

Grays



ANNUAL REPORT

2009

GRAYS LEASING LIMITED



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# Annual Report 2009

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Paul Douglas Gray  
Mr. Khawar Anwar Khawaja  
Mr. Naveed Amin  
Mr. Muhammad Tahir Butt  
Mr. Neil Douglas James Gray  
Mr. Khurram Anwar Khawaja  
Khawaja Zaka-ud-Din

Chairman  
Vice Chairman  
Chief Executive

### AUDIT COMMITTEE

Mr. Khawar Anwar Khawaja  
Mr. Muhammad Tahir Butt  
Mr. Khurram Anwar Khawaja

### AUDITORS

Riaz Ahmad and Company  
Chartered Accountants  
10-B Saint Mary Park  
Main Boulevard, Gulberg III  
Lahore.

### COMPANY SECRETARY

Muhammad Adil Munir

### CHIEF FINANCIAL OFFICER

Mr. Mohsin Bilal Aamir

### HEAD OF INTERNAL AUDIT

Muhammad Faisal Azam

### LEGAL ADVISOR

Saeed Akhtar Advocate &  
Corporate Counsel

### REGISTERED AND HEAD OFFICE

701-A, 7th Floor, City Towers  
6-K, Main Boulevard, Gulberg - II, Lahore  
Tel: (042) 35770382 - 7  
Fax: (042) 35770389  
E-mail: [info@graysleasing.com](mailto:info@graysleasing.com)  
Website: [www.graysleasing.com](http://www.graysleasing.com)

### BANKERS

Standard Chartered Bank (Pakistan) Limited  
Bank Alfalah Limited  
The Bank of Punjab  
The Bank of Khyber  
Askari Bank Limited  
MCB Bank Limited  
First Women Bank Limited  
National Bank of Pakistan  
Allied Bank Limited  
Barclays Bank PLC, Pakistan

### SHARE REGISTRAR

Hassan Farooq Associates (Pvt) Ltd.  
HF House 7-G, Mushtaq Ahmed Gurmani Road  
Gulberg II Lahore.

## ***VISION***

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

## ***MISSION***

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

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

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

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

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

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## NOTICE OF THE 14<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 14<sup>th</sup> Annual General Meeting of the Company will be held on October 30, 2009 at 11:00 am at registered office of the Company located at 701-A, 7<sup>th</sup> Floor, City Towers, Main Boulevard, Gulberg - II, Lahore to transact the following business:

### Ordinary Business

- 1 To confirm the minutes of the 13th Annual General Meeting held on October 30, 2008
- 2 To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2009 together with the Directors' and Auditors' reports thereon
- 3 To appoint auditors and to fix their remuneration. The present auditors Messrs Riaz Ahmed & Company, Chartered Accounts, retire and being eligible, offer themselves to be reappointed.
- 4 To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

**Muhammad Adil Munir**  
(COMPANY SECRETARY)

**Lahore: October 09, 2009**

### NOTES:

1. The Share Transfer Books of the Company will remain closed from October 24, 2009 to October 30, 2009 (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 23, 2009 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 Depository 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.

# Grays Leasing Limited

## **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.

# Annual Report 2009

## DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the 14th Annual Report together with the audited financial statements for the year ended 30 June 2009.

### OPERATING RESULTS

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

	<b>Rupees</b>
Total revenue	106,315,417
Total expenses	180,893,802
Loss before tax	<u>(74,578,385)</u>
Provision for taxation	
Current	(461,714)
Deferred	30,065,969
Prior Year	<u>(11,545,932)</u>
	18,058,323
Loss after tax	<u>(56,520,062)</u>
<b>Loss per share</b>	<b>(2.82)</b>

### 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 9.42 million as compared to Rupees 329 million, gross investment in finance leases as at 30 June 2009 stands at Rupees 1,209 million against Rupees 1,687 million on 30 June 2008, while the net investment stands at Rupees 1,048 million on 30 June 2009 against Rupees 1,459 million the last year.

The primarily reason for decline in business was commercial banks' attitude to refrain the credit lines for leasing business, due to recent economic crises. The current financial year was the worst year for the financial sector as well as the industrial sector of our country; it also affected the economies of developed countries like USA, Germany, United Kingdom etc. However our company faces the challenges of such crises and emphasizes on the recoveries of receivable balance and accordingly succeeded.

The gross revenue from operations was Rupees 106.32 million (Rupees 147.97 million in 2008). The net loss before and after tax for the current year is Rupees 74.58 million and Rupees 56.52 million as compared to preceding year which was Rupees 14.56 million and Rupees 15.27 million respectively. The causes for such losses are: non availability of funds for business from banking sector, rise in suspense income due to change in Non-Banking Finance Companies and Notified Entities Regulations and lowering volume of business transacted during the year.

Dear shareholders, we here appreciate the role of Securities and Exchange Commission of Pakistan, which consider current worse economic situation of leasing sector and, extended the minimum equity compliance requirement for further two years, this breathing space enable the leasing sector to formulate their future strategy for survival.

This is high time for leasing business where handsome profit shall be earned. The major constraint is non availability of funds for leasing business from banking sector, in this scenario the best option is to concentrate on sizeable recoveries of lease rentals and invest such funds in leasing business, which your company is already doing.

# Grays Leasing Limited

## CREDIT RATING

JCR-VIS has assigned us Medium to Long-Term Entity Rating at BBB (Triple B ) while the Short-Term Entity Rating was maintained at A-3 (A Three). The outlook on the Entity was considered "Negative".

## FUTURE OUTLOOK

Higher interest rate, power crises, liquidity crunch and law and order situation are the major factors affecting the industrial growth. In the last year directors report my predecessor pointed out that the nation is facing sever economic crises and the recovery symptoms appear to be dismal, the position is worst than the last year, the Leasing Sector in Pakistan is under a severe pressure but still have a great potential.

Grays Leasing has also faced severe pressures due to the factors mentioned above, and resultantly inspite of its best efforts could not produce profit showing results. The process of acquisitions or mergers to form a strong entity having enormous equity base is still underway and the management expects to be successful on this front.

## 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 Code of Corporate Governance is also given hereinafter. We fully support and endorse implementation of this Code and believe that this will strengthen the corporate sector of the country in line with the global trends. Therefore, we have implemented the code and there is no material departure from it. All major disclosures as required under the code have been complied with. Moreover the management is also determined to follow this code in strict compliance with guidance provided by the auditors.

The financial statements prepared by the management annexed hereto, present fairly its state of affairs, the results of its operations, cash flows and changes in equity. Proper books of accounts have been maintained and appropriate accounting policies have been applied consistently using reasonable and prudent accounting estimates as well as in accordance with the International Accounting Standards and other relevant provisions of law. An effective system of internal controls has also been implemented and regularly monitored. There is no significant doubt upon the ability of the company to continue its operations as a going concern.

## INTERNAL CONTROLS

The company has implemented a computer-based management information system. We have also made significant progress in the development of in-house programs and implementation of new software and its applications which provide a centralized database, support integration between our lease administration and financial systems, and assist the company in providing meaningful data in time for management decision making. This system is being continuously reviewed by internal and statutory auditors; hence it works as a strong internal control over company operations in all spheres of corporate and financial management.



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## PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding in the Company as on 30 June 2009 is given herewith.

## AUDITORS

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

Reference to the emphasis on matter paragraph in the auditors' report on the financial statements of the company for the year ended 30 June 2008 regarding the pending application for renewal of license to carry on leasing business and non-compliance with minimum equity requirement, the Securities and Exchange Commission of Pakistan not only renewed the license of the company but also extended the period of compliance with minimum equity by 30 June 2011.

## BOARD OF DIRECTORS

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

Name of director		Attended	Leave granted
Mr. Paul Douglas Gray	Chairman	1	6
Mr. Khawar Anwar Khawaja	Vice Chairman	7	-
Mr. Abdul Rashid Mir		6	1
Mr. Muhammad Tahir Butt		7	-
Mr. Khurram Anwar Khawaja		6	1
Mr. Neil Douglas James Gray		-	7
Mr. Jason Charles Gray	Resigned	-	2
Mr. Khawaja Zaka-u-Din	New appointment	2	3

## APPOINTMENT OF CHIEF EXECUTIVE

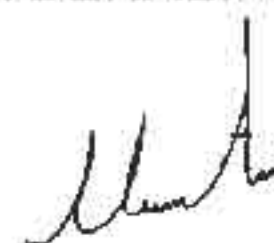
The Directors appreciated the contributions to establish the company and services rendered by the outgoing Chief Executive, Mr. Abdul Rashid Mir, who resigned from the office of the Chief Executive / Director of the Company due to his deteriorated health.

The Board of directors appointed Mr. Naveed Amin as Chief Executive / Director of the company in place of Mr. Abdul Rashid Mir whose approval from Securities and Exchange Commission of Pakistan is awaited. The information in this regard has been circularized subsequently to all the shareholders of the company in accordance with the provisions of the law

## ACKNOWLEDGMENT

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

ON BEHALF OF THE BOARD



Naveed Amin  
Chief Executive

Sialkot: 06 October 2009

# Grays Leasing Limited

## KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

(Rupees in Thousand)

	2004	2005	2006	2007	2008	2009
<b>PROFIT AND LOSS</b>						
Revenue	102,470	96,562	144,387	162,670	147,971	106,315
Financial charges	34,249	44,330	94,099	102,614	110,223	93,533
Provision for doubtful receivables	10,421	1,248	(833)	4,710	13,749	51,173
Profit / (Loss) before tax	40,399	29,672	24,728	23,530	(14,557)	(74,578)
Profit / (Loss) after tax	80,371	17,674	14,007	15,458	(15,268)	(56,520)
Dividend	27,000	20,000	-	-	-	-
Bonus shares	20,000	-	-	-	-	-
<b>BALANCE SHEET</b>						
Paid up share capital	180,000	200,000	200,000	200,000	200,000	215,000
Shareholders equity	300,324	258,998	253,005	268,470	242,633	202,111
Borrowings	560,896	898,007	884,614	913,707	748,211	408,300
Net investment in finance leases	1,039,835	1,414,028	1,485,167	1,652,799	1,458,656	1,048,163
Total assets	1,076,365	1,493,771	1,555,669	1,735,561	1,555,889	1,073,197
<b>PERFORMANCE INDICATORS</b>						
Profit / (Loss) before tax/Gross revenue	39%	31%	17%	14%	-10%	-70%
Profit / (Loss) after tax/Gross revenue	78%	18%	10%	10%	-10%	-53%
Pre-tax Return on shareholder's equity	13%	11%	10%	9%	-6%	-37%
After tax Return on shareholder's equity	27%	7%	6%	6%	-6%	-28%
Income/Expense ratio	1.65	1.44	1.21	1.17	0.91	0.59
Total borrowings to equity ratio	67:33	78:22	78:22	65:35	76:24	58:42
Interest coverage ratio	2.18	1.67	1.26	1.23	0.87	0.20
Earning per share	4.02	1.33	0.70	0.77	(0.85)	(2.82)
Break up value per share	16.68	15.00	12.65	13.42	12.13	9.40
Lease disbursements	568,630	857,329	602,000	621,000	329,365	9,422
Number of contracts	409	262	162	188	119	7

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## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED 30 JUNE 2009**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, Chapter No. XI of listing regulations of Karachi Stock Exchange and Chapter No. XIII of listing regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least two independent non-executive directors and directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. The casual vacancy occurred in the Board during the year was filled in accordance with the provisions of Law.
5. New orientation courses have been arranged during the year.
6. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
7. 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.
8. 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.
9. 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.
10. The board has approved appointment of head of internal audit, including his remuneration and terms and conditions of employment as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

## Grays Leasing Limited

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, whom all are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function .
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Sialkot: 06 October 2009

  
**Naveed Amin**  
**Chief Executive**

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## **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 2009, 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, Sub-Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2009.

**LAHORE:**  
**06 October 2009**

**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of GRAYS LEASING LIMITED as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in Note 2.17 to the financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 2009 and of the 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).

The financial statements of the company for the year ended 30 June 2008 were audited by another firm of Chartered Accountants who expressed modified opinion dated 07 October 2008 containing an emphasis of matter paragraph on pending application for renewal of license to carry on leasing business and non-compliance with minimum equity requirement.

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**Syed Mustafa Ali**

**Date 06 October 2009**

**LAHORE**

10-B, Saint Mary Park  
Main Boulevard, Gulber-III  
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www.racopk.com

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## BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees (Restated)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	3	16,235,207	28,814,468
Advances and prepayments	4	2,399,419	1,873,238
Other receivables	5	1,236,645	1,942,439
Current maturity of non current assets	6	763,478,523	641,375,043
		<u>783,349,794</u>	<u>674,005,188</u>
<b>Non-current assets</b>			
Long term loan	7	-	-
Net investment in lease finance	8	189,313,058	773,432,369
Long term investment	9	10,176,986	10,176,986
Property, plant and equipment	10	89,373,230	97,397,083
Long term security deposits		983,482	877,482
		<u>289,846,756</u>	<u>881,883,920</u>
		<u>1,073,196,550</u>	<u>1,555,889,108</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term borrowings	11	73,649,195	131,928,948
Subordinated loan		-	15,000,000
Accrued and other liabilities	12	6,647,334	9,150,566
Accrued Mark up	13	15,695,397	20,618,036
Current maturity of non current liabilities	14	479,089,915	315,231,017
Provision for taxation		14,300,609	3,016,561
		<u>589,382,450</u>	<u>494,945,128</u>
<b>Non-current liabilities</b>			
Deposits on lease contracts	15	141,555,117	369,897,867
Certificates of investment	16	1,500,000	2,000,000
Long term financing	17	96,967,816	372,352,989
Liabilities against assets subject to finance lease	18	681,019	2,020,822
Deferred taxation	19	18,182,844	48,248,813
Employee benefit	20	3,845,828	3,821,951
		<u>262,732,624</u>	<u>798,342,442</u>
<b>Total liabilities</b>		<u>852,115,074</u>	<u>1,293,287,570</u>
<b>NET ASSETS</b>		<u>221,081,476</u>	<u>262,601,538</u>
<b>REPRESENTED BY:</b>			
Authorized share capital			
35,000,000 (30 June 2008: 35,000,000) ordinary shares of Rupees 10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid up share capital	21	215,000,000	200,000,000
Statutory reserve	22	58,625,295	58,625,295
Unappropriated profit / (Accumulated loss)		<u>(71,513,998)</u>	<u>(15,992,367)</u>
Shareholders' equity		<u>202,111,297</u>	<u>242,632,928</u>
Surplus on revaluation of buildings	23	18,970,179	19,968,610
Contingencies and commitments	24		
		<u>221,081,476</u>	<u>262,601,538</u>

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

  
Chief Executive

  
Director

  
Director

# Grays Leasing Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees (Restated)
<b>REVENUE</b>			
Income from lease operations	25	101,747,928	142,819,758
Other income	26	4,567,489	5,151,403
		<u>106,315,417</u>	<u>147,971,161</u>
<b>EXPENDITURE</b>			
Administrative and other operating expenses	27	36,187,907	38,555,550
Financial and other charges	28	93,533,327	110,223,472
Allowance for potential lease losses	8.2	51,172,568	13,748,639
		<u>180,893,802</u>	<u>162,527,661</u>
Loss before taxation		(74,578,385)	(14,556,500)
Provision for taxation	29	18,058,323	(711,227)
Loss after taxation		<u>(56,520,062)</u>	<u>(15,267,727)</u>
Loss per share - basic and diluted	30	<u>(2.82)</u>	<u>(0.85)</u>

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

  
Chief Executive

  
Director

  
Director



# Annual Report 2009

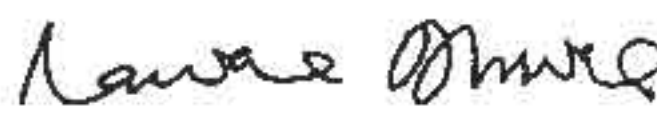
## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	2009 Rupees	2008 Rupees (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(74,578,385)	(14,556,500)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	8,304,462	8,922,586
Provision for gratuity	1,204,480	949,132
Financial charges	93,533,327	110,223,472
Allowance for potential lease losses	51,172,568	13,748,639
Gain on sale of property, plant and equipment	(481,539)	(92,344)
Profit on bank deposits and investments	(1,302,902)	(1,552,148)
	152,430,396	132,199,337
<b>Operating profit before working capital changes</b>	77,852,011	117,642,837
<b>(Increase) / Decrease in current assets:</b>		
Advances and prepayments	(526,181)	1,372,250
Other receivables	738,300	(14,391,118)
Increase / (Decrease) in accrued and other liabilities	(2,532,685)	511,808
<b>Cash generated from operations</b>	75,531,445	105,135,777
Financial charges paid	(97,960,096)	(114,682,584)
Income tax paid	(726,651)	(3,150,053)
Gratuity paid	(1,180,603)	(212,666)
<b>Net cash from operating activities</b>	(24,335,905)	(12,909,526)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in finance leases	410,493,263	166,915,651
Long term loans and advances - net	350,000	4,050,000
Property, Plant and equipment acquired	(210,240)	(2,371,042)
Sale proceeds of property, plant and equipment	1,479,870	1,216,265
Long term security deposits	(106,000)	(131,030)
Profit on bank deposits and investments	1,302,902	1,513,244
<b>Net cash from investing activities</b>	413,309,795	171,193,088
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subordinated loan	-	15,000,000
Long term financing repaid	(248,131,166)	(138,388,399)
Short term borrowings	(33,000,000)	(47,000,000)
Certificates of investment repaid	(18,500,000)	(46,500,000)
Deposits on lease contracts	(74,093,647)	33,886,556
Lease rentals paid	(2,548,585)	(2,444,151)
<b>Net cash used in financing activities</b>	(376,273,398)	(185,445,994)
<b>Net increase / (decrease) in cash and cash equivalents</b>	12,700,492	(27,162,432)
<b>Cash and cash equivalents at the beginning of the year (Note 31)</b>	(70,114,480)	(42,952,048)
<b>Cash and cash equivalents at the end of the year (Note 31)</b>	(57,413,988)	(70,114,480)

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

  
Chief Executive

  
Director

  
Director

# Grays Leasing Limited

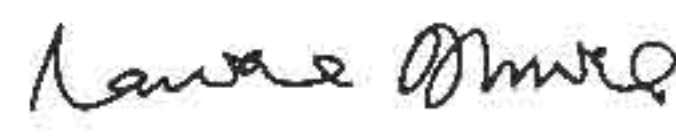
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	RESERVES			TOTAL EQUITY	
	SHARE CAPITAL	STATUTORY RESERVE	UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)		TOTAL
----- Rupees -----					
Balance as at 30 June 2007	200,000,000	58,625,295	9,844,609	68,469,904	268,469,904
Effect of change in accounting policy (Note 2.17)			(11,620,229)	(11,620,229)	(11,620,229)
Balance as at 30 June 2007 (Restated)	200,000,000	58,625,295	(1,775,620)	56,849,675	256,849,675
Net loss for the year ended 30 June 2008	-	-	(15,267,727)	(15,267,727)	(15,267,727)
Transfer from surplus on revaluation of fixed assets					
- Incremental depreciation - net of deferred taxation	-	-	1,050,980	1,050,980	1,050,980
Balance as at 30 June 2008	200,000,000	58,625,295	(15,992,367)	42,632,928	242,632,928
Issue of share capital	15,000,000	-	-	-	15,000,000
Net loss for the year ended 30 June 2009	-	-	(56,520,062)	(56,520,062)	(56,520,062)
Transfer from surplus on revaluation of fixed assets					
- Incremental depreciation - net of deferred taxation	-	-	998,431	998,431	998,431
Balance as at 30 June 2009	215,000,000	58,625,295	(71,513,998)	(12,888,703)	202,111,297

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

  
Chief Executive

  
Director

  
Director

# Annual Report 2009

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

##### a) Statement of compliance

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

##### b) Accounting convention

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

##### c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Defined benefit plans - (Note 2.9, Note 20)
- b) Provision for taxation - (Note 2.10, Note 19, Note 29)
- c) Residual values of property, plant and equipment - (Note 2.6)
- d) Revaluation of buildings - (Note 23)

##### d) Standard that is effective in current year

IFRS 7 'Financial Instruments: Disclosures'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 411(I) / 2008 dated 28 April 2008 notified the adoption of IFRS 7. IFRS 7 is mandatory for company's accounting period beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

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

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2008 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.

# Grays Leasing Limited

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

Following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2009 or later periods:

IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009), issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement. Adoption of the aforesaid standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn. This change will not effect the financial statements as the company already has the policy to capitalize its borrowing cost.

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment has expanded the disclosures required in respect of fair value measurements recognized in the statement of financial position. Moreover, amendments have also been made to the liquidity risk disclosures. Such amendments are not expected to have any significant impact on the company's financial statements other than increase in disclosures.

There are other amendments resulting from May 2008 and April 2009 Annual Improvements to IFRSs, specifically in IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 23 'Borrowing Costs', IAS 28 'Investments in Associates', IAS 36 'Impairment of Assets' and IAS 17 'Leases' that are considered relevant to the company's financial statements. These amendments are unlikely to have a significant impact on the company's financial statements and have therefore not been analyzed in detail.

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

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

### 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 referred to in Note 31.

### 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 Prudential Regulations for Non-Banking Financial Companies (SECP's Regulations for NBFCs). In accordance with the SECP regulations, the company does not recognize income on financial assets which have been classified.

### 2.5 **Investments**

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

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

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

# Annual Report 2009

## a) **Investment at fair value through profit or loss**

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

## b) **Held-to-maturity**

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

## c) **Available-for-sale**

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

## 2.6 **Property, plant and equipment**

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

Depreciation on all property, plant and equipment is charged to income by applying the reducing balance method whereby the cost or revalued amount of an asset is written off over its estimated useful life. Depreciation is being charged at the rates given in Note 10. Incremental depreciation representing the difference between actual depreciation based on the revalued carrying amount of an asset and equivalent depreciation based on the original carrying amount of the asset is transferred from surplus on revaluation of fixed assets to unappropriated profits. All transfers to / from surplus on revaluation of fixed assets are net of applicable deferred income taxes.

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

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

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

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

## 2.7 **Impairment**

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

# Grays Leasing Limited

## 2.8 Leases

Where the company is the lessee:

### Finance lease

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

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in Note 18.

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 10. Depreciation on leased assets is charged to income.

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

Where the company is the lessor:

### Operating lease

Assets leased out under operating leases are included in property, plant and equipment as referred to in Note 10. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on accrual basis over the lease term.

## 2.9 Staff retirement benefits

### 2.9.1 Defined benefit plan

The company operates a non-funded defined benefit staff gratuity scheme for its permanent employees who have completed the qualifying service period of three years. Provision in respect of the scheme is made in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at 30 June 2009.

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

Discount rate 12 percent per annum.

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

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

The company is expected to charge Rupees 903,660 for gratuity in the next financial year.

### 2.9.2 Employees' compensated absences

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

## 2.10 Taxation

### Current

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

### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

# Annual Report 2009

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 in the case of items credited or charged to equity in which case it is included in equity.

## **2.11 Financial instruments**

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

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

## **2.12 Borrowings**

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

## **2.13 Accrued and other liabilities**

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

## **2.14 Provisions**

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## **2.15 Certificates of Investment**

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

## **2.16 Offsetting of financial assets and liabilities**

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

## **2.17 Revenue recognition**

Mark-up / return on investments and fund placements are recognized on a time proportion basis.

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

### **Change in accounting policy**

During the year the company has changed its accounting policy to recognize the additional lease rentals being the late payment charges on receipt basis. Previously, these were recognized when the right to receive was established except for charges due from classified customers which were recognized on receipt basis.

# Grays Leasing Limited

The change in accounting policy has been applied retrospectively and comparative has been restated in accordance with the treatment specified in International Accounting Standard 8 (IAS 8): "Accounting Policies, Change in Accounting Estimates and Errors". Had there been no change in accounting policy, the figures recognized in these financial statements would have been different as follows:

	<b>2009</b> <b>Rupees</b>	<b>2008</b> <b>Rupees</b>
Loss for the year would have been lower by	6,486,443	4,985,178
Other receivable would have been higher by	23,091,850	16,605,407
Equity would have been higher by	23,091,850	16,605,407

Commission and fees are taken to income when the service is provided.

## 2.18 Borrowing costs

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

## 2.19 Related party transactions

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

## 2.20 Foreign currency transactions

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

Exchange differences are included in income currently.

## 2.21 Share capital

Ordinary shares are classified as equity.

## 2.22 Dividend and other appropriations

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

	<b>2009</b> <b>Rupees</b>	<b>2008</b> <b>Rupees</b>
<b>3. CASH AND BANK BALANCES</b>		
Cash in hand	8,017	8,420
With banks:		
Balance with State Bank of Pakistan	35,751	20,694
Current accounts	1,256,385	1,158,636
Saving accounts (Note 3.1)	14,935,054	27,626,718
	<u>16,235,207</u>	<u>28,814,468</u>

3.1 Cash with banks in saving accounts carry mark-up ranging from 5 % to 6 % per annum (30 June 2008: 0.1% to 5.0% per annum).



# Annual Report 2009

	2009 Rupees	2008 Rupees
<b>4. ADVANCES AND PREPAYMENTS</b>		
Advances - considered good:		
Advance to employees	538,507	373,419
Others	1,234,530	976,629
	<u>1,773,037</u>	<u>1,350,048</u>
Prepayments	626,382	523,190
	<u>2,399,419</u>	<u>1,873,238</u>
<b>5. OTHER RECEIVABLES</b>		
Considered good:		
Advance income tax	923,680	891,174
Insurance and other claims	312,965	1,051,265
	<u>1,236,645</u>	<u>1,942,439</u>
<b>6. CURRENT MATURITY OF NON CURRENT ASSETS</b>		
Long term loan (Note 7)	-	350,000
Net investment in lease finance (Note 8)	763,478,523	641,025,043
	<u>763,478,523</u>	<u>641,375,043</u>
<b>7. LONG TERM LOAN</b>		
Considered good:		
Long term loan - secured (Note 7.2)	-	350,000
Less: Current maturity shown under current assets (Note 6)	-	(350,000)
	<u>-</u>	<u>-</u>
<b>7.1 Reconciliation of carrying amount of loan to Chief Executive</b>		
Balance as at 01 July	350,000	900,000
Add: Disbursement	-	575,000
	<u>350,000</u>	<u>1,475,000</u>
Less: Repayments	350,000	1,125,000
Balance as at 30 June	<u>-</u>	<u>350,000</u>
<b>7.2</b>		
This represents loan of Rupees 2.0 million provided to the Chief Executive of the company at mark-up rate of 7% per annum. This loan was given to the Chief Executive for construction of his house after obtaining approval from the Securities and Exchange Commission of Pakistan and was secured against the mortgage of the said property and lien marked over Chief Executive's retirement benefits and shareholding in the company. The loan has been fully repaid during the year. Maximum aggregate loan amount outstanding at the end of any month during the year was Rupees 0.35 million (30 June 2008: Rupees 0.85 million).		
	2009 Rupees	2008 Rupees
<b>8. NET INVESTMENT IN LEASE FINANCE</b>		
Lease rentals receivable	826,510,715	1,230,042,720
Add: Guaranteed residual value of leased assets	382,511,772	456,605,419
Gross investment in lease finance (Note 8.1)	<u>1,209,022,487</u>	<u>1,686,648,139</u>
Less: Un-earned finance income	(160,859,286)	(227,991,675)
Net investment in lease finance (Note 8.1)	<u>1,048,163,201</u>	<u>1,458,656,464</u>
Less: Allowance for potential lease losses (Note 8.2)	(95,371,620)	(44,199,052)
	<u>952,791,581</u>	<u>1,414,457,412</u>
Less: Current maturity shown under current assets (Note 6)	(763,478,523)	(641,025,043)
	<u>189,313,058</u>	<u>773,432,369</u>

# Grays Leasing Limited

8.1

	GROSS INVESTMENT		NET INVESTMENT IN LEASE FINANCE	
	2009	2008	2009	2008
	Rupees	Rupees	Rupees	Rupees
Less than one year	888,508,541	758,968,151	763,478,523	641,025,043
One year to five years	320,513,946	927,679,988	284,684,678	817,631,421
	<u>1,209,022,487</u>	<u>1,686,648,139</u>	<u>1,048,163,201</u>	<u>1,458,656,464</u>
Less: Unearned finance income	<u>(160,859,286)</u>	<u>(227,991,675)</u>		
	<u>1,048,163,201</u>	<u>1,458,656,464</u>		

**8.1.1** There are no lease contract receivables over five years. The Company's implicit rate of return on leases ranges from 8.0 % to 32.71 % per annum (30 June 2008: 8.0 % to 32.71 % per annum). The agreements are usually for a period of 3 to 6 years (30 June 2008: 3 to 6 years). In certain cases, in addition to leased assets the leases are secured against personal guarantees and charge on properties of the lessee.

**8.1.2** Analysis of net investment in lease finance in respect of non-performing leases on which mark-up is being suspended is given in note 34.1(b) . The non-performing leases are determined in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**8.1.3** Net investment in lease finance includes Rupees 2.127 million ( 30 June 2008: Rupees 4.683 million) due from associated undertakings.

	2009	2008
	Rupees	Rupees
<b>8.2 ALLOWANCE FOR POTENTIAL LEASE LOSSES</b>		
Balance as at 01 July	44,199,052	30,450,413
Add: Provision for the year	51,172,568	14,693,480
Less: Provision written back during the year	-	(944,841)
	<u>51,172,568</u>	<u>13,748,639</u>
Balance as at 30 June	<u>95,371,620</u>	<u>44,199,052</u>

## 9. LONG TERM INVESTMENT

### Held to maturity

Investment in Pakistan Investment Bonds has been made in accordance with Regulation 14 (4) (i) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 in order to maintain liquidity against certificates of investment issued by the company. These bonds have a maturity period of 10 years and carry profit at the rate of 8% per annum receivable semi annually.

10 PROPERTY, PLANT AND EQUIPMENT

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	OWNED											LEASED		TOTAL	
	OWN USE						OPERATING LEASE					OWN USE			
	BUILDINGS	FURNITURE, FIXTURES	VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	SUB TOTAL	MACHINERY	VEHICLES	SUB TOTAL	TOTAL	VEHICLES	VEHICLES			
<b>At 01 July 2007</b>															
Cost / revalued amounts	54,000,000	1,271,237	3,941,507	2,566,873	2,261,257	64,040,874	-	-	-	64,040,874	-	-	64,040,874	6,893,236	70,934,110
Accumulated depreciation	(18,493)	(529,131)	(2,425,434)	(773,464)	(1,596,036)	(5,341,558)	-	-	-	(5,341,558)	-	-	(5,341,558)	(2,729,525)	(8,071,083)
Net book value	53,981,507	742,106	1,516,073	1,793,409	665,221	58,699,316	-	-	-	58,699,316	-	-	58,699,316	4,163,711	62,863,027
<b>Year ended 30 June 2008</b>															
Opening net book value	53,981,507	742,106	1,516,073	1,793,409	665,221	58,699,316	-	-	-	58,699,316	-	-	58,699,316	4,163,711	62,863,027
Additions	-	49,700	123,090	94,000	539,853	12,512,338	26,597,486	2,059,750	28,651,236	41,163,574	-	-	41,163,574	3,416,989	44,580,563
Transfer from leased assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	53,981,507	742,106	1,516,073	1,793,409	665,221	58,699,316	-	-	-	58,699,316	-	-	58,699,316	4,163,711	62,863,027
Accumulated depreciation	-	-	(1,783,753)	-	-	(1,783,753)	-	-	-	-	-	-	-	(2,650,500)	(1,783,753)
Net book value	-	-	1,066,747	-	-	1,066,747	-	-	-	1,066,747	-	-	1,066,747	(1,066,747)	-
<b>Disposals:</b>															
Cost	-	-	3,778,424	-	-	3,778,424	-	-	-	3,778,424	-	-	3,778,424	-	3,778,424
Accumulated depreciation	-	-	(2,654,503)	-	-	(2,654,503)	-	-	-	(2,654,503)	-	-	(2,654,503)	-	(2,654,503)
Net book value	-	-	1,123,921	-	-	1,123,921	-	-	-	1,123,921	-	-	1,123,921	-	1,123,921
Depreciation charge	-	-	314,817	188,689	339,742	3,517,412	3,980,723	76,435	4,085,198	7,662,570	-	-	7,662,570	1,240,016	8,922,586
Closing net book value	51,282,432	716,717	1,267,162	1,698,702	865,342	67,537,068	22,602,763	1,983,315	24,586,078	92,123,146	-	-	92,123,146	5,273,937	97,397,083
<b>At 30 June 2008</b>															
Cost / revalued amounts	54,000,000	1,320,937	3,136,663	2,660,873	2,802,720	75,625,298	26,597,486	2,059,750	28,651,236	104,276,524	-	-	104,276,524	7,469,725	111,736,249
Accumulated depreciation	(2,717,568)	(604,220)	(1,869,501)	(962,153)	(1,934,776)	(8,088,220)	(3,988,723)	(76,435)	(4,065,198)	(12,153,378)	-	-	(12,153,378)	(2,185,789)	(14,339,168)
Net book value	51,282,432	716,717	1,267,162	1,698,720	867,944	67,537,068	22,602,763	1,983,315	24,586,078	92,123,146	-	-	92,123,146	5,273,937	97,397,083
<b>Year ended 30 June 2009</b>															
Opening net book value	51,282,432	716,717	1,267,162	1,698,720	865,342	67,537,068	22,602,763	1,983,315	24,586,078	92,123,146	-	-	92,123,146	5,273,937	97,397,083
Additions	-	48,000	-	17,740	144,500	210,240	-	-	-	210,240	-	-	210,240	1,068,700	1,278,940
Transfer from leased assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	683,550	-	-	683,550	-	-	-	683,550	-	-	683,550	(683,550)	-
Accumulated depreciation	-	-	(404,623)	-	-	(404,623)	-	-	-	(404,623)	-	-	(404,623)	404,623	-
Net book value	-	-	278,927	-	-	278,927	-	-	-	278,927	-	-	278,927	-	-
Disposals															
Cost	-	-	1,680,050	-	-	1,680,050	-	-	-	1,680,050	-	-	1,680,050	913,841	2,593,891
Accumulated depreciation	-	-	(1,128,129)	-	-	(1,128,129)	-	-	-	(1,128,129)	-	-	(1,128,129)	(467,431)	(1,595,560)
Net book value	-	-	551,921	-	-	551,921	-	-	-	551,921	-	-	551,921	446,410	998,331
Depreciation charge	-	-	240,960	170,589	284,616	3,333,594	3,380,474	396,653	3,767,077	7,120,861	-	-	7,120,861	1,183,801	8,304,662
Closing net book value	48,718,310	891,410	757,218	1,545,671	725,226	64,407,306	19,212,349	1,586,662	20,799,000	64,939,731	-	-	64,939,731	4,433,499	69,373,230
<b>At 30 June 2009</b>															
Cost / revalued amounts	54,000,000	1,368,937	2,142,223	2,678,613	2,544,622	74,839,028	26,597,486	2,056,750	28,651,236	103,490,264	-	-	103,490,264	6,937,034	110,427,298
Accumulated depreciation	(3,287,562)	(577,527)	(1,386,945)	(1,132,742)	(2,273,394)	(7,088,299)	(7,379,137)	(473,096)	(7,852,235)	(13,560,533)	-	-	(13,560,533)	(2,457,535)	(16,018,068)
Net book value	48,718,310	891,410	757,218	1,545,671	725,226	64,407,306	19,212,349	1,586,662	20,799,000	84,939,731	-	-	84,939,731	4,433,499	89,373,230
<b>Annual rate of depreciation (%)</b>	5	10	20	12	30	15	15	20	20	20			20	20	20

10.1 Buildings of the company at Lahore and Karachi were revalued by an independent valuer Messrs Joseph Lubo (Private) Limited as at 27 June 2007 and 29 June 2007 respectively on open market basis. Had the buildings not been revalued the book value of the buildings as at 30 June 2009 would have been lower by Rupees 29,185 million for 30 June 2008. Rupees 3,772 million.

10.2 The book value of buildings on cost basis is Rupees 15,503 million for 30 June 2008. 20.55 million.

10.3 Disposal of property, plant and equipment

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

DESCRIPTION	QTY	Rupees			Rupees			MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
		COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALES PROCEEDS	SALES PROCEEDS			
<b>Vehicles</b>									
Toyota Corolla AJM - 738	1	913,841	467,431	446,410	648,370	648,370	Negotiation	Mr. Arif Raza - Company's employee	
Suzuki Cullus LHE-047	1	683,550	430,147	253,403	356,500	356,500	Negotiation	Mr. Arif Jamal Soofi - Company's employee	
Toyota Corolla LRP-889	1	956,500	697,982	298,518	475,000	475,000	Negotiation	Mian M. Nadeem - Company's employee	
		<u>2,553,891</u>	<u>1,595,560</u>	<u>998,331</u>	<u>1,479,870</u>	<u>1,479,870</u>			

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	2009 Rupees	2008 Rupees
<b>11. SHORT TERM BORROWINGS</b>		
Short term borrowings - Secured		
From banking company (Note 11.1)	73,649,195	98,928,948
From financial institution - Morabaha facility	-	33,000,000
	<u>73,649,195</u>	<u>131,928,948</u>
<b>11.1</b>	This represents running finance facility obtained from The Bank of Punjab. This facility is secured against first pari passu charge of Rupees 134 million over leased assets and related receivables of the company. The markup is payable on quarterly basis at the rate of three months KIBOR plus 3% per annum with a floor of 10%. (30 June 2008: three months KIBOR plus 3% per annum with a floor of 10%)	
<b>12. ACCRUED AND OTHER LIABILITIES</b>	<b>2009 Rupees</b>	<b>2008 Rupees</b>
Advance receipt against leases	962,784	3,570,851
Accrued liabilities	2,811,900	1,996,886
Income tax deducted at source	40,808	11,355
Un-claimed dividend	777,785	777,785
Insurance premium and claims payable	1,988,937	2,728,569
Others	65,120	65,120
	<u>6,647,334</u>	<u>9,150,566</u>
<b>13. ACCRUED MARK UP</b>		
Long term financing	8,152,420	11,120,633
Certificates of investments (Note 13.1)	4,265,997	4,657,324
Short term borrowings	3,276,980	4,840,079
	<u>15,695,397</u>	<u>20,618,036</u>
<b>13.1</b>	This includes Rupees 4,265,997 (30 June 2008: Rupees 4,657,324 ) payable to related parties. Mark up accrued on certificates of investments includes Rupees 2,987,611 (30 June 2008 Rupees 3,079,905) being an amount due but unpaid.	
<b>14. CURRENT MATURITY OF NON CURRENT LIABILITIES</b>	<b>2009 Rupees</b>	<b>2008 Rupees</b>
Deposits on lease contracts (Note 15)	240,956,655	86,707,552
Certificates of investment (Note 16)	40,500,000	58,500,000
Long term financing (Note 17)	195,683,335	168,429,328
Liabilities against assets subject to finance lease (Note 18)	1,949,925	1,594,137
	<u>479,089,915</u>	<u>315,231,017</u>
<b>15. DEPOSITS ON LEASE CONTRACTS</b>		
Balance as at 30 June	382,511,772	456,605,419
Less: Current maturity shown under current liabilities (Note 14)	<u>(240,956,655)</u>	<u>(86,707,552)</u>
	<u>141,555,117</u>	<u>369,897,867</u>
<b>15.1</b>	These represent the interest free security deposits received from lessees, at the rates ranging from 0% to 70% (30 June 2008: 0% to 70%) of lease amount, against lease contracts and are refundable / adjustable at the expiry / termination of respective leases.	
<b>16. CERTIFICATES OF INVESTMENT</b>	<b>2009 Rupees</b>	<b>2008 Rupees</b>
Individuals (Note 16.2)	2,000,000	10,500,000
Other (Note 16.3)	40,000,000	50,000,000
	<u>42,000,000</u>	<u>60,500,000</u>
Less: Current maturity shown under current liabilities (Note 14)	<u>(40,500,000)</u>	<u>(58,500,000)</u>
	<u>1,500,000</u>	<u>2,000,000</u>
<b>16.1</b>	The company has a scheme of registered certificates of investment for resource mobilization . The term of these certificates of investment ranges from one year to three years (30 June 2008: one year to three years) and expected profit rate ranges from 11% to 15.89% per annum (30 June 2008: 11% to 12.93% per annum)	
<b>16.2</b>	This includes certificates of investment of Rupees Nil (2008: Rupees 8,500 million) issued to related parties.	
<b>16.3</b>	This represents certificates of investment issued to Anwar Khawaja Industries (Private) Limited - associated company.	

# Grays Leasing Limited

	2009 Rupees	2008 Rupees
<b>17. LONG TERM FINANCING</b>		
From financial institutions - secured		
Askari Bank Limited (Note 17.1)	48,300,000	102,300,000
The Bank Of Punjab (Note 17.2)	30,000,000	50,000,000
Saudi Pak Industrial And Agricultural Investment Company Limited	-	16,666,667
National Bank Of Pakistan (Note 17.3)	16,666,672	50,000,000
National Bank Of Pakistan (Note 17.4)	50,000,000	75,000,000
	<u>144,966,672</u>	<u>293,966,667</u>
From financial institutions - unsecured	-	10,000,000
Term finance certificates - secured (Note 17.5)	150,000,000	240,000,000
Less: Unamortised transaction costs	(2,315,521)	(3,184,350)
	<u>147,684,479</u>	<u>236,815,650</u>
	<u>292,651,151</u>	<u>540,782,317</u>
Less: Current maturity shown under current liabilities (Note 14)	(195,683,335)	(168,429,328)
	<u>96,967,816</u>	<u>372,352,989</u>

- 17.1** This represents term finance facility of Rupees 275 million obtained for financing of leasing operations. This facility is secured against first pari passu charge on leased assets and lease rentals (present and future) of Rupees 393 million. Mark up is payable on quarterly basis at the rate of six months KIBOR plus 2% per annum with a floor of 6% per annum (30 June 2008: six months KIBOR plus 2% with a floor of 6% per annum). The balance of Rupees 48.3 million (30 June 2008: Rupees 102.3 million) is repayable in quarterly installments by July 2010.
- 17.2** This represents demand finance facility for Rupees 100 million obtained for financing of leasing operations. This is secured against first pari passu charge on leased assets and related receivables for Rupees 134 million. Mark up is payable in arrears on quarterly basis at the rate of three months KIBOR plus 2.9% per annum with a floor of 10% per annum (30 June 2008: three months KIBOR plus 2.9% per annum with a floor of 10% per annum). The balance of Rupees 30 million (30 June 2008: Rupees 50 million) is repayable in 6 equal quarterly installments by December 2010.
- 17.3** This represents term finance facility for Rupees 100 million obtained for financing of leasing operations. This is secured against first pari passu hypothecation charge on leased assets and respective lease rental receivables of the company to the extent of Rupees 133.33 million. Mark up is payable on quarterly basis in arrears at the rate of three months KIBOR plus 2.50% per annum (30 June 2008: three months KIBOR plus 2.50% per annum). The balance of Rupees 16.666 million (30 June 2008: Rupees 50 million) is repayable in 2 equal quarterly installments by October 2009.
- 17.4** This represents term finance facility for Rupees 100 million obtained for financing of leasing operations. This is secured against first pari passu hypothecation charge on leased assets and respective lease rental receivables of the company to the extent of Rupees 133.33 million. The mark up is payable on quarterly basis at the rate of three months KIBOR plus 2.25% per annum (30 June 2008: three months KIBOR plus 2.25% per annum). The balance of Rupees 50 million (30 June 2008: Rupees 75 Million) is repayable in equal quarterly installments by September 2010.
- 17.5** These represents privately placed term finance certificates issued to financial institutions for financing of leasing operations and to repay existing high rate borrowings. These are secured against first pari passu charge of Rupees 320 million over all present and future receivables of the company. Profit on these TFCs is payable on monthly basis at six months KIBOR plus 2.5% per annum with no floor and no cap. These are redeemable in 36 equal monthly installments.

	2009 Rupees	2008 Rupees
<b>18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	2,630,944	3,614,959
Less: Current maturity shown under current liabilities (Note 14)	(1,949,925)	(1,594,137)
	<u>681,019</u>	<u>2,020,822</u>

- 18.1** The minimum lease payments have been discounted at an implicit interest rate that ranges from 16.69% to 21.04% per annum (30 June 2008: 9% to 16.69% per annum) to arrive at their present value. The lease agreements carry renewal and purchase option at the end of the lease term. There are no financial restrictions in the lease agreements. Taxes, repairs, replacements and insurance costs are borne by the lessee. The amount of future payments and the period in which they will become due are as under:

	2009			2008		
	MINIMUM LEASE PAYMENTS Rupees	FUTURE FINANCE CHARGE Rupees	PRESENT VALUE OF MINIMUM LEASE Rupees	MINIMUM LEASE PAYMENTS Rupees	FUTURE FINANCE CHARGE Rupees	PRESENT VALUE OF MINIMUM LEASE Rupees
Not later than 1 year	2,204,223	254,298	1,949,925	1,956,528	362,391	1,594,137
Later than 1 year and not later than 5 years	788,345	107,326	681,019	2,136,721	115,899	2,020,822
	<u>2,992,568</u>	<u>361,624</u>	<u>2,630,944</u>	<u>4,093,249</u>	<u>478,290</u>	<u>3,614,959</u>

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	2009 Rupees	2008 Rupees			
<b>19. DEFERRED TAXATION</b>					
Deferred tax assets / (liabilities) arising due to:					
Accelerated tax depreciation	(99,739,548)	(144,003,710)			
Surplus on revaluation of buildings	(10,214,713)	(10,752,329)			
Tax losses	78,902,602	92,622,344			
Minimum tax available for carry forward	12,153,669	13,127,841			
Liabilities against asset subject to finance lease	(630,894)	(580,642)			
Provision for gratuity	1,346,040	1,337,683			
	<u>(18,182,844)</u>	<u>(48,248,813)</u>			
<b>20. EMPLOYEE BENEFIT</b>					
The amounts recognised in the balance sheet are as follows:					
Present value of defined benefit obligation (Note 20.1)	3,199,198	3,705,540			
Un-recognized actuarial gains / (Losses)	407,130	(123,089)			
Benefits due but not paid	239,500	239,500			
Liability as at June 30	<u>3,845,828</u>	<u>3,821,951</u>			
Net Liability as at July 01	3,821,951	3,085,485			
Charge to profit and loss account (Note 20.2)	1,204,480	949,132			
Payments	(1,180,603)	(212,666)			
Liability as at June 30	<u>3,845,828</u>	<u>3,821,951</u>			
<b>20.1 The movement in the present value of defined benefit obligation is as follows:</b>					
Present value of defined benefit obligation	3,705,540	3,042,989			
Current service cost	759,815	644,833			
Interest cost	444,665	304,299			
Benefits paid	(1,180,603)	(212,666)			
Actuarial gain	(530,219)	(73,915)			
	<u>3,199,198</u>	<u>3,705,540</u>			
<b>20.2 Charge to profit and loss account:</b>					
Current service cost	759,815	644,833			
Interest cost	444,665	304,299			
	<u>1,204,480</u>	<u>949,132</u>			
<b>20.3</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Present value of defined benefit obligation (Rupees)	3,199,198	3,705,540	3,042,989	1,913,438	2,290,930
Experience adjustment on obligation	(14.31) %	(2.43) %	(14.63) %	(3.02) %	6.92 %
<b>21. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>					
	<b>2009</b>	<b>2008</b>		<b>2009</b>	<b>2008</b>
	Number of shares			Rupees	Rupees
19,500,000	18,000,000		Ordinary shares of Rupees 10 each fully paid up in cash	195,000,000	180,000,000
2,000,000	2,000,000		Ordinary shares of Rupees 10 each issued as fully bonus shares	20,000,000	20,000,000
<u>21,500,000</u>	<u>20,000,000</u>			<u>215,000,000</u>	<u>200,000,000</u>
<b>21.1 Movement during the year:</b>					
20,000,000	20,000,000		At 01 July	200,000,000	200,000,000
1,500,000	-		Ordinary shares of Rupees 10 each issued during the year ended 30 June 2009 as fully paid right shares	15,000,000	-
<u>21,500,000</u>	<u>20,000,000</u>		At 30 June	<u>215,000,000</u>	<u>200,000,000</u>

# Grays Leasing Limited

	2009	2008
	(Number of shares)	
<b>21.2 Ordinary shares of the company held by associated companies:</b>		
Grays of Cambridge (Pakistan) Limited	7,999,999	7,999,999
Anwar Khawaja Industries (Private) Limited	3,739,603	2,723,042
Grays of Cambridge International UK	165,823	154,254
	<u>11,905,425</u>	<u>10,877,295</u>
<b>22. STATUTORY RESERVE</b>		
This reserve is being maintained as per requirements of Regulation 16 of Part II of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.		
<b>23. SURPLUS ON REVALUATION OF BUILDINGS</b>		
This represents surplus on revaluation of buildings carried in the year ending 30 June 2007 adjusted by incremental depreciation arising out of revaluation and deferred taxation.		
	2009	2008
	Rupees	Rupees
Opening balance as at 01 July	19,968,610	21,019,590
Transferred to statement of changes in equity - net of deferred taxation	(998,431)	(1,050,980)
Closing balance as at 30 June	<u>18,970,179</u>	<u>19,968,610</u>
<b>23.1</b> Incremental depreciation represents the difference between actual depreciation on revalued buildings and equivalent depreciation based on historical cost of buildings.		
<b>23.2</b> Surplus on revaluation of property, plant and equipment can be utilized by the company only for the purposes specified in section 235 of The Companies Ordinance, 1984.		
<b>24. Contingencies and commitments</b>		
<b>24.1 Contingencies</b>		
Nil (30 June 2008: Nil)		
<b>24.2 Commitments</b>		
Lease contracts approved but not disbursed amounting to Rupees Nil ( 30 June 2008: Rupees 40.403 million).		
Commitment for capital expenditures amounting to Rupees Nil ( 30 June 2008: 0.12 million).		
<b>25. INCOME FROM LEASE OPERATIONS</b>	2009	2008
	Rupees	Rupees
Finance lease income	91,969,469	129,583,642
Operating lease income	3,415,012	8,317,470
Documentation charges	45,350	402,005
Additional lease rentals	6,318,097	4,516,641
	<u>101,747,928</u>	<u>142,819,758</u>
<b>26. OTHER INCOME</b>		
Processing fee and other charges	2,766,766	3,456,725
Profit on bank deposits	502,902	752,148
Profit on Pakistan investment bonds	800,000	800,000
Gain on sale of property, plant and equipment	481,539	92,344
Mark-up on loan to Chief Executive	16,282	50,186
	<u>4,567,489</u>	<u>5,151,403</u>



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	2009 Rupees	2008 Rupees
<b>27. ADMINISTRATIVE AND OTHER OPERATING EXPENSES</b>		
Salaries, allowances and other benefits (Note 27.1)	17,882,470	18,322,044
Repair and maintenance	977,002	635,856
Rent, rates and taxes	932,010	936,576
Postage and telephone	834,947	1,084,193
Vehicle running expenses	1,801,704	2,020,414
Utilities	670,974	825,980
Legal and professional	1,747,764	2,076,401
Insurance	330,292	721,651
Fees and subscription	988,253	1,175,457
Traveling and conveyance	345,168	196,870
Printing and stationery	333,811	635,469
Auditor's remuneration (Note 27.2)	470,300	418,720
Entertainment	318,635	324,621
Advertisement	91,539	144,670
Newspapers and periodicals	23,817	33,336
Miscellaneous	134,759	80,706
Depreciation on property, plant and equipment (Note 10)	8,304,462	8,922,586
	<u>36,187,907</u>	<u>38,555,550</u>

**27.1** These include Rupees 1.204 million (30 June 2008: Rupees 0.949 million) charged in respect of gratuity as referred to in Note 20 and Rupees 0.439 million (30 June 2008: Rupees 0.015 million) charged in respect of compensated absences.

	2009 Rupees	2008 Rupees
<b>27.2 Auditor's remuneration</b>		
Audit fee	250,000	200,000
Half yearly review and other sundry certifications	150,000	150,000
Out of pocket expenses	70,300	68,720
	<u>470,300</u>	<u>418,720</u>

<b>28. FINANCIAL AND OTHER CHARGES</b>		
Mark up on:		
Long term financing	69,908,585	81,068,782
Short term borrowings	15,377,110	19,669,603
Certificates of investments	7,156,148	8,690,403
	<u>92,441,843</u>	<u>109,428,788</u>
Financial charges on lease liabilities	624,009	467,517
Commission and other bank charges	467,475	327,167
	<u>93,533,327</u>	<u>110,223,472</u>

<b>29. TAXATION</b>		
For the year:		
Current (Note 29.1)	461,714	2,985,918
Deferred	(30,065,969)	(3,240,929)
Prior years:		
Current	11,545,932	14,350,792
Deferred	-	(13,384,554)
	<u>(18,058,323)</u>	<u>711,227</u>

**29.1** The company has carry forwardable tax losses of Rupees 225.436 million and provision for tax in the current year is computed only on income from other sources, therefore, it is impracticable to prepare the tax charge reconciliation for the years presented.

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		2009	2008
<b>30. LOSS PER SHARE - BASIC AND DILUTED</b>			
Loss after taxation	Rupees	(56,520,062)	(15,267,727)
Weighted average number of ordinary shares	Number	20,027,233	17,940,000
Earnings per share - basic	Rupees	(2.82)	(0.85)

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

## 31. CASH AND CASH EQUIVALENTS

Cash and bank balances (Note 3)	16,235,207	28,814,468
Short term borrowings from banking companies (Note 11)	(73,649,195)	(98,928,948)
	<u>(57,413,988)</u>	<u>(70,114,480)</u>

## 32. 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:

	2009 Rupees	2008 Rupees
Leases disbursed during the year	-	2,000,000
Lease rentals received	2,323,410	1,500,940
Financial charges paid	7,072,250	3,952,368
Certificates of investments matured during the year	40,000,000	51,200,000
Certificates of investments issued during the year	40,000,000	40,200,000

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

## 33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	2009		2008	
	CHIEF EXECUTIVE Rupees	EXECUTIVE Rupees	CHIEF EXECUTIVE Rupees	EXECUTIVE Rupees
Managerial remuneration (Note 33.1)	1,670,508	2,222,917	2,953,021	3,613,677
Bonus	50,000	140,125	125,000	219,000
House rent	501,333	346,017	800,000	1,445,471
Utilities	125,333	307,567	200,000	361,368
Medical	114,610	44,707	141,501	36,481
Leave encashment	250,000	319,583	-	-
	<u>2,711,784</u>	<u>3,980,916</u>	<u>4,219,522</u>	<u>5,675,997</u>
<b>Post employment benefits</b>				
Gratuity	-	333,335	532,968	765,133
	<u>2,711,784</u>	<u>4,314,251</u>	<u>4,752,490</u>	<u>6,441,130</u>
<b>Number of persons</b>	<u>1</u>	<u>4</u>	<u>1</u>	<u>6</u>

33.1 Included in the managerial remuneration of the chief executive is Rupees 417,175 (30 June 2008: Rupees 953,017) being tax borne by the company on his salary.

33.2 The chief executive of the company has been provided with a company maintained vehicle. Free group life and medical insurance has been provided to chief executive and all executives of the company.

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## 34. FINANCIAL RISK MANAGEMENT

### 34.1 Financial risk factors

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

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

#### (a) Market risk

##### (i) Currency risk

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

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

##### (ii) Interest rate risk

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

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

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

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

	2009 Rupees	2008 Rupees
<b>Fixed rate instruments</b>		
<b>Financial assets:</b>		
Pakistan Investment Bonds	10,176,986	10,176,986
Long term loan	-	350,000
<b>Financial liabilities:</b>		
Subordinated loan	-	15,000,000
Certificates of investment	500,000	500,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances- saving accounts	14,935,054	27,626,718
Net investment in finance lease - net off potential lease losses	952,791,581	1,414,457,412
<b>Financial liabilities</b>		
Short term borrowings	73,649,195	131,928,948
Certificates of investment	41,500,000	60,000,000
Long term financing	294,966,672	543,966,667
Liabilities against assets subject to finance lease	2,630,944	3,614,959

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 5.550 million (30 June 2008: Rupees 7.026 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

##### (iii) Other price risk

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

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## (b) Credit risk

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

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

	2009 Rupees	2008 Rupees
Bank balances	16,227,190	28,806,048
Other receivables	312,965	1,051,265
Long term loan	-	350,000
Net investment in finance lease	952,791,581	1,414,457,412
Long term investments	10,176,986	10,176,986
Long term security deposits	983,482	877,482
	990,492,204	1,465,719,193

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	2009		2008	
	Personal Rupees	Corporate Rupees	Personal Rupees	Corporate Rupees
Net investment in finance lease				
Neither past due nor impaired	1,538,255	203,890,985	39,704,621	395,834,619
Past due up to 89 days but not impaired	14,873,408	273,355,958	47,204,751	536,668,015
Impaired				
Past due 90-179 days	4,161,973	51,173,218	12,370,255	137,434,605
Past due 180-364 days	7,652,781	134,269,806	9,273,262	73,891,543
Past due 365-729 days	10,792,473	147,483,326	11,082,249	108,264,853
Past due more than 729 days	6,439,545	192,531,473	3,896,762	83,030,929
	29,046,772	525,457,823	36,622,528	402,621,930
Total	45,458,435	1,002,704,766	123,531,900	1,335,124,564
Less: Provision for potential lease losses	3,024,677	92,346,943	1,509,458	42,689,594
Net investment in finance lease - net off potential lease losses	42,433,758	910,357,823	122,022,442	1,292,434,970

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 counterparties on their obligations to the company. Accordingly, after providing provision against doubtful receivables, credit risk is minimal.

## 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:

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## a) Sector wise concentration of net investment in finance lease

Lease portfolio	2009		2008	
	Rupees	%	Rupees	%
<b>Industrial sectors</b>				
Chemical, fertilizer and pharmaceuticals	51,748,272	4.94	85,195,355	5.84
Cement	67,670,817	6.46	84,510,416	5.79
Construction	57,719,226	5.51	57,123,592	3.92
Energy, oil and gas	73,851,279	7.05	114,177,767	7.83
Food, tobacco and beverage	51,643,518	4.93	66,819,736	4.58
Leather, footwear and tanneries	13,513,212	1.29	28,165,043	1.93
Paper and board	14,979,763	1.43	20,709,531	1.42
Rubber and plastic	11,522,895	1.10	15,672,517	1.07
Services	52,272,041	4.99	94,992,617	6.51
Steel, engineering and automobile	47,453,375	4.53	44,634,848	3.06
Sugar and allied	32,787,873	3.13	43,314,045	2.97
Surgical	2,514,086	0.24	8,578,934	0.59
Textile and allied	225,220,212	21.49	277,999,621	19.06
Trading	26,921,672	2.57	56,627,138	3.88
Transport and communication	144,350,443	13.77	195,266,457	13.39
Individuals and others	173,994,517	16.60	264,868,947	18.16
	<u>1,048,163,201</u>	<u>100.00</u>	<u>1,458,656,464</u>	<u>100.00</u>
<b>Segment by public/private sector</b>				
Public / government	-	-	-	-
Private	<u>1,048,163,201</u>	<u>100.00</u>	<u>1,458,656,464</u>	<u>100.00</u>

## b) Geographical concentration of net investment in finance lease

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

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

	2009 Rupees	2008 Rupees
Personal	45,458,435	123,531,900
Corporate	<u>1,002,704,766</u>	<u>1,335,124,564</u>
	<u>1,048,163,201</u>	<u>1,458,656,464</u>

## (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 2009, the company had Rupees 26,350 million available borrowing limits from financial institutions and Rupees 16,235 million cash and bank balances. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

### Contractual maturities of financial liabilities as at 30 June 2009

Carrying Amount	Contractual cash flows	RUPEES			
		6 month or less	6-12 month	1-2 Year	More than 2 Years
Short term borrowings	73,649,195	74,637,090	74,637,090	-	-
Accrued and other liabilities	5,643,742	5,643,742	5,643,742	-	-
Deposits on lease contracts	382,511,772	382,511,772	140,775,252	130,181,403	112,055,100
Certificates of investment	42,000,000	43,968,410	-	42,174,214	1,794,196
Long term financing	-	445,881,216	204,093,613	136,809,599	104,978,004
Liabilities against assets subject to finance lease	2,630,944	2,992,568	1,485,517	1,055,706	645,325
	<u>801,402,325</u>	<u>955,634,798</u>	<u>426,635,214</u>	<u>280,220,922</u>	<u>219,472,625</u>
					<u>29,643,037</u>

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Contractual maturities of financial liabilities as at 30 June 2008

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
RUPEES						
Short term borrowings	131,928,948	148,744,473	33,116,319	115,628,154	-	-
Subordinated loan	15,000,000	15,631,849	15,631,849	-	-	-
Accrued and other liabilities	5,568,360	5,568,360	5,568,360	-	-	-
Deposits on lease contracts	456,605,419	456,605,419	40,695,268	46,012,284	133,995,910	235,901,957
Certificates of investment	60,500,000	62,107,345	50,726,523	10,771,507	609,315	-
Long term financing	543,966,667	620,202,645	160,931,233	159,759,831	192,771,274	106,740,307
Liabilities against assets subject to finance lease	3,614,959	4,093,249	991,158	965,370	2,136,721	-
	<u>1,217,184,353</u>	<u>1,312,953,340</u>	<u>307,660,710</u>	<u>333,137,146</u>	<u>329,513,220</u>	<u>342,642,264</u>

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

### 34.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### 34.3 Financial instruments by categories

As at 30 June 2009

#### Assets as per balance sheet

Cash and bank balances  
Other receivables  
Net investment in lease finance  
Long term investments  
Long term security deposits

	Loans and receivables	Held to maturity	Total
RUPEES			
	16,235,207	-	16,235,207
	321,965	-	321,965
	952,791,581	-	952,791,581
	-	10,176,986	10,176,986
	983,482	-	983,482
	<u>970,332,235</u>	<u>10,176,986</u>	<u>980,509,221</u>

#### Financial liabilities at amortized cost

#### Liabilities as per balance sheet

Short term borrowings  
Accrued and other liabilities  
Accrued mark-up  
Deposits on lease contracts  
Certificates of investment  
Long term financing  
Liabilities against assets subject to finance lease

RUPEES

73,649,195  
5,643,742  
15,695,397  
382,511,772  
42,000,000  
294,966,672  
2,630,944  
817,097,722

As at 30 June 2008

#### Assets as per balance sheet

Cash and bank balances  
Other receivables  
Net investment in lease finance  
Long term investments  
Long term security deposits

	Loans and receivables	Held to maturity	Total
RUPEES			
	28,814,468	-	28,814,468
	1,051,265	-	1,051,265
	1,414,457,412	-	1,414,457,412
	-	10,176,986	10,176,986
	877,482	-	877,482
	<u>1,445,200,627</u>	<u>10,176,986</u>	<u>1,455,377,613</u>

#### Financial liabilities at amortized cost

#### Liabilities as per balance sheet

Short term borrowings  
Subordinated loan  
Accrued and other liabilities  
Accrued mark-up  
Deposits on lease contracts  
Certificates of investment  
Long term financing  
Liabilities against assets subject to finance lease

131,928,948  
15,000,000  
5,568,360  
20,618,036  
456,605,419  
60,500,000  
543,966,667  
3,614,959  
1,237,802,389

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## 35. CAPITAL RISK MANAGEMENT

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

The ratio is calculated as borrowings divided by total capital employed. Borrowings represent certificates of investment, borrowings from financial institutions and liabilities against assets subject to finance lease as referred to in Note 11, 16, 17 and 18. Total capital employed includes equity and subordinated loans as shown in the balance sheet, plus borrowings. The gearing ratio as at year ended 30 June 2009 and 30 June 2008 are as follows:

		2009	2008
Borrowings	Rupees	413,246,811	755,010,574
Total equity	Rupees	202,111,297	242,632,928
Total capital employed	Rupees	615,358,108	997,643,502
Gearing ratio	Percentage	67	76

## 36. Maturities of assets and liabilities

	2009					
	TOTAL	UP TO ONE MONTH	OVER ONE MONTH TO ONE YEAR	OVER ONE YEAR TO FIVE YEAR	OVER FIVE YEAR	NON FIXED MATURITIES
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Assets</b>						
Cash and bank balances	16,235,207	16,235,207	-	-	-	-
Advances and prepayments	2,399,419	626,382	1,773,037	-	-	-
Other receivables	1,236,645	-	1,236,645	-	-	-
Net investment in lease finance	952,791,581	187,730,635	575,747,888	189,313,058	-	-
Long term investments	10,176,986	176,986	-	-	10,000,000	-
Long term security deposits	983,482	-	-	983,482	-	-
Property, plant and equipment	89,373,230	-	-	-	-	89,373,230
	<u>1,073,196,550</u>	<u>204,769,210</u>	<u>578,757,570</u>	<u>190,296,540</u>	<u>10,000,000</u>	<u>89,373,230</u>
<b>Liabilities</b>						
Short term borrowings	73,649,195	73,649,195	-	-	-	-
Deposits on lease contracts	382,511,772	3,977,615	236,979,040	141,555,117	-	-
Certificates of investment	42,000,000	-	40,500,000	1,500,000	-	-
Long term financing	292,651,151	34,016,667	161,666,668	96,967,816	-	-
Liabilities against assets subject to finance lease	2,630,944	144,292	1,805,633	681,019	-	-
Accrued and other liabilities	6,647,334	6,582,214	65,120	-	-	-
Accrued mark-up	15,695,397	14,417,011	1,278,386	-	-	-
Provision for taxation	14,300,609	-	14,300,609	-	-	-
Deferred taxation	18,182,844	-	-	-	18,182,844	-
Employee benefit	3,845,828	-	-	-	-	3,845,828
	<u>852,115,074</u>	<u>132,786,994</u>	<u>456,595,456</u>	<u>240,703,952</u>	<u>18,182,844</u>	<u>3,845,828</u>
Net balance	<u>221,081,476</u>	<u>71,982,216</u>	<u>122,162,114</u>	<u>(50,407,412)</u>	<u>(8,182,844)</u>	<u>85,527,402</u>
Shareholder's equity	<u>221,081,476</u>					

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	2008					
	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
<b>Assets</b>						
Cash and bank balances	28,814,468	28,814,468	-	-	-	-
Advances and prepayments	1,873,238	1,756,980	116,258	-	-	-
Other receivables	1,942,439	1,821,887	120,552	-	-	-
Net investment in lease finance	1,414,457,412	187,730,635	453,294,408	773,432,369	-	-
Long term investments	10,176,986	176,986	-	-	10,000,000	-
Long term security deposits	877,482	-	-	877,482	-	-
Long term loans and advances	350,000	50,000	300,000	-	-	-
Property, plant and equipment	97,397,083	-	-	-	-	97,397,083
	<u>1,555,889,108</u>	<u>220,350,956</u>	<u>453,831,218</u>	<u>774,309,851</u>	<u>10,000,000</u>	<u>97,397,083</u>
<b>Liabilities</b>						
Short term borrowings	131,928,948	33,000,000	98,928,948	-	-	-
Subordinated loan	15,000,000	-	15,000,000	-	-	-
Deposits on lease contracts	456,605,419	3,977,615	82,729,937	369,897,867	-	-
Certificates of investment	60,500,000	-	58,500,000	2,000,000	-	-
Long term financing	540,782,317	15,683,333	152,745,995	372,352,989	-	-
Liabilities against assets subject to finance lease	3,614,959	123,998	1,470,139	2,020,822	-	-
Accrued and other liabilities	9,150,566	9,088,482	62,084	-	-	-
Accrued mark-up	20,618,036	-	20,618,036	-	-	-
Provision for taxation	3,016,561	-	3,016,561	-	-	-
Deferred taxation	48,248,813	-	-	-	48,248,813	-
Employee benefit	3,821,951	-	-	-	-	3,821,951
	<u>1,293,287,570</u>	<u>61,873,428</u>	<u>433,071,700</u>	<u>746,271,678</u>	<u>48,248,813</u>	<u>3,821,951</u>
Net balance	<u>262,601,538</u>	<u>158,477,528</u>	<u>20,759,518</u>	<u>28,038,173</u>	<u>(38,248,813)</u>	<u>93,575,132</u>
Shareholder's equity	<u>262,601,538</u>					

## 37. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the company have not proposed any appropriations in the their meeting held on 06 October 2009.

## 38. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on 06 October 2009.

## 39. CORRESPONDING FIGURES

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. However, no significant rearrangements have been made, except for advances and prepayments and other receivables which were previously grouped under the heading of advances, deposits, prepayments, accrued interest and other receivables. This change has no effect on net loss for the years presented.

  
Chief Executive

  
Director

  
Director



# Annual Report 2009

## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2009

Categories of Shareholders	Shares Held	Percentage (%)
<b>Directors, CEO and their spouse and minor children</b>		
Mr. Paul Douglas Gray	40,552	0.19
Mr. Khawar Anwar Khawaja	1,131,018	5.26
Mr. Abdul Rashid Mir *	288,510	1.34
Mr. Neil Douglas Gray	500	0.00
Mr. Khawaja Zak-ud-din	21,500	0.10
Mr. Muhammad Tahir Butt	334,222	1.55
Mr. Khurram Anwar Khawaja	1,230,333	5.72
Mrs. Nuzhat Khawar Khawaja	476,312	2.22
Mrs. Nadira Rashid Mir	20,704	0.10
Mrs. Khadeeja Khurram	575,840	2.68
Mrs. Farogh Tahir Butt	282,236	1.31
<i>* Resigned on 11th September 2009</i>		
	<b>4,401,727</b>	<b>20.47</b>
<b>Associated Companies, Undertakings and related parties</b>		
Grays of Cambridge (Pak) Ltd	7,999,999	37.21
Anwar Khawaja Industries (Pvt) Ltd	3,739,603	17.39
Grays of Cambridge International U.K	165,823	0.77
	<b>11,905,425</b>	<b>55.37</b>
<b>NIT and ICP</b>	Nil	Nil
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions</b>	Nil	Nil
<b>Insurance Companies</b>	Nil	Nil
<b>Modarabas and Mutual Funds</b>	Nil	Nil
<b>Shareholders holding ten percent or more voting interest in the company</b>	Nil	Nil
<b>General Public</b>		
Local	4,944,871	23.00
Foreign	47,977	0.22
	<b>4,992,848</b>	<b>23.22</b>
<b>Others (Joint Stock Companies)</b>	<b>200,000</b>	<b>0.93</b>
<b>Total</b>	<b>21,500,000</b>	<b>100.00</b>

# Grays Leasing Limited

**PATTERN OF HOLDING OF THE SHARES HELD BY THE  
SHAREHOLDERS OF GRAYS LEASING LIMITED  
AS AT JUNE 30, 2009**

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
78	1	500	17093
95	501	1000	67633
68	1001	5000	172851
17	5001	10000	119359
11	10001	15000	120564
6	15001	20000	102432
15	20001	25000	328943
4	25001	30000	111290
4	30001	35000	133332
1	35001	40000	40000
9	40001	60000	445440
1	60001	90000	66666
5	90001	100000	487025
4	100001	120000	439156
3	120001	130000	378400
1	130001	160000	140000
3	160001	205000	547489
1	205001	240000	242187
3	240001	350000	905058
2	400001	485000	892337
1	485001	900000	575840
3	900001	2500000	3427303
2	2500001	8000000	11739602
<b>337</b>			<b>21500000</b>



# Grays Leasing Limited

## GRAYS LEASING LTD.

### 14TH 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 30, 2009 at 11.00 a.m or at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of 2009.

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)

