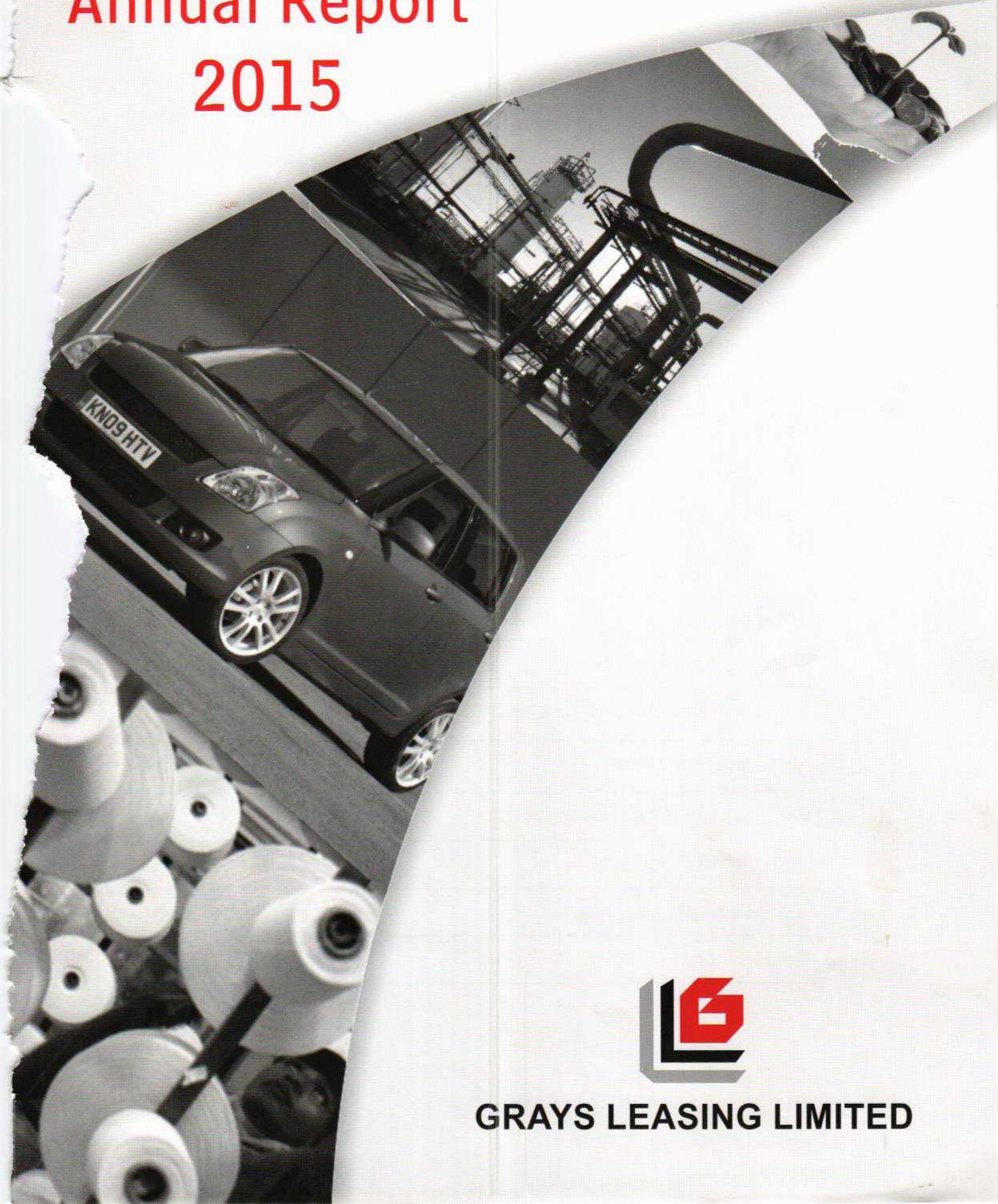


Annual Report 2015



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. Iftikhar Ahmad Butt	
Mr. Omer Khawar Khawaja	

AUDIT COMMITTEE

Mr. Khurram Anwar Khawaja
Mr. Iftikhar Ahmad Butt
Mr. Omer Khawar Khawaja

AUDITORS

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

COMPANY SECRETARY

Muhammad Adil Munir

CHIEF FINANCIAL OFFICER

M. Avais Ibrahim

HEAD OF INTERNAL AUDIT

Mr. Bilal Arsalan Mir

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

LEGAL ADVISOR

Lexicon Law Firm

REGISTERED AND HEAD OFFICE

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

BANKERS

Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
Askari Bank Limited
National Bank of Pakistan
Barclays Bank PLC, Pakistan
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 20TH ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on October 26, 2015 at 03:00 pm at registered office of the Company located at 701-A, 7th Floor, City Towers, Main Boulevard, Gulberg - II, Lahore to transact the following business:

Ordinary Business

- 1 To confirm the minutes of the 19th Annual General Meeting held on October 27, 2014.
- 2 To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.
- 3 To appoint auditors for the year 2015-2016 and to fix their remuneration. The present auditors Messrs Riaz Ahmed & Company, Chartered Accountants, retire. The audit committee and Board of Directors have recommended Messrs Riaz Ahmed & Company, Chartered Accountants for the year ending 30th June, 2016.
- 4 To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD



Muhammad Adil Munir
(COMPANY SECRETARY)

Lahore: October 02, 2015

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 20, 2015 to October 26, 2015 (both days inclusive). Physical transfers / CDS Transaction Ids received in order at our Registrar M/s. Corptec Associates (pvt) Limited, 503 – E Johar Town Lahore, up to the close of business on October 19, 2015 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 2015

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the 20th Annual Report together with the audited financial statements for the year ended June 30, 2015.

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

	Rupees
Total revenue	10,986,173
Total expenses	(12,691,279)
Loss before tax	(1,705,106)
Provision for taxation	
Current	
For the year	(407,763)
Prior year	2,211,490
Deferred	
For the year	3,150
	1,806,877
Profit after tax	101,771
Earnings per share	0.005

KEY OPERATING AND FINANCIAL DATA

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

REVIEW OF OPERATIONS

During the year under review, the company transacted business worth Rupees 45.436 million (2014: 40.880 million). Gross investment in finance leases as at 30 June 2015 stands at Rupees 444.761 million against Rupees 447.696 million on June 30, 2014, while the net investment stands at Rupees 384.207 million on 30 June 2015 against Rupees 383.630 million of the last year. The gross revenue from operations was Rupees 10.986 million against Rupees 10.245 million in 2014. The loss before and profit after tax for the current year is Rupees 1.705 million and Rupees 0.102 million as compared to loss of preceding year which was Rupees 0.676 million and Rupees 1.075 million respectively. Shareholders equity of the company is at Rupees 75.248 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 155.295 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 one year, the Company could not meet the minimum equity requirement and applied to SECP for further extension of forbearance which was not granted. However, during the year ended 30 June 2013, the Company had paid license fee for 3 years and furnished information to SECP about efforts undertaken to make compliance with minimum equity requirement, recovery of struck up assets, new leasing business underwritten, future business plan and reduction of losses. Since then, leasing business is being carried out by the Company without renewal of leasing license. 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 Entity was considered "Negative".

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. 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.

DIVIDEND

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

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 2015

PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding in the company as on 30 June 2015 is given herewith.

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

AUDITORS

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

BOARD OF DIRECTORS

During the year, 4 meetings of the board were held. Attendance of each director is as under:

Name of director	Attended	Leave granted
Mr. Khawar Anwar Khawaja	4	-
Mr. Muhammad Tahir Butt	4	-
Mr. Khurram Anwar Khawaja	4	-
Mr. Neil Douglas James Gray	-	4
Mr. Khawaja Zaka-u-Din	-	4
Mr. Omer Khawar Khawaja	4	-
Mr. Naveed Ahmed Dar	2	-
Mr. Iftikhar Ahmad Butt	1	1

AUDIT COMMITTEE MEETINGS

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

	Attended	Leave granted
Mr. Khawar Anwar Khawaja	1	-
Mr. Khurram Anwar Khawaja	4	-
Mr. Omer khawar Khawaja	4	-
Mr. Naveed Ahmad Dar	1	1
Mr. Iftikhar Ahmad Butt	1	-

HUMAN RESOURCE AND REMUNERATION COMMITTEE

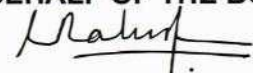
During the year, two meetings of the human resource and remuneration committee were held. Attendance of each director is as under:

	Attended	Leave granted
Mr. Omer khawar Khawaja	2	-
Mr. Muhammad Tahir Butt	2	-
Mr. Khurram Anwar Khawaja	2	-

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: 12th September 2015

Grays Leasing Limited

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

30-06-2010	30-06-2011	30-06-2012	6-30-2013	6-30-2014	6-30-2015
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PROFIT AND LOSS

(Rupees in Thousand)

Revenue	66,420	30,610	25,930	9,206	10,246	10,667
Financial charges	56,136	28,125	8,631	1,426	1,105	2,127
Provision / (Reversal) for doubtful receivables	100,749	15,493	2,897	10,595	(6,650)	(1,474)
Profit / (Loss) before tax	(118,232)	(42,506)	(1,784)	3,686	(677)	(1,705)
Profit / (Loss) after tax	(101,478)	(44,170)	(3,523)	3,439	(1,075)	102
Dividend	-	-	-	-	-	-
Bonus shares	-	-	-	-	-	-

BALANCE SHEET

Paid up share capital	215,000	215,000	215,000	215,000	215,000	215,000
Shareholders' equity	101,581	75,433	71,910	75,349	75,140	75,248
Borrowings	231,289	74,550	12,383	4,000	15,000	25,000
Net investment in finance lease	771,605	547,058	424,714	373,463	383,630	384,207
Total assets	674,222	388,087	243,381	214,753	223,832	234,461

PERFORMANCE INDICATORS

Profit / (Loss) before tax/Gross revenue	-178%	-139%	-7%	40%	-7%	-16%
Profit / (Loss) after tax/Gross revenue	-153%	-144%	-14%	37%	-10%	1%
Pre tax return on shareholders' equity	-116%	-56%	-2%	5%	-1%	-2%
After tax return on shareholders' equity	-100%	-59%	-5%	5%	-1%	0%
Income / expense ratio	0.40	0.42	0.93	0.76	0.83	0.75
Interest coverage ratio	(1.36)	(2.71)	(1.23)	2.11	(1.61)	(1.80)
Earning / (Loss) per share	(4.72)	(2.05)	(0.16)	0.16	(0.05)	0.005
Break up value per share	5.56	3.51	3.34	3.50	3.49	3.50
Lease disbursements	6,241	-	2,680	29,232	40,880	45,436
Number of contracts	6	-	2	20	31	19

Annual Report 2015

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED 30 JUNE 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited 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 Director	Mr. Iftikhar Ahmed Butt
Executive Directors	Mr. Muhammad Tahir Butt
Non-Executive Directors	Mr. Khawar Anwar Khawaja Mr. Neil Douglas James Gray Mr. Khurram Anwar Khawaja Mr. Omer Khawar Khawaja Mr. Khawaja Zaka-ud-Din

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

2. The directors have confirmed that none of them is serving as a director on 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, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, election of Directors for the next term was held in October, 2014 and seven Directors were elected. Casual vacancy occurred on the board was filled up by the directors.

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 terms and conditions of employment of the CEO and non executive directors have been taken by the Board. No remuneration is paid to chief executive and directors of the company.

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. 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 exempt from orientation course due to 14 years of education and 15 years of experience on the board of a listed company.

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

11. 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.

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

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

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

15. The Board has formed an Audit Committee. It comprises three members, of whom two are Non Executive Directors and one is independent director.

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

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of 3 members, 2 of them are Non-Executive Directors and the Chairman of the Committee is a Non Executive Director.

18. The Board has set-up effective internal audit function by appointing a full-time Head of Internal Audit. The day to day operations of this function are being performed and supervised by the Head of Internal Audit, who is experienced for the purpose and conversant with the policies and procedures of the Company.

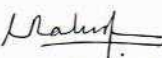
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its 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 principles enshrined in the CCG have been complied.


(Tahir Butt)
Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors ("the Board") of GRAYS LEASING LIMITED ("the Company") for the year ended 30 June 2015, to comply with the requirements of Listing Regulation No.35 of Karachi and Lahore 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- (i) The Board has not made arrangements for directors' training program of non-exempted directors of the Company as required by clause (xi) of the Code.
- (ii) Chief Financial Officer of the Company does not meet the qualification criteria given in clause (xiii) of the Code.
- (iii) Head of internal audit of the Company does not meet the qualification criteria given in clause (xiv) of the Code.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.


RIAZ AHMAD & COMPANY
Chartered Accountants 

Name of engagement partner:
Muhammad Atif Mirza

Date: **12 SEP 2015**

LAHORE

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
Telephones (92-42) 3571 81 37-9
Fax (92-42) 3571 81 36
racolhr@racopk.com
www.racopk.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GRAYS LEASING LIMITED as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

The financial statements for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose auditors' report dated 27 September 2014 expressed unqualified opinion with emphasis of matter paragraph that the Company is no longer a going concern.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Atif Mirza

Date: **12 SEP 2015**

LAHORE


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Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
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Grays Leasing Limited

BALANCE SHEET AS AT 30 JUNE 2015

	Note	2015		2014	
		Book Value	Estimated realisable / settlement value	Book Value	Estimated realisable / settlement value
		Rupees	Rupees	Rupees	Rupees
ASSETS					
Cash and bank balances	3	11,466,600	11,466,600	1,859,224	1,859,224
Advances and prepayments	4	928,034	928,034	994,755	994,755
Other receivable	5	379,549	379,549	986,934	986,934
Net investment in lease finance	6	219,666,749	299,374,578	217,616,606	299,105,285
Security deposits		264,500	264,500	264,500	264,500
Deferred income tax	7	-	-	-	-
Property, plant and equipment	8	1,755,965	2,231,085	2,110,811	2,403,460
TOTAL ASSETS		234,461,397	314,644,346	223,832,830	305,614,158
LIABILITIES					
Accrued and other liabilities	9	2,151,814	2,151,814	2,181,104	2,181,104
Accrued mark up	10	307,717	307,717	582,178	582,178
Loan from associated undertaking	11	25,000,000	25,000,000	15,000,000	15,000,000
Liability against asset subject to finance lease	12	460,737	478,930	731,402	731,402
Deposits on lease contracts	13	129,582,230	129,582,230	125,927,175	125,927,175
Employees' retirement benefit	14	1,193,123	1,311,563	962,997	1,076,298
Provision for taxation		517,324	517,324	3,307,986	3,307,986
TOTAL LIABILITIES		159,212,945	159,349,578	148,692,842	148,806,143
NET ASSETS		75,248,452	155,294,768	75,139,988	156,808,015
REPRESENTED BY:					
Authorized share capital					
35,000,000 (2014: 35,000,000) ordinary shares of Rupees 10 each		350,000,000	350,000,000	350,000,000	350,000,000
Issued, subscribed and paid-up share capital					
21,500,000 (2014: 21,500,000) ordinary shares of Rupees 10 each	15	215,000,000	215,000,000	215,000,000	215,000,000
Statutory reserve	16	59,256,615	59,256,615	59,236,261	59,236,261
Accumulated loss		(199,008,163)	(199,008,163)	(199,096,273)	(199,096,273)
Shareholders' equity		75,248,452	75,248,452	75,139,988	75,139,988
Net surplus on estimated realisable / settlement values		-	80,046,316	-	81,668,027
Contingencies and commitments	17				
		75,248,452	155,294,768	75,139,988	156,808,015

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


MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE



OMER KHAWAR KHAWAJA
 DIRECTOR

Annual Report 2015

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Rupees	2014 Rupees
REVENUE			
Income from lease operations	18	10,667,470	9,543,444
Other income	19	318,703	702,023
		<u>10,986,173</u>	<u>10,245,467</u>
EXPENDITURE			
Administrative and other expenses	20	(12,038,210)	(11,210,111)
Financial and other charges	21	(2,127,088)	(1,104,988)
Reversal for potential lease losses	6.2	1,474,019	6,649,975
Lease contract receivables written off		-	(5,257,127)
		<u>(12,691,279)</u>	<u>(10,922,251)</u>
LOSS BEFORE TAXATION		<u>(1,705,106)</u>	<u>(676,784)</u>
Taxation	22	1,806,877	(398,476)
PROFIT / (LOSS) AFTER TAXATION		<u>101,771</u>	<u>(1,075,260)</u>
Earnings / loss per share - basic and diluted	23	<u>0.005</u>	<u>(0.05)</u>

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


MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE



OMER KHAWAR KHAWAJA
 DIRECTOR

Grays Leasing Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	2015 Rupees	2014 Rupees
Profit / (loss) after taxation	101,771	(1,075,260)
Other comprehensive income :		
Items that will not be reclassified to profit or loss		
Gain on remeasurement of defined benefit obligation	9,843	288,198
Deferred tax on remeasurement of defined benefit obligation	(3,150)	-
	6,693	288,198
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive income / (loss) for the year	108,464	(787,062)

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


MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE



OMER KHAWAR KHAWAJA
 DIRECTOR

Annual Report 2015

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,705,106)	(676,784)
Adjustments for non-cash charges and other items:		
Depreciation	400,345	495,632
Provision for gratuity	316,199	289,980
Financial charges	2,127,088	774,597
Reversal for potential lease losses	(1,474,019)	(6,649,975)
Loss on sale of property, plant and equipment	-	11,414
Lease contract receivable written off	-	5,257,127
Profit on bank deposits	(152,424)	(227,795)
	1,217,189	(49,020)
Loss before working capital changes	(487,917)	(725,804)
Decrease in advances and prepayments	66,721	230,763
Increase / (decrease) in accrued and other liabilities	(29,290)	454,090
Cash used in operations	(450,486)	(40,951)
Financial charges paid	(2,401,549)	(427,138)
Income tax paid	(379,550)	(276,897)
Gratuity paid	(76,230)	-
Net cash used in operating activities	(3,307,815)	(744,986)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in finance leases - net	(576,124)	(16,245,872)
Property, plant and equipment acquired	(45,499)	(26,600)
Proceeds from sale of property, plant and equipment	-	3,500
Profit on bank deposits	152,424	227,795
Net cash used in investing activities	(469,199)	(16,041,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from associated undertaking	10,000,000	11,000,000
Deposits on lease contracts - net	3,655,055	(2,101,845)
Lease rentals paid	(270,665)	(233,016)
Net cash from financing activities	13,384,390	8,665,139
Net increase / (decrease) in cash and cash equivalents	9,607,376	(8,121,024)
Cash and cash equivalents at the beginning of the year (Note 24)	1,859,224	9,980,248
Cash and cash equivalents at the end of the year (Note 24)	11,466,600	1,859,224

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

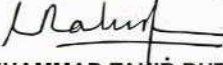

MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE


OMER KHAWARI KHAWAJA
 DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	CAPITAL RESERVE STATUTORY RESERVE	ACCUMULATED LOSS	SHAREHOLDERS' EQUITY
----- Rupees -----				
Balance as at 30 June 2013	215,000,000	59,236,261	(198,309,211)	75,927,050
Loss for the year	-	-	(1,075,260)	(1,075,260)
Other comprehensive income for the year	-	-	288,198	288,198
Total comprehensive loss for the year	-	-	(787,062)	(787,062)
Balance as at 30 June 2014	215,000,000	59,236,261	(199,096,273)	75,139,988
Profit for the year	-	-	101,771	101,771
Other comprehensive income for the year	-	-	6,693	6,693
Total comprehensive income for the year	-	-	108,464	108,464
Transfer to statutory reserve	-	20,354	(20,354)	-
Balance as at 30 June 2015	215,000,000	59,256,615	(199,008,163)	75,248,452

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


MUHAMMAD TAHIR BUTT
 CHIEF EXECUTIVE


OMER KHAWAR KHAWAJA
 DIRECTOR

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 The Company has accumulated losses and shareholders' equity of Rupees 199.008 million and Rupees 75.248 million respectively as on 30 June 2015. Currently, the Company is not in compliance with the minimum equity requirement of Rupees 700 million to carry on leasing business. The license of the Company to carry out leasing business expired on 14 May 2010. The Company applied for renewal of leasing license to Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008. SECP accorded special forbearance to the Company for a period of one year (from 9 July 2010 to 8 July 2011) to meet the minimum equity requirement subject to the conditions that the Company will not raise further deposits and rollover existing deposits without prior approval of SECP. During this period of one year, the Company could not meet the minimum equity requirement and applied to SECP for further extension of forbearance which was not granted. However, during the year ended 30 June 2013, the Company had paid license fee for 3 years and furnished information to SECP about efforts undertaken to make compliance with minimum equity requirement, recovery of struck up assets, new leasing business underwritten, future business plan and reduction of losses. Since then, leasing business is being carried out by the Company without renewal of leasing license. 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) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). Wherever the requirements of the Companies Ordinance, 1984, NBFC Rules, NBFC 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 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 employees' retirement benefit at present 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) Employees' retirement benefit
- b) Provision for taxation
- c) Residual values of property, plant and equipment
- d) Impairment of assets
- e) Realisable / settlement values of assets and liabilities respectively

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

The following amendments to published approved standards are mandatory for the company's accounting periods beginning on or after 01 July 2014:

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 13 'Fair Value Measurement' which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. The amendments to IFRS 13 clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short term receivables and payables on an undiscounted basis (amends basis for conclusions only).

e) Amendments to published standards that are effective in current year but not relevant to the Company

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2015 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

g) Standard and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Cash and cash equivalents

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

2.3 Net Investment in lease finance

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

2.4 Allowance for potential lease losses

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

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2.5 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held-to-maturity

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

c) Available-for-sale

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

2.6 Property, plant and equipment

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

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

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

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

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

2.7 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

2.8 Leases

Where the company is the lessee:

a) Finance lease

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

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in Note 12.

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.

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 Employees' benefits

a) Employees' retirement benefit

The company operates a non-funded defined benefit gratuity scheme for its permanent employees who have completed the qualifying service period of three years. Provision in respect of the scheme is made in accordance with the actuarial recommendations. Experience adjustments in defined benefit obligation are recognized immediately in other comprehensive income. The latest actuarial valuation was carried out as at 30 June 2015.

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

Discount rate 9.75 percent per annum.

Expected rate of increase in salary level 8.75 percent per annum.

The average duration of defined benefit obligation is 9 years.

Mortality was assumed to be based on SLIC 2001-2005 ultimate mortality rates, set back one year.

The company is expected to charge Rupees 3.02 million for gratuity in the next financial year.

b) Employees' compensated absences

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

2.10 Taxation

a) Current

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

b) Deferred

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

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

2.11 Financial instruments

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

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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.

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.

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.

Grays Leasing Limited

3.	CASH AND BANK BALANCES	2015 Rupees	2014 Rupees																								
	Cash in hand	12,249	3,784																								
	Cash with banks:																										
	Balance with State Bank of Pakistan	5,331	9,323																								
	Current accounts	3,694,698	998,997																								
	Saving accounts (Note 3.1)	7,754,322	847,120																								
		<u>11,466,600</u>	<u>1,859,224</u>																								
3.1	Cash with banks in saving accounts carry mark-up at 5 % (2014: 6%) per annum.																										
4.	ADVANCES AND PREPAYMENTS																										
	Advances - considered good:																										
	Advances against expenses	83,030	83,030																								
	Advances to employees	487,903	305,617																								
	Others	3,970	-																								
		<u>574,903</u>	<u>388,647</u>																								
	Prepayments	353,131	606,108																								
		<u>928,034</u>	<u>994,755</u>																								
5.	OTHER RECEIVABLE																										
	Advance income tax - considered good	379,549	986,934																								
6.	NET INVESTMENT IN LEASE FINANCE																										
	Lease rentals receivable	315,178,852	321,768,361																								
	Add: Guaranteed residual value of leased assets	129,582,230	125,927,175																								
	Gross investment in lease finance (Note 6.1)	<u>444,761,082</u>	<u>447,695,536</u>																								
	Less: Unearned finance income	(60,554,581)	(64,065,159)																								
	Net investment in lease finance (Note 6.1)	<u>384,206,501</u>	<u>383,630,377</u>																								
	Less: Allowance for potential lease losses (Note 6.2)	(164,539,752)	(166,013,771)																								
	Net investment in lease finance - net off provision (Note 6.1.3)	<u>219,666,749</u>	<u>217,616,606</u>																								
6.1																											
		<table><tr><th colspan="2">GROSS INVESTMENT</th><th colspan="2">NET INVESTMENT IN LEASE FINANCE</th></tr><tr><th>2015</th><th>2014</th><th>2015</th><th>2014</th></tr><tr><th>Rupees</th><th>Rupees</th><th>Rupees</th><th>Rupees</th></tr><tr><td>394,825,067</td><td>374,989,739</td><td>340,293,998</td><td>321,448,754</td></tr><tr><td>49,936,015</td><td>72,705,797</td><td>43,912,503</td><td>62,181,623</td></tr><tr><td><u>444,761,082</u></td><td><u>447,695,536</u></td><td><u>384,206,501</u></td><td><u>383,630,377</u></td></tr></table>	GROSS INVESTMENT		NET INVESTMENT IN LEASE FINANCE		2015	2014	2015	2014	Rupees	Rupees	Rupees	Rupees	394,825,067	374,989,739	340,293,998	321,448,754	49,936,015	72,705,797	43,912,503	62,181,623	<u>444,761,082</u>	<u>447,695,536</u>	<u>384,206,501</u>	<u>383,630,377</u>	
GROSS INVESTMENT		NET INVESTMENT IN LEASE FINANCE																									
2015	2014	2015	2014																								
Rupees	Rupees	Rupees	Rupees																								
394,825,067	374,989,739	340,293,998	321,448,754																								
49,936,015	72,705,797	43,912,503	62,181,623																								
<u>444,761,082</u>	<u>447,695,536</u>	<u>384,206,501</u>	<u>383,630,377</u>																								
	Not later than one year																										
	Later than one year but not later than five years																										
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 (2014: 8.00% to 30.00 % per annum). 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 2015 is Rupees 299.374 million (2014: Rupees 299.105 million).																										
6.2	ALLOWANCE FOR POTENTIAL LEASE LOSSES	2015 Rupees	2014 Rupees																								
	Balance as at 01 July	166,013,771	173,484,637																								
	Net reversal of potential lease losses during the year	(1,474,019)	(6,649,975)																								
	Net investment in lease finance written off against provision	-	(820,891)																								
	Balance as at 30 June	<u>164,539,752</u>	<u>166,013,771</u>																								
7.	DEFERRED INCOME TAX																										
	Deferred income tax assets / (liabilities) arising due to:																										
	Accelerated tax depreciation	(81,671,231)	(86,568,897)																								
	Tax losses	110,009,165	115,715,055																								
	Minimum tax available for carry forward	-	3,979,480																								
	Liability against asset subject to finance lease	(62,567)	(31,122)																								
	Provision for gratuity	381,799	337,049																								
		<u>28,657,166</u>	<u>33,431,565</u>																								
	Less: Deferred income tax asset not recognized	<u>(28,657,166)</u>	<u>(33,431,565)</u>																								
		-	-																								
7.1	The net deferred income tax asset of Rupees 28.657 million (2014: Rupees 33.431 million) has not been recognized 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 utilized.																										

8. PROPERTY, PLANT AND EQUIPMENT

	OWNED					LEASED		TOTAL
	OWN USE					OWN USE	VEHICLE	
	FURNITURE, FIXTURES	VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTAL			
Rupees.....								
As at 01 July 2013								
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
Year ended 30 June 2014								
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
Accumulated impairment	-	-	2,168	-	2,168	-		2,168
Depreciation charge	(16,083)	(197,353)	(14,914)	(51,774)	(290,553)	(205,080)		(495,633)
Closing net book value	144,737	789,406	228,281	128,065	1,290,489	820,322		2,110,811
As at 30 June 2014								
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
Year ended 30 June 2015								
Opening net book value	144,737	789,406	228,281	128,065	1,290,489	820,322		2,110,811
Additions	22,000	-	3,099	20,400	45,499	-		45,499
Depreciation charge	(16,065)	(157,881)	(22,847)	(39,488)	(236,281)	(164,064)		(400,345)
Closing net book value	150,672	631,525	208,533	108,977	1,099,707	656,258		1,755,965
As at 30 June 2015								
Cost	511,740	1,544,324	580,555	1,510,417	4,147,036	1,040,800		5,187,836
Accumulated depreciation	(339,033)	(912,799)	(345,224)	(1,372,045)	(2,969,101)	(384,542)		(3,353,643)
Accumulated impairment loss	(22,035)	-	(26,798)	(29,395)	(78,228)	-		(78,228)
Net book value	150,672	631,525	208,533	108,977	1,099,707	656,258		1,755,965
Annual rate of depreciation (%)	10	20	10	30			20	

8.1 Estimated realizable value of property, plant and equipment as on 30 June 2015 is Rupees 2,231,085 (2014: Rupees 2,403,460)

Grays Leasing Limited

9. ACCRUED AND OTHER LIABILITIES

Accrued liabilities
Income tax deducted at source
Un-claimed dividend
Insurance premium and claims payable

2015 Rupees	2014 Rupees
503,212	711,534
20,851	8,796
777,785	777,785
849,966	682,989
<u>2,151,814</u>	<u>2,181,104</u>

10. ACCRUED MARK UP

It represents mark up payable on loan from associated undertaking.

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 (2014: 3 months KIBOR) per annum.

12. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

Present value of minimum lease payments

2015 Rupees	2014 Rupees
460,737	731,402

- 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.

	2015			2014		
	MINIMUM LEASE PAYMENTS	FUTURE FINANCE CHARGE	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	FUTURE FINANCE CHARGE	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Not later than 1 year	478,930	18,193	460,737	332,316	61,644	270,672
Later than 1 year but not later than 5 years	-	-	-	478,930	18,200	460,730
	<u>478,930</u>	<u>18,193</u>	<u>460,737</u>	<u>811,246</u>	<u>79,844</u>	<u>731,402</u>

13. DEPOSITS ON LEASE CONTRACTS

These represent interest free security deposits received from lessees, at the rates ranging from 5% to 70% (2014: 5% to 65%) of lease amount, against lease contracts and are refundable / adjustable at the expiry / termination of respective leases.

14. EMPLOYEES' RETIREMENT BENEFIT

The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligation (Note 14.1)

Net Liability as at 01 July
Charge to profit and loss account (Note 14.2)
Remeasurement recognized in other comprehensive income
Payments
Liability as at 30 June

2015 Rupees	2014 Rupees
1,193,123	962,997
962,997	961,215
316,199	289,980
(9,843)	(288,198)
(76,230)	-
<u>1,193,123</u>	<u>962,997</u>

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

Present value of defined benefit obligations	962,997	961,215
Current service cost	193,652	189,052
Interest cost	122,547	100,928
Benefit paid	(76,230)	-
Experience adjustment	(9,843)	(288,198)
	<u>1,193,123</u>	<u>962,997</u>

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14.2 Charge to profit and loss account:

	2015 Rupees	2014 Rupees
Current service cost	193,652	189,052
Interest cost	122,547	100,928
	<u>316,199</u>	<u>289,980</u>

	2015	2014	2013	2012	2011
14.3 Present value of defined benefit obligation (Rupees)	1,193,123	962,997	961,215	538,025	758,241
Experience adjustment on obligation	(1.02%)	(29.98%)	50.26%	5.97%	(7.74%)

14.4 This represents liability of defined benefit obligation (gratuity) based on actuarial valuation. The estimated settlement value of defined benefit obligation based on the assumption that the benefit is payable to all the employees at the end of the accounting year is Rupees 1.311 million (2014: Rupees 1.076 million).

14.5 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions at reporting date:

	Defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	Rupees	Rupees
Discount rate	100	1,097,318	1,304,548
Future salary increase	100	1,304,548	1,095,670

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

15. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2015 (Number of shares)	2014 (Number of shares)		2015 Rupees	2014 Rupees
19,500,000	19,500,000	Ordinary shares of Rupees 10 each fully paid-up in cash	195,000,000	195,000,000
2,000,000	2,000,000	Ordinary shares of Rupees 10 each issued as bonus shares	20,000,000	20,000,000
<u>21,500,000</u>	<u>21,500,000</u>		<u>215,000,000</u>	<u>215,000,000</u>

15.1 Ordinary shares of the company held by associated companies:

	2015 (Number of shares)	2014 (Number of shares)
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 (2014: Nil)

17.2 Commitments

Nil (2014: Nil)

Grays Leasing Limited

	2015 Rupees	2014 Rupees
18. INCOME FROM LEASE OPERATIONS		
Finance lease income	10,396,301	8,590,332
Documentation charges	153,510	368,073
Additional lease rentals	117,659	585,039
	<u>10,667,470</u>	<u>9,543,444</u>
19. OTHER INCOME		
Income from financial assets		
Processing fee and other charges	166,279	474,228
Profit on bank deposits	152,424	227,795
	<u>318,703</u>	<u>702,023</u>
20. ADMINISTRATIVE AND OTHER EXPENSES		
Salaries, allowances and other benefits (Note 20.1)	5,518,039	4,858,236
Repair and maintenance	434,766	404,691
Rent, rates and taxes	555,550	600,210
Postage and telephone	212,956	245,294
Vehicles' running	920,097	1,008,237
Utilities	156,526	171,099
Legal and professional	1,283,712	1,223,187
Insurance	103,255	102,516
Fees and subscription	795,502	666,664
Travelling and conveyance	504,365	537,301
Printing and stationery	224,135	211,911
Auditors' remuneration (Note 20.2)	550,500	375,000
Entertainment	183,871	177,941
Advertisement	54,450	29,523
Newspapers and periodicals	10,946	10,415
Miscellaneous	129,195	92,254
Depreciation on property, plant and equipment (Note 8)	400,345	495,632
	<u>12,038,210</u>	<u>11,210,111</u>
20.1 These include Rupees 0.316 million (2014: Rupees 0.290 million) charged in respect of gratuity as referred to in Note 14 and Rupees million 0.313 million (2014: Rupees 0.230 million) charged in respect of compensated absences.		
	2015 Rupees	2014 Rupees
20.2 Auditors' remuneration		
Audit fee	275,000	250,000
Half yearly review and other sundry certifications	225,500	100,000
Out-of-pocket expenses	50,000	25,000
	<u>550,500</u>	<u>375,000</u>
21. FINANCIAL AND OTHER CHARGES		
Financial charges		
Mark up on:		
Loan from associated undertaking	1,733,273	675,292
Lease liability	61,644	99,305
	<u>1,794,917</u>	<u>774,597</u>
Other charges		
Loss on sale of property, plant and equipment	-	11,414
Commission and other bank charges	332,171	318,977
	<u>332,171</u>	<u>330,391</u>
	<u>2,127,088</u>	<u>1,104,988</u>

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22. TAXATION	2015 Rupees	2014 Rupees
Current:		
For the year (Note 22.1)	(407,763)	(398,476)
Prior year	2,211,490	-
Deferred:		
For the year	3,150	-
	<u>1,806,877</u>	<u>(398,476)</u>

22.1 The company has carry forwardable tax losses of Rupees 343.779 million (2014: Rupees 329.140 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

Profit / (loss) after taxation	Rupees	101,771	(1,075,260)
Weighted average number of ordinary shares	Number	21,500,000	21,500,000
Earnings / (loss) per share - basic	Rupees	0.005	(0.05)

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

24. CASH AND CASH EQUIVALENTS	2015 Rupees	2014 Rupees
Cash and bank balances (Note 3)	<u>11,466,600</u>	<u>1,859,224</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:

i) Transactions

Associated company

Financial charges paid / adjusted	2,007,734	327,833
Financial charges charged to profit and loss account	1,733,273	675,292
Loan obtained	10,000,000	11,000,000
Rent of office building	300,000	300,000
Lease disbursed	-	1,904,400
Lease rentals received	814,020	610,515

ii) Period end balances

Associated company

Loan	25,000,000	15,000,000
Accrued mark up	307,717	582,178
Lease rentals receivable	1,017,525	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.

27. NUMBER OF EMPLOYEES	2015	2014
Number of employees as on June 30	<u>14</u>	<u>14</u>
Average number of employees during the year	<u>14</u>	<u>14</u>

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:

	2015 Rupees	2014 Rupees
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	7,754,322	847,120
Net investment in finance lease - net off potential lease losses	219,666,749	217,616,606
Financial liabilities		
Loan from associated undertaking	25,000,000	15,000,000
Liability against asset subject to finance lease	460,737	731,402

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 2.019 million (2014: loss after taxation would have been Rupees 2.027 million lower / higher) 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.

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(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is crucial for the company's business, therefore management carefully manages its exposure to credit risk. The company has established credit policies and procedures to manage credit exposure including evaluation of lease, credit worthiness, credit approvals, assigning credit limits, obtaining securities such as lien on title 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:

	2015 Rupees	2014 Rupees
Bank balances	11,454,351	1,855,440
Advances	491,873	305,617
Net investment in finance lease	219,666,749	217,616,606
Security deposits	264,500	264,500
	<u>231,877,473</u>	<u>220,042,163</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	2015		2014	
	Personal Rupees	Corporate Rupees	Personal Rupees	Corporate Rupees
Net Investment in finance lease				
Neither past due nor impaired	19,871,140	55,618,631	24,833,921	50,301,916
Past due up to 179 days but not impaired	11,108,439	20,332,815	3,490,250	13,303,824
Impaired				
Past due 180-364 days	-	-	-	-
Past due more than 365 days to 730 days	-	-	-	-
Past due more than 730 days	9,234,394	268,041,082	9,422,907	282,277,559
	<u>9,234,394</u>	<u>268,041,082</u>	<u>9,422,907</u>	<u>282,277,559</u>
Total	40,213,973	343,992,528	37,747,078	345,883,299
Less: Provision for potential lease losses	6,320,078	158,219,674	6,300,574	159,713,197
Net Investment in finance lease - net off potential lease losses	<u>33,893,895</u>	<u>185,772,854</u>	<u>31,446,504</u>	<u>186,170,102</u>

Rentals overdue by 1 day but less than 179 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			2015	2014
	Short Term	Long term	Agency	Rupees	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	20,064	20,564
Askari Bank Limited	A1+	AA	PACRA	11,236,242	1,715,886
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	844	56,362
First Women Bank Limited	A2	BBB+	PACRA	7,286	7,391
Bank Al-Habib Limited	A1+	AA+	PACRA	144,189	7,796
The Bank of Punjab	A1+	AA-	PACRA	24,609	23,179
Habib Bank Limited	A-1+	AAA	JCR-VIS	15,786	14,939
				<u>11,449,020</u>	<u>1,846,117</u>

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	2015		2014	
	Rupees	%	Rupees	%
Industrial sectors				
Chemical, fertilizer and pharmaceuticals	16,694,767	4.35	16,946,878	4.42
Construction	6,684,606	1.74	6,783,931	1.77
Energy, oil and gas	17,144,389	4.46	20,026,384	5.22
Food, tobacco and beverage	8,489,487	2.21	8,959,273	2.34
Leather, footwear and tanneries	8,446,894	2.20	1,892,766	0.49
Paper and board	7,256,697	1.89	6,996,348	1.82
Rubber and plastic	7,152,184	1.86	9,278,184	2.42
Services	26,544,827	6.91	14,509,314	3.78
Steel, engineering and automobiles	4,035,351	1.05	4,785,328	1.25
Sugar and allied	6,484,070	1.69	6,571,642	1.71
Surgical	476,806	0.12	483,245	0.13
Textile and allied	125,567,175	32.68	129,735,062	33.82
Trading	9,690,569	2.52	9,834,401	2.56
Transport and communication	67,286,578	17.51	73,906,263	19.26
Individuals and others	72,252,101	18.81	72,921,358	19.01
	<u>384,206,501</u>	<u>100.00</u>	<u>383,630,377</u>	<u>100.00</u>

Segment by public / private sector

Public / Government	-	-	-	-
Private	<u>384,206,501</u>	<u>100.00</u>	<u>383,630,377</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

	2015 Rupees	2014 Rupees
Personal	40,213,973	37,747,078
Corporate	<u>343,992,528</u>	<u>345,883,299</u>
	<u>384,206,501</u>	<u>383,630,377</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 2015, the company has Rupees 11.466 (2014: Rupees 1.859) 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:

Annual Report 2015

Contractual maturities of financial liabilities as at 30 June 2015

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
-----Rupees-----						
Accrued and other liabilities	2,130,963	2,130,963	2,130,963	-	-	-
Accrued mark up	307,717	307,717	307,717	-	-	-
Loan from associated undertaking	25,000,000	25,632,390	25,632,390	-	-	-
Liability against asset subject to finance lease	460,737	478,930	166,158	312,772	-	-
	<u>27,899,417</u>	<u>28,550,000</u>	<u>28,237,228</u>	<u>312,772</u>	<u>-</u>	<u>-</u>

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 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>	<u>-</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 maximize 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.

Grays Leasing Limited

28.3 Financial instruments by categories

As at 30 June 2015

Assets as per balance sheet

Cash and bank balances	
Advances	
Net investment in lease finance	
Security deposits	

Loans and receivables

Rupees

11,466,600
491,873
219,666,749
264,500
<u>231,889,722</u>

Financial liabilities at amortized cost

----- Rupees -----

Liabilities as per balance sheet

Accrued and other liabilities	
Accrued mark up	
Loan from associated undertaking	
Liability against asset subject to finance lease	

2,130,963
307,717
25,000,000
460,737
<u>27,899,417</u>

Loans and receivables

Rupees

As at 30 June 2014

Assets as per balance sheet

Cash and bank balances	
Advances	
Net investment in lease finance	
Security deposits	

1,859,224
305,617
217,616,606
264,500
<u>220,045,947</u>

Financial liabilities at amortized cost

----- Rupees -----

Liabilities as per balance sheet

Accrued and other liabilities	
Accrued mark up	
Loan from associated undertaking	
Liability against subject to finance lease	

2,172,308
582,178
15,000,000
731,402
<u>18,485,888</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 2015 and 30 June 2014 is as follows:

	2015	2014
Borrowing	Rupees 25,460,737	15,731,402
Total equity	Rupees 75,248,452	75,139,988
Total capital employed	Rupees 100,709,189	90,871,390
Gearing ratio	Percentage 25.28	17.31

Annual Report 2015

30. Maturities of assets and liabilities

2015					
TOTAL	UP TO ONE MONTH	OVER ONE MONTH TO ONE YEAR	OVER ONE YEAR TO FIVE YEAR	OVER FIVE YEAR	NON FIXED MATURITIES
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets					
Cash and bank balances	11,466,600	11,466,600	-	-	-
Advances and prepayments	928,034	9,636	918,398	-	-
Other receivable	379,549	-	379,549	-	-
Net investment in finance lease	219,666,749	143,265,774	32,488,472	43,912,503	-
Security deposits	264,500	-	202,000	62,500	-
Property, plant and equipment	1,755,965	-	-	-	1,755,965
	234,461,397	154,742,010	33,988,419	43,975,003	1,755,965
Liabilities					
Accrued and other liabilities	2,151,814	2,151,814	-	-	-
Accrued mark up	307,717	307,717	-	-	-
Loan from associated undertaking	25,000,000	-	25,000,000	-	-
Liability against asset subject to finance lease	460,737	24,441	436,296	-	-
Deposits on lease contracts	129,582,230	100,245,245	6,669,930	22,667,055	-
Employees' retirement benefit	1,193,123	-	-	-	1,193,123
Provision for taxation	517,324	-	517,324	-	-
	159,212,945	102,729,217	32,623,550	22,667,055	1,193,123
Net balance	75,248,452	52,012,793	1,364,869	21,307,948	562,842
Net Assets	75,248,452				

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
Assets					
Cash and bank balances	1,859,224	1,859,224	-	-	-
Advances and prepayments	994,755	96,581	680,366	217,808	-
Other receivables	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
	223,832,830	156,549,096	3,004,421	62,168,502	2,110,811
Liabilities					
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 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	-
Employees' retirement benefit	962,997	-	-	-	962,997
Provision for taxation	3,307,986	-	3,307,986	-	-
	148,692,842	111,128,990	19,220,561	17,380,294	962,997
Net balance	75,139,988	45,420,106	(16,216,140)	44,788,208	1,147,814
Net Assets	75,139,988				

31. SEGMENT INFORMATION

As per IFRS 8, "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The senior management of the Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments.

The management is responsible for the Company's entire product portfolio and considers the business to have a single operating segment. The Company's asset allocation decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis.

The internal reporting provided to the senior management for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

32. EVENTS AFTER THE REPORTING PERIOD


The Board of Directors of the company have not proposed any appropriations in their meeting held on 12th of September 2015.

33. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on 12th of September 2015.

34. CORRESPONDING FIGURES

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


MUHAMMAD TAHIR BUTT
CHIEF EXECUTIVE


OMER KHAWAR KHAWAJA
DIRECTOR

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Grays Leasing Limited

PATTERN OF SHAREHOLDING AS ON JUNE 30, 2015

Categories of Shareholder	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Children				
Directors				
Kh. Zaka-ud-Din	21,500	-	21,500	0.10
Mr. Iftikhar Ahmed Butt	50	-	50	0.00
Mr. Khawar Anwar Khawaja	138,675	1,131,018	1,269,693	5.91
Mr. Khurram Anwar Khawaja	138,675	1,230,333	1,369,008	6.37
Mr. Muhammad Tahir Butt	-	339,312	339,312	1.58
Mr. Neil Douglas Gray	500	-	500	0.00
Mr. Omar Khawar Khawaja	95,675	-	95,675	0.45
Director's Spouses and Their Minor Children				
Mrs. Farough Tahir Butt	351,574	-	351,574	1.64
Mrs. Khadeeja Khurram	575,840	-	575,840	2.68
Mrs. Nuzhat Khawar Khawaja	-	476,312	476,312	2.22
	1,322,489	3,176,975	4,499,464	20.93
Associated Companies, Undertakings & Related Parties				
Anwar Khawaja Industries (Pvt) Limited	3,739,603	-	3,739,603	17.39
Grays of Cambridge (Pakistan) Limited	-	7,999,999	7,999,999	37.21
Grays of Cambridge International Limited U.K	165,823	-	165,823	0.77
	3,905,426	7,999,999	11,905,425	55.37
Banks, NBFCs, DFIs, Takaful, Pension Funds				
	-	-	-	-
Modarabas				
	-	-	-	-
Other Companies, Corporate Bodies, Trust etc.				
	111,111	32,595	143,706	0.67
General Public				
A. Local	3,508,802	1,354,604	4,863,406	22.62
B. Foreign	87,999	-	87,999	0.41
	3,596,801	1,354,604	4,951,405	23.03
	8,935,827	12,564,173	21,500,000	100.00
Shareholders More Than 5.00%				
Grays of Cambridge (Pakistan) Limited			7,999,999	37.21
Anwar Khawaja Industries (Pvt) Limited			3,739,603	17.39
Khurram Anwar Khawaja			1,369,008	6.37
Khawar Anwar Khawaja			1,269,693	5.91

The Companies Ordinance 1984
(Section 236(1) and 464)
Pattern Of Shareholding

Form - 34

1. Incorporation Number 0035396
2. Name of The Company Grays Leasing Limited
3. Pattern of Holding of the Shares held by the Shareholders as at :June 30, 2015
- 4.

No. of Shareholders	Shareholding		Total Shares held
	From	To	
68	1	100	1,312
29	101	500	10,170
100	501	1,000	74,146
63	1,001	5,000	148,731
24	5,001	10,000	166,526
10	10,001	15,000	117,844
7	15,001	20,000	123,813
13	20,001	25,000	285,499
3	25,001	30,000	81,290
5	30,001	35,000	168,332
1	35,001	40,000	40,000
5	40,001	45,000	214,052
1	45,001	50,000	50,000
3	55,001	60,000	173,888
6	95,001	100,000	587,025
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
2	165,001	170,000	335,823
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
362			21,500,000

GRAYS LEASING LTD.

20TH 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 26, 2015 at 3:00 p.m or at any adjournment thereof.

As witness my/our hand this _____ day of 2015.

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)

