

# Annual Report 2014



**GRAYS LEASING LIMITED**

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## 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. Naveed Ahmad Dar  
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](mailto:info@graysleasing.com)  
Website: [www.graysleasing.com](http://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

CorpTec Associates (Pvt) Ltd.  
503-E, Johar Town, 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.

# Grays Leasing Limited

## NOTICE OF THE 19<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the Company will be held on October 27, 2014 at 11:30 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 18<sup>th</sup> Annual General Meeting held on October 28, 2013.
- 2 To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon
- 3 To appoint auditors for the year 2014-2015 and to fix their remuneration. The present auditors retired. The audit committee and Board of Directors have recommended Messrs ■ Riaz Ahmad ) & Company Chartered Accountants for the year ending 30<sup>th</sup> June, 2015.
- 4 To elect seven directors of the company for a period of three years as fixed by the Board of Directors under section 178(1) of the Companies Ordinance, 1984. Following are the names of retiring directors:
  1. Mr. Khawar Anwar Khawaja
  2. Mr. Muhammad Tahir Butt
  3. Mr. Khurram Anwar Khawaja
  4. Mr. Naveed Ahmed Dar
  5. Khawaja Zaka-ud-Din
  6. Mr. Omer Khawar Khawaja
  7. Mr. Niel Douglas James Gray
- 5 To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

Muhammad Adil Munir  
(COMPANY SECRETARY)

Lahore: October 03, 2014

### NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2014 to October 27, 2014 (both days inclusive). Physical transfers/CDS Transaction Ids received in order at our Registrar M/s. CORP Tec Associates (pvt) Limited, 503 – E Johar Town Lahore, up to the close of business on October 20, 2014 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

### 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 2014

## DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the 19th Annual Report together with the audited financial statements for the year ended June 30, 2014.

## OPERATING RESULTS

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

	Rupees
Total revenue	10,245,467
Total expenses	10,922,251
Loss before tax	<u>(676,784)</u>
Provision for taxation	
Current	<u>398,476</u>
Deferred	<u>-</u>
	<u>398,476</u>
Loss after tax	<u>1,075,260</u>
<b>Loss per share</b>	<b>(0.05)</b>

## KEY OPERATING AND FINANCIAL DATA

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

## REVIEW OF OPERATIONS

During the year under review, the company transacted business worth Rupees 40.880 million (2013: 29.232). Gross investment in finance leases as at 30 June 2014 stands at Rupees 447.696 million against Rupees 436.000 million on June 30, 2013, while the net investment stands at Rupees 383.631 million on 30 June 2014 against Rupees 373.463 million of the last year. The gross revenue from operations was Rupees 10.246 million against Rupees 9.206 million in 2013. The net loss before and after tax for the current year is Rupees 0.677 million and Rupees 1.075 million as compared to profit of preceding year which was Rupees 3.572 million and Rupees 3.325 million respectively. Shareholders equity of the company is at Rupees 75.140 million, which is less than the mandatory requirement of Rupees 700 million. However the shareholders' equity on the basis of estimated realisable (settlement) values of assets and liabilities come to Rupees 156.808 million.

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 two years, 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 last 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. However, 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.

## **CREDIT RATING**

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

## **FUTURE OUTLOOK**

In the absence of any funding from commercial banks, the company is utilizing funding available from the associated undertaking Anwar Khawaja Industries Private Limited and internal cash generation through recovery measures for its disbursements. The impact of these disbursements is not that significant on current year's financials, nevertheless, it is a step towards revival and the management is optimistic about bringing improvement in the next year's results.

Despite efforts of the management the revival of NBFC sector is largely dependent upon its access to funds for fresh disbursements for which the sector requires support from the Regulators and related Government Authorities. The existing economic and political scenario is not showing signs for any immediate positive change for growth of business activities.

## **DIVIDEND**

Dear shareholders, you know, the company has been declaring cash dividends almost since start of operations. However this year the company could not generate profits while equity compliance is also aimed at. Due to these reasons we could not declare dividend this year as well.

## **CODE OF CORPORATE GOVERNANCE**

A statement of compliance with the best practices of Code of Corporate Governance is annexed.

## **CORPORATE AND FINANCIAL FRAMEWORK**

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

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- Proper book of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

# Annual Report 2014

## PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding in the company as on 30 June 2014 is given herewith.

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

## AUDITORS

The present auditors Messrs HLB Ijaz Tabassum & Company, Chartered Accountants, have retired. On the proposal of the audit committee, the board recommends the appointment of Messers Riaz Ahmad and Company, Chartered Accountants, as statutory auditor of the company for the year 2015.

## BOARD OF DIRECTORS

During the year, 5 meetings of the board were held. Attendance of each director is as under:

Name of director	Attended	Leave granted
Mr. Khawar Anwar Khawaja	5	-
Mr. Muhammad Tahir Butt	5	-
Mr. Khurram Anwar Khawaja	5	-
Mr. Neil Douglas James Gray	-	5
Mr. Abdul Rashid Mir	0	2
Mr. Khawaja Zaka-u-Din	2	3
Mr. Omer Khawar Khawaja	5	-
Mr. Naveed Ahmed Dar	3	0

## AUDIT COMMITTEE MEETINGS

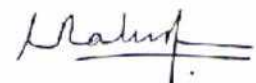
During the year, four meetings of the audit committee were held. Attendance of each director is as under:

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

## ACKNOWLEDGMENT

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

ON BEHALF OF THE BOARD



Muhammad Tahir Butt  
Chief Executive

Sialkot: 27th September 2014

## KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

30-06-2009	30-06-2010	30-06-2011	30-06-2012	30-06-2013	30-06-2014
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### PROFIT AND LOSS

(Rupees in Thousand)

Revenue	106,315	66,420	30,610	25,930	9,206
Financial charges	93,533	56,136	28,125	8,631	1,426
Provision / (Reversal) for doubtful receivables	5,173	100,749	15,493	2,897	10,595
Profit / (Loss) before tax	(74,578)	(118,232)	(42,506)	(1,784)	3,686
Profit / (Loss) after tax	(56,520)	(101,478)	(44,170)	(3,523)	3,439
Dividend	-	-	-	-	-
Bonus shares	-	-	-	-	-

### BALANCE SHEET

Paid up share capital	215,000	215,000	215,000	215,000	215,000
Shareholders' equity	202,111	101,581	75,433	71,910	75,349
Borrowings	413,274	231,289	74,550	12,383	4,000
Net investment in finance lease	1,048,163	771,605	547,058	424,714	373,463
Total assets	1,073,197	674,222	388,087	243,381	214,753

### PERFORMANCE INDICATORS

Profit / (Loss) before tax/Gross revenue	-70%	-178%	-139%	-7%	40%
Profit / (Loss) after tax/Gross revenue	-53%	-153%	-144%	-14%	37%
Pre tax return on shareholders' equity	-37%	-116%	-56%	-2%	5%
After tax return on shareholders' equity	-28%	-100%	-59%	-5%	-1%
Income / expense ratio	0.59	0.40	0.42	0.93	0.76
Interest coverage ratio	0.20	(1.36)	(2.71)	(1.23)	2.11
Earning / (Loss) per share	(2.82)	(4.72)	(2.05)	(0.16)	0.16
Break up value per share	10.28	5.56	3.51	3.34	3.50
Lease disbursements	9,422	6,241	-	2,680	29,232
Number of contracts	7	6	-	2	20

# Annual Report 2014

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED 30 JUNE 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi (G) Ltd and Lahore Stock Exchange (G) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes

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

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancy occurred on the Board was filled up by the directors within stipulated time.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. No new appointment of CFO, Company Secretary and Head of Internal Audit has been approved by the Board. The remuneration of CFO, Head of Internal Audit and Company Secretary was revised during the year after due approval of the Board.

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

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

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

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

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

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

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

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

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

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

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



(Tahir Butt)

Chief Executive

NIC Number: 34603-2201819-5



**IJAZ TABUSSUM & CO.**

CHARTERED ACCOUNTANTS

S-8, Ahmad Arcade,  
161-Ferozpur Road,  
Lahore-Pakistan

Tel: 92-42-7567667-7507323-7569904  
Fax: 92-42-7580098-7575510  
E-mail: matabussum@hotmail.com

Other Offices:  
Islamabad - Karachi  
Gujranwala - Peshawar

## 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 2014, 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges 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 have not carried out any procedure to determine whether the related party transactions were taken at arms' length price or not.

Chief financial officer of the Company does not meet the qualification criteria given in clause (xiii) of the code of corporate governance.

The Board has not made arrangements for directors' training program for one of the non-exempted directors of the Company as required by Clause (XI) of the Code of Corporate Governance.

Based on our review, except for the matters described in the preceding paragraphs, nothing has come to our attention, which cause 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 June 30, 2014.

  
HLB IJAZ TABUSSUM & COMPANY  
Chartered Accountants  
Engagement Partner:  
Muhammad Aslam Tabussum



Dated: September 27, 2014  
Lahore.

# **HLB** IJAZ TABUSSUM & CO.

CHARTERED ACCOUNTANTS

S-8, Ahmad Arcade,  
161-Ferozpur Road,  
Lahore-Pakistan

Tel: 92-42-7567667-7587323-7568904  
Fax: 92-42-7580098-7575510  
E-mail: matabussum@hotmail.com

Other Offices:  
Islamabad - Karachi  
Gujranwala - Peshawar

## **Auditors' Report to the Members**

We have audited the annexed balance sheet of **M/S GRAYS LEASING LIMITED** as at June 30, 2014 and the related Profit and Loss account, statement of comprehensive income, statement of cash flows 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 purpose of our audit.

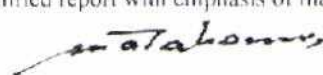
It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) In our opinion,
  - (i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) The expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of cash flows, statement of comprehensive income and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give information required by 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 June 30, 2014 and of the loss, its cash flows and the changes in equity for the year then ended; and
- (d) In our opinion, no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

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

The financial statement of prior year was audited by Riaz Ahmed & Company, Chartered Accountants and they also issued Unqualified report with emphasis of matter paragraph as on September 28, 2013.

  
**HLB IJAZ TABUSSUM & CO.**  
Chartered Accountants  
Audit Engagement Partner:  
Muhammad Aslam Tabussum (FCA)




**Dated: September 27, 2014**  
**Place: Lahore**

## BALANCE SHEET AS AT 30 JUNE 2014

Note	2014		2013 Restated		1st July 2012 Restated		
	Book Value	Estimated realisable / settlement value	Book Value	Estimated realisable / settlement value	Book Value	Estimated realisable / settlement value	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>ASSETS</b>							
Cash and bank balances	3	1,859,224	1,859,224	9,980,248	9,980,248	3,610,628	3,610,628
Advances and prepayments	4	994,755	994,755	1,225,518	1,225,518	543,410	543,410
Other receivable	5	986,934	986,934	710,037	710,037	1,228,427	1,228,427
Net investment in lease finance	6	217,816,606	299,105,285	199,977,886	284,377,588	236,717,893	332,590,955
Security deposits		264,500	264,500	264,500	264,500	235,000	235,000
Deferred income tax	7	-	-	-	-	-	-
Property, plant and equipment	8	2,110,811	2,403,460	2,594,758	2,828,869	1,045,579	1,302,720
<b>TOTAL ASSETS</b>		<u>223,832,830</u>	<u>305,614,158</u>	<u>214,752,947</u>	<u>299,386,781</u>	<u>243,380,937</u>	<u>339,511,140</u>
<b>LIABILITIES</b>							
Accrued and other liabilities	9	2,181,104	2,181,104	1,727,014	1,727,014	1,813,705	1,813,705
Accrued mark up	10	582,178	582,178	234,719	234,719	694,309	694,309
Borrowing		-	-	-	-	12,382,653	12,382,653
Loan from associated undertaking	11	15,000,000	15,000,000	4,000,000	4,000,000	-	-
Liability against asset subject to finance lease	12	731,402	731,402	964,419	964,419	-	-
Deposits on lease contracts	13	125,927,175	125,927,175	128,029,020	128,029,020	151,650,082	151,650,082
Employee benefit	14	962,997	1,076,298	961,215	813,648	538,025	508,893
Provision for taxation		3,307,986	3,307,986	2,909,510	2,909,510	3,429,941	3,429,941
<b>TOTAL LIABILITIES</b>		<u>148,692,842</u>	<u>148,808,143</u>	<u>138,825,897</u>	<u>138,676,330</u>	<u>170,508,715</u>	<u>170,479,583</u>
<b>NET ASSETS</b>		<u>75,139,988</u>	<u>156,806,015</u>	<u>75,927,050</u>	<u>160,708,451</u>	<u>72,872,222</u>	<u>169,031,557</u>
<b>REPRESENTED BY:</b>							
<b>Authorized share capital</b>							
35,000,000 (2013: 35,000,000) ordinary shares of Rupees 10 each		<u>350,000,000</u>	<u>350,000,000</u>	<u>350,000,000</u>	<u>350,000,000</u>	<u>350,000,000</u>	<u>350,000,000</u>
<b>Issued, subscribed and paid-up share capital</b>							
21,500,000 (2013: 21,500,000) ordinary shares of Rupees 10 each	15	215,000,000	215,000,000	215,000,000	215,000,000	215,000,000	215,000,000
<b>Statutory reserve</b>	16	59,236,261	59,236,261	59,236,261	59,236,261	58,625,295	58,625,295
<b>Accumulated loss</b>		(199,096,273)	(199,096,273)	(198,309,211)	(198,309,211)	(200,753,073)	(200,753,073)
<b>Shareholders' equity</b>		<u>75,139,988</u>	<u>75,139,988</u>	<u>75,927,050</u>	<u>75,927,050</u>	<u>72,872,222</u>	<u>72,872,222</u>
Net surplus on estimated realisable / settlement values		-	81,668,027	-	84,781,401	-	96,159,335
Contingencies and commitments	17	-	-	-	-	-	-
		<u>75,139,988</u>	<u>156,806,015</u>	<u>75,927,050</u>	<u>160,708,451</u>	<u>72,872,222</u>	<u>169,031,557</u>

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

  
**MUHAMMAD TAHIR BUTT**  
 CHIEF EXECUTIVE


  
**KHAWAR ANWAR KHAWAJA**  
 DIRECTOR

# Annual Report 2014

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees	Restated 2013 Rupees
<b>REVENUE</b>			
Income from lease operations	18	9,543,444	8,284,721
Other income	19	702,023	921,231
		<u>10,245,467</u>	<u>9,205,952</u>
<b>EXPENDITURE</b>			
Administrative and other expenses	20	(11,210,111)	(10,804,962)
Financial and other charges	21	(1,104,988)	(1,425,669)
Reversal / (allowance) for potential lease losses	6.2	6,649,975	10,594,730
Lease contract receivables written off		(5,257,127)	(3,997,557)
		<u>(10,922,251)</u>	<u>(5,633,458)</u>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<u>(676,784)</u>	<u>3,572,494</u>
Taxation	22	(398,476)	(247,235)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<u>(1,075,260)</u>	<u>3,325,259</u>
Earnings / (loss) per share - basic and diluted	23	<u>(0.05)</u>	<u>0.15</u>

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

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rupees	Restated 2013 Rupees
Profit / (loss) after taxation	(1,075,260)	3,325,259
Other comprehensive income :		
<b>Items that will not be reclassified to profit or loss</b>	-	-
Gain / (Loss) on remeasurement of staff retirement benefit obligation	288,198	(270,431)
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-
Total comprehensive income / (loss) for the year	(787,062)	3,054,828

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

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

# Annual Report 2014

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	(676,784)	3,686,040
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	495,632	327,018
Provision for gratuity	289,980	97,613
Financial charges	774,597	735,307
(Reversal) / allowance for potential lease losses	(6,649,975)	(10,594,730)
(Gain) / Loss on sale of property, plant and equipment	11,414	(117,298)
Lease contract receivable written off	5,257,127	3,997,557
Debit balances written off	-	241,413
Profit on bank deposits	(227,795)	(419,052)
	(49,020)	(5,732,172)
<b>Operating (loss) / profit before working capital changes</b>	<b>(725,804)</b>	<b>(2,046,132)</b>
Decrease / ((Increase) in advances and prepayments	230,763	(923,521)
(Decrease) / Increase in accrued and other liabilities	454,090	(86,691)
<b>Cash (used in) / generated from operations</b>	<b>(40,951)</b>	<b>(3,056,344)</b>
Financial charges paid	(427,138)	(1,194,897)
Income tax paid	(276,897)	(249,276)
Gratuity paid	-	(58,400)
<b>Net cash used in operating activities</b>	<b>(744,986)</b>	<b>(4,558,917)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in finance leases	(16,245,872)	43,337,180
Property, plant and equipment acquired	(26,600)	(1,045,799)
Proceeds from sale of property, plant and equipment	3,500	327,700
Security deposits	-	(29,500)
Profit on bank deposits	227,795	419,052
<b>Net cash from investing activities</b>	<b>(16,041,177)</b>	<b>43,008,633</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan from associated undertaking	11,000,000	7,000,000
Financing repaid	-	-
Repayment of loan to associated undertaking	-	(3,000,000)
Deposits on lease contracts - net	(2,101,845)	(23,621,062)
Lease rentals paid	(233,017)	(76,381)
<b>Net cash used in financing activities</b>	<b>8,665,138</b>	<b>(19,697,443)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(8,121,025)</b>	<b>18,752,273</b>
<b>Cash and cash equivalents at the beginning of the year (Note 24)</b>	<b>9,980,248</b>	<b>(8,772,025)</b>
<b>Cash and cash equivalents at the end of the year (Note 24)</b>	<b>1,859,224</b>	<b>9,980,248</b>

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

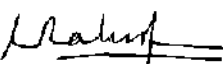
  
**MUHAMMAD TAHIR BUTT**  
 CHIEF EXECUTIVE

  
**KHAWAR ANWAR KHAWAJA**  
 DIRECTOR

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	CAPITAL RESERVE STATUTORY RESERVE	ACCUMULATED LOSS	SHAREHOLDERS' EQUITY
	----- Rupees -----			
Balance as at July 01, 2012 (As previously reported)	215,000,000	58,625,295	(201,715,241)	71,910,054
Effect of change in accounting policy due to application of IAS 19 (Revised)			962,168	962,168
<b>Balance as at July 01, 2012 (Restated)</b>	<b>215,000,000</b>	<b>58,625,295</b>	<b>(200,753,073)</b>	<b>72,872,222</b>
Profit for the year (Restated)	-	-	3,325,259	3,325,259
Other comprehensive income for the year (Restated)	-	-	(270,431)	(270,431)
Total comprehensive loss for the year (Restated)	-	-	3,054,828	3,054,828
Transfer to statutory reserve	-	610,966	(610,966)	-
<b>Balance as at 30 June 2013 (Restated)</b>	<b>215,000,000</b>	<b>59,236,261</b>	<b>(198,309,211)</b>	<b>75,927,050</b>
Profit for the year	-	-	(1,075,260)	(1,075,260)
Other comprehensive income for the year	-	-	288,196	288,196
Total comprehensive income for the year	-	-	(787,062)	(787,062)
Transfer to statutory reserve	-	-	-	-
<b>Balance as at 30 June 2014</b>	<b>215,000,000</b>	<b>59,236,261</b>	<b>(199,096,273)</b>	<b>75,139,988</b>

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

  
**MUHAMMAD TAHIR BUTT**  
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 DIRECTOR

# Annual Report 2014

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

#### Going concern assumption

1.2 During the year ended 30 June 2014, the company reported a net loss of Rupees 1,075 million. The company has accumulated losses and shareholders' equity of Rupees 199,096 million and Rupees 75,140 million respectively as on 30 June 2014. 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 two 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 last 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. However, these factors raised uncertainties that the company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

##### a) Statement of compliance

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

##### b) Accounting convention

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

In addition to the accounting convention of realisable / settlement values of assets and liabilities, these financial statements have also been prepared under the historical cost convention except for recognition of employee retirement benefit at present value and certain financial instruments carried at fair value. Accounting policies of this accounting convention are disclosed in detail in Note 2.2 to Note 2.20 in these financial statements.

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

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

- a) Defined benefit plans
- b) Provision for taxation
- c) Residual values of property, plant and equipment
- d) Impairment of assets
- e) Realisable / settlement values of assets and liabilities respectively

##### d) Standards, interpretations and amendments to published accounting standards that are effective in the current year

###### New, revised and amended standards and interpretations:

The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective for the current year:

- |       |  |
|-------|--|
| IAS 1 | Presentation of Financial Statements - Presentation of items of other comprehensive income - (Amendment) |
|-------|--|

IAS 19	Employee Benefits - (Revised)
IAS 28	Investments in Associates and Joint Ventures
IFRS 7	Financial Instruments: Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC 20	Stripping costs in the production phase of a surface mine

#### Amendments to Accounting Standards Issued by the IASB

IAS 1	Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS 16	Property, Plant and Equipment - Clarification of Servicing Equipment
IAS 32	Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments
IAS 34	Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revisions and amendments to accounting standards and interpretations did not have any material effect on the financial statements except as explained in note 2.21.

#### e) Standards, Interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning or after)
IAS 32	Offsetting Financial Assets and Financial Liabilities - (Amendment)	1st January 2014
IAS 36	Recoverable Amount for Non-Financial Assets - (Amendment)	1st January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting 2014	1st January 2014
IFRIC 21	Levies	1st January 2014

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

		IASB Effective date
IFRS 09	Financial Instruments: Classification and Measurement	1st January 2015
IFRS 10	Consolidated Financial Statements	1st January 2013
IFRS 11	Joint Arrangements	1st January 2013
IFRS 12	Disclosure of Interests in Other Entities	1st January 2013
IFRS 13	Fair Value Measurement	1st January 2013

## 2.2 Cash and cash equivalents

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

## 2.3 Net investment in lease finance

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

## 2.4 Allowance for potential lease losses

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

## 2.5 Investments

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

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

# Annual Report 2014

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

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

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

## b) Held-to-maturity

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

## c) Available-for-sale

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

## 2.6 Property, plant and equipment

Property, plant and equipment except for land are stated at cost less accumulated depreciation and any identified impairment losses. Additions are stated at cost less accumulated depreciation and any identified impairment losses. Land is stated at cost less impairment loss, if any.

Depreciation on all property, plant and equipment is charged to income by applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Depreciation is being charged at the rates given in Note 8.

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

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

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

## 2.7 Impairment

### a) Financial assets

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

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

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

### b) Non-financial assets

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

## 2.8 Leases

Where the company is the lessee:

### a) Finance lease

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

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in Note 13.

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

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

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

Where the company is the lessor:

## b) Operating lease

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

## 2.9 Staff retirement benefits

### a) Defined benefit plan

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. The amount recognized on balance sheet represents the present value of defined benefit obligation. Actuarial gains or loss are recognized immediately in other comprehensive income as required by IAS 19 -(Revised) Employee Benefits. The details of the scheme are referred to in note 14 to the financial statements. The latest actuarial valuation was carried out as at 30 June 2014.

### b) Employees' compensated absences

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

## 2.10 Taxation

### a) Current

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

### b) Deferred

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

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

## 2.11 Financial instruments

Financial instruments carried on the balance sheet include security deposits, net investment in finance leases, advances, other receivables, cash and bank balances, borrowing, loan from associated undertaking, 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 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.

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

## 2.17 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.

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

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## 2.18 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.

## 2.19 Share capital

Ordinary shares are classified as equity.

## 2.20 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.

## 2.21 Change in Accounting Policy

The Company has adopted the amended accounting standards which become effective during the year. Other than this, the accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

During the year (with effect from July 01, 2013) the Company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements' that result from the remeasurements of defined benefit obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with an interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

Previously the Company accounted for the actuarial gain/loss with respect to actuarial valuation of its retirement benefit plan using '10% corridor approach'. The amount recognized on balance sheet represented the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses.

The change in accounting policy has been applied retrospectively. The effect of the change in the accounting policy on the current and the prior period financial statements have been summarized below:

	As at June 30 2013	As at July 01 2012
<b>Impact on balance sheet</b>		
Decrease in employee retirement benefits	(578,191)	(962,168)
Increase in reserves	578,191	962,168
		For the year ended June 30, 2013
<b>Impact on profit and loss account</b>		
Increase in administrative expenses		113,546
<b>Impact on other comprehensive income</b>		
Decrease in remeasurement loss of employees retirement benefits		(270,431)
<b>Impact on statement of changes in equity</b>		
Decrease in accumulated losses		(654,986)

	2014 Rupees	2013 Rupees
<b>3. CASH AND BANK BALANCES</b>		
Cash in hand	3,784	12,370
Cash with banks:		
Balance with State Bank of Pakistan	9,323	12,848
Current accounts	998,997	837,012
Saving accounts (Note 3.1)	847,120	9,118,018
	1,859,224	9,980,248
<b>3.1</b> Cash with banks in saving accounts carry mark-up at 6 % (2013: 6%) per annum.		
<b>4. ADVANCES AND PREPAYMENTS</b>		
Advances - considered good:		
Advances against expenses	83,030	85,335
Advances to employees	305,617	242,900
Others	-	-
	388,647	328,235
Prepayments	606,108	897,283
	994,755	1,225,518
<b>5. OTHER RECEIVABLE</b>		
Advance income tax - considered good	986,934	710,037
	986,934	710,037
<b>6. NET INVESTMENT IN LEASE FINANCE</b>		
Lease rentals receivable	321,768,361	307,970,577
Add: Guaranteed residual value of leased assets	125,927,175	128,029,020
Gross investment in lease finance (Note 6.1)	447,695,536	435,999,597
Less: Unearned finance income	(64,065,159)	(62,537,074)
Net investment in lease finance (Note 6.1)	383,630,377	373,462,523
Less: Allowance for potential lease losses (Note 6.2)	(166,013,771)	(173,484,637)
Net investment in lease finance - net off provision (Note 6.1.3)	217,616,606	199,977,886

<b>6.1</b>		<b>GROSS INVESTMENT</b>	<b>NET INVESTMENT IN LEASE FINANCE</b>
		<b>2014</b>	<b>2013</b>
		<b>Rupees</b>	<b>Rupees</b>
	Not later than one year	374,989,739	409,402,734
	Later than one year but not later than five years	72,705,797	26,596,863
		447,695,536	435,999,597

- 6.1.1** There are no lease contract receivables over five years. The company's implicit rate of return on leases ranges from 8.00 % to 30.00% per annum (2013: 8.00 % to 30.00% per annum). The agreements are usually for a period of 1 to 6 years (2013: 1 to 6 years). In certain cases, in addition to leased assets the leases are secured against personal guarantees and charge on properties of the lessees.
- 6.1.2** Analysis of net investment in lease finance in respect of non-performing leases on which mark-up is being suspended is given in Note 28.1(b). The non-performing leases are determined in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.
- 6.1.3** This represents net investment in finance lease after provisioning of potential lease losses calculated in accordance with Regulation 25 of Non-Banking Finance Companies and Notified Entities Regulations, 2008. However, the management believes that the estimated realisable value of net investment in finance lease as on 30 June 2014 is Rupees 299,105,285 (2013: Rupees 284,377,589).

	2014 Rupees	2013 Rupees
<b>6.2 ALLOWANCE FOR POTENTIAL LEASE LOSSES</b>		
Balance as at 01 July	173,484,637	187,996,489
Provision (reversed) / charged during the year - net	(6,649,975)	(10,594,730)
Net investment in lease finance written off against provision	(820,891)	(3,917,122)
Balance as at 30 June	166,013,771	173,484,637
<b>7. DEFERRED INCOME TAX</b>		
Deferred income tax assets / (liabilities) arising due to:		
Accelerated tax depreciation	(86,568,897)	(83,486,980)
Tax losses	115,715,055	114,618,927
Minimum tax available for carry forward	3,979,480	92,267
Liability against asset subject to finance lease	(31,122)	(20,734)
Provision for gratuity	337,049	523,398
	33,431,566	31,726,878
Less: Deferred income tax asset not recognised	(33,431,566)	(31,726,878)
	-	-

- 7.1** The net deferred income tax asset of Rupees 33.432 million (2013: Rupees 31.727 million) has not been recognised in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits may not be available against which the temporary differences can be utilised.

8. PROPERTY, PLANT AND EQUIPMENT

	OWNED							LEASED		TOTAL
	FREEHOLD LAND	FURNITURE AND FIXTURES	VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTAL	OWN USE			
							VEHICLE			
-----Rupees-----										
<b>As at 01 July 2012</b>										
Cost / revalued amounts	-	489,740	1,210,979	571,573	1,447,017	3,719,309	-	-	3,719,309	
Accumulated depreciation	-	(289,016)	(787,848)	(300,503)	(1,215,967)	(2,593,334)	-	-	(2,593,334)	
Accumulated impairment loss	-	(22,035)	-	(28,966)	(29,395)	(80,396)	-	-	(80,396)	
Net book value	-	178,689	423,131	242,104	201,655	1,045,579	-	-	1,045,579	
<b>Year ended 30 June 2013</b>										
Opening net book value	-	178,689	423,131	242,104	201,655	1,045,579	-	-	1,045,579	
Additions	-	-	978,000	36,899	30,900	1,045,799	1,040,800	-	2,086,599	
Disposals:										
Cost	-	-	(644,655)	-	-	(644,655)	-	-	(644,655)	
Accumulated depreciation	-	-	434,253	-	-	434,253	-	-	434,253	
Accumulated impairment loss	-	-	(210,402)	-	-	(210,402)	-	-	(210,402)	
Depreciation charged	-	(17,869)	(203,970)	(24,965)	(64,816)	(311,620)	(15,398)	-	(327,018)	
Closing net book value	-	160,820	986,759	254,038	167,739	1,569,356	1,025,402	-	2,594,758	
<b>As at 30 June 2013</b>										
Cost:	-	489,740	1,544,324	608,472	1,477,917	4,120,453	1,040,800	-	5,161,253	
Accumulated depreciation	-	(306,885)	(557,565)	(325,468)	(1,280,783)	(2,470,701)	(15,398)	-	(2,486,099)	
Accumulated impairment loss	-	(22,035)	-	(28,966)	(29,395)	(80,396)	-	-	(80,396)	
Net book value	-	160,820	986,759	254,038	167,739	1,569,356	1,025,402	-	2,594,758	
<b>Year ended 30 June 2014</b>										
Opening net book value	-	160,820	986,759	254,038	167,739	1,569,356	1,025,402	-	2,594,758	
Additions	-	-	-	14,500	12,100	26,600	-	-	26,600	
Disposals:										
Cost	-	-	-	45,516	-	45,516	-	-	45,516	
Accumulated depreciation	-	-	-	(28,434)	-	(28,434)	-	-	(28,434)	
Depreciation charged	-	(16,083)	(197,353)	(25,343)	(51,774)	(290,553)	(205,080)	-	(495,633)	
Closing net book value	-	144,737	789,406	228,281	128,065	1,320,317	820,322	-	2,140,639	
<b>As at 30 June 2014</b>										
Cost	-	489,740	1,544,324	577,456	1,490,017	4,101,537	1,040,800	-	5,142,337	
Accumulated depreciation	-	(322,968)	(754,918)	(322,377)	(1,332,557)	(2,732,820)	(220,478)	-	(2,953,298)	
Accumulated impairment loss	-	(22,035)	-	(26,798)	(29,395)	(78,228)	-	-	(78,228)	
Net book value	-	144,737	789,406	228,281	128,065	1,290,489	820,322	-	2,110,811	
<b>Annual rate of depreciation (%)</b>	-	10	20	10	30				20	

8.1 Estimated realisable value of property, plant and equipment as on 30 June 2014 is Rupees 2,403,460 (2013: Rupees 2,828,889).

8.2 Disposal of property, plant and equipment

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

DESCRIPTION	QTY	Rupees		Rupees		Rupees		MODE OF DISPOSAL	PARTICULARS OF PURCHASER
		COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALES PROCEEDS				
Vehicle									
Fax Machine	1	16,135	(13,631)	2,504	1,750			Company's policy	Mr. Haroon Siddiqui - Employee of the company
Fax Machine	1	27,213	(14,803)	12,410	1,750			Negotiation	Panasonic Media Solution
		<u>43,348</u>	<u>(28,434)</u>	<u>14,914</u>	<u>3,500</u>				

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	2014 Rupees	2013 Rupees
<b>9. ACCRUED AND OTHER LIABILITIES</b>		
Accrued liabilities	711,534	720,208
Income tax deducted at source	8,796	10,561
Un-claimed dividend	777,785	777,785
Insurance premium and claims payable	682,989	218,460
	<u>2,181,104</u>	<u>1,727,014</u>

<b>10. ACCRUED MARK UP</b>		
Mark up payable on:		
Borrowing	-	-
Loan from associated undertaking	582,178	234,719
	<u>582,178</u>	<u>234,719</u>

## 11. 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 (2013: 3 months KIBOR) per annum.

	2014 Rupees	2013 Rupees
<b>12. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	<u>731,402</u>	<u>964,419</u>

12.1 These minimum lease payments were discounted at an implicit interest rate of 15.08% per annum to arrive at their present value. The Company intends to exercise its option to purchase the leased vehicle upon completion of the lease term. This lease finance facility is secured against title of the leased vehicle in the name of lessor and demand promissory note.

	2014			2013		
	MINIMUM LEASE PAYMENTS Rupees	FUTURE FINANCE CHARGE Rupees	PRESENT VALUE OF MINIMUM LEASE PAYMENTS Rupees	MINIMUM LEASE PAYMENTS Rupees	FUTURE FINANCE CHARGE Rupees	PRESENT VALUE OF MINIMUM LEASE PAYMENTS Rupees
Not later than 1 year	332,316	61,644	270,672	332,316	99,299	233,017
Later than 1 year but not later than 5 years	478,930	18,200	460,730	811,246	79,844	731,402
	<u>811,246</u>	<u>79,844</u>	<u>731,402</u>	<u>1,143,562</u>	<u>179,143</u>	<u>964,419</u>

## 13. DEPOSITS ON LEASE CONTRACTS

These represent interest free security deposits received from lessees, at the rates ranging from 5% to 65% (2013: 5% to 65%) of lease amount, against lease contracts and are refundable / adjustable at the expiry / termination of respective leases.

	2014 Rupees	Restated 2013 Rupees
<b>14. EMPLOYEE BENEFIT</b>		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation (Note 14.1)	962,997	961,215
Un-recognized actuarial gains	-	-
Liability as at 30 June (Note 14.5)	<u>962,997</u>	<u>961,215</u>
Net Liability as at 01 July	961,215	538,025
Charge to profit and loss account (Note 14.2)	289,980	211,159
Remeasurement recognised in other comprehensive income	(288,198)	270,431
Payments	-	(58,400)
Liability as at 30 June	<u>962,997</u>	<u>961,215</u>

# Grays Leasing Limited

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

Present value of defined benefit obligations	961,215	538,025
Current service cost	189,052	141,216
Interest cost	100,928	69,943
Benefit paid	-	(58,400)
Experience adjustment	(288,198)	270,431
	<u>962,997</u>	<u>961,215</u>

## 14.2 Charge to profit and loss account:

Current service cost	189,052	141,216
Interest cost	100,928	69,943
Actuarial gain	-	-
	<u>289,980</u>	<u>211,159</u>

## 14.3 The Present value of defined benefit obligation has been determined by the management of the Company using following assumptions:

	<b>2014</b>	<b>2013</b>
Discount Rate	13.25%	10.50%
Expected rate of increase in salary	12.25%	9.50%
Expected average remaining working lives of employee	8 years	8 years

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
14.4 Present value of defined benefit obligation (Rupees)	962,997	961,215	538,025	758,241	1,283,278
Experience adjustment on obligation	(29.98%)	50.26%	5.97%	(7.74%)	(24.29)%

## 14.5 This represents liability of employee benefit (gratuity) based on actuarial valuation. The estimated settlement value of employee benefit based on the assumption that the benefit is payable to all the employees at the end of the accounting year is Rupees 1,076,298 (2013: Rupees 813,648).

## 15. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	<b>2014</b>	<b>2013</b>		<b>2014</b>	<b>2013</b>
	<b>(Number of shares)</b>			<b>Rupees</b>	<b>Rupees</b>
19,500,000	19,500,000	Ordinary shares of Rupees 10 each fully paid-up in cash	195,000,000	195,000,000	
2,000,000	2,000,000	Ordinary shares of Rupees 10 each issued as bonus shares	20,000,000	20,000,000	
<u>21,500,000</u>	<u>21,500,000</u>		<u>215,000,000</u>	<u>215,000,000</u>	

**2014**  
**(Number of shares)**

## 15.1 Ordinary shares of the company held by associated companies:

Grays of Cambridge (Pakistan) Limited	7,999,999	7,999,999
Anwar Khawaja Industries (Private) Limited	3,739,603	3,739,603
Grays of Cambridge (International) Limited	165,823	165,823
	<u>11,905,425</u>	<u>11,905,425</u>

## 16. STATUTORY RESERVE

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

## 17. Contingencies and commitments

### 17.1 Contingencies

Nil (2013: Nil)

### 17.2 Commitments

Nil (2013: Nil)

**2014**  
**Rupees**

**2013**  
**Rupees**

## 18. INCOME FROM LEASE OPERATIONS

Finance lease income	8,590,332	6,900,526
Operating lease income	-	-
Documentation charges	368,073	198,425
Additional lease rentals	585,039	1,185,770
	<u>9,543,444</u>	<u>8,284,721</u>

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## 19. OTHER INCOME

### Income from financial assets

Processing fee and other charges	474,228	384,881
Profit on bank deposits	227,795	419,052
	<u>702,023</u>	<u>803,933</u>

### Income from non-financial assets

Gain on sale of property, plant and equipment	-	117,298
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### Other

Credit balances written back	-	-
	<u>702,023</u>	<u>921,231</u>

	<b>Restated</b>
<b>2014</b>	<b>2013</b>
<b>Rupees</b>	<b>Rupees</b>

## 20. ADMINISTRATIVE AND OTHER EXPENSES

Salaries, allowances and other benefits (Note 20.1)	4,858,236	4,479,780
Repair and maintenance	404,691	374,319
Rent, rates and taxes	600,210	567,740
Postage and telephone	245,294	225,475
Vehicles' running	1,008,237	813,808
Utilities	171,099	123,863
Legal and professional	1,223,187	1,389,541
Insurance	102,516	82,821
Fees and subscription	666,664	658,897
Travelling and conveyance	537,301	642,118
Printing and stationery	211,911	230,350
Auditors' remuneration (Note 20.2)	375,000	621,400
Entertainment	177,941	156,359
Advertisement	29,523	30,420
Newspapers and periodicals	10,415	9,123
Miscellaneous	92,254	71,930
Depreciation on property, plant and equipment (Note 8)	495,632	327,018
	<u>11,210,111</u>	<u>10,804,962</u>

20.1 These include Rupees 0.290 million (2013: Rupees 0.211 million) charged in respect of gratuity as referred to in Note 14 and Rupees 0.230 million (2013: Rupees 0.258 million) charged in respect of compensated absences.

<b>2014</b>	<b>2013</b>
<b>Rupees</b>	<b>Rupees</b>

### 20.2 Auditors' remuneration

Audit fee	250,000	399,300
Half yearly review and other sundry certifications	100,000	167,600
Out-of-pocket expenses	25,000	54,500
	<u>375,000</u>	<u>621,400</u>

## 21. FINANCIAL AND OTHER CHARGES

### Financial charges

Mark up on:

Borrowing	-	388,900
Loan from associated undertaking	675,292	336,601
Lease liability	99,305	9,806
	<u>774,597</u>	<u>735,307</u>

### Other charges

Debit balances written off	-	241,413
Loss on sale of property, plant and equipment	11,414	-
Commission and other bank charges	318,977	448,949
	<u>330,391</u>	<u>690,362</u>
	<u>1,104,988</u>	<u>1,425,669</u>

# Grays Leasing Limited

## 22. TAXATION

Current:

For the year (Note 22.1)

Prior year

(398,476)	(238,935)
-	(8,300)
<u>(398,476)</u>	<u>(247,235)</u>

- 22.1 The company has carry forwardable tax losses of Rupees 329.140 million (2013: Rupees 337.114 million). Provision for income tax in the current year is computed only for minimum tax as required under section 113 of the Income Tax Ordinance, 2001, therefore, it is impracticable to prepare the tax charge reconciliation for the years presented.

## 23. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

Restated

Profit / (loss) after taxation	Rupees	(1,075,260)	3,325,259
Weighted average number of ordinary shares	Number	21,500,000	21,500,000
Earnings / (loss) per share - basic	Rupees	(0.05)	0.15

There is no dilutive effect on the basic earnings / (loss) per share of the company.

## 24. CASH AND CASH EQUIVALENTS

Cash and bank balances (Note 3)

Borrowing (Note 11)

	2014 Rupees	2013 Rupees
Cash and bank balances (Note 3)	1,859,224	9,980,248
Borrowing (Note 11)	-	-
	<u>1,859,224</u>	<u>9,980,248</u>

## 25. 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:

	2014 Rupees	2013 Rupees
<b>i) Transactions</b>		
<b>Associated company</b>		
Financial charges paid / adjusted	327,833	101,882
Financial charges charged to profit and loss account	675,292	336,601
Loan obtained	11,000,000	7,000,000
Sale of fixed assets	-	-
Loan repaid / adjusted	-	3,000,000
Rent of office building	300,000	300,000
Lease disbursed	1,904,400	-
Lease rentals received	610,515	-
<b>ii) Period end balances</b>		
<b>Associated company</b>		
Loan	15,000,000	4,000,000
Accrued mark up	582,178	234,719
Lease rentals receivable	1,831,545	-

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

No amount is charged in these financial statements for remuneration, including all benefits, of the chief executive, directors and executives of the company.

	2014	2013
<b>27. NUMBER OF EMPLOYEES</b>		
Number of employees as on June 30	14	14
Average number of employees during the year	14	14

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## 28. FINANCIAL RISK MANAGEMENT

### 28.1 Financial risk factors

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

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

#### (a) Market risk

##### (i) Currency risk

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

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

##### (ii) Interest rate risk

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

The risk arises when there is a mismatch in the financial assets and financial liabilities which are subject to interest rate adjustment within a specified period. The company's interest rate risk arises mainly from net investment in finance lease, bank balances, liability against asset subject to finance lease and borrowing.

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

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

	2014 Rupees	2013 Rupees
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	847,120	9,118,018
Net investment in finance lease - net off potential lease losses	217,616,606	199,977,886
<b>Financial liabilities</b>		
Loan from associated undertaking	15,000,000	4,000,000
Liability against asset subject to finance lease	731,402	964,419

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, profit after taxation for the year would have been Rupees 2.027 million (2012: Rupees 2.041 million) higher / lower, mainly as a result of higher / lower interest income and expense on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

##### (iii) Other price risk

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

## (b) Credit risk

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

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

	2014 Rupees	2013 Rupees
Bank balances	1,855,440	9,967,878
Advances	305,617	242,900
Net investment in finance lease	217,616,606	199,977,886
Security deposits	264,500	264,500
	<u>220,042,163</u>	<u>210,453,164</u>

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	2014		2013	
	Personal Rupees	Corporate Rupees	Personal Rupees	Corporate Rupees
<b>Net Investment in finance lease</b>				
Neither past due nor impaired	24,833,921	50,301,916	16,953,992	35,718,325
Past due up to 89 days but not impaired	3,490,250	13,303,824	1,201,182	2,130,446
Impaired				
Past due 90-179 days	-	-	-	-
Past due 180-364 days	-	-	-	736,825
Past due more than 364 days	9,422,907	282,277,559	10,034,661	306,687,092
	<u>9,422,907</u>	<u>282,277,559</u>	<u>10,034,661</u>	<u>307,423,917</u>
Total	<u>37,747,078</u>	<u>345,883,299</u>	<u>28,189,835</u>	<u>345,272,688</u>
Less: Provision for potential lease losses	6,300,574	159,713,197	6,877,860	166,606,777
Net investment in finance lease - net off potential lease losses	<u>31,446,504</u>	<u>186,170,102</u>	<u>21,311,975</u>	<u>178,665,911</u>

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

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

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

	Rating			2014	2013
	Short Term	Long term	Agency	Rupees	
<b>Banks</b>					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	20,564	16,564
Askari Bank Limited	A1+	AA	PACRA	1,715,886	8,168,659
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	56,362	56,362
First Women Bank Limited	A2	BBB+	PACRA	7,391	7,391
Bank Al-Habib Limited	A1+	AA+	PACRA	7,796	31,468
The Bank of Punjab	A1+	AA-	PACRA	23,179	23,632
Barclays Bank PLC, Pakistan	A-1	A	Standard & Poor's	14,939	1,650,954
				<u>1,846,117</u>	<u>9,955,030</u>

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## Concentration of risk

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

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

Lease portfolio	2014		2013	
	Rupees	%	Rupees	%
Chemical, fertilizer and pharmaceuticals	16,946,878	4.42	16,924,718	4.53
Cement	-	0.00	3,937,811	1.05
Construction	6,783,931	1.77	7,227,961	1.94
Energy, oil and gas	20,026,384	5.22	27,299,533	7.31
Food, tobacco and beverage	8,959,273	2.34	9,255,773	2.48
Leather, footwear and tanneries	1,892,766	0.49	2,004,607	0.54
Paper and board	6,996,148	1.82	6,082,254	1.63
Rubber and plastic	9,278,184	2.42	2,022,025	0.54
Services	14,509,314	3.78	8,554,254	2.29
Steel, engineering and automobiles	4,785,328	1.25	5,126,173	1.37
Sugar and allied	6,571,642	1.71	6,573,381	1.76
Surgical	483,245	0.13	483,373	0.13
Textile and allied	129,735,062	33.82	135,570,412	36.30
Trading	9,834,401	2.56	9,913,236	2.65
Transport and communication	73,906,263	19.26	74,303,229	19.90
Individuals and others	72,921,358	19.01	58,183,783	15.58
	<u>383,630,377</u>	<u>100.00</u>	<u>373,462,523</u>	<u>100.00</u>

### Segment by public / private sector

Public / Government	-	-	-	-
Private	<u>383,630,377</u>	<u>100.00</u>	<u>373,462,523</u>	<u>100.00</u>

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

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

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

	2014 Rupees	2013 Rupees
Personal	37,747,078	28,189,835
Corporate	<u>345,883,299</u>	<u>345,272,688</u>
	<u>383,630,377</u>	<u>373,462,523</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 credit facility. At 30 June 2014, the company has Rupees 1,859 million (2013: Rupees 9,980) million cash and bank balances. Management believes the liquidity risk to be manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

# Grays Leasing Limited

Contractual maturities of financial liabilities as at 30 June 2014

Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
-----Rupees-----					
Accrued and other liabilities	2,172,308	2,172,308	2,172,308	-	-
Accrued mark up	582,178	582,178	582,178	-	-
Loan from associated undertaking	15,000,000	15,480,822	15,480,822	-	-
Liability against asset subject to finance lease	731,402	811,246	166,158	166,158	478,930
	<u>18,485,888</u>	<u>19,046,554</u>	<u>18,401,466</u>	<u>166,158</u>	<u>478,930</u>

Contractual maturities of financial liabilities as at 30 June 2013

Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
-----Rupees-----					
Accrued and other liabilities	1,716,453	1,716,453	1,716,453	-	-
Accrued mark up	234,719	234,719	234,719	-	-
Loan from associated undertaking	4,000,000	4,181,600	4,181,600	-	-
Liability against asset subject to finance lease	964,419	1,143,562	166,158	166,158	332,316
	<u>6,915,591</u>	<u>7,276,334</u>	<u>6,298,930</u>	<u>166,158</u>	<u>332,316</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.

## 28.2 Fair values of financial assets and liabilities

The book values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are measured subsequent to initial recognition at fair value are grouped into level 1 to 3 based on the degree to which fair value is observable. However, as at reporting date, the company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

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

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

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

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

## 28.3 Financial instruments by categories

**Loans and  
receivables**  
Rupees

As at 30 June 2014

Assets as per balance sheet

Cash and bank balances	1,859,224
Advances	305,617
Net investment in lease finance	217,616,606
Security deposits	264,500
	<u>220,045,947</u>

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## Financial liabilities at amortized cost

----- Rupees -----

### Liabilities as per balance sheet

Accrued and other liabilities	2,172,308
Accrued mark up	582,178
Loan from associated undertaking	15,000,000
Liability against asset subject to finance lease	731,402
	<u>18,485,888</u>

## Loans and receivables

Rupees

### As at 30 June 2013

### Assets as per balance sheet

Cash and bank balances	9,980,248
Advances	242,900
Net investment in lease finance	199,977,886
Security deposits	264,500
	<u>210,465,534</u>

## Financial liabilities at amortized cost

----- Rupees -----

### Liabilities as per balance sheet

Accrued and other liabilities	1,716,453
Accrued mark up	234,719
Loan from associated undertaking	4,000,000
Liability against asset subject to finance lease	964,419
	<u>6,915,591</u>

## 29. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or sell assets to reduce debt. Consistent with others in the industry the company monitors the capital structure on the basis of gearing ratio.

The ratio is calculated as borrowings divided by total capital employed. Borrowings represent loan from associated undertaking and liability against asset subject to finance lease as referred to in Note 11 and 12. Total capital employed includes shareholders' equity plus borrowings. The gearing ratio as at year ended 30 June 2014 and 30 June 2013 is as follows:

		2014	2013
Borrowing	Rupees	15,731,402	4,964,419
Total equity	Rupees	75,139,988	75,927,050
Total capital employed	Rupees	<u>90,871,390</u>	<u>80,891,469</u>
Gearing ratio	Percentage	<u>17.31</u>	<u>6.14</u>

## 30. Maturities of assets and liabilities

	2014					
	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	1,859,224	1,859,224	-	-	-	-
Advances and prepayments	994,755	96,581	680,366	217,808	-	-
Other receivable	986,934	-	986,934	-	-	-
Net investment in finance lease	217,616,606	154,593,291	1,337,121	61,686,194	-	-
Security deposits	264,500	-	-	264,500	-	-
Property, plant and equipment	2,110,811	-	-	-	-	2,110,811
	<u>223,832,830</u>	<u>156,549,096</u>	<u>3,004,421</u>	<u>62,168,502</u>	-	<u>2,110,811</u>
<b>Liabilities</b>						
Accrued and other liabilities	2,181,104	2,181,104	-	-	-	-
Accrued mark up	582,178	582,178	-	-	-	-
Loan from associated undertaking	15,000,000	-	15,000,000	-	-	-
Liability against asset subject to finance lease	731,402	21,039	249,633	460,730	-	-
Deposits on lease contracts	125,927,175	108,344,669	662,942	16,919,564	-	-
Employee benefit	962,997	-	-	-	-	962,997
Provision for taxation	3,307,986	-	3,307,986	-	-	-
	<u>148,692,842</u>	<u>111,128,990</u>	<u>19,220,561</u>	<u>17,380,294</u>	-	<u>962,997</u>
Net balance	<u>75,139,988</u>	<u>45,420,106</u>	<u>(16,216,140)</u>	<u>44,788,208</u>	-	<u>1,147,814</u>
Net Assets	<u>75,139,988</u>					

	2013					
	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	9,980,248	9,980,248	-	-	-	-
Advances and prepayments	1,225,518	33,107	692,411	500,000	-	-
Other receivable	710,037	-	710,037	-	-	-
Net investment in finance lease	199,977,886	173,628,668	2,402,639	23,946,579	-	-
Security deposits	264,500	-	-	264,500	-	-
Property, plant and equipment	2,594,758	-	-	-	-	2,594,758
	<u>214,752,947</u>	<u>183,642,023</u>	<u>3,805,087</u>	<u>24,711,079</u>	-	<u>2,594,758</u>
<b>Liabilities</b>						
Accrued and other liabilities	1,727,014	1,727,014	-	-	-	-
Accrued mark up	234,719	234,719	-	-	-	-
Loan from associated undertaking	4,000,000	-	4,000,000	-	-	-
Liability against asset subject to finance lease	964,419	18,112	214,905	731,402	-	-
Deposits on lease contracts	128,029,020	116,205,632	2,105,313	9,718,075	-	-
Employee benefit	961,215	-	-	-	-	961,215
Provision for taxation	2,909,510	-	2,909,510	-	-	-
	<u>138,826,897</u>	<u>118,185,477</u>	<u>9,229,728</u>	<u>10,449,477</u>	-	<u>961,215</u>
Net balance	<u>75,927,050</u>	<u>65,456,546</u>	<u>(5,424,641)</u>	<u>14,261,602</u>	-	<u>1,633,543</u>
Net Assets	<u>75,927,050</u>					

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## 31. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the company have not proposed any appropriations in their meeting held on 27th of September 2014.

## 32. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on 27th of September 2014.

## 33. CORRESPONDING FIGURES

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



**MUHAMMAD TAHIR BUTT**  
CHIEF EXECUTIVE



**KHAWAR ANWAR KHAWAJA**  
DIRECTOR

## PATTERN OF SHAREHOLDING AS ON JUNE 30, 2014

Categories of Shareholder	Physical	CDC	Total	% age
<b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b>				
<b>Directors</b>				
Kh. Zaka-ud-Din	21,500	-	21,500	0.10
Mr. Khawar Anwar Khawaja	138,675	1,131,018	1,269,693	5.91
Mr. Khurram Anwar Khawaja	138,675	1,230,333	1,369,008	6.37
Mr. Muhammad Tahir Butt	-	339,312	339,312	1.58
Mr. Naveed Ahmad Dar	50	-	50	0.00
Mr. Neil Douglas Gray	500	-	500	0.00
Mr. Omar Khawar Khawaja	95,675	-	95,675	0.45
<b>Director's Spouses and Their Minor Children</b>				
Mrs. Farough Tahir Butt	351,574	-	351,574	1.64
Mrs. Khadeeja Khurram	575,840	-	575,840	2.68
Mrs. Nuzhat Khawar Khawaja	-	476,312	476,312	2.22
	<b>1,322,489</b>	<b>3,176,975</b>	<b>4,499,464</b>	<b>20.93</b>
<b>Associated Companies, Undertakings &amp; Related Parties</b>				
Anwar Khawaja Industries (Pvt) Limited	3,739,603	-	3,739,603	17.39
Grays of Cambridge (Pakistan) Limited	-	7,999,999	7,999,999	37.21
Grays of Cambridge International Limited U.K	165,823	-	165,823	0.77
	<b>3,905,426</b>	<b>7,999,999</b>	<b>11,905,425</b>	<b>55.37</b>
<b>Banks, NBFCs, DFIs, Takaful, Pension Funds</b>	-	-	-	-
<b>Modaraba</b>	-	-	-	-
<b>Other Companies, Corporate Bodies, Trust etc.</b>	111,111	44,000	155,111	0.72
<b>General Public</b>				
A. Local	3,508,802	1,343,199	4,852,001	22.57
B. Foreign	87,999	-	87,999	0.41
	<b>3,596,801</b>	<b>1,343,199</b>	<b>4,940,000</b>	<b>22.98</b>
	<b>8,935,827</b>	<b>12,564,173</b>	<b>21,500,000</b>	<b>100.00</b>

Shareholders More Than 5.00%	Physical	CDC	Total	% age
Grays of Cambridge (Pakistan) Limited			7,999,999	37.21
Anwar Khawaja Industries (Pvt) Limited			3,739,603	17.39
Mr. Khurram Anwar Khawaja			1,369,008	6.37
Mr. Khawar Anwar Khawaja			1,269,693	5.91

# Annual Report 2014

The Companies Ordinance 1984

Form - 34

(Section 236(1) and 464)

Pattern Of Shareholding

1. Incorporation Number 35396
2. Name of The Company **Grays Leasing Limited**
3. Pattern of Holding of the Shares held by the Shareholders as at : June 30, 2014
- 4.

No. of Shareholders	Shareholding		Total Shares held
	From	To	
63	1	100	1,160
36	101	500	12,287
98	501	1,000	72,414
68	1,001	5,000	167,276
31	5,001	10,000	231,248
9	10,001	15,000	101,344
5	15,001	20,000	90,313
16	20,001	25,000	352,999
3	25,001	30,000	81,290
5	30,001	35,000	168,332
2	35,001	40,000	80,000
5	40,001	45,000	214,052
2	45,001	50,000	97,000
3	55,001	60,000	173,888
1	80,001	85,000	82,000
5	95,001	100,000	487,025
1	100,001	105,000	100,500
2	110,001	115,000	222,221
1	115,001	120,000	116,435
1	120,001	125,000	120,400
2	125,001	130,000	258,000
3	135,001	140,000	417,350
1	165,001	170,000	165,823
1	180,001	185,000	181,666
1	285,001	290,000	288,510
1	310,001	315,000	311,524
1	330,001	335,000	334,312
1	350,001	355,000	351,574
1	475,001	480,000	476,312
1	575,001	580,000	575,840
1	1,065,001	1,070,000	1,065,952
1	1,130,001	1,135,000	1,131,018
1	1,230,001	1,235,000	1,230,333
1	3,735,001	3,740,000	3,739,603
1	7,995,001	8,000,000	7,999,999
<b>375</b>			<b>21,500,000</b>

# GRAYS LEASING LTD.

## 18TH 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. \_\_\_\_\_ and / or CDC participant I.D. No. \_\_\_\_\_ and sub account No. \_\_\_\_\_

holder of \_\_\_\_\_

Ordinary shares hereby appointed Mr./Mrs./Miss \_\_\_\_\_

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf in the annual general meeting of the Company at 701-A, 7th Floor, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore on October 27, 2014 at 11:30 a.m or at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of 2014.

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)

