Annual Report 2012

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. Bilal Arsalan Mir	
HUMAN RESOURCE AND REMUNERATION COMMITTEE	Mr. Omer Khawar Khawaja	Chairman
	Mr. Muhammad Tahir Butt	
	Mr. Khurram Anwar Khawaja	
LEGAL ADVISOR	Lexicon Law Firm	
REGISTERED AND HEAD OFFICE	701-A, 7th Floor, City Towers 6-K, Main Boulevard, Gulberg - II, Lahore Tel: (042) 35770381 - 2 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	

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 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of the Company will be held on October 23, 2012 at 11:30 am at registered office of the Company located at 701-A, 7th Floor, City Towers, Main Boulevard, Gulberg - II, Lahore to transact the following business:

Ordinary Business

1 To confirm the minutes of the 16th Annual General Meeting held on October 27, 2011

2 To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2012 together with the Directors' and Auditors' reports thereon

3 To appoint auditors for year 2012-2013 and fix their remuneration. The present auditors Messrs Riaz Ahmed & Company, Chartered Accountants, retire. The audit committee and Board of Directors have recommended Messrs Riaz Ahmed & Company Chartered Accountants for the year ending 2013.

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

BY ORDER OF THE BOARD

Muhammad Adil Munir
(COMPANY SECRETARY)

Lahore: October 02, 2012

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 17, 2012 to October 23, 2012 (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 16, 2012 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 17th Annual Report together with the audited financial statements for the year ended June 30, 2012.

OPERATING RESULTS

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

	Rupees
Total revenue	25,930,329
Total expenses	27,714,822
Loss before tax	1,784,493
Provision for taxation	1,738,421
Loss after tax	3,522,914
Loss per share	**(0.16)**

KEY OPERATING AND FINANCIAL DATA

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

REVIEW OF OPERATIONS

During the year under review, the company transacted business worth Rupees 2.680 million (2011 : Nil). Gross investment in finance leases as at 30 June 2012 stands at Rupees 490.363 million against Rupees 630.428 million on June 30 2011, while the net investment stands at Rupees 424.714 million on 30 June 2012 against Rupees 547.058 million of the last year. The gross revenue from operations was Rupees 25.930 million (2011: Rupees 30.610 million). The net loss before and after tax for the current year is Rupees 1.784 million and Rupees 3.523 million as compared to preceding year which was Rupees 42.5056 million and Rupees 44.170 million respectively. Shareholders equity of the company is at Rupees 71.910 million, which is less than the mandatory requirement of Rupees 500 million. However the shareholders' equity and net surplus on estimated realisable (settlement) values of assets and liabilities as on balance sheet date come to Rupees 169.032 million.

The company is not in compliance with the minimum equity requirement of Rupees 500 million to carry on leasing business. The license of the company to carry out leasing business expired on 14 May 2010. 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 which has not been granted. During the year, in response to SECP's letter the management has furnished information about efforts undertaken to make compliance with equity, recovery of struck up assets and reduction of losses. 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. Land situated at Faisalabad has been disposed of and the fund generated by the disposal have been used for the repayment of costly loans of the company.

CREDIT RATING

JCR-VIS Credit Rating Company Limited has reaffirmed the medium to long-term entity rating of Grays Leasing Limited (GLL) at 'BB-' (Double B minus) and short term rating at B (Single B). The outlook on the Entity was considered “Negative”.

FUTURE OUTLOOK

Higher interest rate, power crises, liquidity crunch, unemployment, depressed atmosphere and law and order situations are the major factors affecting the industrial / economic growth. Theoretically, present economic conditions lead a good atmosphere for leasing business but practically the risk of default is much higher. Grays Leasing has also faced severe 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 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 2012 is given herewith.

The Director CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the company during the year.

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

AUDIT COMMITTEE MEETINGS

During the year, four meetings of the audit committee were held. Attendance of each director is as under:

	Attended	Leave granted
Mr. Khawar Anwar Khawaja	4	-
Mr. Khurram Anwar Khawaja	4	-
Mr. Omer Khawar Khawaja	4	-

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

Tahir Butt
Chief Executive

Sialkot: 29th September 2012

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

(Rupees in Thousand)

	2007	2008	2009	2010	2011	2012
PROFIT AND LOSS						
Revenue	162,670	147,971	106,315	66,420	30,610	25,930
Financial charges	102,614	110,223	93,533	56,136	28,125	8,631
Provision for doubtful receivables	4,710	13,749	51,173	100,749	15,493	2,897
Profit / (Loss) before tax	23,530	(14,557)	(74,578)	(118,232)	(42,506)	(1,784)
Profit / (Loss) after tax	15,458	(15,268)	(56,520)	(101,478)	(44,170)	(3,523)
Dividend	-	-	-	-	-	-
Bonus shares	-	-	-	-	-	-
BALANCE SHEET						
Paid up share capital	200,000	200,000	215,000	215,000	215,000	215,000
Shareholders' equity	268,470	242,633	202,111	101,581	75,433	71,910
Borrowings	913,707	748,211	413,274	231,289	74,550	12,383
Net investment in finance lease	1,652,799	1,458,656	1,048,163	771,605	547,058	424,714
Total assets	1,735,561	1,555,889	1,073,197	674,222	388,087	243,381
PERFORMANCE INDICATORS						
Profit / (Loss) before tax/Gross revenue	14%	(10%)	(70%)	(178%)	(139%)	(7%)
Profit / (Loss) after tax/Gross revenue	10%	(10%)	(53%)	(153%)	(144%)	(14%)
Pre tax return on shareholders' equity	9%	(6%)	(37%)	(116%)	(56%)	(2%)
After tax return on shareholders' equity	6%	(6%)	(28%)	(100%)	(59%)	(5%)
Income / expense ratio	1.17	0.91	0.59	0.40	0.42	0.93
Total borrowings to equity ratio	65:35	76:24	67:32	69:31	55:46	31:32
Interest coverage ratio	1.23	0.87	0.20	(1.36)	(2.71)	(1.23)
Earning per share	0.77	(0.85)	(2.82)	(4.72)	(2.05)	(0.16)
Break up value per share	13.42	12.13	10.28	5.56	3.51	3.34
Lease disbursement	621,000	329,365	9,422	6.241	-	2,680
Number of contracts	188	119	7	6	-	2

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED 30 JUNE 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (G) Ltd and Lahore Stock Exchange (G) Ltd 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 CCG 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:

Category	Names
Independent Directors	Mr. Khawaja Zaka-ud-Din
Non-Executive Directors	Mr. Khawar Anwar Khawaja Mr. Muhammad Tahir Butt Mr. Neil Douglas James Gray Mr. Khurram Anwar Khawaja Mr. Abdul Rashid Mir Mr. Omer Khawar Khawaja

The independent director meets the criteria of independence as required under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven 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. Casual vacancy occurred on the Board was filled up by the directors within stipulated time.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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 board has approved appointment of head of internal audit and CFO including their remuneration and terms and conditions of employment as determined by the CEO.

10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

11. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. Six Directors of the company are exempted from orientation course due to 14 years of education and 15 years of experience on the board of a listed company.

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

13. The Board has formed a Human Resource and Remuneration Committee. It comprises of 3 members, all of them are Non-Executive Directors.

14. 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.

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.

16. The Board has formed an audit committee. It comprises three members, who all are non-executive directors and chairman of the committee is not an independent director and will be changed on next election date to bring the composition of the audit committee in line with the requirements of CCG 2012.

17. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 ICAP.

20. 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.

21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material requirements of the CCG 2012 have been complied with.

(Tahir Butt)
Chief Executive
NIC Number: 34603-22018195-5

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 2012, 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.

Chief Financial Officer of the Company does not meet the qualification criteria given in clause (xiii) of the Code of Corporate Governance.

Based on our review, except for the matter described in the preceding paragraph, 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 2012.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: 29 September 2012

LAHORE

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

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GRAYS LEASING LIMITED as at 30 June 2012 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;

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 2012 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 2012

LAHORE

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BALANCE SHEET AS AT 30 JUNE 2012

	Note	2012		2011	
		Book Value	Estimated realisable / settlement value	Book Value	Estimated realisable / settlement value
		Rupees	Rupees	Rupees	Rupees
ASSETS					
Cash and bank balances	3	3,610,628	3,610,628	11,190,481	11,190,481
Advances and prepayments	4	543,410	543,410	800,928	800,928
Other receivable	5	1,228,427	1,228,427	2,100,581	2,100,581
Net investment in lease finance	6	236,717,893	332,590,955	358,172,407	431,551,546
Security deposits		235,000	235,000	347,000	347,000
Deferred income tax	7	-	-	-	-
Property, plant and equipment	8	1,045,579	1,302,720	15,475,219	16,493,412
TOTAL ASSETS		243,380,937	339,511,140	388,086,616	462,483,948
LIABILITIES					
Accrued and other liabilities	9	1,813,705	1,813,705	2,819,632	2,819,632
Accrued mark up	10	694,309	694,309	3,420,391	3,420,391
Borrowing	11	12,382,653	12,382,653	62,377,860	62,377,860
Loan from associated undertaking	12	-	-	6,087,423	6,087,423
Financing	13	-	-	11,907,379	11,907,379
Liabilities against assets subject to finance lease	14	-	-	172,518	172,518
Deposits on lease contracts	15	151,650,082	151,650,082	219,469,257	219,469,257
Employee benefit	16	1,500,193	508,893	2,570,925	860,025
Provision for taxation		3,429,941	3,429,941	3,828,263	3,828,263
TOTAL LIABILITIES		171,470,883	170,479,583	312,653,648	310,942,748
NET ASSETS		71,910,054	169,031,557	75,432,968	151,541,200
REPRESENTED BY:					
Authorized share capital					
35,000,000 (2011: 35,000,000) ordinary shares of Rupees 10 each		350,000,000	350,000,000	350,000,000	350,000,000
Issued, subscribed and paid up share capital					
21,500,000 (2011: 21,500,000) ordinary shares of Rupees 10 each	17	215,000,000	215,000,000	215,000,000	215,000,000
Statutory reserve	18	58,625,295	58,625,295	58,625,295	58,625,295
Accumulated loss		(201,715,241)	(201,715,241)	(198,192,327)	(198,192,327)
Shareholders' equity		71,910,054	71,910,054	75,432,968	75,432,968
Net surplus on estimated realisable / settlement values		-	97,121,503	-	76,108,232
Contingencies and commitments	19				
		71,910,054	169,031,557	75,432,968	151,541,200

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

MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE

KHAWAR ANWAR KHAWAJA
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
REVENUE			
Income from lease operations	20	21,263,163	25,729,139
Other income	21	4,667,166	4,880,529
		25,930,329	30,609,668
EXPENDITURE			
Administrative and other operating expenses	22	(14,578,925)	(20,627,605)
Financial and other charges	23	(8,631,461)	(28,124,656)
Allowance for potential lease losses	6.2	(2,896,937)	(15,493,283)
Lease contract receivables written off		(1,607,499)	(8,869,947)
		(27,714,822)	(73,115,491)
LOSS BEFORE TAXATION		(1,784,493)	(42,505,823)
Taxation	24	(1,738,421)	(1,664,349)
LOSS AFTER TAXATION		(3,522,914)	(44,170,172)
Loss per share - basic and diluted	25	(0.16)	(2.05)

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 2012

	2012 Rupees	2011 Rupees
Loss after taxation	(3,522,914)	(44,170,172)
Other comprehensive Income	-	-
Total comprehensive loss for the year	(3,522,914)	(44,170,172)

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 2012

	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,784,493)	(42,505,823)
Adjustments for non-cash charges and other items:		
Depreciation	342,382	2,933,571
Impairment of assets	-	118,858
Loss on disposal of investment	-	1,668,970
Provision for gratuity	233,344	384,314
Financial charges	7,332,530	24,539,290
Allowance for potential lease losses	2,896,937	15,493,283
Gain on sale of property, plant and equipment	(1,256,927)	(1,772,638)
Lease contract receivable written off	1,607,499	8,869,947
Credit balances written back	(944,659)	(883,890)
Debit balances written off	988,261	1,461,299
Profit on bank deposits and investment	(112,535)	(348,464)
	11,086,832	52,464,540
Operating profit before working capital changes	9,302,339	9,958,717
Increase in advances and prepayments	(730,743)	(512,801)
Decrease in other receivables	-	1,570
Increase in accrued and other liabilities	(61,268)	128,535
Cash generated from operations	8,510,328	9,576,021
Financial charges paid	(10,058,612)	(28,037,170)
Income tax paid	(1,264,589)	(6,820,684)
Gratuity paid	(1,304,076)	(2,341,112)
Net cash used in operating activities	(4,116,949)	(27,622,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in finance leases	116,950,078	197,612,473
Property, plant and equipment acquired	(2,562,725)	(24,000)
Proceeds from sale of property, plant and equipment	17,906,910	15,032,577
Proceeds from sale of Pakistan Investment Bond	-	8,699,249
Security deposits	112,000	158,732
Profit on bank deposits, investment and loans to employees	112,535	157,231
Net cash from investing activities	132,518,798	221,636,262
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing repaid	(11,907,379)	(94,500,967)
Repayment of loan to associated undertaking	(6,087,423)	-
Deposits on lease contracts - net	(67,819,175)	(81,225,425)
Lease rentals paid	(172,518)	(574,088)
Net cash used in financing activities	(85,986,495)	(176,300,480)
Net increase in cash and cash equivalents	42,415,354	17,712,837
Cash and cash equivalents at the beginning of the year (Note 26)	(51,187,379)	(68,900,216)
Cash and cash equivalents at the end of the year (Note 26)	(8,772,025)	(51,187,379)

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 2012

	SHARE CAPITAL	CAPITAL RESERVE STATUTORY RESERVE	ACCUMULATED LOSS	TOTAL EQUITY
	-----	----- Rupees -----	-----	-----
Balance as at 30 June 2010	215,000,000	58,625,295	(172,043,814)	101,581,481
Transfer from surplus on revaluation of buildings on account of:				
- Incremental depreciation - net of deferred taxation	-	-	681,044	681,044
- Disposal of buildings - net of deferred taxation	-	-	17,340,615	17,340,615
Loss for the year	-	-	(44,170,172)	(44,170,172)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(44,170,172)	(44,170,172)
Balance as at 30 June 2011	215,000,000	58,625,295	(198,192,327)	75,432,968
Loss for the year	-	-	(3,522,914)	(3,522,914)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(3,522,914)	(3,522,914)
Balance as at 30 June 2012	215,000,000	58,625,295	(201,715,241)	71,910,054

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 2012

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 2012, the company has incurred a net loss of Rupees 3.523 million. The company has accumulated losses and shareholders' equity of Rupees 201.715 million and Rupees 71.910 million respectively as on 30 June 2012. Currently, the company is not in compliance with the minimum equity requirement of Rupees 500 million to carry on leasing business. The license of the company to carry out leasing business expired on 14 May 2010. 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 which has not been granted. During the year, in response to SECP's letter the management has furnished information about efforts undertaken to make compliance with equity, recovery of struck up assets and reduction of losses. 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.

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 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) Impairment of assets
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 2011:

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 International Accounting Standards Board (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. However, this amendment has no material impact on these financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). 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. However, this amendment has no material impact on these financial statements.

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 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.

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 2012 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There shall be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the company's financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the company's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is not expected to have a material impact on the company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. 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 2012 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 are stated at cost less accumulated depreciation and any identified impairment losses. Additions 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 of an asset is written off over its estimated useful life. Depreciation is being charged at the rates given in Note 8.

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 flows 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 14.

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

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

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

Where the company is the lessor:

b) Operating lease

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

2.9 Staff retirement benefits

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 2012.

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

Discount rate 13 percent per annum.

Expected rate of increase in salary level 12 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 97,613 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.

	2012 Rupees	2011 Rupees
3. CASH AND BANK BALANCES		
Cash in hand	13,945	18,748
Cash with banks:		
Balance with State Bank of Pakistan	18,670	20,463
Current accounts	1,342,714	1,139,344
Saving accounts (Note 3.1)	2,235,299	10,011,926
	3,610,628	11,190,481

3.1 Cash with banks in saving accounts carry mark-up at 6 % (2011: 5% to 6%) per annum.

	2012 Rupees	2011 Rupees
4. ADVANCES AND PREPAYMENTS		
Advances - considered good:		
Advances against expenses	86,367	95,478
Advances to employees	66,804	-
Others	10,500	4,026
	163,671	99,504
Prepayments	379,739	701,424
	543,410	800,928
5. OTHER RECEIVABLE		
Advance income tax - Considered good	1,228,427	2,100,581
6. NET INVESTMENT IN LEASE FINANCE		
Lease rentals receivable	338,712,611	410,958,643
Add: Guaranteed residual value of leased assets	151,650,082	219,469,257
Gross investment in lease finance (Note 6.1)	490,362,693	630,427,900
Less: Unearned finance income	(65,648,311)	(83,369,677)
Net investment in lease finance (Note 6.1)	424,714,382	547,058,223
Less: Allowance for potential lease losses (Note 6.2)	(187,996,489)	(188,885,816)
Net investment in lease finance - net off provision (Note 6.1.3)	236,717,893	358,172,407

6.1	GROSS INVESTMENT		NET INVESTMENT IN LEASE FINANCE	
	2012	2011	2012	2011
	Rupees	Rupees	Rupees	Rupees
Not later than one year	484,621,228	583,476,062	417,517,838	534,122,414
Later than one year but not later than five years	5,741,465	46,951,838	7,196,544	12,935,809
	490,362,693	630,427,900	424,714,382	547,058,223

6.1.1 There are no lease contract receivables over five years. The company's implicit rate of return on leases ranges from 5.50 % to 30.00% per annum (2011: 5.50 % to 30.00% per annum). The agreements are usually for a period of 1 to 6 years (2011: 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.

6.1.2 Analysis of net investment in lease finance in respect of non-performing leases on which mark-up is being suspended is given in Note 29.1(b). The non-performing leases are determined in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

6.1.3 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 2012 is Rupees 298,545,088 (2011: 431,551,546).

	2012	2011
	Rupees	Rupees
6.2 ALLOWANCE FOR POTENTIAL LEASE LOSSES		
Balance as at 01 July	188,885,816	191,456,889
Add: Provision charged during the year-net of reversal	2,896,937	15,493,283
Less: Net investment in lease finance written off against provision	3,786,264	18,064,356
Balance as at 30 June	187,996,489	188,885,816

7. DEFERRED INCOME TAX

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

	2012	2011
Accelerated tax depreciation	(85,745,692)	(88,744,034)
Tax losses	119,622,891	117,247,629
Minimum tax available for carry forward	5,964,569	5,396,928
Liabilities against assets subject to finance lease	-	(136,901)
Provision for gratuity	525,068	899,824
	40,366,836	34,663,446
Less: Deferred income tax asset not recognised	(40,366,836)	(34,663,446)
	-	-

7.1 The net deferred income tax asset of Rupees 40.367 million (2011: Rupees 34.663 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.

8 PROPERTY, PLANT AND EQUIPMENT

	OWNED											LEASED	
	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	TOTAL
	Rupees												
As at 01 July 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
Transferred 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 / revalued amounts	-	(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 charged	-	(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	11,706,695	-	1,116,610	4,485,704	890,893	2,651,840	20,851,742	-	1,426,950	1,426,950	22,278,692	1,068,700	23,347,392
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)
Accumulated impairment loss			(45,701)		(39,203)	(33,954)	(118,858)				(118,858)		(118,858)
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
Year ended 30 June 2012													
Opening 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
Additions	-	-	-	38,325	8,250	19,600	66,175	-	-	-	66,175	-	66,175
Transferred from leased assets:													
Cost	-	-	-	2,495,650	-	-	2,495,650	-	(1,426,950)	(1,426,950)	1,068,700	(1,068,700)	-
Accumulated depreciation	-	-	-	(1,271,755)	-	-	(1,271,755)	-	752,858	752,858	(518,897)	518,897	-
	-	-	-	1,223,895	-	-	1,223,895	-	(674,092)	(674,092)	549,803	(549,803)	-
Disposals:													
Cost	(11,706,695)	-	(626,870)	(5,808,700)	(327,570)	(1,224,423)	(19,694,258)	-	-	-	(19,694,258)	-	(19,694,258)
Accumulated depreciation	-	-	399,147	3,686,917	230,060	1,186,239	5,502,363	-	-	-	5,502,363	-	5,502,363
Accumulated impairment loss	-	-	23,666	-	10,237	4,559	38,462	-	-	-	38,462	-	38,462
	(11,706,695)	-	(204,057)	(2,121,783)	(87,273)	(33,625)	(14,153,433)	-	-	-	(14,153,433)	-	(14,153,433)
Depreciation charged	-	-	(29,432)	(145,938)	(31,696)	(89,025)	(296,091)	-	(32,430)	(32,430)	(328,521)	(13,861)	(342,382)
Closing net book value	-	-	178,689	423,131	242,104	201,655	1,045,579	-	-	-	1,045,579	-	1,045,579
As at 30 June 2012													
Cost	-	-	489,740	1,210,979	571,573	1,447,017	3,719,309	-	-	-	3,719,309	-	3,719,309
Accumulated depreciation	-	-	(289,016)	(787,848)	(300,503)	(1,215,967)	(2,593,334)	-	-	-	(2,593,334)	-	(2,593,334)
Accumulated impairment loss	-	-	(22,035)	-	(28,966)	(29,395)	(80,396)	-	-		(80,396)	-	(80,396)
Net book value	-	-	178,689	423,131	242,104	201,655	1,045,579	-	-	-	1,045,579	-	1,045,579
Annual rate of depreciation (%)	-	5	10	20	10	30		15	20			20	

8.1 Estimated realisable value of property, plant and equipment as on 30 June 2012 is Rupees 1,302,720 (2011: Rupees 16,493,412).

8.2 Disposal of property, plant and equipment

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

DESCRIPTION	QTY	COST	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT LOSS	NET BOOK VALUE	SALES PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
		Rupees	Rupees		Rupees	Rupees		
Land								
Land - Faisalabad	1	11,706,695	-	-	11,706,695	11,706,695	Negotiation	Anwar Khawaja Industries (Private) Limited - associated company
Furniture and Fixtures								
Chairs, Tables, etc.	63	355,938	(213,228)	(14,829)	127,881	159,829	Negotiation	Anwar Khawaja Industries (Private) Limited - associated company
Vehicles								
Honda City LEH-07-1441	1	950,490	(482,744)	-	467,746	744,600	Negotiation	Mr. Abdul Rashid Mir (Director)
Suzuki Cultus LRP-1200	1	665,000	(560,850)	-	104,150	410,000	Negotiation	Mr. Jahangir
Honda Civic LED-08-9618	1	1,426,950	(752,858)	-	674,092	900,000	Negotiation	Mir Motors
Toyota Corolla LEE-08-7956	1	1,068,700	(518,897)	-	549,803	562,548	Negotiation	Mr. Naveed Amin Khawaja (Ex - Chief Executive)
Honda Civic LZM-503	1	1,202,186	(978,724)	-	223,462	650,000	Negotiation	Mr. Imran Azhar (Ex - Internal Auditor)
		17,375,959	(3,507,301)	(14,829)	13,853,829	15,133,672		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		2,318,299	(1,995,062)	(23,633)	299,604	276,688	Negotiation	-
		19,694,258	(5,502,363)	(38,462)	14,153,433	15,410,360		

	2012 Rupees	2011 Rupees
9. ACCRUED AND OTHER LIABILITIES		
Accrued liabilities	984,989	887,857
Income tax deducted at source	6,162	92,975
Un-claimed dividend	777,785	777,785
Insurance premium and claims payable	44,769	1,061,015
	1,813,705	2,819,632
10 ACCRUED MARK UP		
Mark up payable on:		
Borrowing	694,309	2,467,407
Loan from associated undertaking	-	789,239
Financing	-	163,745
	694,309	3,420,391

11. 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 that ranges from three months KIBOR plus 1.5% per annum to 3% per annum (2011: three months KIBOR plus 3% per annum with a floor of 10%). As on the reporting date, the total borrowing limit available to the company is Rupees 28.635 million.

12. LOAN FROM ASSOCIATED UNDERTAKING

This unsecured loan was obtained from Anwar Khawaja Industries (Private) Limited - associated company and carried mark up at the rate of 3 months KIBOR plus 1.50 % per annum.

13. FINANCING

	2012 Rupees	2011 Rupees
Term finance certificates - secured (Note 13.1)	-	12,000,000
Less: Unamortised transaction costs	-	(92,621)
	-	11,907,379

13.1 These privately placed term finance certificates were issued to financial Institutions to do business as per memorandum and articles of association of the company. These were secured against first pari passu charge of Rupees 320 million over all present and future receivables of the company. Profit on these TFCs was payable on monthly basis at six months KIBOR plus 2.5% per annum with no floor and no cap. These were redeemable in 36 equal monthly installments. Last installments of Rupees 12 million were paid in July 2011.

	2012 Rupees	2011 Rupees
14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	-	172,518

14.1 These minimum lease payments were discounted at an implicit interest rate of 15.03% per annum (2011: 14.87% to 15.03% per annum) to arrive at their present value. These lease liabilities have been fully repaid during the year.

	2012			2011		
	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
Later than 1 year but not later than 5 years	-	-	-	-	-	-
	-	-	-	182,539	10,021	172,518

15. DEPOSITS ON LEASE CONTRACTS

These represent interest free security deposits received from lessees, at the rates ranging from 0% to 70% (2011: 0% to 70%) of lease amount, against lease contracts and are refundable / adjustable at the expiry / termination of respective leases.

16. EMPLOYEE BENEFIT

	2012 Rupees	2011 Rupees
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation (Note 16.1)	538,025	758,241
Un-recognized actuarial gains	962,168	1,140,535
Benefit due but not paid	-	672,149
Liability as at 30 June (Note 16.4)	1,500,193	2,570,925
Net Liability as at 01 July	2,570,925	4,527,723
Charge to profit and loss account (Note 16.2)	233,344	384,314
Payments	(1,304,076)	(2,341,112)
Liability as at 30 June	1,500,193	2,570,925

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

	2012 Rupees	2011 Rupees
Present value of defined benefit obligations	758,241	1,283,278
Current service cost	260,279	360,731
Interest cost	106,154	153,993
Benefit paid	(631,927)	(940,424)
Benefit due but not paid during the year	-	-
Actuarial loss / (gain)	45,278	(99,337)
	538,025	758,241

16.2 Charge to profit and loss account:

	2012 Rupees	2011 Rupees
Current service cost	260,279	360,731
Interest cost	106,154	153,993
Actuarial gain	(133,089)	(130,410)
	233,344	384,314

		2012	2011	2010	2009	2008
16.3	Present value of defined benefit obligation (Rupees)	538,025	758,241	1,283,278	3,199,198	3,705,540
	Experience adjustment on obligation	5.97%	(7.74%)	(24.29)%	(14.31) %	(2.43) %

16.4 This represents liability of employee benefit (gratuity) based on actuarial valuation. The estimated settlement value of employee benefit based on the assumption that the benefit is payable to all the employees at the end of the accounting year is Rupees 508,893 (2011: Rupees 860,025).

17. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012 (Number of shares)	2011 (Number of shares)		2012 Rupees	2011 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

		2012	2011
		(Number of shares)	
17.1	**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

18. STATUTORY RESERVE

This reserve is being maintained as per requirements of Regulation16 of Part II of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

19. Contingencies and commitments

19.1 Contingencies

Nil (2011: Nil)

19.2 Commitments

Nil (2011: Nil)

		2012 Rupees	2011 Rupees
20.	**INCOME FROM LEASE OPERATIONS**		
	Finance lease income	14,774,850	18,842,402
	Operating lease income	107,134	988,383
	Documentation charges	25,000	1,000
	Additional lease rentals	6,356,179	5,897,354
		21,263,163	25,729,139
21.	**OTHER INCOME**		
	Income from financial assets		
	Processing fee and other charges	2,353,045	1,875,537
	Profit on bank deposits	112,535	157,231
	Profit on Pakistan Investment Bond	-	191,233
		2,465,580	2,224,001
	Income from non-financial assets		
	Gain on sale of property, plant and equipment	1,256,927	1,772,638
	Other		
	Credit balances written back	944,659	883,890
		4,667,166	4,880,529
22.	**ADMINISTRATIVE AND OTHER OPERATING EXPENSES**		
	Salaries, allowances and other benefits (Note 22.1)	6,201,208	8,774,833
	Repair and maintenance	585,823	695,408
	Rent, rates and taxes	1,688,195	438,335
	Postage and telephone	298,435	464,884
	Vehicles' running	1,149,465	1,571,963
	Utilities	133,867	307,588
	Legal and professional	1,558,278	2,236,858
	Insurance	88,716	232,047
	Fees and subscription	773,955	1,065,906
	Travelling and conveyance	593,172	484,834
	Printing and stationery	210,175	311,957
	Auditors' remuneration (Note 22.2)	592,270	569,200
	Entertainment	220,893	296,442
	Advertisement	44,460	90,965
	Newspapers and periodicals	8,585	14,159
	Miscellaneous	89,046	138,655
	Depreciation on property, plant and equipment (Note 8)	342,382	2,933,571
		14,578,925	20,627,605

22.1 These include Rupees 0.233 million (2011: Rupees 0.384 million) charged in respect of gratuity as referred to in Note 16 and Rupees 0.308 million (2011: Rupees 0.513 million) charged in respect of compensated absences.

	2012 Rupees	2011 Rupees
22.2 Auditors' remuneration		
Audit fee	363,000	330,000
Half yearly review and other sundry certifications	177,350	163,500
Out-of-pocket expenses	51,920	75,700
	592,270	569,200
23. FINANCIAL AND OTHER CHARGES		
Financial charges		
Mark up on:		
Borrowing	6,525,661	11,044,093
Loan from associated undertaking	616,569	3,052,844
Financing	177,180	8,772,628
Certificates of investment	-	1,564,921
Lease liabilities	13,120	104,804
	7,332,530	24,539,290
Other charges		
Debit balances written off	988,261	1,461,299
Commission and other bank charges	310,670	336,239
Loss on disposal of long term investment	-	1,668,970
Impairment of assets	-	118,858
	1,298,931	3,585,366
	8,631,461	28,124,656
24. TAXATION		
Current:		
For the year (Note 24.1)	(1,266,027)	(1,664,349)
Prior year	(472,394)	-
Deferred:	-	-
	(1,738,421)	(1,664,349)

24.1 The company has carry forwardable tax losses of Rupees 341.780 million (2011: Rupees 334.993). Provision for income 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.

25. LOSS PER SHARE - BASIC AND DILUTED

Loss after taxation	Rupees	(3,522,914)	(44,170,172)
Weighted average number of ordinary shares	Number	21,500,000	21,500,000
Loss per share - basic	Rupees	(0.16)	(2.05)

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

	2012 Rupees	2011 Rupees
26. CASH AND CASH EQUIVALENTS		
Cash and bank balances (Note 3)	3,610,628	11,190,481
Borrowing (Note 11)	(12,382,653)	(62,377,860)
	(8,772,025)	(51,187,379)

27. 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:

Associated companies	2012 Rupees	2011 Rupees
Financial charges paid / adjusted	1,405,808	5,204,285
Loan obtained	-	40,000,000
Assets disposed of	11,929,943	33,579,113
Loan repaid / adjusted	6,087,423	-

28. 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:

	2012		2011	
	CHIEF EXECUTIVE	EXECUTIVE	CHIEF EXECUTIVE	EXECUTIVE
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration (Note 28.1)	-	-	1,818,312	1,130,825
House rent	-	-	504,000	417,637
Utilities	-	-	126,000	104,410
Medical	-	-	78,750	65,163
Leave encashment	-	-	157,500	130,098
	-	-	2,684,562	1,848,133
Post employment benefits				
Gratuity	-	-	-	525,583
	-	-	2,684,562	2,373,716
Number of persons	-	-	1	4

28.1 Managerial remuneration of the chief executive for the year ended 30 June 2011 includes income tax of Rupees 453,312 borne by the company.

28.2 No remuneration was paid to non-executive directors of the company.

29. FINANCIAL RISK MANAGEMENT

29.1 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, bank balances, 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 :

	2012 Rupees	2011 Rupees
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	2,235,299	10,011,926
Net investment in finance lease - net off potential lease losses	236,717,893	358,172,407
Financial liabilities		
Borrowing	12,382,653	62,377,860
Loan from associated undertaking	-	6,087,423
Financing	-	12,000,000
Liabilities against assets subject to finance lease	-	172,518

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 2.266 million (2011: Rupees 2.875 million) lower / higher, mainly as a result of higher / lower interest income and 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 of 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:

	2012	2011
	Rupees	Rupees
Bank balances	3,596,683	11,171,733
Advances	77,304	4,026
Net investment in finance lease	236,717,893	358,172,407
Security deposits	235,000	241,000
	240,626,880	369,589,166

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	2012		2011	
	Personal	Corporate	Personal	Corporate
	Rupees	Rupees	Rupees	Rupees
Net Investment in finance lease				
Neither past due nor impaired	7,060,570	41,464,829	4,374,705	66,700,115
Past due up to 89 days but not impaired	248,098	5,934,640	7,214,618	33,380,230
Impaired				
Past due 90-179 days	315,047	345,703	1,026,284	2,575,377
Past due 180-364 days	422,169	3,074,168	5,565,342	23,120,007
Past due 365-729 days	4,585,762	7,333,780	2,415,515	52,080,565
Past due 730-1094 days	2,471,478	49,369,050	910,182	48,254,512
Past due more than1094 days	8,397,545	293,691,543	8,710,028	290,730,743
	16,192,001	353,814,244	18,627,351	416,761,204
Total	23,500,669	401,213,713	30,216,674	516,841,549
Less: Provision for potential lease losses	7,945,590	180,050,899	6,932,184	181,953,632
Net Investment in finance lease - net off potential lease losses	15,555,079	221,162,814	23,284,490	334,887,917

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			2012	2011
	Short Term	Long term	Agency	Rupees	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	16,564	16,564
Askari Bank Limited	A1+	AA	PACRA	3,217,395	10,389,736
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	56,362	56,373
First Women Bank Limited	A2	BBB+	PACRA	7,476	7,811
Bank Al-Habib Limited	A1+	AA+	PACRA	214,651	210,888
The Bank of Punjab	A1+	AA-	PACRA	23,286	2,314
Barclays Bank PLC, Pakistan	A-1+	AA-	Standard & Poor's	42,279	467,584
				3,578,013	11,151,270

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:

i) Sector wise concentration of net investment in finance lease

Lease portfolio	2012		2011	
	Rupees	%	Rupees	%
Industrial sectors				
Chemical, fertilizer and pharmaceuticals	22,056,980	5.19	31,625,864	5.78
Cement	4,774,309	1.12	19,702,197	3.60
Construction	7,232,497	1.70	9,467,303	1.73
Energy, oil and gas	42,820,045	10.08	53,680,197	9.81
Food, tobacco and beverage	17,152,401	4.04	17,874,544	3.27
Leather, footwear and tanneries	1,079,250	0.25	1,948,738	0.36
Paper and board	7,033,942	1.66	8,593,228	1.57
Rubber and plastic	1,424,384	0.34	1,635,520	0.30
Services	8,355,151	1.97	14,047,116	2.57
Steel, engineering and automobiles	4,577,525	1.08	12,320,422	2.25
Sugar and allied	20,143,204	4.74	25,029,734	4.58
Surgical	486,144	0.11	899,466	0.16
Textile and allied	141,713,920	33.37	163,023,732	29.80
Trading	13,343,514	3.14	14,929,503	2.73
Transport and communication	72,495,668	17.07	81,592,161	14.91
Individuals and others	60,025,448	14.14	90,688,498	16.58
	424,714,382	100.00	547,058,223	100.00
Segment by public/private sector				
Public / Government	-	-	-	-
Private	424,714,382	100.00	547,058,223	100.00

ii) Geographical concentration of net investment in finance lease

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

iii) Concentration of net investment in finance lease by type of customers

	2012 Rupees	2011 Rupees
Personal	23,500,669	30,216,674
Corporate	401,213,713	516,841,549
	424,714,382	547,058,223

(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 2012, the company has available borrowing limit of Rupees 28.635 (2011: Rupees 85.000) million and Rupees 3.611 (2011: Rupees 11.190) million cash and bank balances. Management believes the liquidity risk to be manageable. 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 2012

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	----------Rupees----------					
Accrued and other liabilities	1,807,543	1,807,543	1,807,543	-	-	-
Accrued mark up	694,309	694,309	694,309	-	-	-
Borrowing	12,382,653	13,261,084	13,261,084	-	-	-
	14,884,505	15,762,936	15,762,936	-	-	-

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	-	11,907,379	-	-
Liabilities against assets subject to finance lease	172,518	182,539	182,539	-	-	-
	86,692,228	87,901,220	75,909,282	11,907,379	-	-

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.

29.2 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.

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.

29.3 Financial instruments by categories

	Loans and receivables
	Rupees
As at 30 June 2012	
Assets as per balance sheet	
Cash and bank balances	3,610,628
Advances	77,304
Net investment in lease finance	236,717,893
Security deposits	235,000
	240,640,825

Liabilities as per balance sheet	Financial liabilities at amortized cost
	-------------- Rupees -------------
Accrued and other liabilities	1,807,543
Accrued mark-up	694,309
Borrowing	12,382,653
	14,884,505

As at 30 June 2011 Assets as per balance sheet	Loans and receivables
	Rupees
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

Liabilities as per balance sheet	Financial liabilities at amortized cost
	-------------- Rupees -------------
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

30 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. 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 loan from associated undertaking, borrowing from financial institution, liabilities against assets subject to finance lease and financing as referred to in Note 11, 12, 13 and 14. Total capital employed includes shareholders' equity plus borrowings. The gearing ratio as at year ended 30 June 2012 and 30 June 2011 is as follows:

		2012	2011
Borrowing	Rupees	12,382,653	80,545,180
Total equity	Rupees	71,910,054	75,432,968
Total capital employed	Rupees	84,292,707	155,978,148
Gearing ratio	Percentage	14.69	51.64

31. Maturities of assets and liabilities

	2012					
	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	3,610,628	3,610,628	-	-	-	-
Advances and prepayments	543,410	379,739	163,671	-	-	-
Other receivable	1,228,427	-	1,228,427	-	-	-
Net investment in finance lease	236,717,893	218,661,794	12,331,506	5,724,593	-	-
Security deposits	235,000	-		235,000	-	-
Property, plant and equipment	1,045,579	-	-	-		1,045,579
	243,380,937	222,652,161	13,723,604	5,959,593	-	1,045,579
Liabilities						
Accrued and other liabilities	1,813,705	1,813,705	-	-	-	-
Accrued mark-up	694,309	-	694,309	-	-	-
Borrowing	12,382,653	12,382,653	-	-	-	-
Deposits on lease contracts	151,650,082	141,622,903	7,623,971	2,403,208	-	-
Employee benefit	1,500,193	-	-	-	-	1,500,193
Provision for taxation	3,429,941	-	3,429,941	-	-	-
	171,470,883	155,819,261	11,748,221	2,403,208	-	1,500,193
Net balance	71,910,054	66,832,900	1,975,383	3,556,385	-	(454,614)
Net Assets	71,910,054					

	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					

32. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the company have not proposed any appropriations in their meeting held on 29th September, 2012 .

33. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on 29th September, 2012.

34. 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, 2012

Categories of Shareholder	Physical	CDC	Total	% age
5.1 - Directors, Chief Executive Officer, Their Spouse and Childern				
Directors				
Kh. Zaka-ud-Din	21,500	-	21,500	0.10
Mr. Abdul Rashid Mir	288,510	-	288,510	1.34
Mr. Khawar Anwar Khawaja	138,675	1,131,018	1,269,693	5.91
Mr. Khurram Anwar Khawaja	138,675	1,230,333	1,369,008	6.37
Mr. Muhammad Tahir Butt	-	339,312	339,312	1.58
Mr. Neil Douglas Gray	500	-	500	0.00
Mr. Omar Khawar Khawaja	95,675	-	95,675	0.45
Director's Spouse and Their Childern				
Mrs. Farough Tahir Butt	351,574	-	351,574	1.64
Mrs. Khadeeja Khurram	575,840	-	575,840	2.68
Mrs. Nuzhat Khawar Khawaja	-	476,312	476,312	2.22
	1,610,949	**3,176,975**	**4,787,924**	**22.27**
5.2 - Associated Companies, Undertakings & Related Parties				
Anwar Khawaja Industries (Pvt) Limited	3,739,603	-	3,739,603	17.39
Grays of Cambridge (Pakistan) Limited	-	7,999,999	7,999,999	37.21
Grays of Cambridge International Limited U.K	165,823	-	165,823	0.77
	3,905,426	**7,999,999**	**11,905,425**	**55.37**
5.7 - Other Companies				
M/s. Hilbro Instruments	111,111	-	111,111	0.52
Concordia Securities (pvt) Limited	-	200,000	200,000	0.93
Corporate Solutions (Pvt) Limited	-	2,777	2,777	0.01
Darson Securities (pvt) Limited	-	166	166	0.00
Gul Dhami Securities (pvt) Ltd	-	833	833	0.00
	111,111	**203,776**	**314,887**	**1.46**
5.9 - General Public				
A. Local	3,220,342	1,183,423	4,403,765	20.48
B. Foreign	87,999	-	87,999	0.41
	3,308,341	**1,183,423**	**4,491,764**	**20.89**
	8,935,827	**12,564,173**	**21,500,000**	**100**

Shareholding More Than 10.00%				
Anwar Khawaja Industries (Pvt) Limited	3,739,603	-	3,739,603	17.39
Grays of Cambridge (Pakistan) Limited	-	7,999,999	7,999,999	37.21

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, 2012**

No. of Shareholders	Shareholding		Total Shares held
	From	To	
46	1	100	1,075
38	101	500	11,762
93	501	1,000	66,346
61	1,001	5,000	162,910
15	5,001	10,000	107,381
8	10,001	15,000	88,566
3	15,001	20,000	53,313
14	20,001	25,000	306,499
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	230,001	235,000	231,000
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
325			**21,500,000**

GRAYS LEASING LTD.

17TH 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 23, 2012 at 11:30 a.m or at any adjournment thereof.

As witness my/our hand this ______________________________ day of 2012.

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)