr. Khawar Anwar Khawaja
2. Mr. Muhammad Tahir Butt
3. Mr. Khurram Anwar Khawaja
4. Mr. Abdul Rashid Mir
5. Khawaja Zaka-ud-Din
6. Mr. Omer Khawar Khawaja
7. Mr. Niel Douglas James Gray

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

BY ORDER OF THE BOARD

Muhammad Adil Munir
(COMPANY SECRETARY)

Lahore: October 05, 2011

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2011 to October 27, 2011 (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 20, 2011 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 16th Annual Report together with the audited financial statements for the year ended June 30, 2011.

OPERATING RESULTS

		Rupees
Total revenue		30,609,668
Total expenses		73,115,491
Loss before tax		42,505,823
Provision for taxation		
	Current	1,664,639
	Deferred	-
	Prior Year	-
		1,664,639
Loss after tax		44,170,172
Loss per share		**(2.05)**

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 did not transact any business as compared to Rupees 6.241 million last year. Gross investment in finance leases as at 30 June 2011 stands at Rupees 630.428 million against Rupees 828.821 million on June 30 2010, while the net investment stands at Rupees 547.058 million on 30 June 2011 against Rupees 771.605 million of the last year. The gross revenue from operations was Rupees 30.610 million (Rupees 66.420 million in 2010). The net loss before and after tax for the current year is Rupees 42.506 million and Rupees 44.170 million as compared to preceding year which was Rupees 118.232 million and Rupees 101.478 million respectively. Shareholders equity of the company is at Rupees 75.433 million, which is less than the mandatory requirement of Rupees 350 million. However the shareholders' equity on the basis of estimated realisable (settlement) values of assets and liabilities come to Rupees 151.541 million.

The company is not in compliance with the minimum equity requirement of Rupees 350 million to carry on leasing business. The license of the company to carry out leasing business was expired on 14 May 2010 and the company applied for renewal of leasing license to Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. SECP accorded special forbearance to the company for a period of one year (from 9 July 2010 to 8 July 2011) to meet the minimum equity requirement subject to the conditions that the company will not raise further deposits and rollover existing deposits without prior approval of SECP. During this period of one year, the company could not meet the minimum equity requirement and applied to SECP for further extension of forbearance period up to 30 June 2012. In response of this request SECP has demanded comprehensive equity injection plan and financial projections of the company for next three years. Correspondence with SECP in this regard is in process. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

The management of the company has followed the restructuring plan approved by the directors. Lahore and Karachi office premises have been disposed off and the funds generated by the disposal have been used for the repayment of costly loans of the company.

CREDIT RATING

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

FUTURE OUTLOOK

Higher interest rate, power crises, liquidity crunch, unemployment, depressed atmosphere, recent flood and law and order situations are the major factors affecting the industrial / economic growth. Theoretically, present economic conditions depict a good atmosphere for leasing business but practically the risk of default is much higher. Grays Leasing has also faced severe pressure 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.

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 while equity compliance is also aimed at. Due to these reasons we could not declare dividend this year as well.

CODE OF CORPORATE GOVERNANCE

A statement of compliance with the 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 operations, cash flow and changes in equity.
- Proper book 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 (b) to the financial statements; and accounting estimates are based on reasonable and prudent judgment.
- 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 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 30 June 2011 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, Six meetings of the board were held. Attendance of each director is as under:

Name of director	Attended	Leave granted
Mr. Khawar Anwar Khawaja	6	-
Mr. Naveed Amin	5	1
Mr. Muhammad Tahir Butt	6	-
Mr. Khurram Anwar Khawaja	6	-
Mr. Neil Douglas James Gray	-	6
Mr. Abdul Rashid Mir	1	5
Mr. Khawaja Zaka-u-Din	1	5

APPOINTMENT OF CHIEF EXECUTIVE

The Directors appreciated the contributions to establish the company and services rendered by the out going Chief Executive, Mr. Naveed Amin, who resigned from the office of the Chief Executive / Director of the Company due to his personal reasons.

The Board of directors appointed Mr. Tahir Butt as Chief Executive of the company in place of Mr. Naveed Amin and Mr. Omer Khawar Khawaja as director. The information in this regard has been circularized to all the shareholders of the company, in accordance with the provision of the Law.

ACKNOWLEDGMENT

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

ON BEHALF OF THE BOARD

Muhammad Tahir Butt
Chief Executive

Sialkot: 29th September 2011

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

(Rupees in Thousand)

	2006	2007	2008	2009	2010	2011
PROFIT AND LOSS						
Revenue	144,387	162,670	147,971	106,315	66,420	30,610
Financial charges	94,099	102,614	110,223	93,533	56,136	28,125
Provision for doubtful receivables	(833)	4,710	13,749	51,173	100,749	15,493
Profit / (Loss) before tax	24,728	23,530	(14,557)	(74,578)	(118,232)	(42,506)
Profit / (Loss) after tax	14,007	15,458	(15,268)	(56,520)	(101,478)	(44,170)
Dividend	-	-	-	-	-	-
Bonus shares	-	-	-	-	-	-
BALANCE SHEET						
Paid up share capital	200,000	200,000	200,000	215,000	215,000	215,000
Shareholders' equity	253,005	268,470	242,633	202,111	101,581	75,433
Borrowings	884,614	913,707	748,211	413,274	231,289	74,550
Net investment in finance lease	1,485,167	1,652,799	1,458,656	1,048,163	771,605	547,058
Total assets	1,555,669	1,735,561	1,555,889	1,073,197	674,222	388,087
PERFORMANCE INDICATORS						
Profit / (Loss) before tax/Gross revenue	17%	14%	-10%	-70%	-178%	-139%
Profit / (Loss) after tax/Gross revenue	10%	10%	-10%	-53%	-153%	-144%
Pre tax return on shareholders' equity	10%	9%	-6%	-37%	-116%	-56%
After tax return on shareholders' equity	6%	6%	-6%	-28%	-100%	-59%
Income / expense ratio	1.21	1.17	0.91	0.59	0.40	0.42
Total borrowings to equity ratio	78:22	65:35	76:24	67:32	69:31	55:46
Interest coverage ratio	1.26	1.23	0.87	0.20	(1.36)	(0.71)
Earning per share	0.70	0.77	(0.85)	(2.82)	(4.72)	(2.05)
Break up value per share	12.65	13.42	12.13	10.28	5.56	3.51
Lease disbursement	602,000	621,000	329,365	9,422	6.241	-
Number of contracts	162	188	119	7	6	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2011

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 six non-executive directors.

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.

8. 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 directors of the Company have given a declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges. The Company arranges orientation courses for its directors.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.

11. 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.

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

13. 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.

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

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

16. 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.

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

18. 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.

19. 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.

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

Muhammad Tahir Butt
Chief Executive

Lahore: 29 September, 2011

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 2011, 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 2011.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 29 September, 2011

LAHORE

Riaz Ahmad & Company is member of Nexia International,
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RIAZ AHMAD & COMPANY
Chartered Accountants

NEXIA INTERNATIONAL

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GRAYS LEASING LIMITED as at 30 June 2011 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, 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 change as stated in Note 2.1 (b) with which we concur;

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 2011 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).

We draw attention to Note No. 1.2 to the financial statements, which states that these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively in addition to historical cost convention as the company is no longer a going concern for the reason stated in the aforesaid note. Our report is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 29 September, 2011

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BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011 Book Value Rupees	2011 Estimated realisable / settlement value Rupees	2010 Book Value Rupees
ASSETS				
Cash and bank balances	3	11,190,481	11,190,481	14,029,670
Advances and prepayments	4	800,928	800,928	1,749,426
Other receivables	5	2,100,581	2,100,581	1,936,089
Investment	6	-	-	10,176,986
Net investment in lease finance	7	358,172,407	431,551,546	580,148,109
Security deposits		347,000	347,000	505,732
Deferred income tax	8	-	-	-
Property, plant and equipment	9	15,475,219	16,493,412	65,676,164
TOTAL ASSETS		388,086,616	462,483,948	674,222,176
LIABILITIES				
Accrued and other liabilities	10	2,819,632	2,819,632	3,574,987
Accrued mark up	11	3,420,391	3,420,391	6,918,271
Certificates of investment	12	-	-	40,000,000
Borrowing	13	62,377,860	62,377,860	82,929,886
Loan from associated undertaking	14	6,087,423	6,087,423	-
Financing	15	11,907,379	11,907,379	106,408,346
Liabilities against assets subject to finance lease	16	172,518	172,518	746,605
Deposits on lease contracts	17	219,469,257	219,469,257	300,694,682
Employee benefit	18	2,570,925	860,025	4,527,723
Provision for taxation		3,828,263	3,828,263	8,818,536
TOTAL LIABILITIES		312,653,648	310,942,748	554,619,036
NET ASSETS		75,432,968	151,541,200	119,603,140
REPRESENTED BY:				
Authorized share capital				
35,000,000 (2010: 35,000,000) ordinary shares of Rupees 10 each		350,000,000	350,000,000	350,000,000
Issued, subscribed and paid up share capital				
21,500,000 (2010: 21,500,000) ordinary shares of Rupees 10 each	19	215,000,000	215,000,000	215,000,000
Statutory reserve	20	58,625,295	58,625,295	58,625,295
Accumulated loss		(198,192,327)	(198,192,327)	(172,043,814)
Shareholders' equity		75,432,968	75,432,968	101,581,481
Surplus on revaluation of buildings	21	-	-	18,021,659
Net surplus on estimated realisable / settlement values		-	76,108,232	-
Contingencies and commitments	22			
		75,432,968	151,541,200	119,603,140

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

MUHAMMAD TAHIR BUTT	**KHAWAR ANWAR KHAWAJA**
CHIEF EXECUTIVE	DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
REVENUE			
Income from lease operations	23	25,729,139	63,118,798
Other income	24	4,880,529	3,300,982
		30,609,668	66,419,780
EXPENDITURE			
Administrative and other operating expenses	25	(20,627,605)	(27,767,086)
Financial and other charges	26	(28,124,656)	(56,135,668)
Allowance for potential lease losses	7.2	(15,493,283)	(100,748,565)
Lease contract receivables written off		(8,869,947)	-
		(73,115,491)	(184,651,319)
LOSS BEFORE TAXATION		(42,505,823)	(118,231,539)
Taxation	27	(1,664,349)	16,753,203
LOSS AFTER TAXATION		(44,170,172)	(101,478,336)
Loss per share - basic and diluted	28	(2.05)	(4.72)

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

MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE

KHAWAR ANWAR KHAWAJA
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
Loss after taxation	(44,170,172)	(101,478,336)
Other comprehensive Income	-	-
Total comprehensive loss for the year	(44,170,172)	(101,478,336)

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

MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE

KHAWAR ANWAR KHAWAJA
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

		2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(42,505,823)	(118,231,539)
Adjustments for non-cash charges and other items:			
Depreciation		2,933,571	6,068,950
Impairment of assets		118,858	-
Loss on disposal of investment		1,668,970	-
Provision for gratuity		384,314	762,895
Financial charges		24,539,290	50,401,771
Allowance for potential lease losses		15,493,283	100,748,565
(Gain) / Loss on sale of property, plant and equipment		(1,772,638)	5,733,897
Lease contract receivable written off		8,869,947	-
Credit balances written back		(883,890)	-
Debit balances written off		1,461,299	-
Profit on bank deposits and investment		(348,464)	(1,078,196)
		52,464,540	162,637,882
Operating profit before working capital changes		9,958,717	44,406,343
Decrease (increase) in advances and prepayments		(512,801)	649,993
Decrease in other receivables		1,570	311,395
Decrease (increase) in accrued and other liabilities		128,535	(3,050,311)
Cash generated from operations		9,576,021	42,317,420
Financial charges paid		(28,037,170)	(58,925,829)
Income tax paid		(6,820,684)	(7,944,589)
Gratuity paid		(2,341,112)	(81,000)
Net cash used in operating activities		(27,622,945)	(24,633,998)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in finance leases		197,612,473	271,894,907
Property, plant and equipment acquired		(24,000)	(9,900)
Proceeds from sale of property, plant and equipment		15,032,577	11,904,119
Proceeds from sale of Pakistan Investment Bond		8,699,249	-
Security deposits		158,732	477,750
Profit on bank deposits, investment and loans to employees		157,231	1,078,196
Net cash from investing activities		221,636,262	285,345,072
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing repaid		(94,500,967)	(186,242,805)
Certificates of investment repaid		-	(2,000,000)
Deposits on lease contracts		(81,225,425)	(81,817,090)
Lease rentals paid		(574,088)	(2,137,407)
Net cash used in financing activities		(176,300,480)	(272,197,302)
Net increase / (decrease) in cash and cash equivalents		17,712,837	(11,486,228)
Cash and cash equivalents at the beginning of the year (Note 29)		(68,900,216)	(57,413,988)
Cash and cash equivalents at the end of the year (Note 29)		(51,187,379)	(68,900,216)

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

MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE

KHAWAR ANWAR KHAWAJA
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL RESERVE	REVENUE RESERVE	TOTAL	
		STATUTORY RESERVE	ACCUMULATED LOSS		
	Rupees				
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 buildings on account of 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
Transfer from surplus on revaluation of buildings on account of:					
- Incremental depreciation - net of deferred taxation	-	-	681,044	681,044	681,044
- Disposal of buildings - net of deferred taxation			17,340,615	17,340,615	17,340,615
Total comprehensive loss for the year ended 30 June 2011	-	-	(44,170,172)	(44,170,172)	(44,170,172)
Balance as at 30 June 2011	215,000,000	58,625,295	(198,192,327)	(139,567,032)	75,432,968

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

MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE

KHAWAR ANWAR KHAWAJA
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

Going concern assumption

1.2 During the year ended 30 June 2011, the company has incurred a net loss of Rupees 44.170 million. The company has accumulated losses and shareholders' equity of Rupees 198.192 million and Rupees 75.433 million respectively as on 30 June 2011. Currently, the company is not in compliance with the minimum equity requirement of Rupees 350 million to carry on leasing business. The license of the company to carry out leasing business expired on 14 May 2010 and the company applied for renewal of leasing license to Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. SECP accorded special forbearance to the company for a period of one year (from 9 July 2010 to 8 July 2011) to meet the minimum equity requirement subject to the conditions that the company will not raise further deposits and rollover existing deposits without prior approval of SECP. During this period of one year, the company could not meet the minimum equity and applied to SECP for further extension of forbearance period up to 30 June 2012. In response of this request SECP has demanded comprehensive equity injection plan and financial projections of the company for next three years. Correspondence with SECP in this regard is in process. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

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, except for the change as mentioned in the Note 2.1(b) to these financial statements.

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

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

In addition to the accounting convention of realisable / settlement values of assets and liabilities, these financial statements have also been prepared under the historical cost convention except for buildings which were carried at revalued amounts, recognition of employee retirement benefit at present value and certain financial instruments carried at fair value. Accounting policies of this accounting convention are disclosed in detail in Note 2.2 to Note 2.21 in these financial statements.

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
b) Provision for taxation
c) Residual values of property, plant and equipment
d) Revaluation of buildings
e) Realisable / settlement values of assets and liabilities respectively

d) Amendments to published approved standards that are effective in current year and are relevant to the company

The following amendments to published approved standards are mandatory for the company's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the company as it is only concerned with presentation and disclosures.

e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the company

There are other new interpretations and amendments to the published approved standards 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.

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

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 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the company's accounting for its financial assets. The management of the company is in the process of evaluating the impacts of the aforesaid standard on the company's financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the company is in the process of evaluating the impacts of the aforesaid standard on the company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The management of the company is in the process of evaluating the impacts of the aforesaid standard on the company's financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' 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 standards that are not yet effective and not considered relevant to the company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 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. The 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. 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 9. 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.

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

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the company's non-financial 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:

a) 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 9. 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:

b) Operating lease

Assets leased out under operating leases are included in property, plant and equipment as referred to in Note 9. 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

a) 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 2011.

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

Discount rate 14 percent per annum.

Expected rate of increase in salary level 13 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 233,344 for gratuity in the next financial year.

b) 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

a) 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.

b) 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, financing, borrowing, 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 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.

2.20 Share capital

Ordinary shares are classified as equity.

2.21 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.

		2011 Rupees	2010 Rupees
3.	**CASH AND BANK BALANCES**		
	Cash in hand	18,748	24,869
	Cash with banks:		
	Balance with State Bank of Pakistan	20,463	29,698
	Current accounts	1,139,344	640,574
	Saving accounts (Note 3.1)	10,011,926	13,334,529
		11,190,481	14,029,670

3.1 Cash with banks in saving accounts carry mark-up ranging from 5 % to 6 % (2010: 5% to 6%) per annum.

		2011 Rupees	2010 Rupees
4.	**ADVANCES AND PREPAYMENTS**		
	Advances - considered good:		
	Advances against expenses	95,478	235,092
	Advances to employees	-	181,500
	Others	4,026	468,313
		99,504	884,905
	Prepayments	701,424	864,521
		800,928	1,749,426
5.	**OTHER RECEIVABLES**		
	Considered good:		
	Advance income tax	2,100,581	1,934,519
	Insurance and other claims	-	1,570
		2,100,581	1,936,089

6. INVESTMENT

Held to maturity

This represented investment in Pakistan Investment Bond 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. This bond carried profit at the rate of 8% per annum. As the company has fully repaid its certificates of investment, therefore, this bond has been disposed of during the year.

		2011 Rupees	2010 Rupees
7.	**NET INVESTMENT IN LEASE FINANCE**		
	Lease rentals receivable	410,958,643	582,126,119
	Add: Guaranteed residual value of leased assets	219,469,257	300,694,682
	Gross investment in lease finance (Note 7.1)	630,427,900	882,820,801
	Less: Unearned finance income	(83,369,677)	(111,215,803)
	Net investment in lease finance (Note 7.1)	547,058,223	771,604,998
	Less: Allowance for potential lease losses (Note 7.2)	(188,885,816)	(191,456,889)
	Net investment in lease finance (Note 7.1.3)	358,172,407	580,148,109

7.1

	GROSS INVESTMENT		NET INVESTMENT IN LEASE FINANCE	
	2011	2010	2011	2010
	Rupees	Rupees	Rupees	Rupees
Not later than one year	583,476,062	798,614,820	534,122,414	702,711,642
Later than one year but not later than five years	46,951,838	84,205,981	12,935,809	68,893,356
	630,427,900	882,820,801	547,058,223	771,604,998

7.1.1 There are no lease contract receivables over five years. The company's implicit rate of return on leases ranges from 5.50 % to 30.00% per annum (2010: 5.50 % to 32.18% % per annum). The agreements are usually for a period of 3 to 6 years (2010: 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 lessees.

7.1.2 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.

7.1.3 This represents net investment in finance lease after provisioning of potential lease losses calculated in accordance with Regulation 25 of Non-Banking Finance Companies and Notified Entities Regulations, 2008. However, the management believes that the estimated realisable value of net investment in finance lease as on 30 June 2011 is Rupees 431,551,546.

	2011	2010
	Rupees	Rupees
7.2 ALLOWANCE FOR POTENTIAL LEASE LOSSES		
Balance as at 01 July	191,456,889	95,371,620
Add: Provision charged during the year-net of reversal	15,493,283	100,748,565
Less: Net investment in lease finance written off against provision	18,064,356	4,663,296
Balance as at 30 June	188,885,816	191,456,889

8. DEFERRED INCOME TAX

Deferred income tax assets / (liabilities) arising due to:

	2011	2010
Accelerated tax depreciation	(88,744,034)	(91,862,761)
Surplus on revaluation of buildings	-	(9,703,977)
Tax losses	117,247,629	99,283,674
Minimum tax available for carry forward	5,396,928	7,849,496
Liabilities against assets subject to finance lease	(136,901)	(378,674)
Provision for gratuity	899,824	1,584,703
	34,663,446	6,772,461
Less: Deferred income tax asset not recognised	(34,663,446)	(6,772,461)
	-	-

8.1 The net deferred income tax asset of Rupees 34.663 million (2010: 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 may not be available against which the temporary differences can be utilised.

9 PROPERTY, PLANT AND EQUIPMENT

	OWNED											LEASED	TOTAL
	OWN USE							OPERATING LEASE				OWN USE	
	FREEHOLD LAND	BUILDINGS	FURNITURE AND FIXTURES	VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	SUB TOTAL	MACHINERY	VEHICLES	SUB TOTAL	TOTAL	VEHICLES	
	---Rupees---												
As at 01 July 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
As 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
Year ended 30 June 2011													
Opening 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
Additions	-	-	-	-	-	24,000	24,000	-	-	-	24,000	-	24,000
Transfer from leased assets:													
Cost	-	-	-	2,574,856	-	-	2,574,856	-	-	-	2,574,856	(2,574,856)	-
Accumulated depreciation	-	-	-	(1,469,519)	-	-	(1,469,519)	-	-	-	(1,469,519)	1,469,519	-
	-	-	-	1,105,337	-	-	1,105,337	-	-	-	1,105,337	(1,105,337)	-
Disposals:													
Cost	-	(54,000,000)	(252,327)	(3,058,293)	(1,618,596)	(125,900)	(59,055,116)	-	(632,800)	(632,800)	(59,687,916)	-	(59,687,916)
Accumulated depreciation	-	9,542,026	143,055	1,606,883	845,896	111,612	12,249,472	-	265,928	265,928	12,515,400	-	12,515,400
	-	(44,457,974)	(109,272)	(1,451,410)	(772,700)	(14,288)	(46,805,644)	-	(366,872)	(366,872)	(47,172,516)	-	(47,172,516)
Impairment loss	-	-	(45,701)	-	(39,203)	(33,954)	(118,858)	-	-	-	(118,858)	-	(118,858)
Depreciation charge	-	(1,823,014)	(55,416)	(458,099)	(103,993)	(137,635)	(2,578,157)	-	(195,884)	(195,884)	(2,774,041)	(159,530)	(2,933,571)
Closing net book value	11,706,695	-	412,178	1,428,632	352,823	304,705	14,205,033	-	706,522	706,522	14,911,555	563,664	15,475,219
As at 30 June 2011													
Cost / revalued amounts	11,706,695	-	1,070,909	4,485,704	851,690	2,617,886	20,732,884	-	1,426,950	1,426,950	22,159,834	1,068,700	23,228,534
Accumulated depreciation	-	-	(658,731)	(3,057,072)	(498,867)	(2,313,181)	(6,527,851)	-	(720,428)	(720,428)	(7,248,279)	(505,036)	(7,753,315)
Net book value	11,706,695	-	412,178	1,428,632	352,823	304,705	14,205,033	-	706,522	706,522	14,911,555	563,664	15,475,219
Annual rate of depreciation (%)	-	5	10	20	10	30		15	20			20	

9.1 Estimated realisable value of property, plant and equipment as on 30 June 2011 is Rupees 16,493,412.

9.2 Disposal of property, plant and equipment

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

DESCRIPTION	QTY	COST / REVALUED AMOUNT	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALES PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
		Rupees	Rupees	Rupees	Rupees		
Building							
Building - Lahore	1	40,500,000	(7,412,161)	33,087,839	33,411,204	Negotiation	Anwar Khawaja Industries (Private) Limited - associated company
Building - Karachi	1	13,500,000	(2,129,865)	11,370,135	12,074,103	Negotiation	Trust Investment Bank Limited
Furniture and Fixtures							
Furniture	26	170,327	(114,396)	55,931	35,000	Negotiation	Mr. Muhammad Sabir
Chairs	14	82,000	(28,659)	53,341	33,500	Negotiation	Farooq Estate
Vehicles							
Yamaha Motorcycle KAX 3114	1	60,800	(49,957)	10,843	11,500	Negotiation	Mr. Sana U-Allah
Honda CD 70 LWK 6787	1	54,000	(35,542)	18,458	20,440	Negotiation	Mr. Muhammad Latif
Honda CD 70 KBX 663	1	66,500	(36,272)	30,228	28,000	Negotiation	Mr. Imtiaz Ali
Suzuki Mehran LEB 4507	1	457,900	(356,781)	101,119	340,000	Negotiation	Mr. Salman Ghazi
Honda Oriel LEA 191	1	1,595,153	(669,154)	925,999	1,244,730	Negotiation	Mr. Abdul Rashid Mir
Suzuki Mehran LEA 386	1	422,180	(228,284)	193,896	447,000	Negotiation	Mr. Wasim Riaz Sheikh
Suzuki Mehran LWD 7400	1	401,760	(230,894)	170,866	215,149	Negotiation	Mr. Tehseen Mohsin
Suzuki Cultus STA 1623	1	632,800	(265,928)	366,872	324,000	Negotiation	Mr. Bilal Mir
Computer Equipment							
Laptop	1	100,000	(92,242)	7,758	15,958	Negotiation	Mr. Abdul Rashid Mir
Computer	1	25,900	(19,369)	6,531	4,500	Negotiation	United Traders
Office Equipment							
Office Equipment	10	67,650	(21,634)	46,016	34,800	Negotiation	United Traders
Air Conditioner	8	965,000	(473,726)	491,274	501,373	Negotiation	Anwar Khawaja Industries (Private) Limited - associated company
Air Conditioner	6	402,100	(251,698)	150,402	150,402	Negotiation	Trust Investment Bank Limited
Air Conditioner	1	31,400	(14,795)	16,605	18,000	Negotiation	Crystal Board Mills (Private) Limited
Generator	1	113,446	(60,538)	52,908	20,000	Negotiation	Mr. Abdul Rashid Mir
Electric Fan	1	3,500	(1,284)	2,216	2,216	Negotiation	Trust Investment Bank Limited
Telephone Exchange	1	35,500	(22,221)	13,279	13,279	Negotiation	Trust Investment Bank Limited
		59,687,916	(12,515,400)	47,172,516	48,945,154		

	2011 Rupees	2010 Rupees
10. ACCRUED AND OTHER LIABILITIES		
Advance receipt against leases	-	409,534
Accrued liabilities	887,857	1,542,316
Income tax deducted at source	92,975	18,772
Un-claimed dividend	777,785	777,785
Insurance premium and claims payable	1,061,015	826,580
	2,819,632	3,574,987
11 ACCRUED MARK UP		
Mark up payable on:		
Certificates of investment	-	1,375,760
Borrowing	2,467,407	3,100,421
Loan from associated undertaking	789,239	-
Financing	163,745	2,442,090
	3,420,391	6,918,271

12. CERTIFICATES OF INVESTMENT

This represents certificates of investment issued to Anwar Khawaja Industries (Private) Limited - associated company. These certificates carried profit at the rate of 3 months KIBOR plus 1.5% (2010: 3 month KIBOR plus 1.5%) per annum. These certificates matured during the year.

13. BORROWING

From banking company secured

This represents running finance facility obtained from The Bank of Punjab. This facility is secured against first pari passu charge of Rupees 268 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% (2010: three months KIBOR plus 3% per annum with a floor of 10%). As on the balance sheet date, the total borrowing limit available to the company is Rupees 85 million. However, this limit will be reduced by Rupees 10 million on each subsequent quarter end.

14. LOAN FROM ASSOCIATED UNDERTAKING

This represents unsecured loan obtained from Anwar Khawaja Industries (Private) Limited - associated company. This facility carries mark up at the rate of 3 months KIBOR plus 1.50 % per annum. This loan will be repaid up to 02 October 2011, however, the time of repayment is extendable on mutual agreement.

	2011 Rupees	2010 Rupees
15. FINANCING		
From financial institutions - secured		
Askari Bank Limited (Note 15.1)	-	2,950,000
The Bank of Punjab (Note 15.2)	-	10,000,000
National Bank of Pakistan (Note 15.3)	-	16,662,416
	-	29,612,416
Term finance certificates - secured (Note 15.4)	12,000,000	78,000,000
Less: Unamortised transaction costs	(92,621)	(1,204,070)
	11,907,379	76,795,930
	11,907,379	106,408,346

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

15.2 This demand finance facility of Rupees 100 million was obtained for financing of leasing operations. This was secured against first pari passu charge on leased assets and related receivables for Rupees 268 million. Mark up was 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 (2010: three months KIBOR plus 2.9% per annum with a floor of 10% per annum). The balance of Rupees 10 million was paid in 2 equal quarterly installments during the year.

15.3 This term finance facility of Rupees 100 million was 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. The mark up was payable on quarterly basis at the rate of three months KIBOR plus 2.25% per annum (2010: three months KIBOR plus 2.25% per annum). The balance of Rupees 16.662 million was paid in August 2010.

15.4 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 (2010: six months KIBOR plus 2.5% per annum with no floor and no cap). These are redeemable in 36 equal monthly installments.

	2011 Rupees	2010 Rupees
16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	172,518	746,605

16.1 The minimum lease payments have been discounted at an implicit interest rate that ranges from 14.87% to 15.03% per annum (2010: 14.91% to 16.74% 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:

	2011			2010		
	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	182,539	10,021	172,518	671,352	97,265	574,087
Later than 1 year but not later than 5 years	-	-	-	182,539	10,021	172,518
	182,539	10,021	172,518	853,891	107,286	746,605

17. DEPOSITS ON LEASE CONTRACTS

These represent the interest free security deposits received from lessees, at the rates ranging from 0% to 70% (2010: 0% to 70%) of lease amount, against lease contracts and are refundable / adjustable at the expiry / termination of respective leases.

18. EMPLOYEE BENEFIT

	2011 Rupees	2010 Rupees
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation (Note 18.1)	758,241	1,283,278
Un-recognized actuarial gains	1,140,535	1,171,608
Benefit due but not paid	672,149	2,072,837
Liability as at 30 June (Note 18.4)	2,570,925	4,527,723
Net Liability as at 01 July	4,527,723	3,845,828
Charge to profit and loss account (Note 18.2)	384,314	762,895
Payments	(2,341,112)	(81,000)
Liability as at 30 June	2,570,925	4,527,723

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

	2011 Rupees	2010 Rupees
Present value of defined benefit obligations	1,283,278	3,199,198
Current service cost	360,731	391,450
Interest cost	153,993	383,904
Benefit paid	(940,424)	(81,000)
Benefit due but not paid during the year	-	(1,833,337)
Actuarial gain	(99,337)	(776,937)
	758,241	1,283,278

18.2 Charge to profit and loss account:

	2011 Rupees	2010 Rupees
Current service cost	360,731	391,450
Interest cost	153,993	383,904
Actuarial gain	(130,410)	(12,459)
	384,314	762,895

		2011	2010	2009	2008	2007
18.3	Present value of defined benefit obligation (Rupees)	758,241	1,283,278	3,199,198	3,705,540	3,042,989
	Experience adjustment on obligation	(7.74%)	(24.29)%	(14.31) %	(2.43) %	(14.63) %

18.4 This represents liability of employees benefit (gratuity) based on actuarial valuation. The estimated settlement value of employees benefit based on the assumption that the benefit is payable to all the employees at the end of the accounting year is Rupees 860,025.

19 **ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

2011	2010		2011	2010
Number of shares			Rupees	Rupees
19,500,000	19,500,000	Ordinary shares of Rupees 10 each fully paid up in cash	195,000,000	195,000,000
2,000,000	2,000,000	Ordinary shares of Rupees 10 each issued as bonus shares	20,000,000	20,000,000
21,500,000	21,500,000		215,000,000	215,000,000

	2011	2010
	(Number of shares)	
19.1 Ordinary shares of the company held by associated companies:		
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) Limited	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.

	2011	2010
	Rupees	Rupees
Opening balance as at 01 July	18,021,659	18,970,179
Transfer from surplus on revaluation of building on account of:		
- Incremental depreciation - net of deferred taxation	(681,044)	(948,520)
- Disposal of buildings - net of deferred taxation	(17,340,615)	-
Closing balance as at 30 June	-	18,021,659

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

22. **Contingencies and commitments**

22.1 **Contingencies**

Nil (2010: Nil)

22.2 **Commitments**

Nil (2010: Nil)

23. **INCOME FROM LEASE OPERATIONS**

	2011	2010
Finance lease income	18,842,402	50,633,764
Operating lease income	988,383	5,425,168
Documentation charges	1,000	69,200
Additional lease rentals	5,897,354	6,990,666
	25,729,139	63,118,798

24. **OTHER INCOME**

	2011	2010
Income from financial assets		
Processing fee and other charges	1,875,537	2,212,157
Profit on bank deposits	157,231	278,196
Profit on Pakistan Investment Bond	191,233	800,000
Mark-up on loan to employees	-	10,629
	2,224,001	3,300,982
Income from non-financial assets		
Gain on sale of property, plant and equipment	1,772,638	-
Other		
Credit balances written back	883,890	-
	4,880,529	3,300,982

25. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Salaries, allowances and other benefits (Note 25.1)	8,774,833	11,617,618
Repair and maintenance	695,408	811,657
Rent, rates and taxes	438,335	675,930
Postage and telephone	464,884	550,248
Vehicles' running	1,571,963	1,382,273
Utilities	307,588	468,430
Legal and professional	2,236,858	2,463,025
Insurance	232,047	271,651
Fees and subscription	1,065,906	1,409,521
Travelling and conveyance	484,834	633,203
Printing and stationery	311,957	282,791
Auditors' remuneration (Note 25.2)	569,200	535,400
Entertainment	296,442	325,041
Advertisement	90,965	62,140
Newspapers and periodicals	14,159	26,622
Miscellaneous	138,655	182,586
Depreciation on property, plant and equipment (Note 9)	2,933,571	6,068,950
	20,627,605	27,767,086

25.1 These include Rupees 0.384 million (2010: Rupees 0.763 million) charged in respect of gratuity as referred to in Note 18 and Rupees 0.513 million (2010: Rupees 0.734 million) charged in respect of compensated absences.

25.2 Auditors' remuneration

Audit fee	330,000	300,000
Half yearly review and other sundry certifications	163,500	163,300
Out-of-pocket expenses	75,700	72,100
	569,200	535,400

26. FINANCIAL AND OTHER CHARGES

	2011 Rupees	2010 Rupees
Financial charges		
Mark up on:		
Borrowing	11,044,093	29,761,869
Loan from associated undertaking	3,052,844	-
Financing	8,772,628	13,939,205
Certificates of investment	1,564,921	5,801,055
Lease liabilities	104,804	259,520
	24,539,290	49,761,649
Other charges		
Debit balances written off	1,461,299	252,499
Loss on sale of property, plant and equipment	-	5,733,897
Commission and other bank charges	336,239	387,623
Loss on disposal of long term investment	1,668,970	-
Impairment of assets	118,858	-
	3,585,366	6,374,019
	28,124,656	56,135,668

27. TAXATION

For the year:		
Current (Note 27.1)	(1,664,349)	(1,429,641)
Deferred	-	18,182,844
	(1,664,349)	16,753,203

27.1 The company has carry forwardable tax losses of Rupees 334.993 million (2010: Rupees 283.668). 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

		2011	2010
Loss after taxation	Rupees	(44,170,172)	(101,478,336)
Weighted average number of ordinary shares	Number	21,500,000	21,500,000
Loss per share - basic	Rupees	(2.05)	(4.72)

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

29. CASH AND CASH EQUIVALENTS

Cash and bank balances (Note 3)	11,190,481	14,029,670
Borrowing (Note 13)	(62,377,860)	(82,929,886)
	(51,187,379)	(68,900,216)

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:

	2011 Rupees	2010 Rupees
Associated company		
Financial charges paid	5,204,285	7,785,880
Certificates of investment matured	-	40,000,000
Certificates of investment issued	-	40,000,000
Loan obtained	40,000,000	-
Assets disposed of	33,579,113	-

31. REMUNERATION OF 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:

	2011		2010	
	CHIEF EXECUTIVE	EXECUTIVE	CHIEF EXECUTIVE	EXECUTIVE
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration (Note 31.1)	1,818,312	1,130,825	1,758,868	1,679,174
Bonus / Exgratia	-	-	50,000	-
House rent	504,000	417,637	458,667	605,600
Utilities	126,000	104,410	122,647	151,400
Medical	78,750	65,163	125,000	94,375
Leave encashment	157,500	130,098	150,000	196,125
	2,684,562	1,848,133	2,665,182	2,726,674
Post employment benefits				
Gratuity	-	525,583	-	87,667
	2,684,562	2,373,716	2,665,182	2,814,341
Number of persons	1	4	1	4

31.1 Included in the managerial remuneration of the chief executive are Rupees 453,312 (2010: Rupees 458,868) being tax borne by the company on his

31.2 The chief executive and certain executives of the company are provided with company maintained vehicles. Free group life insurance is 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 of 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, liabilities against assets subject to finance lease, financing and borrowing.

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.

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, liabilities against assets subject to finance lease, financing and borrowing.

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:

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial assets:		
Investment	-	10,176,986
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	10,011,926	13,334,529
Net investment in finance lease - net off potential lease losses	358,172,407	580,148,109
Financial liabilities		
Certificates of investment	-	40,000,000
Borrowing	62,377,860	82,929,886
Loan from associated undertaking	6,087,423	-
Financing	12,000,000	107,612,416
Liabilities against assets subject to finance lease	172,518	746,605

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 2.875 million (2010: Rupees 3.622 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 and commodity price risks.

(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	11,171,733	14,004,801
Advances	4,026	649,813
Other receivables	-	1,570
Net investment in finance lease	358,172,407	580,148,109
Investment	-	10,176,986
Security deposits	241,000	268,702
	369,589,166	605,249,981

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	2011		2010	
	Personal	Corporate	Personal	Corporate
	Rupees	Rupees	Rupees	Rupees
Net Investment in finance lease				
Neither past due nor impaired	4,374,705	66,700,115	12,218,057	100,751,662
Past due up to 89 days but not impaired	7,214,618	33,380,230	12,678,734	124,206,892
Impaired				
Past due 90-179 days	1,026,284	2,575,377	1,248,275	19,886,006
Past due 180-364 days	5,565,342	23,120,007	9,042,535	50,191,222
Past due 365-729 days	2,415,515	52,080,565	2,104,924	122,586,380
Past due 730-1094 days	910,182	48,254,512	8,715,157	130,169,091
Past due more than1094 days	8,710,028	290,730,743	2,330,547	175,475,516
	18,627,351	416,761,204	23,441,438	498,308,215
Total	30,216,674	516,841,549	48,338,229	723,266,769
Less: Provision for potential lease losses	6,932,184	181,953,632	6,138,986	185,317,903
Net Investment in finance lease - net off potential lease losses	23,284,490	334,887,917	42,199,243	537,948,866

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			2011	2010
	Short Term	Long term	Agency	(RUPEES)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	16,564	16,564
Allied Bank Limited	A1+	AA	PACRA	-	8,402
Askari Bank Limited	A1+	AA	PACRA	10,389,736	12,964,326
MCB Bank Limited	A1+	AA+	PACRA	-	8,829
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	56,373	59,027
First Women Bank Limited	A2	BBB+	PACRA	7,811	7,751
Bank Al-Habib Limited	A1+	AA+	PACRA	210,888	65,846
The Bank of Punjab	A1+	AA-	PACRA	2,314	7,265
Barclays Bank PLC, Pakistan	P-1	Aa3	Moody’s	467,584	837,093
				11,151,270	13,975,103

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	2011		2010	
	Rupees	%	Rupees	%
Industrial sectors				
Chemical, fertilizer and pharmaceuticals	31,625,864	5.78	40,827,416	5.30
Cement	19,702,197	3.60	53,813,760	6.97
Construction	9,467,303	1.73	13,344,872	1.73
Energy, oil and gas	53,680,197	9.81	65,697,667	8.51
Food, tobacco and beverage	17,874,544	3.27	24,240,838	3.14
Leather, footwear and tanneries	1,948,738	0.36	4,633,324	0.60
Paper and board	8,593,228	1.57	12,902,177	1.67
Rubber and plastic	1,635,520	0.30	5,329,712	0.70
Services	14,047,116	2.57	48,174,989	6.24
Steel, engineering and automobiles	12,320,422	2.25	24,885,401	3.23
Sugar and allied	25,029,734	4.58	27,493,655	3.56
Surgical	899,466	0.16	2,100,731	0.27
Textile and allied	163,023,732	29.80	176,292,635	22.85
Trading	14,929,503	2.73	25,649,065	3.32
Transport and communication	81,592,161	14.91	103,345,471	13.39
Individuals and others	90,688,498	16.58	142,873,285	18.52
	547,058,223	100.00	771,604,998	100.00
Segment by public/private sector				
Public / Government	-	-	-	-
Private	547,058,223	100.00	771,604,998	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

	2011 Rupees	2010 Rupees
Personal	30,216,674	48,338,229
Corporate	516,841,549	723,266,769
	547,058,223	771,604,998

(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 2011, the company has available borrowing limit as explained in Note 13 to these financial statements and Rupees 11.190 (2010: 14.029) 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 2011

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	RUPEES					
Accrued and other liabilities	2,726,657	2,726,657	2,726,657	-	-	-
Accrued mark up	3,420,391	3,420,391	3,420,391	-	-	-
Borrowing	62,377,860	63,256,291	63,256,291	-	-	-
Loan from associated undertaking	6,087,423	6,323,404	6,323,404	-	-	-
Financing	11,907,379	11,991,938	-	-	-	-
Liabilities against assets subject to finance lease	172,518	182,539	182,539	-	-	-
	86,692,228	87,901,220	75,909,282	-	-	-

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
	RUPEES					
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	-	-	-
Borrowing	82,929,886	84,006,816	84,006,816	-	-	-
Financing	106,408,346	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	-
	240,149,789	250,662,588	206,914,522	37,565,527	6,182,539	-

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 book 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 amounts 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 interest rate that is available to the company for similar financial instruments.

32.3 Financial instruments by categories

	Loans and receivables
	Rupees
As at 30 June 2011	
Assets as per balance sheet	
Cash and bank balances	11,190,481
Advances	4,026
Net investment in lease finance	358,172,407
Security deposits	241,000
	369,607,914

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Accrued and other liabilities	2,726,657
Accrued mark-up	3,420,391
Borrowing	62,377,860
Loan from associated undertaking	6,087,423
Financing	11,907,379
Liabilities against assets subject to finance lease	172,518
	86,692,228

	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	649,813	-	649,813
Other receivables	1,570	-	1,570
Investment	-	10,176,986	10,176,986
Net investment in lease finance	580,148,109	-	580,148,109
Security deposits	268,702	-	268,702
	595,097,864	10,176,986	605,274,850

	Financial liabilities at amortized cost
	------------- Rupees -------------
Liabilities as per balance sheet	
Accrued and other liabilities	3,146,681
Accrued mark-up	6,918,271
Certificates of investment	40,000,000
Borrowing	82,929,886
Financing	106,408,346
Liabilities against assets subject to finance lease	746,605
	240,149,789

33 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability 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 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. 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, loan from associated undertaking, borrowing from financial institution and liabilities against assets subject to finance lease as referred to in Note 12, 13, 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 2011 and 30 June 2010 are as follows:

		2011	2010
Borrowing	**Rupees**	80,545,180	230,084,837
Total equity	**Rupees**	75,432,968	101,581,481
Total capital employed	**Rupees**	155,978,148	331,666,318
Gearing ratio	**Percentage**	52	69

34. Maturities of assets and liabilities

	2011					
	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	11,190,481	11,190,481	-	-	-	-
Advances and prepayments	800,928	701,424	99,504	-	-	-
Other receivables	2,100,581	-	2,100,581	-	-	-
Net investment in finance lease	358,172,407	283,928,374	41,212,072	33,031,961	-	-
Security deposits	347,000	-	-	347,000	-	-
Property, plant and equipment	15,475,219	-	-	-		15,475,219
	388,086,616	295,820,279	43,412,157	33,378,961	-	15,475,219
Liabilities						
Accrued and other liabilities	2,819,632	2,819,632	-	-	-	-
Accrued mark-up	3,420,391	952,984	2,467,407	-	-	-
Borrowing	62,377,860	62,377,860	-	-	-	-
Loan from associated undertaking	6,087,423	-	6,087,423			
Financing	11,907,379	11,907,379			-	-
Liabilities against assets subject to finance lease	172,518	-	172,518	-	-	-
Deposits on lease contracts	219,469,257	186,330,610	21,649,967	11,488,680	-	-
Employee benefit	2,570,925	-	-	-	-	2,570,925
Provision for taxation	3,828,263	-	3,828,263	-	-	-
	312,653,648	264,388,465	34,205,578	11,488,680	-	2,570,925
Net balance	75,432,968	31,431,814	9,206,579	21,890,281	-	12,904,294
Net Assets	75,432,968					

	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	-	-	-
Investment	10,176,986	176,986	-	10,000,000		-
Net investment in finance lease	580,148,109	279,595,505	232,886,312	67,666,292	-	-
Security deposits	505,732	-	-	505,732	-	-
Property, plant and equipment	65,676,164	-	-	-		65,676,164
	674,222,176	294,666,682	235,707,306	78,172,024	-	65,676,164
Liabilities						
Accrued and other liabilities	3,574,987	3,574,987	-	-	-	-
Accrued mark-up	6,918,271	5,542,511	1,375,760	-	-	-
Certificates of investment	40,000,000	-	40,000,000		-	-
Borrowing	82,929,886	82,929,886	-	-	-	-
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	-	-
Deposits on lease contracts	300,694,682	171,598,708	95,207,804	33,888,170	-	-
Employee benefit	4,527,723	-	-	-	-	4,527,723
Provision for taxation	8,818,536	-	8,818,536	-	-	-
	554,619,036	280,996,843	230,237,852	38,856,618	-	4,527,723
Net balance	119,603,140	13,669,839	5,469,454	39,315,406	-	61,148,441
Net Assets	119,603,140					

35. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the company have not proposed any appropriations in their meeting held on 29 September, 2011.

36. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on 29 September 2011.

37. CORRESPONDING FIGURES

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

MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE

KHAWAR ANWAR KHAWAJA
DIRECTOR

PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2011

Categories of Shareholder	Share Held	Percentage %
Directors, Chief Executive Officer, Their Spouse and Childern		
Kh. Zaka-ud-Din	21,500	0.10%
Mr. Abdul Rashid Mir	288,510	1.34%
Mr. Khawar Anwar Khawaja	1,269,693	5.91%
Mr. Khurram Anwar Khawaja	1,369,008	6.37%
Mr. Muhammad Tahir Butt	339,312	1.58%
Mr. Naveed Amin	1,530	0.01%
Mr. Neil Douglas Gray	500	0.00%
Mrs. Farough Tahir Butt	351,574	1.64%
Mrs. Khadeeja Khurram	575,840	2.68%
Mrs. Nuzhat Khawar Khawaja	476,312	2.22%
	4,693,779	**21.83%**
Associated Companies, Undertakings & Related Parties		
Anwar Khawaja Industries (Pvt) Limited	3,739,603	17.39%
Grays of Cambridge (Pakistan) Limited	7,999,999	37.21%
Grays of Cambridge International Limited U.K	165,823	0.77%
	11,905,425	55.37%
Banks, Development Financial Institutions, Non Banking Financial Companies	**111**	0.00
	111	0.00
Insurance Companies	Nil	Nil
Modarabas and Mutual Funds	Nil	Nil
Other Companies	**315,331**	1.47%
General Public		
Local	**4,497,355**	20.92%
Foreign	**87,999**	0.41%
	4,585,354	21.33%
	21,500,000	100.00%

The Companies Ordinance 1984

Form - 34

(Section 236(1) and 464)

Pattern Of Shareholding

1. Incorporation Number
2. Name of The Company **Grays Leasing Limited**
3. Pattern of Holding of the Shares held by the Shareholders as at : **June 30, 2011**
4.

No. of Shareholders	Shareholding		Total Shares held
	From	To	
48	1	100	1,262
43	101	500	13,329
95	501	1,000	67,858
64	1,001	5,000	166,176
15	5,001	10,000	106,382
8	10,001	15,000	88,566
3	15,001	20,000	53,313
14	20,001	25,000	306,443
3	25,001	30,000	81,290
4	30,001	35,000	133,332
1	35,001	40,000	40,000
4	40,001	45,000	171,552
2	45,001	50,000	96,689
3	55,001	60,000	173,888
5	95,001	100,000	487,025
1	100,001	105,000	100,500
2	110,001	115,000	222,221
1	115,001	120,000	116,435
1	120,001	125,000	120,400
2	125,001	130,000	258,000
3	135,001	140,000	417,350
1	165,001	170,000	165,823
1	180,001	185,000	181,666
1	195,001	200,000	200,000
1	225,001	230,000	225,523
1	285,001	290,000	288,510
1	310,001	315,000	311,524
1	330,001	335,000	334,312
1	350,001	355,000	351,574
1	475,001	480,000	476,312
1	575,001	580,000	575,840
1	1,065,001	1,070,000	1,065,952
1	1,130,001	1,135,000	1,131,018
1	1,230,001	1,235,000	1,230,333
1	3,735,001	3,740,000	3,739,603
1	7,995,001	8,000,000	7,999,999
337			**21,500,000**

GRAYS LEASING LTD.

16TH 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 27, 2011 at 12.15 p.m or at any adjournment thereof.

As witness my/our hand this ______________________ day of 2011.

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)