

GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED
ANNUAL REPORTS 2003

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Harold John Gray (Chairman)
Mr. Khawar Anwar Khawaja (Chief Executive)
Mr. Paul Douglas Gray
Mr. Khurram Anwar Khawaja
Mr. Neil Douglas James Gray
Mr. Muhammad Tahir Butt
Mrs. Nuzhat Khawar Khawaja
Mr. Sarfraz Mahmood
(Alternate to Mr. Harold John Gray)

AUDIT COMMITTEE

Mr. Muhammad Tahir Butt
Mrs. Nuzhat Khawar Khawaja
Mr. Paul Douglas Gray

CORPORATE SECRETARY

Mr. Saeed Ahmed

CHIEF FINANCIAL OFFICER

Mr. Muhammad Azeem

AUDITORS

Messrs. M.A. Tabussum & Co.
Chartered Accountants
S-8, Ahmed Arcade
161-Ferozepur Road
Lahore
Phone: (042) 7580098 - 7587323
Fax: (042)7675510

MANAGEMENT CONSULTANTS

Messrs. Sarfraz Mahmood (Pvt) Limited
10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore-54660 (Pakistan)
Tel: (042)5718136-39
Fax: (042) 5714340
E-mail: sarfrazm@paknet1.ptc.pk

REGISTERED OFFICE AND WORKS

Small Industries Estate,
Sialkot (Pakistan)
Phone: (0432) 555338, 563051 - 563052

VISION

GRAYS is the *Internationals' First Choice*; and we continuously strive to maintain this edge through building a sustainable relationship with them all over the globe by establishing and maintaining a strong production and marketing network with a team of adroit, enchanting, and skillful craftsmen and experienced professionals.

We aim at the best of our *Customers' Satisfaction*. We also aim at a sustainable growth to ensure our company's *prosperous future & healthy returns* to all our stakeholders

MISSION

To endeavor consistently to be a dynamic, profitable and growth oriented company through excellence in all spheres of business activities optimizing value for our associates and shareholders.

To seek a high standard of performance and to strive for a long-term leadership position through operating efficiency and dedicated service to customers in a competitive environment.

To be an exemplary corporate citizen maintaining high moral standards and fulfilling its social responsibilities. GRAYS firmly believes in behavioral conformance.

To create further opportunities for employees at all levels so that they become a real team of dedicated workers and professionals who are rewarded according to their ability and performance; honesty, integrity and talent are the only pre-requisites.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 40th Annual General Meeting of Grays of Cambridge (Pakistan) Limited will be held on Friday, October 31, 2003 at 11.30 a.m. at the Registered Office of the Company, Small Industries Estate, Sialkot to transact the following business:

1. To confirm the minutes of the last meeting.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2003 together with the Reports of the Auditors and Directors.
3. To approve the payment of cash dividend at the rate of 150 percent (Rupees 15.00 per share) for the year ended June 30, 2003.
4. To appoint auditors and fix their remuneration for the year ending June 30, 2004. The present auditors Messrs M. A. Tabussum & Company, Chartered Accountants, Lahore retire and being eligible, offer themselves for reappointment.
5. To transact any other ordinary business of the Company with the permission of the Chair.

By Order of the Board

(SAEED AHMED)

Sialkot: September 29, 2003

Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 24, 2003 to October 30, 2003 (both days inclusive).
2. A member entitled to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not later than forty eight hours before the time of meeting.
3. CDC account holders will have to follow the following guidelines for attending the meeting:
 - i) In case of individuals, the account holders, sub account holders and the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing original I.D. card or passport at the time of attending the meeting. The shareholders registered in on CDS are also requested to bring their participants I. D. numbers and account number in CDS.
 - ii) In case of corporate entity, the Board of Directors, resolution / power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of meeting.
4. Shareholders are advised to notify any change in their addresses.

COMPANY PROFILE

Industrial Profile

Gray of Cambridge (Pakistan) Limited was incorporated in Pakistan on June 02,1964 to incarnate a strong yearn of Late Anwar Khawaja, the first Managing Director of the Company, of making the WORLD'S BEST hockey stick in collaboration with Messrs H. J. Gray & Sons of Cambridge, England [presently named as "Grays of Cambridge (International) Limited"] under an agreement made and signed in1963.

The formal inauguration of this Pak-British joint enterprise was held on May 08, 1965 although the unit commenced its commercial production on April 01,1965 under the elite supervision of an English technician, Mr. D. Fosket who had actually made Hockey Sticks with his own hands for more than half a century. This great expert gave training to Pakistani workers and carved them into a team of a adroit and enchanting craftsmen by inculcating them with all his expertise, elegance and excellence.

During 1983, while the company continued progressively conventional hockey sticks (around 90,000 sticks a year), the management acquired technical know-how from Mr.Toon Coolen of Netherlands and started making a Novelty Stick with a U-Shaped head approved by the Rules Committee of the International Hockey Federation. By virtue of this blending mechanization with the skills of the local craftsmen, the hockey sticks produced by this unit have met with a global acceptance as the best ever-made and the venture proved to be an International success. The fact that the first mark of 17,590 hockey sticks produced and exported during 1965 has culminated to its present volume of 150,000 sticks a year, has evidently placed GRAYS PAKISTAN fairly and squarely on the World Hockey Map.

Equally important was the year 1973 which also witnessed expansion in Company's Product Line. A Cricket Ball manufacturing unit was established to produce balls with the World's most famous brand names "DUKE & SONS" and "GRAY-NICOLLS". This unit has also shown a tremendous growth as evidenced by rising production of completely hand-sewn cricket balls from a few thousand in its first year of inception to around forty thousand a year at present. These balls are being used in first class as well as the Test Cricket in Pakistan and abroad.

The company has a global net work of marketing agents as well as a full fledged quality control wing consisting of on-job trained supervisors headed by a professional, all working under a regular control of the Company's Chief Executive / Technical Director Mr. Khawar A. Khawaja who did his B.E. from the University of Engineering and Technology, Lahore.

Corporate Profile

The company which was incorporated as a private limited company went public in April 1986 and was listed on Karachi and Lahore Stock Exchanges in January 1987. The issue was very well received by public and was ever-subscribed by 200 times, a record response by public. Since then, the share of the company has a very strong demand which is well supported by the fact that its 10 rupees share has touched a 450 rupees price and is being quoted at Rupees 335 at present.

At the same time, a plan for diversification in financial and economic activities is also underway, and as a result thereof, the Company co-sponsored a leasing company named GRAYS LEASING LIMITED, listed on Karachi and Lahore Stock Exchanges with an equity capital of 100 million Rupees which was also oversubscribed even under the prevailing crunch in the investment market.

The financial performance of the company is also revealed by a simple statistic that the shareholders' equity has grown from 225 thousand rupees in 1965 to 250 million rupees in 2003 inspite of high payouts.

| YEAR | CASH DIVDEND | BONUS SHARES |
|------------------|--------------|--------------|
| 1992 | 200 percent | - |
| 1993 | 100 percent | - |
| 1994 | 1 00 percent | - |
| 1995 (Half year) | 100 percent | - |
| 1996 | 1 50 percent | - |
| 1997 | 200 percent | - |
| 1998 | 1 60 percent | 40 percent |
| 1999 | 200 percent | 25 percent |
| 2000 | 400 percent | 25 percent |
| 2001 | 200 percent | - |
| 2002 | 110 percent | - |
| 2003 | 1 50 percent | - |

Surely, it is due to this performance that the company was flanked as first by "Corporate Excellence Award" by the Management Association of Pakistan during 1995 and has been declared as one of the Top 25 Companies by the Karachi Stock Exchanges for eight consecutive years from 1989 to 1996. For the years 1997 and 1998, company was not ranked among Top 25 Companies just for lack of some membership criteria. For 1999 and onwards, it has again been ranked among the Top 25 Companies.

GRAYS PAKISTAN, under the chairmanship of Mr. John Gray and Chief Executive Officer, Mr. Khawar A. Khawaja, has pledged itself to a very strong commitment to realism and honesty with its principals which legislates for the benefits of the public and not least of the Sports and sportsmen.

DIRECTORS' REPORT

I am pleased to present the annual report together with audited financial statements for the year ended 30 June 2003 and the auditors' report thereon. The statement of compliance with best practices of the Code of Corporate Governance and the auditors' review report on the said report are also given for perusal thereof.

PERFORMANCE REVIEW

As experienced during last four consecutive years, shift in sales from wooden hockey stick to composite hockey, particularly in the top and middle range continued in the year under review too. As a result thereof, the export of hockey sticks has come down from 192,524 in 1998-99 to 143,526 in 2002-03 in number and from 2.54 million dollars a year to 1.2 million dollars a year in value. Consequently, export revenue from hockey stick has decreased at 26.42 % as compared to the last year. However, the management endeavored its best to minimize this loss by aggressive marketing of other products such as cricket balls, roller and bandy hockey and various accessories. The export of these items have thus improved, though marginally, which successfully contained the decline in overall sales revenue of the company to 23.75 % despite an approximate 12% fall in dollar exchange rate. Also government slashed duty draw-back rates from 10% to 1.14%.

The management also exercised a very strict check over cost of production and other operating overheads and succeeded to control these expenses in line with the rate of inflation. As such, the operating performance of the company has been modest in absolute terms.

The financial results: in a summarized form are given hereunder:

| | 2003 Rupees | 2002 Rupees |
|---|----------------|----------------|
| Profit for the year ended 30 June, 2003 after providing for administration, marketing and financial charges | 40,144,291 | 52,281,425 |
| Less : Workers' profit participation fund | 1,952,101 | 2,549,372 |
| Donations | 1,102,275 | 1,293,995 |
| | 3,054,376 | 3,843,367 |
| Profit before taxation | 37,089,915 | 48,438,058 |
| Less : Provision for taxation | 4,196,962 | 5,953,881 |
| Profit after taxation | 32,892,953 | 42,484,177 |
| Un-appropriated profit brought forward | 480,937 | 961,817 |
| Profit available for appropriations | 33,373,890 | 43,445,994 |
| Appropriations : | | |
| Proposed final dividend Rs.15 per share | 24,497,805 | 17,965,057 |
| Transfer to general reserve | 8,000,000 | 25,000,000 |
| | 32,497,805 | 42,965,057 |
| Un-appropriated profit | 876,085 | 480,937 |
| Earnings per share | 20.14 | 26.01 |

FUTURE OUTLOOK

As informed earlier, we have acquired / imported the necessary plant and equipments and the technical know-how and expertise and established a pilot project for the manufacture of composite sticks. We have started trial production and placed our products among national as well as international hockey players to check its quality and acceptability at various levels. You will surely be pleased to know that the results so far conveyed to us are very encouraging rather more than our expectations.

At the same time, the development of roller and bandy stick which has been taken well in the market, will also help us in resetting on to the past growth tracks and maintaining healthy returns to the shareholders.

DIVIDEND

Dear shareholders, handsome and exemplary returns to you is undoubtedly our **first priority**. At the same time we should also be alive of the importance of company's financial health for its future growth and expansion of its business through profit plough backs. This will save us with ample funds for heavy investment in various expansion and diversification projects in future.

You will surely appreciate that despite the decline in profits, the Directors have recommended one hundred and fifty percent (150 %) cash dividend for the year and transfer a sum of rupees 8 million to the reserves while the balance to be carried forward as un-appropriated profit.

GRAYS LEASING LIMITED

Grays of Cambridge (Pakistan) Limited holds 40 percent of the paid up capital of rupees one hundred and eighty million of Grays Leasing Limited. The shareholders' equity of this company has grown from rupees 205.555 million to 220 million during the year ended June 30, 2003 The company has also declared 10 percent cash dividend for the year.

CODE OF CORPORATE GOVERNANCE

Your directors support and endorse the implementation of the Code of Corporate Governance for the listed companies and believe that this will strengthen the corporate sector of the country in line with the Global trends. The directors have implemented the code as required and there has been no

material departure from it. All major disclosures as required under the code, have been complied with some re-affirmations. The Audit Committee of the Board has also been established.

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

MEETINGS OF BOARD OF DIRECTORS

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

| Name of director | Attended | Leave granted |
|---|----------|---------------|
| Mr. Harold John Gray | 1 | 6 |
| Mr. Khawar Anwar Khawaja | 6 | 1 |
| Mr. Khurram Anwar Khawaja | 6 | 1 |
| Mr. Muhammad Tahir Butt | 6 | 1 |
| Mr. Neil Douglas James Gray | 1 | 6 |
| Mrs. Nuzhat Khawar Khawaja | 5 | 2 |
| Mr. Paul Douglas Gray | 1 | 6 |
| Mr. Sarfraz Mahmood (Alternate to Mr. Harold John Gray) | 1 | - |

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data for the last decade is given in a summarized form hereafter this report.

PATTERN OF SHAREHOLDING

The pattern of shareholdings as at June 30,2003 is also given with this report.

INTERNAL CONTROLS

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

PERSONNELS, WORKING ENVIRONMENT

Your company is well aware of the importance of a team of skilled workers and staff. Therefore, in-house programs designed for this purpose are regularly undertaken. Fresh apprentices are trained through on-job practical working methods. At the same time, other important areas like health, safety and better working environment are also being looked after very well.

The company also affords opportunity to its employees to attend workshops and training seminars arranged by various management training institutions.

RETIREMENT BENEFITS

The company operates a funded contributory provident fund scheme for its employees. Value of investment based on respective audited accounts is Rs. 5.740 million (2002:Rs. 4.543 million).

AUDITORS

The present auditors Messrs M.A. Tabussum & Company, Chartered Accountants, retire, and being

eligible, have offered themselves for re-appointment.

APPRECIATION

Before conclusion, I, on behalf of the board of directors, wish to place on record my very special thanks to all whose contribution helped us to achieve this performance in a difficult situation.

ON BEHALF OF THE BOARD OF DIRECTORS

Sialkot: September 29, 2003

Khawar A. Khawaja

Chief Executive/Director

STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION

| | 2003 (Rupees in '000) % | | 2002 (Rupees in '000) % | |
|------------------------------------|----------------------------|-------|----------------------------|-------|
| VALUE ADDED | | | | |
| Net Sales | 92,448 | | 121,236 | |
| Less : Materials and services | 53,545 | | 60,297 | |
| | 38,903 | | 60,939 | |
| Other income | 27,988 | | 20,991 | |
| | 66,891 | 100 | 81,930 | 100 |
| DISTRIBUTION | | | | |
| To Employees | | | | |
| Salaries, wages and benefits | 23,656 | 35.36 | 25,644 | 31.3 |
| Worker's profit participation fund | 1,952 | 2.92 | 2,549 | 3.11 |
| | 25,608 | 38.28 | 28,193 | 34.41 |
| To Government | | | | |
| Taxes on income | 4,197 | 6.27 | 5,954 | 7.27 |
| To Banks | | | | |
| Interest, commission etc. | 530 | 0.79 | 1,249 | 1.52 |
| To Shareholders | | | | |
| Dividend | 24,498 | 36.62 | 17,965 | 21.93 |
| To Service to community | | | | |
| Donations | 1,102 | 1.65 | 1,294 | 1.58 |
| Retained in business | | | | |
| Depreciation | 2,561 | 3.83 | 2,756 | 3.36 |
| Retained profits | 8,395 | 12.55 | 24,519 | 29.93 |
| | 10,956 | 16.38 | 27,275 | 33.29 |
| | 66,891 | 100 | 81,930 | 100 |

DECADE AT A GLANCE

| | 30 June 2003 | 30 June 2002 | 30 June 2001 | 30 June 2000 | 30 June 1999 | 30 June 1998 | 30 June 1997 | 30 June 1996 | 30 June 1995 | 31 Dec 1994 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Sales and revenues | 120,437 | 142,228 | 134,734 | 160,777 | 117,693 | 112,395 | 87,865 | 80,253 | 38,452 | 66,651 |
| Cost of sales | 57,109 | 65,853 | 50,078 | 52,419 | 50,710 | 49,151 | 45,238 | 38,505 | 19,299 | 32,427 |
| Operating & other costs | 26,238 | 27,937 | 22,005 | 23,436 | 21,185 | 22,353 | 15,907 | 16,044 | 7,057 | 14,768 |
| Taxes on Income | 4,197 | 5,954 | 5,254 | 7,667 | 2,390 | 1,147 | 633 | 952 | 469 | 767 |
| Profit after taxation | 32,893 | 42,484 | 57,397 | 77,255 | 43,408 | 39,744 | 26,087 | 24,752 | 11,627 | 18,689 |
| FINANCIAL POSITION | | | | | | | | | | |
| Current assets | 170,219 | 169,692 | 180,022 | 207,046 | 150,421 | 107,605 | 96,147 | 61,835 | 87,965 | 78,105 |
| Current liabilities | 42,323 | 39,261 | 75,469 | 108,869 | 56,259 | 37,516 | 48,353 | 26,491 | 23,403 | 18,433 |
| Net working capital | 127,896 | 130,431 | 104,553 | 98,177 | 94,162 | 70,089 | 47,794 | 35,344 | 64,562 | 59,672 |
| Fixed assets and long term deposits | 121,712 | 110,782 | 96,309 | 77,952 | 56,974 | 58,544 | 53,040 | 53,132 | 10,361 | 11,090 |
| Shareholders' equity | 249,608 | 241,213 | 200,862 | 176,129 | 151,136 | 128,633 | 100,834 | 88,476 | 74,923 | 70,762 |
| STATISTICS AND RATIOS | | | | | | | | | | |
| Bonusshares (percentage) | - | - | - | 25 | 25 | 40 | - | - | - | - |
| Dividend | 150 | 110 | 200 | 400 | 200 | 160 | 200 | 150 | 100 | 100 |
| Profit on shareholders' equity " | 14.86 | 20.08 | 31.19 | 48.22 | 30.3 | 31.79 | 27.94 | 29.05 | 16.14 | 27.49 |
| Profit before tax to sales | 40.12 | 39.95 | 64.06 | 84.67 | 46.51 | 41.33 | 31.17 | 33.02 | 32.63 | 30.51 |

| | | | | | | | | | | |
|---------------|----------|----------|----------|----------|--------|--------|--------|--------|----------|--------|
| Current ratio | 4.02 : 1 | 4.32 : 1 | 2.39 : 1 | 1.90 : 1 | 2.67:1 | 2.87:1 | 1.99:1 | 2.33:1 | 3.76 : 1 | 4.24:1 |
|---------------|----------|----------|----------|----------|--------|--------|--------|--------|----------|--------|

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended 30 June 2003 have been duly complied with.

FOR AND ON BEHALF OF THE BOARD

(KHAWAR A. KHAWAJA)

SIALKOT : 29 September 2003

Chief Executive/Direcor

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE

WITH BEST PRACTICES OF CODE OF

CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30,2003 prepared by the Board of Directors of Grays of Cambridge (Pakistan) Limited, to comply with the Listing Regulation No. 37 of the Karachi and Lahore Stock Exchanges (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express and opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2003.

M. A. TABUSSUM & CO.

LAHORE: 29 September 2003

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED as at

June 30, 2003 and related Profit and Loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

b) In our opinion;

i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) The expenditure incurred during the year was for the purpose of the company's business; and

iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 June 30, 2003 and of the profit, its cash flows and the changes in equity for the year then ended; and

d) In our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980, was deducted by the company and deposited in the central Zakat Fund established under section 7 of that Ordinance.

M. A. TABUSSUM & COMPANY
Lahore: September 29, 2003

CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 30 JUNE 2003

| | NOTE | 2003 Rupees | 2002 Rupees |
|--|------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized Share Capital | | | |
| 6 000 000 ordinary shares of Rupees 10 each | | 60,000,000 | 60,000,000 |
| Issued, subscribed and paid up share capital | 3 | 16,331,870 | 16,331,870 |
| Reserves | | 232,400,000 | 224,400,000 |
| Unappropriated profit | | 876,085 | ##### |
| | | 249,607,955 | 241,212,807 |
| CURRENT LIABILITIES | | | |
| Creditors, accrued and other liabilities | 4 | 12,763,651 | 14,491,154 |
| Provision for taxation | 5 | 4,519,129 | 6,276,048 |
| Dividend payable | 6 | 25,040,475 | 18,493,445 |
| | | 42,323,255 | 39,260,647 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 7 | - | - |
| | | 291,931,210 | 280,473,454 |

The annexed notes form an integral part of these accounts.

| | NOTE | 2003 Rupees | 2002 Rupees |
|---------------|------|----------------|----------------|
| ASSETS | | | |

NON-CURRENT ASSETS

| | | | |
|------------------------|---|-------------|-------------|
| Operating fixed assets | 8 | 19,369,446 | 20,473,413 |
| Investments | 9 | 102,051,863 | 90,024,910 |
| Long term deposits | | 291,009 | 283,009 |
| | | 121,712,318 | 110,781,332 |

CURRENT ASSETS

| | | | |
|---|----|-------------|-------------|
| Stock in trade | 10 | 30,409,643 | 28,967,120 |
| Trade debts | 11 | 16,291,882 | 23,575,880 |
| Advances, deposits, prepayments and other receivables | 12 | 30,980,261 | 31,265,304 |
| Short term placements | 13 | 80,509,884 | 73,509,884 |
| Cash and bank balances | 14 | 12,027,222 | 12,373,934 |
| | | 170,218,892 | 169,692,122 |
| | | 291,931,210 | 280,473,454 |

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2003

| | NOTE | 2003 Rupees | 2002 Rupees |
|--|------|----------------|----------------|
| SALES | 15 | 92,448,079 | 121,236,322 |
| COST OF GOODS SOLD | 16 | 57,108,797 | 65,852,485 |
| GROSS PROFIT | | 35,339,282 | 55,383,837 |
| ADMINISTRATIVE SELLING AND GENERAL EXPENSES | 17 | 22,648,616 | 21,612,421 |
| | | 12,690,666 | 33,771,416 |
| OTHER INCOME | 18 | 27,988,534 | 20,991,289 |
| | | 40,679,200 | 54,762,705 |
| FINANCIAL AND OTHER CHARGES | 19 | 3,589,285 | 6,324,647 |
| PROFIT BEFORE TAXATION | | 37,089,915 | 48,438,058 |
| PROVISION FOR TAXATION - Current | | 4,196,962 | 5,953,881 |
| PROFIT AFTER TAXATION | | 32,892,953 | 42,484,177 |
| UNAPPROPRIATED PROFIT BROUGHT FORWARD | | 480,937 | 961,817 |
| PROFIT AVAILABLE FOR APPROPRIATION | | 33,373,890 | 43,445,994 |
| APPROPRIATIONS : | | | |
| Final dividend @ Rupees 15 per share (2002: Rupees 11 per share) | | 24,497,805 | 17,965,057 |
| Transfer to general reserve | | 8,000,000 | 25,000,000 |
| | | 32,497,805 | 42,965,057 |
| | | 876,085 | 480,937 |
| EARNINGS PER SHARE | 20 | 20.14 | 26.01 |

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

| | NOTE | 2003 Rupees | 2002 Rupees |
|---|------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 37,089,915 | 48,438,058 |
| Adjustments for non cash and other items: | | | |
| Depreciation | | 2,560,991 | 2,756,131 |
| Profit on short term placements and deposits with banks | | -8,114,282 | -12,914,658 |
| Dividend income | | -7,894,688 | -8,064,765 |
| (Surplus)/ deficit on revaluation of investments | | -11,551,363 | 1,215,754 |
| Gain on disposal of fixed assets | | -428,201 | -11,866 |
| Financial Charges | | 529,800 | 1,249,499 |
| | | -24,897,743 | -15,769,905 |
| Operating profit before working capital changes | | 12,192,172 | 32,668,153 |
| Decrease / (Increase) in current assets | | | |
| Stock in trade | | -1,442,523 | 3,443,296 |
| Trade debts | | 7,283,998 | 12,416,737 |
| Advances, deposits, prepayments and other receivables | | 285,043 | 12,461,331 |

| | | |
|---|-------------------|-------------------|
| Short term placements | -7,000,000 | 10,000,000 |
| Increase / (Decrease) in current liabilities | | |
| Short term finance | - | -29,000,000 |
| Creditors, accrued and other liabilities | -1,727,503 | -6,388,131 |
| Net cash flows from working capital changes | -2,600,985 | 2,933,233 |
| CASH FLOWS FROM OPERATING ACTIVITIES | 9,591,187 | 35,601,386 |
| Financial charges paid | -529,800 | -1,249,499 |
| Income tax paid | -5,953,881 | -8,063,963 |
| Net cash flows from operating activities | 3,107,506 | 26,287,924 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Addition in investments | -475,590 | -12,000,000 |
| Addition in fixed assets | -1,958,823 | -5,864,405 |
| Addition in long term deposits | -8,000 | -85,086 |
| Proceeds from disposal of operating fixed assets | 930,000 | 1,182,778 |
| Profit on short term placements and deposits with banks | 8,114,282 | 12,914,658 |
| Dividend income | 7,894,688 | 8,064,765 |
| Net cash flows from investing activities | 14,496,557 | 4,212,710 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | -17,950,775 | -32,551,439 |
| Net Increase in cash and cash equivalents | -346,712 | -2,050,805 |
| Cash and cash equivalents at beginning of the year | 12,373,934 | 14,424,739 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 12,027,222 | 12,373,934 |

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2003

| | Share Capital Rupees | Capital Reserve Rupees | General Reserve Rupees | Unappropriated Profit Rupees | Total Rupees |
|----------------------------|----------------------------|------------------------------|------------------------------|---|-----------------|
| Balance as at 01 July 2001 | 16,331,870 | - | 184,000,000 | 530,542 | 200,862,412 |
| Net profit for the year | - | - | - | 42,484,177 | 42,484,177 |
| Acquired on merger | - | 1,000,000 | 14,400,000 | 431,275 | 15,831,275 |
| Final dividend | - | - | - | -17,965,057 | -17,965,057 |
| General reserve | - | - | 25,000,000 | -25,000,000 | - |
| Balance as at 30 June 2002 | 16,331,870 | 1,000,000 | 223,400,000 | 480,937 | 241,212,807 |
| Net profit for the year | - | - | - | 32,892,953 | 32,892,953 |
| Final dividend | - | - | - | -24,497,805 | -24,497,805 |
| General reserve | - | - | 8,000,000 | -8,000,000 | - |
| Balance as at 30 June 2003 | 16,331,870 | 1,000,000 | 231,400,000 | 876,085 | 249,607,955 |

The annexed notes form an integral part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2003

1. THE COMPANY AND ITS ACTIVITIES

Grays of Cambridge (Pakistan) Limited was incorporated in Pakistan on June 02, 1964 as a private company limited by shares under the Companies Act, 1913 (Now Companies Ordinance, 1984) and converted into a public limited company on April 17, 1986. The Company's shares are quoted on the Karachi and Lahore Stock Exchanges. Company is engaged in manufacturing and export of quality sports goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting conventions

These accounts have been prepared under the historical cost convention except to the extent of investments and foreign currencies as stated in Note 2.7 and 2.10

2.2 **Basis of preparation of financial statements**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards, as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of Companies Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.3 **Staff retirement benefits**

The company operates a funded contributory provident fund scheme for its employees. Equal monthly contributions are made both by the company and employees at the rate of 6.25 percent of the basic salary to the fund.

2.4 Taxation

Current

The company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax has been made in the accounts accordingly. However tax on other income is based on taxable at the current rates after considering the rebates and tax credits available, if any.

Deferred

As per section 169 of the Income Tax Ordinance, 2001 company's current taxation does not require accounting for any deferred taxation as there are no major timing differences which may dictate such accounting and no such major timing differences are envisaged to surface in the foreseeable future.

2.5 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 embodying economic benefits will be acquired to settle the obligations and a reliable estimate of the amount can be made.

2.6 **Tangible fixed assets and depreciation**

Owned assets

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress which are stated at cost. Cost of tangible fixed assets consists of historical cost including directly attributable cost of bringing the assets to working condition.

Depreciation is charged to income applying the reducing balance method to write off the cost of operating fixed assets over their expected useful life.

Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of tangible fixed assets are included in current year's income,

Leased Assets

Leasehold land is stated at cost less the amount amortized over the lease period in equal proportions.

2.7 Investments

Investments are initially recognized on trade-date at cost, comprising of fair value of consideration paid and cost of transaction. Its classification is made on the basis of intended purpose for holding such investments. These are measured at the balance sheet date on the following basis:

Held to maturity

These are stated at amortized cost, less impairment cost, if any, recognized to reflect irrecoverable amount. Impairment losses are charged to profit and loss account.

Held for trading

These are recognized at fair value and changes in carrying values are included in profit and loss account.

Available for sale

These are stated at fair value and changes in carrying values are included in profit and loss account.

2.8 Stock-in-trade

This is valued at the lower of average cost and net realizable value. Average cost and net realizable value are defined as under:

Average cost

| | | |
|--|---|--|
| For raw material | - | at annual average cost |
| For work-in-process and finished goods | - | at annual manufacturing cost |
| Net realizable value | - | It signifies the prevailing market prices in |

ordinary course of business less selling expenses incidental to sales

2.9 Trade debts

Bad debts are written off when identified.

2.10 Foreign currency transactions

Transactions in foreign currencies are recorded in the books of accounts using the rates of exchange ruling at the date of respective transaction. All assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Gains and losses on translation are included in the income currently.

2.11 Financial instruments

All other financial instruments and liabilities are recognized at cost which is the fair value of the consideration given or received at the time when the company becomes a party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on subsequent measurement and derecognizing is charged to income.

2.12 Cash and cash equivalent

Cash and cash equivalent comprise of cash and bank balances.

2.13 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized.

2.14 Off-setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends to either settle on a net basis, or to realize the asset and to settle the liabilities simultaneously.

2.15 Revenue recognition

Revenue from sales is recognized on delivery of goods to customers. Profit on deposits with banks is recognized on a time proportion basis taking into account the principal outstanding and rate of profit/ interest applicable thereon. Dividend on equity investments is recognized as income if company's right to receive payment has been established.

2.16 Related party transactions and transfer pricing

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

| | NOTE | 2003 Rupees | 2002 Rupees |
|---|------|----------------|----------------|
| ISSUED, SUBSCRIBED AND PAID UP CAPITAL | | | |
| 204 700 Ordinary shares of Rupees 10 each fully paid up in cash | | 2,047,000 | 2,047,000 |
| 4 400 Ordinary shares of Rupees 10 each fully paid up for consideration other than cash | | 44,000 | 44,000 |
| 1 424 087 Ordinary shares of Rupees 10 each issued as fully paid bonus shares | | 14,240,870 | 14,240,870 |
| | | 16,331,870 | 16,331,870 |
| CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| Trade creditors | | 834,105 | 546,736 |
| Advances from customers | | 1,905,192 | 735,771 |
| Due to directors | | 454,420 | 835,996 |
| Commission payable | | 3,533,690 | 3,792,469 |
| Workers' profit participation fund (Note 4.1) | | 1,952,101 | 2,549,372 |
| Due to associated undertaking -Anwar Khawaja Industries (Pvt) Ltd. | | 65,097 | 34,357 |
| Other accrued liabilities | | 4,019,046 | 5,996,453 |
| | | 12,763,651 | 14,491,154 |
| Workers' Profit Participation Fund | | | |
| Balance at the beginning of the year | | 2,549,372 | 4,349,759 |
| Less : Payments made during the year | | | |
| To workers | | 1,044,000 | 1,158,000 |
| To Government | | 1,505,372 | 3,191,759 |
| | | 2,549,372 | 4,349,759 |
| Share of company's profit for the year | | 1,952,101 | 2,549,372 |
| | | 1,952,101 | 2,549,372 |
| PROVISION FOR TAXATION | | | |
| Balance at the beginning of the year | | 6,276,048 | 8,386,130 |
| Payments made during the year | | -5,953,881 | -8,063,963 |
| | | 322,167 | 322,167 |
| Provision for the year | | 4,196,962 | 5,953,881 |
| | | 4,519,129 | 6,276,048 |
| DIVIDEND PAYABLE | | | |
| Final dividend | | 24,497,805 | 17,965,057 |
| Unclaimed dividend | | 542,670 | 528,388 |
| | | 25,040,475 | 18,493,445 |

7. CONTINGENCIES AND COMMITMENTS

Counter guarantees given by the company to its bankers and post dated cheques issued to the Custom Authorities are amounting to Rupees 12.618 million (2002 : Rupees 12.727 million)

8. TANGIBLE FIXED ASSETS

| DESCRIPTION | COST | | ACCUMULATED DEPRECIATION | | BOOK VALUE | | DEPRECIATION | |
|-----------------------------------|--------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|-----------|
| | As at 01 July 2002 | Additions/ (Deletions) | As at 30 June 2003 | As at 01 July 2002 | As at 30 June 2003 | AS AT 30 JUNE 2003 | Charge for the Year | RATE % |
| Freehold land | 948,487 | | 948,487 | | | 948,487 | | |
| Leasehold land | 164,219 | | 164,219 | 9,953 | 12,441 | 151,778 | 2,488 | |
| Factory building on freehold land | 15,885,421 | • | 15,885,421 | 8,187,232 | - | 8,957,051 | 769,819 | 10 |
| Plant and machinery | 6,853,265 | 353,017 | 7,206,282 | 2,811,982 | - | 3,251,412 | 439,430 | 10 |
| Office equipment | 1,408,009 | 207,150 | 1,615,159 | 800,187 | - | 881,684 | 81,497 | 10 |
| Tools and equipment | 2,195,469 | 282,030 | 2,477,499 | 866,389 | - | 1,027,500 | 161,111 | 10 |
| Electric installations | 2,845,870 | 181,796 | 3,027,666 | 1,274,624 | - | 1,449,928 | 175,304 | 10 |
| Furniture and fixtures | 1,168,528 | 2,000 | 1,170,528 | 664,692 | | 715,276 | 50,584 | 10 |
| Vehicles | 5,962,111 | 776,050 | 5,188,811 | 2,913,805 | -1,047,551 | 2,530,765 | 664,511 | 20 |
| | | -1,549,350 | | | | | | |
| Computers | 1,754,727 | 156,780 | 1,911,507 | 1,194,115 | - | 1,409,333 | 215,218 | 30 |
| Security arms | 22,800 | • | 22,800 | 12,514 | - | 13,543 | 1,029 | 10 |
| 2003 Rupees | 39,208,906 | 1,958,823 | 39,618,379 | 18,735,493 | -1,047,551 | 20,248,933 | 2,560,991 | |
| | | -1,549,350 | | | | | | |
| 2002 Rupees | 36,235,690 | 5,864,405 | 39,208,906 | 17,699,639 | -1,720,277 | 18,735,493 | 2,756,131 | |
| | | -2,891,189 | | | | | | |

8.1 The depreciation charged for the year has been allocated as follows:

| | 2003 Rupees | 2002 Rupees |
|--|----------------|----------------|
| Cost of goods sold | 1,548,152 | 1,629,133 |
| Administrative, selling and general expenses | 1,012,839 | 1,126,998 |
| | 2,560,991 | 2,756,131 |

8.2 Detail of fixed assets disposed of during the year:

| | COST | ACCUMULATED DEPRECIATION | BOOK VALUE | SALE PROCEEDS | MODE OF DISPOSAL | PARTICULARS OF PURCHASER |
|--------------------------|--------|--------------------------|------------|---------------|------------------|-------------------------------------|
| | Rupees | Rupees | Rupees | Rupees | | |
| Hyundai Satnro(STK 6822) | 449,85 | 0 219,52 | 7 230,32 | 3 235,00 |) | Negotiation Mubashar Shafiq, Lahore |
| Suzuki Bolan (STH 392) | 319,50 | 0 252,49 | 6 67,00 | 4 70,00 |) | Negotiation Muhammad Afzal, Sialkot |
| Toyota (LXD 1585) | 780,00 | 0 575,52 | 8 204,47 | 2 625,00 | 0 | Negotiation Mr. Naseem, Lahore |

NOTE

| | 2003 Rupees | 2002 Rupees |
|--|----------------|----------------|
| 9. INVESTMENTS (Available for sale) | | |
| Fully paid up ordinary shares- Quoted (Note 9.1) | 91,599,654 | 91,124,064 |
| Government securities - Unquoted (Note 9.2) | 116,600 | 116,600 |
| | 91,716,254 | 91,240,664 |
| Surplus (deficit) on revaluation of investments (Note 9.3) | 10,335,609 | -1,215,754 |
| | 102,051,863 | 90,024,910 |

9.1 FULLY PAID UP ORDINARY SHARES - QUOTED

MUTUAL FUND

ICP (STATE ENTERPRISE) MUTUAL FUND SERIES 'A' 1

39900 certificates of Rupees 10 each
(2002 : 39900 shares)

| | | |
|--|-----------|-----------|
| | 1,260,840 | 1,260,840 |
|--|-----------|-----------|

LEASING AND MODARABA
GRAYS LEASING LIMITED

| | | | |
|-----|--|------------|------------|
| | (ASSOCIATED UNDERTAKING) | | |
| | 7200000 ordinary shares of Rupees 10 each - equity held 40% (2002 : 7200000 shares - equity held 40%) | 72,197,875 | 72,197,875 |
| | TRUST MODARABA | | |
| | 182000 certificates of Rupees 10 each including 82000 bonus certificates (2002 : 182000 certificates including 82000 bonus certificates) | 2,182,545 | 2,182,545 |
| | FIRST GRINDLAYS MODARABA | | |
| | 24948 certificates of Rupees 10 each including 5948 bonus certificates (2002 : 24948 certificates including 5948 bonus certificates) | 529,030 | 529,030 |
| | FIRST CRESCENT MODARABA | | |
| | 205312 certificates of Rupees 10 each including 58812 bonus certificates (2002 : 205312 certificates including 58812 bonus certificates) | 2,554,820 | 2,554,820 |
| | FIRST FIDELITY LEASING MODARABA | | |
| | 444186 certificates of Rupees 10 each including 74624 bonus certificates (2002 : 444186 certificates including 74624 bonus certificates) | 4,510,285 | 4,510,285 |
| | TEXTILE | | |
| | UMER FABRICS LIMITED | | |
| | 14950 ordinary shares of Rupees 10 each (2002: 14950 shares) | 153,465 | 153,465 |
| | NISHAT MILLS LIMITED | | |
| | 50480 ordinary shares of Rupees 10 each including 18315 bonus shares (2002 : 45891 shares including 13726 bonus shares) | 929,320 | 929,320 |
| | SUGAR | | |
| | HUSEIN SUGAR MILLS LIMITED | | |
| | 13197 ordinary shares of Rupees 10 each including 7010 bonus shares (2002 : 13197 shares including 7010 bonus shares) | 326,550 | 326,550 |
| | | | |
| | NOTE | 2003 | 2002 |
| | | Rupees | Rupees |
| | CEMENT | | |
| | MAPLE LEAF CEMENT FACTORY LIMITED | | |
| | 227000 ordinary shares of Rupees 10 each including 6000 bonus shares (2002 : 227000 shares including 6000 bonus shares) | 2,090,250 | 2,090,250 |
| | D. a KHAN CEMENT COMPANY LIMITED | | |
| | 190239 ordinary shares of Rupees 10 each including 25906 bonus shares (2002 : 172945 shares including 8612 bonus shares) | 4,382,344 | 4,382,344 |
| | 47559 preference shares @ 10% (non-voting) of Rupees 10 each redeemable after 4 years (2002: Nil) | 475,590 | - |
| | CHEMICAL | | |
| | SITARA CHEMICAL INDUSTRIES LIMITED | | |
| | 950 ordinary shares of Rupees 10 each including 655 bonus shares (2002 : 950 shares including 655 bonus shares) | 6,740 | 6,740 |
| | | 91,599,654 | 91,124,064 |
| 9.2 | GOVERNMENT SECURITIES - UNQUOTED FOREIGN EXCHANGE BEARER CERTIFICATES Rupees 0.110 million face value and Rupees 0.228 million surrender value (2002 : Rupees 0.110 million face value and Rupees 0.199 million surrender value) | 116,600 | 116,600 |
| 9.3 | SURPLUS (DEFICIT) ON REVALUATION OF INVESTMENTS | | |
| | Opening balance | -1,215,754 | - |
| | Reversal/ (addition) for the year | 11,551,363 | -1,215,754 |
| | | 10,335,609 | -1,215,754 |

| | | |
|--------------------|------------|------------|
| 10. STOCK-IN-TRADE | | |
| Raw materials | 13,669,284 | 14,699,055 |
| Work-in-process | 12,049,002 | 9,242,516 |
| Finished goods | 4,691,357 | 5,025,549 |
| | 30,409,643 | 28,967,120 |

11. TRADE DEBTS

These are unsecured but considered good. The export bills under collection include bills due from Gray Nicolls, England and Gray Nicolls, Australia, associated undertakings amounting to Rupees 8.763 million (2002: Rupees 16.703 million).

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | |
|---|------------|------------|
| Advances- considered good: | | |
| To employees | 880,421 | 880,469 |
| To suppliers | 435,449 | 969,264 |
| To Income tax department | 8,652,460 | 7,703,028 |
| | 9,968,330 | 9,552,761 |
| Deposits - Trade and others | 6,835,477 | 4,372,200 |
| Short term prepayments | 12,500 | 136,891 |
| Export rebate claims | 420,959 | 5,555,910 |
| Sales tax receivable | 4,639,801 | 3,194,354 |
| Dividend receivable from associated undertaking (Note 12.1) | 7,200,000 | 7,200,000 |
| Insurance claim receivable | 54,778 | - |
| Letter of credit | 204,068 | - |
| Accrued profit on investments | 1,644,348 | 1,253,188 |
| | 30,980,261 | 31,265,304 |

12.1 DIVIDEND RECEIVABLE FROM ASSOCIATED UNDERTAKING

This represents dividend receivable from Grays Leasing Limited @ 10% (2002: 10%).

| | NOTE | 2003 Rupees | 2002 Rupees |
|---|------|----------------|----------------|
| 13. SHORT TERM PLACEMENTS | | | |
| Trust Investment Bank Limited (Note 13.1) | | 27,000,000 | 27,000,000 |
| Escorts Investment Bank Limited (Note 13.2) | | 46,309,884 | 46,309,884 |
| Standard Chartered Grindlays Bank (Note 13.3) | | 200,000 | 200,000 |
| Alzamin Leasing Modaraba (Note 13.4) | | 7,000,000 | - |
| | | 80,509,884 | 73,509,884 |

13.1 This include placement of Rs. 27.00 million carrying mark up @ 7.5%. Its maturity date is 29 March 2004.

13.2 These include placements in two trenches of Rs. 31.141 million and 15.169 million carrying mark up @ 7.5%. Its maturity date is 29 September 2003.

13.3 This include placement of Rs. 0.200 million carrying mark up @ 1.25%. Its maturity date is 16 December 2003.

13.4 This include placement of Rs. 7.00 million carrying markup

@ 11.6%. Its
maturity date is 19
August 2003

| | | | |
|-------|--|-------------|-------------|
| 14. | CASH AND BANK BALANCES | | |
| | Cash in hand | 110,157 | 8,603 |
| | Cash with banks on : | | |
| | Current Accounts | 4,691,230 | 2,693,262 |
| | Deposit Accounts | 7,225,835 | 9,672,069 |
| | | 11,917,065 | 12,365,331 |
| | | 12,027,222 | 12,373,934 |
| 15. | SALES | | |
| | Export | 99,932,515 | 124,141,531 |
| | Custom rebates | 1,773,281 | 8,738,692 |
| | | 101,705,796 | 132,880,223 |
| | Local (Note 15.1) | 912,000 | 858,375 |
| | | 102,617,796 | 133,738,598 |
| | Commission to selling agents | -10,169,717 | -12,502,276 |
| | | 92,448.08 | 121.236.322 |
| 1 5.1 | Local sales are exclusive of sales tax amounting to Rupees 1 62,466 (2002: Rupees 1 77,254). | | |
| 1 6. | COST OF GOODS SOLD | | |
| | Raw material consumed (Note 16.1) | | |
| | Salaries, wages and other benefits (Note 16.2) | 36,428,656 | 45,896,535 |
| | Repair and maintenance | 16,843,486 | 16,671,382 |
| | Fuel and power | 1,481,957 | 934,484 |
| | Insurance | 2,041,286 | 1,979,103 |
| | Miscellaneous indirect expenses | 722,550 | 830,709 |
| | Depreciation (Note 8.1) | 515,004 | 79,169 |
| | | 1,548,152 | 1,629,133 |
| | Work - in- process | 59,581,091 | 68,020,515 |
| | Opening Inventory | | |
| | Closing Inventory | 9,242,516 | 7,486,603 |
| | | -12,049,002 | -9,242,516 |
| | Cost of goods manufactured | -2,806,486 | -1,755,913 |
| | Finished goods | 56,774,605 | 66,264,602 |
| | Opening Inventory | | |
| | Closing Inventory | 5,025,549 | 4,613,432 |
| | | -4,691,357 | -5,025,549 |
| | | 334,192 | -412,117 |
| | | 57,108,797 | 65,852,485 |

| | | | | |
|------|---------------------------|------|----------------|----------------|
| 16.1 | RAW MATERIAL CONSUMED | NOTE | 2003 Rupees | 2002 Rupees |
| | Opening stock | | | |
| | Purchases during the year | | 14,699,055 | 18,224,758 |
| | | | 35,398,885 | 42,370,832 |
| | Closing stock | | 50,097,940 | 60,595,590 |
| | | | 13,669,284 | 14,699,055 |
| | | | 36,428,656 | 45,896,535 |

16.2 SALARIES WAGES AND OTHER BENEFITS

This includes employer's contribution towards provident fund and bonus Rupees 0.181 million and Rupees 2.228 million respectively. (2002: Rupees 0.172 million and Rupees 2.478 million).

| | | | | |
|------|---|------|----------------|----------------|
| 1 7. | ADMINISTRATIVE, SELLING AND GENERAL EXPENSES | NOTE | 2003 Rupees | 2002 Rupees |
| | Salaries and other benefits (Note 17.1) | | 9,347,465 | 8,972,289 |
| | Travelling and conveyance | | 3,330,029 | 1 ,649,305 |
| | Vehicles running | | 1,130,291 | 1,165,664 |
| | Postage, telephone and telex | | 828,738 | 764,256 |
| | Legal and professional | | 273,600 | 638,310 |

| | | |
|-------------------------------------|------------|------------|
| Audit fee | 100,000 | 65,000 |
| Printing and stationery | 285,066 | 335,193 |
| Boarding, lodging and entertainment | 362,007 | 507,996 |
| Fee and subscription | 327,231 | 389,769 |
| Books and periodicals | 22,566 | 21,772 |
| Repairs and maintenance | 97,943 | 86,504 |
| Free samples | 369,045 | 355,082 |
| Export tax | 435,404 | 309,919 |
| Advertisement and publicity | 675,468 | 2,142,838 |
| Clearing and forwarding | 3,837,581 | 3,048,042 |
| Bad debts written off | 151,711 | 5,186 |
| Miscellaneous | 61,632 | 28,298 |
| Depreciation (Note 8.1) | 1,012,839 | 1,126,998 |
| | 22,648,616 | 21,612,421 |

17.1 SALARIES AND OTHER BENEFITS

This includes employer's contribution towards provident fund and bonus Rupees 0.085 million and Rupees 0.578 million respectively (2002: Rupees 0.071 million Rupees 0.630 million).

17.2 Total number of employees, including Chief Executive, 2 Directors and 4 Executives as on 30 June, 2003 was 184 (2002 : 191).

| | NOTE | 2003 Rupees | 2002 Rupees |
|---|------|----------------|----------------|
| 18. OTHER INCOME | | | |
| Profit on short term investments / deposit accounts | | 8,114,282 | 12,914,658 |
| Dividend income (Note 18.1) | | 7,894,688 | 8,064,765 |
| Surplus on revaluation of investments | | 11,551,363 - | |
| Gain on sale of fixed assets | | 428,201 | 11,866 |
| | | 27,988,534 | 20,991,289 |

18.1 This includes Rupees 7.200 million from associated undertaking Grays Leasing Limited (2002: Rupees 7.200 million).

| | NOTE | 2003 Rupees | 2002 Rupees |
|---------------------------------------|------|----------------|----------------|
| 19. FINANCIAL AND OTHER CHARGES | | | |
| Mark up on short term finance | - | | 780,244 |
| Bank charges and commission | | 529,800 | 469,255 |
| | | 529,800 | 1,249,499 |
| Zakat | | 5,109 | 16,027 |
| Deficit on revaluation of investments | - | | 1,215,754 |
| Workers' profit participation fund | | 1,952,101 | 2,549,372 |
| Donations (Note 19.1) | | 1,102,275 | 1,293,995 |
| | | 3,589,285 | 6,324,647 |

19.1 None of the directors and their spouses had any interest in the donees fund.

20. EARNINGS PER SHARE - BASIC

There is no dilutive effect on the basic earnings per share of the company, which is based on :

| | | | |
|-----------------------|---------|------------|------------|
| Profit after taxation | Rupees | 32,892,953 | 42,484,177 |
| Weighted average | Numbers | 1,633,187 | 1,633,187 |
| Earnings per share | Rupees | 20.14 | 26.01 |

21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the year for remuneration including certain benefits to the Chief Executive, Directors and Executives is as follows:

| Chief Executive | | Directors | | Executives | |
|-----------------|------|-----------|------|------------|------|
| 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Rupees | | Rupees | | Rupees | |

| | | | | | | |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Managerial remuneration | 1,656,000 | 1,656,000 | 828,000 | 828,000 | 758,400 | 734,400 |
| Allowances : | | | | | | |
| Housing | 744,000 | 744,000 | 372,000 | 372,000 | 341,280 | 330,480 |
| Utilities | 256,950 | 256,950 | 143,985 | 143,985 | 37,920 | 36,720 |
| Bonus | - | - | - | - | 127,332 | 91,800 |
| Earned leave | - | - | - | - | 35,606 | 42,565 |
| Income tax | 915,000 | 705,000 | 400,000 | 333,171 - | - | - |
| | 3,571,950 | 3,361,950 | 1,743,985 | 1,677,156 | 1,300,538 | 1,235,965 |
| Number of persons | 1 | 1 | 2 | 1 | 4 | 4 |

21.1 Chief Executive and 1 Executive have been provided free maintained vehicles.

21.2 No meeting fees were paid to Directors during the year under reference.

22. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The company sold to and purchased from associated undertakings goods, material and services at an arm's length price comparable uncontrolled price method in the aggregate sum of:

| | (Rupees in Million) | |
|---|---------------------|--------|
| Sales | 23.638 | 34.935 |
| Purchases | 1.577 | 0.059 |
| Maximum aggregate balance due at the end of any month | 17.799 | 16.703 |

21 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company's exposure to interest/ mark up rate risk and effective rates on its financial assets and financial liabilities are summarized as follows:

| | 2003 | | | |
|--|-----------------------|----------------------------|-------------------|-------------------------------|
| | FINANCIAL INSTRUMENTS | INTEREST / MARK-UP BEARING | | NON INTEREST MARK- UP BEARING |
| | | WITHIN ONE YEAR | ONE TO FIVE YEARS | |
| | Rupees | Rupees | Rupees | Rupees |
| ASSETS | | | | |
| Investment | 21,771,863 | 116,600 | 475,590 | 21,179,673 |
| Trade debts | 16,291,882 | - | - | 16,291,882 |
| Advances, deposits and other receivables | 17,035,983 | - | - | 17,035,983 |
| Short term placements | 80,509,884 | 80,509,884 | - | - |
| Cash and bank balances | 12,027,222 | 11,917,065 | - | 110,157 |
| | 147,636,834 | 92,543,549 | 475,590 | 54,617,695 |
| LIABILITIES | | | | |
| Creditors, accrued and other liabilities | 12,763,651 | - | - | 12,763,651 |
| Interest / mark up rate sensitivity gap | 134,873,183 | 92,543,549 | 475,590 | 41,854,044 |
| Cumulative interest / mark-up rate sensitivity gap | | 92,543,549 | 93,019,139 | 134,397,593 |

EFFECTIVE INTEREST / MARK-UP RATES

FINANCIAL ASSETS

| | |
|--------------------------------|------------------------------------|
| Investments | 10 to 16 percent per annum |
| Deposits with banks and NBFC's | 1 .25 to 1 1 .60 percent per annum |

| | 2002 | | | |
|--|-----------------------|---------------------------|-------------------|--------------------------------|
| | FINANCIAL INSTRUMENTS | INTEREST /MARK-UP BEARING | | NON INTEREST, MARK- UP BEARING |
| | | WITHIN ONE YEAR | ONE TO FIVE YEARS | |
| | Rupees | Rupees | Rupees | Rupees |
| ASSETS | | | | |
| Investment | 9,024,910 | 116,600 | - | 8,908,310 |
| Trade debts | 23,575,880 | - | - | 23,575,880 |
| Advances, deposits and other receivables | 19,261,767 | - | - | 19,261,767 |

| | | | | |
|--|-------------|------------|------------|-------------|
| Short term placements | 73,509,884 | 57,101,781 | - | 16,408,103 |
| Cash and bank balances | 12,373,934 | 12,365,331 | - | 8,603 |
| | 137,746,375 | 69,583,712 | - | 68,162,663 |
| LIABILITIES | | | | |
| Creditors, accrued and other liabilities | 14,812,891 | - | - | 14,812,891 |
| Interest / mark up rate sensitivity gap | 122,933,484 | 69,583,712 | - | 53,349,772 |
| Cumulative interest / mark-up rate sensitivity gap | | 69,583,712 | 69,583,712 | 122,933,484 |

EFFECTIVE INTEREST/ MARK-UP RATES

FINANCIAL ASSETS

| | |
|--------------------|---------------------------------|
| Investments | 14 percent per annum |
| Deposits with bank | 8.00 to 16.00 percent per annum |

23.1 CREDIT RISK

The Company believes that it is not exposed to major concentration of risk. Further, the company controls its credit risk by ascertainment of credit worthiness of customers, monitoring of debt on a continuous basis.

23.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximates their fair values as reflected in the financial statements.

24. PLANT CAPACITY AND ACTUAL PRODUCTION

As the company is engaged in manufacturing of man made sports goods and its production is dependent upon the efficiency of the person engaged, hence the capacity of the unit could not be determined .

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on 29 September 2003.

26. CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary for the purpose of comparison,

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2003

| Number of Shareholders | From | Shareholding To | Total shares held |
|------------------------|---------|-----------------|-------------------|
| 408 | 1 | 100 | 3,100 |
| 107 | 101 | 500 | 26,045 |
| 23 | 501 | 1,000 | 17,681 |
| 36 | 1,001 | 5,000 | 72,812 |
| 5 | 5,001 | 10,000 | 33,029 |
| 3 | 10,001 | 15,000 | 33,136 |
| 2 | 15,001 | 20,000 | 32,824 |
| 1 | 20,001 | 25,000 | 20,943 |
| 1 | 50,001 | 55,000 | 50,016 |
| 1 | 65,001 | 70,000 | 65,872 |
| 1 | 70,001 | 75,000 | 70,497 |
| 1 | 80,001 | 85,000 | 81,665 |
| 1 | 140,000 | 145,000 | 142,516 |
| 2 | 165,001 | 170,000 | 334,094 |
| 1 | 645,001 | 650,000 | 648,957 |
| 593 | | | 1,633,187 |

| | | | |
|----------------------------|--------|-------------|------------|
| Categories of shareholders | Number | Shares held | Percentage |
|----------------------------|--------|-------------|------------|

| | | |
|---|---------|-------|
| Associated companies, undertaking and related parties | 730,622 | 44.74 |
|---|---------|-------|

| | | |
|---|---------|-------|
| Grays of Cambridge (Intl) Ltd., England | 648,957 | 39.74 |
| Anwar Khawaja Industries (Pvt) Limited | 81,665 | 5 |
| NIT and ICP | 142,834 | 8.75 |
| National Investment Trust Limited | 142,516 | 8.73 |
| Investment Corporation of Pakistan | 318 | 0.02 |
| Directors, CEO and their spouse and minor children | 345,028 | 21.13 |
| Mr. Khurram Anwar Khawaja (Director) | 167,047 | 10.23 |
| Mr. Muhammad Tahir Butt (Director) | 2,187 | 0.13 |
| Mrs. Nuzhat Khawar Khawaja (Director) (w/o Mr. Khawar Anwar Khawaja) | 5,468 | 0.33 |
| Mr. Paul Douglas Gray (Director) | 1,093 | 0.07 |
| Mr. Harold John Gray (Director) | 1,093 | 0.07 |
| Mr. Neil Douglas James Gray (Director) | 1,093 | 0.07 |
| Mr. Khawar Anwar Khawaja (CEO) | 167,047 | 10.23 |

| Categories of shareholders | Number | Shares held | Percentage |
|--|--------|-------------|------------|
| Executives | - | - | - |
| Public sector companies and corporations | - | - | - |
| Banks, Development Finance Institutions, Non- Banking Finance Institutions, insurance companies, modarabas and mutual funds | 8 | 1,574 | 0.1 |
| Habib Bank Limited | | 68 | 0 |
| Rahat Securities Limited | | 160 | 0.01 |
| S. 1. Corporation (Pvt) Limited | | 125 | 0.01 |
| Munaf Sattar Securities (Pvt) Limited | | 196 | 0.01 |
| Memon Securities (Pvt) Limited | | 100 | 0.01 |
| Aqeel Karim Dhedhi Securities (Pvt) Limited | | 100 | 0.01 |
| Darson Securities (Pvt) Limited | | 100 | 0.01 |
| Capital Vision Securities (Pvt) Limited | | 725 | 0.04 |
| Shareholders holding ten percent or more voting interest in the company | - | - | - |
| Others | 574 | 413,129 | 25.3 |
| TOTAL | 593 | 1,633,187 | 100 |