

**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED**

**30 SEPTEMBER 2013
(UN-AUDITED)**



GRAYS LEASING LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Khawar Anwar Khawaja Chairman
 Mr. Muhammad Tahir Butt Chief Executive
 Mr. Neil Douglas James Gray
 Mr. Khurram Anwar Khawaja
 Khawaja Zaka-ud-Din
 Mr. Abdul Rashid Mir
 Mr. Omer Khawar Khawaja

AUDIT COMMITTEE

Mr. Khawar Anwar Khawaja
 Mr. Khurram Anwar Khawaja
 Mr. Omer Khawar Khawaja

AUDITORS

HLB Ijaz Tabussum & Company
 Chartered Accountants
 S-8, Ahmed Arcade, 161-Ferozepur
 Road, Lahore.

COMPANY SECRETARY

Muhammad Adil Munir

CHIEF FINANCIAL OFFICER

M. Avais Ibrahim

HEAD OF INTERNAL AUDIT

Mr. Bilal Arsalan Mir

**HUMAN RESOURCE AND
 REMUNERATION COMMITTEE**

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

LEGAL ADVISOR

Lexicon Law Firm

REGISTERED AND HEAD OFFICE

701-A, 7th Floor, City Towers
 6-K, Main Boulevard, Gulberg - II, Lahore
 Tel: (042) 35770381 - 2
 Fax: (042) 35770389
 E-mail: info@graysleasing.com
 Website: www.graysleasing.com

BANKERS

Standard Chartered Bank (Pakistan) Limited
 The Bank of Punjab
 Askari Bank Limited
 National Bank of Pakistan
 Barclays Bank PLC, Pakistan
 State Bank of Pakistan
 First Women Bank Limited
 Bank Al-Habib Limited

SHARE REGISTRAR

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

DIRECTORS' REPORT

We are pleased to present the condensed interim financial information for the period ended 30 September 2013, together with report of the Board of Directors of the company and review report by the statutory auditors of the company.

During the period ended 30 September 2013, the company transacted business worth Rupees 3.950 million as compared to Rupees 3.500 on 30 September 2012. During the period ended 30 September 2013, the company earned a profit before and after tax of Rupees 0.558 million and Rupees 0.494 million respectively as compared to net loss before and after tax of Rupees 0.087 million and Rupees 0.202 million during the corresponding period of 2012. Net investment stands at Rupees 372.406 million as on 30 September 2013 as compared to Rupees 373.463 million as on June 30, 2013. During the period ended 30 September 2013, there is net reversal of Rupees 1.730 million and Rupees 0.729 million against potential lease losses and suspense income respectively, resultantly the equity of the company comes to Rupees 75.843 million, which is less than the mandatory requirement of Rupees 700.00 million. However the shareholders' equity on the basis of estimated realizable / (settlement) values of assets and liabilities come to Rupees 160.708 million.

Company is not in compliance with the minimum equity requirement of Rupees 700 million to carry on leasing business. The license of the company to carry out leasing business expired on 14 May 2010. The company applied for renewal of leasing license to Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. SECP accorded special forbearance to the company for a period of one year (from 9 July 2010 to 8 July 2011) to meet the minimum equity requirement subject to the conditions that the company will not raise further deposits and rollover existing deposits without prior approval of SECP. During this period of one year, the company could not meet the minimum equity requirement and applied to SECP for further extension of forbearance period up to 30 June 2012 which was not granted. During the year, the company has paid license fee for 3 years and furnished information to SECP about efforts undertaken to make compliance with equity, recovery of struck up assets, new leasing business underwritten, future business plan and reduction of losses. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

JCR-VIS Credit Rating Company Limited has maintained the medium to long-term entity rating of Grays Leasing Limited (GLL) at 'BB-' (Double B minus) and short term rating at B (Single B). The outlook of the Entity has revised from "Negative" to "stable".

At the end, we would like to thank our clients who provided us the opportunity to serve them. We also extend lot of appreciation to the company employees at all levels for their efforts.

For and on behalf of the board




Muhammad Tahir Butt
Chief Executive

Sialkot: 28 October 2013

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2013

	UN-AUDITED		AUDITED		
	30 September 2013		30 June 2013		
	Book Value	Estimated realisable / settlement value	Book Value	Estimated realisable / settlement value	
Note	Rupees	Rupees	Rupees	Rupees	
ASSETS					
Cash and bank balances	11,431,156	11,431,156	9,980,248	9,980,248	
Advances and prepayments	1,259,301	1,259,301	1,225,518	1,225,518	
Other receivable	766,375	766,375	710,037	710,037	
Net investment in lease finance	3	200,651,279	280,857,931	199,977,886	284,377,589
Security deposits		264,500	264,500	264,500	264,500
Property, plant and equipment	4	2,470,182	2,704,313	2,594,758	2,828,889
TOTAL ASSETS		<u>216,842,793</u>	<u>297,283,576</u>	<u>214,752,947</u>	<u>299,386,781</u>
LIABILITIES					
Accrued and other liabilities		2,217,900	2,217,900	1,727,014	1,727,014
Accrued mark up		327,833	327,833	234,719	234,719
Loan from associated undertaking	5	4,000,000	4,000,000	4,000,000	4,000,000
Liability against asset subject to finance lease		909,398	909,398	964,419	964,419
Deposits on lease contracts		128,988,575	128,988,575	128,029,020	128,029,020
Employee benefit		1,582,267	942,547	1,539,406	813,648
Provision for taxation		2,974,007	2,974,007	2,909,510	2,909,510
TOTAL LIABILITIES		<u>140,999,980</u>	<u>140,360,260</u>	<u>139,404,088</u>	<u>138,678,330</u>
NET ASSETS		<u>75,842,813</u>	<u>156,923,316</u>	<u>75,348,859</u>	<u>160,708,451</u>
REPRESENTED BY:					
Authorized share capital					
35,000,000 (30 June 2013: 35,000,000) ordinary shares of Rupees 10 each		350,000,000	350,000,000	350,000,000	350,000,000
Issued, subscribed and paid-up share capital					
21,500,000 (30 June 2013: 21,500,000) ordinary shares of Rupees 10 each		215,000,000	215,000,000	215,000,000	215,000,000
Statutory reserve		59,411,847	59,411,847	59,313,056	59,313,056
Accumulated loss		(198,569,034)	(198,569,034)	(198,964,197)	(198,964,197)
Shareholders' equity		<u>75,842,813</u>	<u>75,842,813</u>	<u>75,348,859</u>	<u>75,348,859</u>
Net surplus on estimated realisable / settlement values		-	81,080,503	-	85,359,592
Contingencies and commitments					
		<u>75,842,813</u>	<u>156,923,316</u>	<u>75,348,859</u>	<u>160,708,451</u>

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



MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

	QUARTER ENDED	
	30 September 2013	30 September 2012
	Rupees	Rupees
REVENUE		
Income from lease operations	1,552,323	1,910,499
Other income	126,875	233,148
	<u>1,679,198</u>	<u>2,143,647</u>
EXPENDITURE		
Administrative and other expenses	(2,425,561)	(2,616,678)
Financial and other charges	(425,359)	(695,466)
Reversal for potential lease losses	1,730,173	1,081,000
	<u>(1,120,747)</u>	<u>(2,231,144)</u>
PROFIT / (LOSS) BEFORE TAXATION	558,451	(87,497)
Taxation	(64,497)	(114,967)
PROFIT / (LOSS) AFTER TAXATION	<u>493,954</u>	<u>(202,464)</u>
Earnings / (loss) per share - basic and diluted	<u>0.02</u>	<u>(0.01)</u>

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



MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
 DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

	QUARTER ENDED	
	30 September 2013	30 September 2012
	Rupees	Rupees
Profit / (loss) after taxation	493,954	(202,464)
Other comprehensive income :		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive income / (loss) for the period	<u>493,954</u>	<u>(202,464)</u>

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

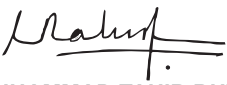

MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
 DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

	QUARTER ENDED	
	30 September 2013	30 September 2012
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	558,451	(87,497)
Adjustments for non-cash charges and other items:		
Depreciation	124,576	65,183
Provision for gratuity	42,861	16,743
Financial charges	425,359	695,466
Reversal for potential lease losses	(1,730,173)	(1,081,000)
Gain on sale of property, plant and equipment	-	(88,963)
Profit on bank deposits	(123,375)	(23,942)
	<u>(1,260,752)</u>	<u>(416,513)</u>
Operating loss before working capital changes	(702,301)	(504,010)
Increase in advances and prepayments	(33,783)	(151,839)
Increase / (decrease) in accrued and other liabilities	490,886	(674,468)
	<u>(245,198)</u>	<u>(1,330,317)</u>
Cash used in from operations	(245,198)	(1,330,317)
Financial charges paid	(332,245)	(1,079,613)
Income tax paid	(56,338)	(5,504)
Gratuity paid	-	(18,400)
	<u>(633,781)</u>	<u>(2,433,834)</u>
Net cash used in operating activities	(633,781)	(2,433,834)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in finance leases	1,056,780	13,791,167
Property, plant and equipment acquired	-	(735,000)
Proceeds from sale of property, plant and equipment	-	235,254
Security deposits	-	100,000
Profit on bank deposits	123,375	23,942
	<u>1,180,155</u>	<u>13,415,363</u>
Net cash from investing activities	1,180,155	13,415,363
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits on lease contracts	959,555	(7,757,005)
Lease rentals paid	(55,021)	-
	<u>904,534</u>	<u>(7,757,005)</u>
Net cash generate / (used) in financing activities	904,534	(7,757,005)
Net increase in cash and cash equivalents	1,450,908	3,224,524
Cash and cash equivalents at the beginning of the period	9,980,248	(8,772,025)
Cash and cash equivalents at the end of the period	11,431,156	(5,547,501)

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


MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE


KHAWAR ANWAR KHAWAJA
DIRECTOR

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	CAPITAL RESERVE STATUTORY RESERVE	ACCUMULATED LOSS	SHAREHOLDERS' EQUITY
	----- Rupees -----			
Balance as at 30 June 2012 (audited)	215,000,000	58,625,295	(201,715,241)	71,910,054
Loss for the period ended 30 September 2012	-	-	(202,464)	(202,464)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(202,464)	(202,464)
Balance as at 30 September 2012 (un-audited)	215,000,000	58,625,295	(201,917,705)	71,707,590
Profit for the year ended 30 June 2013	-	-	3,641,269	3,641,269
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	3,641,269	3,641,269
Transfer to statutory reserve	-	687,761	(687,761)	-
Balance as at 30 June 2013 (audited)	215,000,000	59,313,056	(198,964,197)	-
Profit for the period ended 30 September 2013	-	-	493,954	493,954
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	493,954	493,954
Transfer to statutory reserve	-	98,791	(98,791)	-
Balance as at 30 September 2013 (un-audited)	215,000,000	59,411,847	(198,569,034)	72,201,544

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



MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE



KHAWAR ANWAR KHAWAJA
DIRECTOR

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

1 LEGAL STATUS AND NATURE OF BUSINESS

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

Going concern assumption

- 1.2 During the period ended 30 September 2013, the company reported a net profit of Rupees 0.494 million. The company has accumulated losses and shareholders' equity of Rupees 198.569 million and Rupees 75.843 million respectively as on 30 September 2013. Currently, the company is not in compliance with the minimum equity requirement of Rupees 700 million to carry on leasing business. The license of the company to carry out leasing business expired on 14 May 2010. The company applied for renewal of leasing license to Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. SECP accorded special forbearance to the company for a period of one year (from 9 July 2010 to 8 July 2011) to meet the minimum equity requirement subject to the conditions that the company will not raise further deposits and rollover existing deposits without prior approval of SECP. During this period of one year, the company could not meet the minimum equity requirement and applied to SECP for further extension of forbearance period up to 30 June 2012 which was not granted. During the year, the company has paid license fee for 3 years and furnished information to SECP about efforts undertaken to make compliance with equity, recovery of struck up assets, new leasing business underwritten, future business plan and reduction of losses. These factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2013.

2.1 Basis of preparation

2.1.1 Statement of compliance

This condensed interim financial information of the Company for the period ended 30 September 2013 has been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with audited annual published financial statements of the Company for the year ended 30 June 2013.

2.1.2 Accounting convention

Keeping in view the fact that the Company may not be able to continue as going concern, this condensed interim financial information is prepared on the basis of realizable / (settlement) values of assets and liabilities respectively in addition to the historical cost convention. In realizable / (settlement) value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. Realizable / (settlement) values of assets and liabilities respectively as disclosed in the balance sheet are based on the management's best estimate.

2.1.3 Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2013.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

	Un-Audited 30 September 2013 Rupees	Audited 30 June 2013 Rupees
3. NET INVESTMENT IN LEASE FINANCE		
Lease rentals receivable	305,087,679	307,970,577
Add: Guaranteed residual value of leased assets	128,988,575	128,029,020
Gross investment in lease finance	<u>434,076,254</u>	<u>435,999,597</u>
Less: Unearned finance income	61,670,511	62,537,074
Net investment in lease finance	<u>372,405,743</u>	<u>373,462,523</u>
Less: Allowance for potential lease losses	171,754,464	173,484,637
Net investment in lease finance - net off provision	<u><u>200,651,279</u></u>	<u><u>199,977,886</u></u>
4. PROPERTY, PLANT AND EQUIPMENT		
Owned assets (Note 4.1)	1,496,471	1,569,356
Leased assets (Note 4.2)	973,711	1,025,402
	<u>2,470,182</u>	<u>2,594,758</u>
4.1 Owned assets		
Opening book value	1,569,356	1,045,579
Add: Cost of additions during the period / year (Note 4.1.1)	-	1,045,799
	<u>1,569,356</u>	<u>2,091,378</u>
Less: Book value of assets disposed of during the period / year (Note 4.1.2)	-	210,402
	<u>1,569,356</u>	<u>1,880,976</u>
Less: Depreciation charged during the period / year	72,885	311,620
Closing book value	<u>1,496,471</u>	<u>1,569,356</u>
4.1.1 Cost of additions		
Computer	-	30,900
Office equipment	-	36,899
Vehicles	-	978,000
	<u>-</u>	<u>1,045,799</u>
4.1.2 Book value of deletions		
Vehicles	-	210,402
	<u>-</u>	<u>210,402</u>
4.2 Leased assets		
Opening book value	1,025,402	-
Add: Cost of additions during the period / year	-	1,040,800
	<u>1,025,402</u>	<u>1,040,800</u>
Less: Depreciation charged during the period / year	51,691	15,398
	<u>973,711</u>	<u>1,025,402</u>

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2013**

5. LOAN FROM ASSOCIATED UNDERTAKING

This unsecured loan is obtained from Anwar Khawaja Industries (Private) Limited - associated company and carries mark up at the rate of 3 months KIBOR (30 June 2013: 3 months KIBOR plus 1.5%) per annum.

6. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 30 September 2013 (30 June 2013: Nil)

7. 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:

	Un-audited	
	30 September 2013	30 September 2012
	Rupees	Rupees
i) Transactions		
Associated company		
Financial charges paid / adjusted	-	777,978
Financial charges charged to profit and loss account	93,114	777,978
Rent of office building	75,000	75,000
ii) Period end balances		
Associated company		
Loan	4,000,000	-
Accrued mark up	327,833	-

8. FINANCIAL RISK MANAGEMENT

The company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the company for the year ended 30 June 2013.

9. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on 28th October 2013 .

10. CORRESPONDING FIGURES

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



MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE



KHAWAR ANWAR KHAWAJA
DIRECTOR

BOOK POST

If undelivered please return to:

GRAYS LEASING LIMITED.

REGISTERED AND HEAD OFFICE

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